

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, interest on the 2017 Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the 2017 Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax; however, interest paid to corporate holders of the 2017 Bonds may be indirectly subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. Bond Counsel is also of the opinion that, under currently existing law, interest on the 2017 Bonds is exempt from State of Utah individual income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds. See “TAX MATTERS” herein.*

*The City intends to designate the 2017 Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the deductibility of a financial institution’s interest expense allocable to tax-exempt interest. See “TAX MATTERS” herein.*

**\$5,810,000**

**Woods Cross City, Utah**  
**Sales Tax Revenue Bonds, Series 2017**

The \$5,810,000 Sales Tax Revenue Bonds, Series 2017 are issued by the Woods Cross City, Utah as fully-registered bonds and, when initially issued, will be in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York. DTC will act as securities depository for the 2017 Bonds.

Principal of and interest on the 2017 Bonds (interest payable June 15 and December 15 of each year, commencing June 15, 2017) are payable by Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See “THE 2017 BONDS—Book-Entry System” herein.

The 2017 Bonds are subject to optional redemption prior to maturity. See “THE 2017 BONDS—Redemption Provisions” herein.

Proceeds of the 2017 Bonds are being issued for the purposes of financing the acquisition, construction, equipping and furnishing of Public Works building complex and paying costs of issuance of the 2017 Bonds. See “THE 2017 BONDS” and “THE 2017 PROJECT” herein. The 2017 Bonds will be issued pursuant to the Indenture (as defined herein).

The 2017 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the revenues, moneys, securities and funds pledged therefor in the Indenture. The revenues consist of the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal and interest on the 2017 Bonds and the City is limited by Utah law in its ability to increase the rate of such taxes. See “RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS” herein. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant any security interest in all or any portion of the improvements financed or refinanced with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT” herein.

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**Dated:** Date of Delivery<sup>1</sup>

**Due:** December 15, as shown on inside front cover

**See the inside front cover for the maturity schedule of the 2017 Bonds.**

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**The 2017 Bonds were awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on January 11, 2017, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated December 28, 2016) to Janney Montgomery Scott LLC, Philadelphia, Pennsylvania at a “true interest rate” of 2.85%.**

**Zions Public Finance, Inc., Salt Lake City, Utah, acted as Municipal Advisor.**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.*

This OFFICIAL STATEMENT is dated January 11, 2017, and the information contained herein speaks only as of that date.

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<sup>1</sup> The anticipated date of delivery is Wednesday, February 1, 2017.

# Woods Cross City, Utah

**\$5,810,000**

## Sales Tax Revenue Bonds, Series 2017

**Dated: Date of Delivery<sup>1</sup>**

**Due: December 15, as shown below**

<b>Due December 15</b>	<b>CUSIP® 980096</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>
2017.....	AA9	\$205,000	2.00%	1.05%
2018.....	AB7	210,000	3.00	1.23
2019.....	AC5	215,000	4.00	1.44
2020.....	AD3	225,000	4.00	1.60
2021.....	AE1	235,000	4.00	1.75
2022.....	AF8	245,000	4.00	1.90
2023.....	AG6	255,000	4.00	2.00
2024.....	AH4	265,000	4.00	2.15
2025.....	AJ0	275,000	4.00	2.25
2026.....	AK7	285,000	3.00	2.35
2027.....	AL5	295,000	3.00	2.40
2028.....	AM3	305,000	3.00	2.50
2029.....	AN1	315,000	3.00	2.60
2030.....	AP6	320,000	3.00	2.70
2031.....	AQ4	330,000	3.00	2.80
2032.....	AR2	340,000	3.25	2.90
2033.....	AS0	355,000	3.25	3.00
2034.....	AT8	365,000	3.50	3.10
2035.....	AU5	380,000	3.50	3.15
2036.....	AV3	390,000	3.50	3.20

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<sup>1</sup> The anticipated date of delivery is Wednesday, February 1, 2017.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2017 Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by either Woods Cross City, Utah (the “City”); Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah (as Trustee, Bond Registrar and Paying Agent); Zions Public Finance, Inc., Salt Lake City, Utah (as Municipal Advisor); the successful bidder(s); or any other entity. All other information contained herein has been obtained from the City, The Depository Trust Company, New York, New York and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2017 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the City since the date hereof.

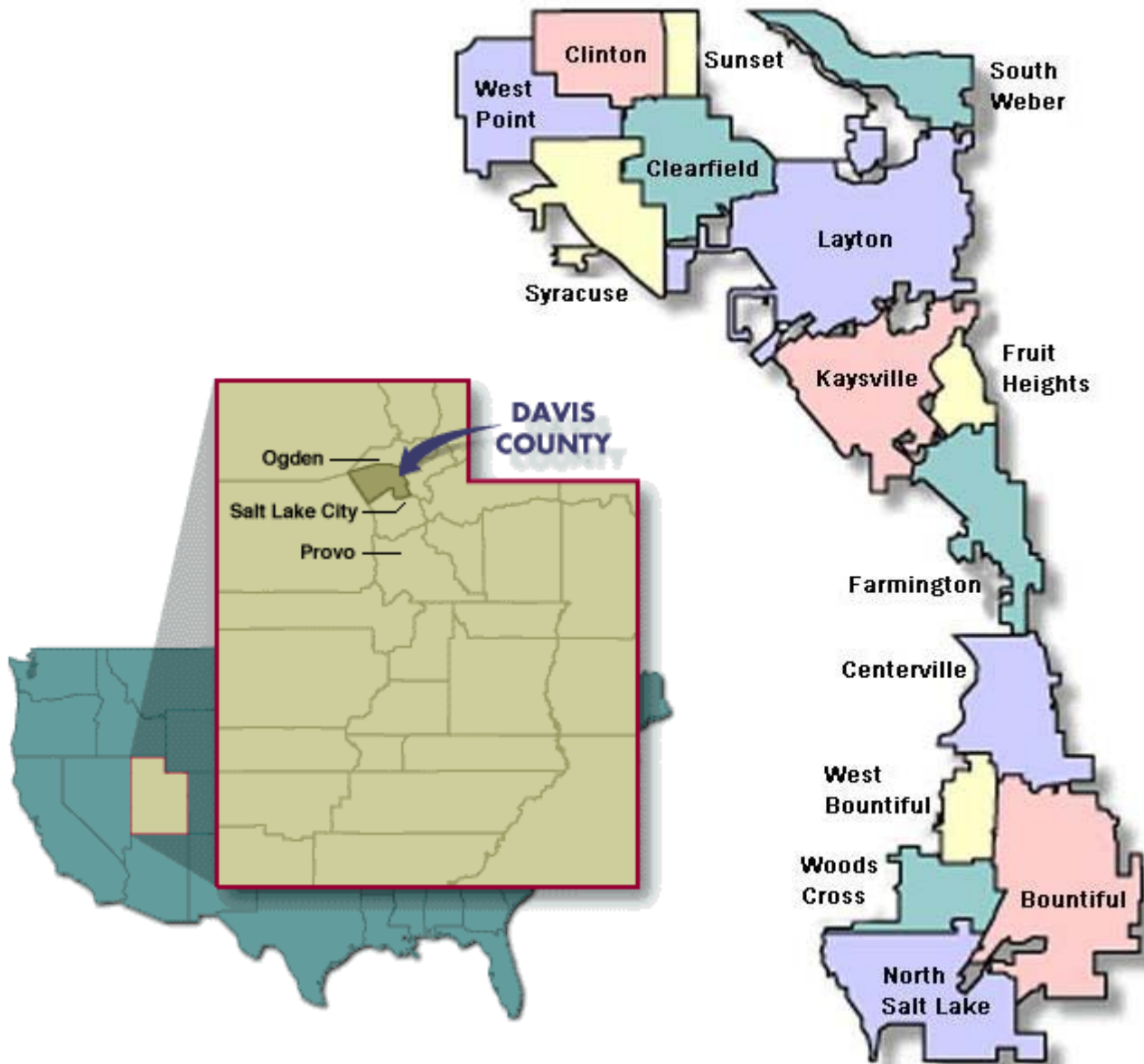
The 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

***The yields/prices at which the 2017 Bonds are offered to the public may vary from the initial reoffering yields/prices on the inside cover page of this OFFICIAL STATEMENT. In addition, the bidders may allow concessions or discounts from the initial offering prices of the 2017 Bonds to dealers and others. In connection with the offering of the 2017 Bonds, the bidders may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2017 Bonds. Such transactions may include overallotments in connection with the purchase of 2017 Bonds, the purchase of 2017 Bonds to stabilize their market price and the purchase of 2017 Bonds to cover the bidders’ short positions. Such transactions, if commenced, may be discontinued at any time.***

***Forward-Looking Statements.*** Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “forecast,” “expect,” “estimate,” “budget” or other similar words. ***The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “PROJECTED DEBT SERVICE COVERAGE” herein.***

The CUSIP® (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the City makes no representation with respect to such numbers or undertakes any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2017 Bonds.

***The information available at websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2017 Bonds and is not a part of this OFFICIAL STATEMENT.***



# OFFICIAL STATEMENT RELATED TO

**\$5,810,000**

## **Woods Cross City, Utah**

### **Sales Tax Revenue Bonds, Series 2017**

#### **INTRODUCTION**

This introduction is only a brief description of the 2017 Bonds, as hereinafter defined, the security and sources of payment for the 2017 Bonds and certain information regarding Woods Cross City, Utah (the “City”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT as well as the documents summarized or described herein.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016”; “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE”; “APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL”; “APPENDIX D—PROPOSED FORM OF LIMITED CONTINUING DISCLOSURE UNDERTAKING”; and “APPENDIX E—BOOK-ENTRY SYSTEM”.

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding calendar year. Unless otherwise indicated, capitalized terms used in this OFFICIAL STATEMENT shall have the meaning established in the Indenture (as hereinafter defined). See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions.”

#### **Public Sale/Electronic Bid**

The 2017 Bonds were awarded pursuant to competitive bidding received by means of the **PARITY**® electronic bid submission system on January 11, 2017, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated December 28, 2016) to Janney Montgomery Scott LLC, Philadelphia, Pennsylvania at a “true interest rate” of 2.85%.

The 2017 Bonds may be offered and sold to certain dealers (including dealers depositing the 2017 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page of the OFFICIAL STATEMENT and such public offering prices may be changed from time to time.

#### **Woods Cross City, Utah**

The City, incorporated in 1935, covers an area of approximately 3.9 square miles and is located in southeaster Davis County, Utah (the “County”). The City is located approximately 10 miles north of Salt Lake City. The City had approximately 11,284 residents according to the 2015 estimate of the Census Bureau. See “WOODS CROSS CITY, UTAH” below. See location map regarding the City above.

## **The 2017 Bonds**

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the City of its \$5,810,000 Sales Tax Revenue Bonds, Series 2017, (the “2017 Bonds” or “2017 Bond”), initially issued in book–entry form.

### **Authority And Purpose Of The 2017 Bonds**

The 2017 Bonds are being issued pursuant to: (i) the Local Government Bonding Act (the “Act”) Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Utah Code”); (ii) a resolution of the City Council of the City adopted on October 18, 2016; and (iii) a General Indenture of Trust, dated as of February 1, 2017 (the “General Indenture”) between the City and Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah (“Zions Bank”), as trustee (the “Trustee”), as further supplemented by a First Supplemental Indenture of Trust, dated as of February 1, 2017, between the City and the Trustee (the “First Supplemental Indenture of Trust”) providing for the issuance of the 2017 Bonds. The General Indenture, together with all supplements thereto, including without limitation the First Supplemental Indenture of Trust, is sometimes referred to collectively herein, as the “Indenture.”

The 2017 Bonds are being issued for the purposes of financing the acquisition, construction, equipping and furnishing of a Public Works building complex and paying costs of issuance of the 2017 Bonds. See “THE 2017 BONDS” and “THE 2017 PROJECT” herein. The 2017 Bonds will be issued pursuant to the Indenture.

*The 2017 Bonds are the first series of bonds to be issued under the Indenture.*

### **Security And Source Of Payment; Additional Bonds**

The 2017 Bonds are special limited obligations of the City, payable solely from and secured solely by the Revenues, moneys, securities and funds pledged therefor under the Indenture between the City and the Trustee. The Revenues consist of all the revenues produced by sales and use taxes levied by the City under the Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, Utah Code (the “Local Sales and Use Tax Act”) (the “Pledged Sales and Use Taxes” or the “Pledged Taxes”). No assurance can be given that the Pledged Taxes will remain sufficient for the payment of the principal of or interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes. See “RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS” below. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or the full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant any security interest in any of the improvements financed with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds.

See “SECURITY AND SOURCES OF PAYMENT” below.

The 2017 Bonds are secured on a parity lien with any additional bonds, notes or other obligations that may be issued from time to time under the Indenture (the “Additional Bonds”). See “THE 2017 BONDS—Issuance Of Additional Bonds” below. The 2017 Bonds and any Additional Bonds which may be issued from time to time under the Indenture are collectively referred to herein as the “Bonds.”

### **Pledged Taxes**

The City presently levies a local option sales and use tax at the rate of 1% (the maximum rate permitted by the Local Sales and Use Tax Act) on all taxable sales of goods and services in the City.



The local option sales and use tax is collected by the Utah State Tax Commission and distributed monthly to the City, as provided by law.

The local sales and use tax represents all of the Pledged Taxes. The Pledged Taxes for Fiscal Year 2016 are \$2,345,505 and will, if maintained at this amount, provide projected coverage of approximately 5.8 times the expected maximum debt service \$401,538 occurring in Fiscal Year 2030. Under the Indenture the City may not issue Additional Bonds unless Pledged Taxes are at least 200% of maximum annual debt service on the Outstanding Bonds and Additional Bonds for any 12 consecutive months in the preceding 24 months. See “SECURITY AND SOURCES OF PAYMENT—Pledged Taxes” and “PROJECTED DEBT SERVICE COVERAGE” below.

### **Redemption Provisions**

The 2017 Bonds are subject to optional redemption prior to maturity. See “THE 2017 BONDS—Redemption Provisions” herein.

### **Registration, Denominations, Manner Of Payment**

The 2017 Bonds are issuable only as fully-registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, (“DTC”). DTC will act as securities depository of the 2017 Bonds. Purchases of 2017 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC’s Participants (as defined herein). Beneficial Owners (as defined herein) of the 2017 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2017 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX E—BOOK-ENTRY SYSTEM.”

Principal of and interest on the 2017 Bonds (interest payable June 15 and December 15 of each year, commencing June 15, 2017) are payable by Zions Bank, as Paying Agent for the 2017 Bonds, to the registered owners of the 2017 Bonds. So long as Cede & Co. is the sole registered owner, it will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2017 Bonds, as described under “APPENDIX E—BOOK-ENTRY SYSTEM.”

So long as DTC or its nominee is the sole registered owner of the 2017 Bonds, neither the City nor the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2017 Bonds. Under these same circumstances, references herein and in the Indenture to the “Bondowners” or “Registered Owners” of the 2017 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2017 Bonds.

### **Tax-Exempt Status Of The Bonds; Qualified Tax-Exempt Obligations**

*Tax-Exempt Status of the 2017 Bonds.* In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, interest on the 2017 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2017 Bonds, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Internal Revenue Code of 1986. Interest on the 2017 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2017 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel is also of the opinion that, under currently existing law, interest on the 2017 Bonds is exempt from State of Utah individual income taxes.

Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds.

*Qualified Tax-Exempt Obligations.* The City intends to designate the 2017 Bonds as qualified tax-exempt obligations under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the deductibility of a financial institution’s interest expenses allocable to tax-exempt interest.

See “TAX MATTERS” herein for a more complete discussion.

## **Professional Services**

In connection with the issuance of the 2017 Bonds, the following have served the City in the capacity indicated.

### *Trustee, Bond Registrar and Paying Agent*

Zions Bank a division of ZB National Association  
Corporate Trust Department  
One S Main St 12<sup>th</sup> Floor  
Salt Lake City UT 84133-1109  
801.844.7253 | f 801.524.4838  
[dan.ellison@zionsbank.com](mailto:dan.ellison@zionsbank.com)

### *Bond Counsel and Disclosure Counsel*

Gilmore & Bell PC  
15 W S Temple 5<sup>th</sup> Fl  
Salt Lake City UT 84101  
801.364.5080 | f 801.364.5032  
[rlarsen@gilmorebell.com](mailto:rlarsen@gilmorebell.com)

### *Municipal Advisor*

Zions Public Finance Inc  
Zions Bank Building  
One S Main St 18<sup>th</sup> Floor  
Salt Lake City UT 84133-1109  
801.844.7373 | f 801.844.4484  
[johnathan.ward@zionsbancorp.com](mailto:johnathan.ward@zionsbancorp.com)

## **Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery**

The 2017 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s) subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel, and certain other conditions. Certain legal matters regarding this OFFICIAL STATEMENT will be passed on by Gilmore & Bell, P.C. Certain legal matters will be passed on for the City by Mark Bell of Hayes Godfrey Bell PC, Holladay, Utah. It is expected that the 2017 Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about Wednesday, February 1, 2017.

## **Limited Continuing Disclosure Undertaking**

The City will enter into a limited continuing disclosure undertaking for the benefit of the Beneficial Owners of the 2017 Bonds. For a detailed discussion of this limited disclosure undertaking, previous and timing of submissions see “LIMITED CONTINUING DISCLOSURE UNDERTAKING” below and “APPENDIX C—PROPOSED FORM OF LIMITED CONTINUING DISCLOSURE UNDERTAKING.”

## **Basic Documentation**

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the City and the 2017 Bonds are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein

to the Indenture and the 2017 Bonds are qualified in their entirety by reference to each such document. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE.”

Descriptions of the Indenture and the 2017 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. Other documentation authorizing the issuance of the 2017 Bonds and establishing the rights and responsibilities of the City and other parties to the transaction may be obtained from the “contact persons” as indicated below.

### **Contact Persons**

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Public Finance, Inc., Salt Lake City, Utah (the “Municipal Advisor”):

Johnathan Ward, Vice President, [johnathan.ward@zionsbancorp.com](mailto:johnathan.ward@zionsbancorp.com)

Bruce Williams, Vice President, [bruce.williams@zionsbancorp.com](mailto:bruce.williams@zionsbancorp.com)

Zions Public Finance, Inc.  
Zions Bank Building  
One S Main St 18<sup>th</sup> Floor  
Salt Lake City UT 84133-1109  
801.844.7373 | f 801.844.4484

As of the date of this OFFICIAL STATEMENT, the chief contact person for the City concerning the 2017 Bonds is:

Gary Uresk, City Administrator, [guresk@woodscross.com](mailto:guresk@woodscross.com)

Woods Cross City  
1555 S 800 W  
Woods Cross UT 84087  
801.292.4421 | f 801.292.2225

### **LIMITED CONTINUING DISCLOSURE UNDERTAKING**

Because at the time of delivery of the 2017 Bonds the City with respect to less than \$10 million in aggregate amount of outstanding municipal securities, including the 2017 Bonds, will enter into a limited Continuing Disclosure Undertaking (the “Limited Continuing Disclosure Undertaking”) for the benefit of the Beneficial Owners of the 2016 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Limited Continuing Disclosure Undertaking, including termination, amendment and remedies, are set forth in the form of Limited Continuing Disclosure Undertaking in “APPENDIX D—PROPOSED FORM OF LIMITED CONTINUING DISCLOSURE UNDERTAKING.”

The Limited Continuing Disclosure Undertaking requires the City to submit its annual financial report (Fiscal Year Ending June 30) on or before December 31 (not more six months from the end of the Fiscal Year). The City will submit the Fiscal Year 2017 financial report and other operating and financial information for the 2017 Bonds on or before December 31, 2017, and annually thereafter on or before each December 31.

A failure by the City to comply with the Limited Continuing Disclosure Undertaking will not constitute a default under the Indenture and the Beneficial Owners of the 2017 Bonds are limited to the remedies described in the Limited Continuing Disclosure Undertaking. A failure by the City to comply with the annual disclosure requirements of the Limited Continuing Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2017 Bonds in the secondary market. Consequently, such a failure may adversely affect the marketability and liquidity of the 2017 Bonds and their market price.

***The City has not previously entered into a continuing disclosure undertaking pursuant to the Rule.***

Bond Counsel expresses no opinion as to whether the Limited Continuing Disclosure Undertaking complies with the requirements of the Rule.

## **RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS**

The purchase of the 2017 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2017 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain of these risks are described below.

### **Uncertainty Of Economic Activity And Sales Taxes**

The amount of Pledged Taxes to be collected by the City is dependent on a number of factors beyond the control of the City, including, but not limited to, the state of the United States economy and the economy of the State and the City. Any one or more of these factors could result in the City receiving less Pledged Taxes than anticipated. During periods in which economic activity declines, Pledged Taxes are likely to fall as compared to an earlier year. In addition, Pledged Taxes are dependent on the volume of the transactions subject to the tax. From time to time, proposals have been made by the Utah State Legislature (the “State Legislature”) to add or remove certain types of purchases from the sales tax and the State (like many other states) has recognized the potential reduction in sales tax revenues as a result of purchases made through the internet and other non-traditional means. In addition, the State Legislature has, from time to time, considered legislation to revise the amount of sales tax to be levied or to adjust the method of allocating sales tax to local governmental entities. The City cannot predict what impact these items may have on the Pledged Taxes it receives.

### **The 2017 Bonds Are Limited Obligations**

The 2017 Bonds are special limited obligations of the City, payable solely from the Pledged Taxes, moneys, securities and funds pledged therefor in the Indenture. No assurance can be given that the amount of Pledged Taxes received by the City will remain sufficient for the payment of the principal or interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or the full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant any security interest in any of the projects financed with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds.

See “SECURITY AND SOURCES OF PAYMENT—State Pledge Of Nonimpairment” below.

### **Limitation On Increasing Rates For Pledged Taxes**

*The City currently levies the maximum rate allowed under the Local Sales and Use Tax Act for all taxes making up the Pledged Taxes.* No assurance can be given that the Pledged Taxes will remain suffi-

cient for the payment of the principal of or interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes.

### **No Reserve Fund Requirement For The 2017 Bonds**

Pursuant to the Indenture, each Series of Bonds may be secured by a separate subaccount in the Debt Service Reserve Fund. *Upon the issuance of the 2017 Bonds there will be no funding of a subaccount of the Debt Service Reserve Fund with respect to the 2017 Bonds.*

## **THE 2017 BONDS**

### **General**

The 2017 Bonds are dated the date of delivery<sup>1</sup> thereof (the “Dated Date”) and will mature on December 15 of the years and in the amounts as set forth on the inside cover page of this OFFICIAL STATEMENT.

The 2017 Bonds shall bear interest from the Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2017 Bonds is payable on June 15, 2017, and semi-annually thereafter on each June 15 and December 15. Interest on the 2017 Bonds shall be computed on the basis of a 360-day year comprised of 12, 30-day months. Zions Bank is the initial Registrar, Paying Agent and Trustee with respect to the 2017 Bonds (in such respective capacities, the “Registrar,” “Paying Agent” and “Trustee”).

The 2017 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

### **Redemption Provisions**

*Optional Redemption for the 2017 Bonds.* The 2017 Bonds maturing on or prior to December 15, 2025, are not subject to redemption prior to maturity. The 2017 Bonds maturing on or after December 15, 2026, are subject to redemption at the option of the City on June 15, 2026, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City, at a redemption price equal to 100% of the principal amount of the 2017 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

*Selection for Redemption.* If less than all 2017 Bonds of any maturity are to be redeemed, the particular 2017 Bonds or portion of 2017 Bonds of such maturity to be redeemed will be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate. The portion of any registered 2017 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a whole multiple thereof, and in selecting portions of such 2017 Bonds for redemption, the Trustee will treat each such 2017 Bond as representing that number of 2017 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2017 Bond by \$5,000.

*Notice of Redemption.* Notice of redemption will be given by the Bond Registrar by registered or certified mail, not less than 30 nor more than 60 days prior to the redemption date, to the owner, as of the Record Date, as defined under “THE 2017 BONDS—Registration And Transfer” below, of each 2017 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the City kept by the Bond Registrar or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record

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<sup>1</sup> The anticipated date of delivery is Wednesday, February 1, 2017.

Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2017 Bonds are to be redeemed, the distinctive numbers of the 2017 Bonds or portions of 2017 Bonds to be redeemed, and will also state that the interest on the 2017 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2017 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Trustee, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2017 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the City will not be required to redeem such 2017 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2017 Bond will not affect the validity of the proceedings for redemption with respect to any other 2017 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Trustee to the MSRB as provided in the Indenture, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Indenture.

*For so long as a book-entry system is in effect with respect to the 2017 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2017 Bonds. See “THE 2017 BONDS—Book-Entry System” below.*

### **Book-Entry System**

DTC will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2017 Bond certificate will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a “fast agent” of DTC. See “APPENDIX E—BOOK-ENTRY SYSTEM” for a more detailed discussion of the book-entry system and DTC.

### **Registration And Transfer; Record Date**

In the event the book-entry only system is discontinued, any 2017 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner’s duly authorized attorney, upon surrender of such 2017 Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2017 Bond is surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully-registered 2017 Bond or 2017 Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount.

The 2017 Bonds may be exchanged at the principal corporate office of the Trustee for a like aggregate principal amount of fully-registered 2017 Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2017 Bonds, the Trustee must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2017 Bonds.

“Regular Record Date” means the fifteenth day immediately preceding each Interest Payment Date. “Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with the Indenture. The Trustee will not be required to transfer or exchange any 2017 Bond (i) during the period from and including any Regular Record Date to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day 15 days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day 15 days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2017 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such 2017 Bond for the purpose of payment of principal, premium and interest with respect to such 2017 Bond and for all other purposes whatsoever. See “APPENDIX E—BOOK—ENTRY SYSTEM” for a more detailed discussion of the book—entry system and DTC.

### Debt Service On The 2017 Bonds

Payment Date	The 2017 Bonds		Period Total	Fiscal Total
	Principal	Interest		
June 15, 2017.....	\$ 0.00	\$ 73,257.99	\$ 73,257.99	\$ 73,257.99
December 15, 2017.....	205,000.00	98,406.25	303,406.25	
June 15, 2018.....	0.00	96,356.25	96,356.25	399,762.50
December 15, 2018.....	210,000.00	96,356.25	306,356.25	
June 15, 2019.....	0.00	93,206.25	93,206.25	399,562.50
December 15, 2019.....	215,000.00	93,206.25	308,206.25	
June 15, 2020.....	0.00	88,906.25	88,906.25	397,112.50
December 15, 2020.....	225,000.00	88,906.25	313,906.25	
June 15, 2021.....	0.00	84,406.25	84,406.25	398,312.50
December 15, 2021.....	235,000.00	84,406.25	319,406.25	
June 15, 2022.....	0.00	79,706.25	79,706.25	399,112.50
December 15, 2022.....	245,000.00	79,706.25	324,706.25	
June 15, 2023.....	0.00	74,806.25	74,806.25	399,512.50
December 15, 2023.....	255,000.00	74,806.25	329,806.25	
June 15, 2024.....	0.00	69,706.25	69,706.25	399,512.50
December 15, 2024.....	265,000.00	69,706.25	334,706.25	
June 15, 2025.....	0.00	64,406.25	64,406.25	399,112.50
December 15, 2025.....	275,000.00	64,406.25	339,406.25	
June 15, 2026.....	0.00	58,906.25	58,906.25	398,312.50
December 15, 2026.....	285,000.00	58,906.25	343,906.25	
June 15, 2027.....	0.00	54,631.25	54,631.25	398,537.50
December 15, 2027.....	295,000.00	54,631.25	349,631.25	
June 15, 2028.....	0.00	50,206.25	50,206.25	399,837.50
December 15, 2028.....	305,000.00	50,206.25	355,206.25	
June 15, 2029.....	0.00	45,631.25	45,631.25	400,837.50
December 15, 2029.....	315,000.00	45,631.25	360,631.25	
June 15, 2030.....	0.00	40,906.25	40,906.25	401,537.50
December 15, 2030.....	320,000.00	40,906.25	360,906.25	
June 15, 2031.....	0.00	36,106.25	36,106.25	397,012.50
December 15, 2031.....	330,000.00	36,106.25	366,106.25	
June 15, 2032.....	0.00	31,156.25	31,156.25	397,262.50

## Debt Service On The 2017 Bonds—continued

Payment Date	The 2017 Bonds		Period Total	Fiscal Total
	Principal	Interest		
December 15, 2032.....	\$ 340,000.00	\$ 31,156.25	\$ 371,156.25	
June 15, 2033.....	0.00	25,631.25	25,631.25	\$396,787.50
December 15, 2033.....	355,000.00	25,631.25	380,631.25	
June 15, 2034.....	0.00	19,862.50	19,862.50	400,493.75
December 15, 2034.....	365,000.00	19,862.50	384,862.50	
June 15, 2035.....	0.00	13,475.00	13,475.00	398,337.50
December 15, 2035.....	380,000.00	13,475.00	393,475.00	
June 15, 2036.....	0.00	6,825.00	6,825.00	400,300.00
December 15, 2036.....	<u>390,000.00</u>	<u>6,825.00</u>	<u>396,825.00</u>	396,825.00
Totals.....	<u>\$5,810,000.00</u>	<u>\$2,241,339.24</u>	<u>\$8,051,339.24</u>	

## Sources And Uses Of Funds

The sources and uses of funds in connection with the issuance of the 2017 Bonds are estimated to be applied as follows:

### Sources:

Par amount of the 2017 Bonds.....	\$5,810,000.00
Original issue premium.....	<u>319,042.70</u>
Total .....	<u>\$6,129,042.70</u>

### Uses:

Deposit to Project Construction Fund.....	\$6,000,000.00
Costs of issuance (1).....	86,319.83
Successful bidder(s)'s discount.....	<u>42,722.87</u>
Total .....	<u>\$6,129,042.70</u>

- (1) Includes legal fees, Municipal Advisor fees, rating agency fees, Trustee fees, Registrar and Paying Agent fees, rounding amounts, and other miscellaneous costs of issuance.

## SECURITY AND SOURCES OF PAYMENT

The 2017 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the Pledged Taxes and certain funds and accounts pledged therefor and established by the Indenture. The Pledged Taxes consist of all the revenues produced by the local sales and use tax levied by the City. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal of and interest on the 2017 Bonds and the City is limited by State law in its ability to increase the rate of such taxes. See “RISKS INHERENT IN THE OWNERSHIP OF THE 2017 BONDS” above. The 2017 Bonds do not constitute general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State or any other agency or other political subdivision or entity of the State. The City will not mortgage or grant any security interest in any of the improvements financed with the proceeds of the 2017 Bonds to secure payment of the 2017 Bonds.

Upon the occurrence of an Event of Default specified in the Indenture, the Trustee or the Registered Owners of the Bonds may pursue certain remedies to enforce the obligations of the City under the Indenture. These remedies do not include the right to declare all of the principal of and interest on the Bonds to be immediately due and payable. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE.”



## State Pledge of Nonimpairment

In accordance with the provisions of the Local Government Bonding Act, Title 11 Chapter 14, Utah Code Annotated 1953, as amended, the State pledges and agrees with the holders of the Bonds that it will not alter, impair or limit the sales taxes in a manner that reduces the amounts to be rebated to the City which are devoted or pledged for the payment of the 2017 Bonds until the 2017 Bonds, together with applicable interest, are fully met and discharged; provided, however, that nothing shall preclude such alteration, impairment or limitation if and when adequate provision shall be made by law for the protection of the holders of the 2017 Bonds.

The City notes that this provision has not been interpreted by a court of law and, therefore, the extent that such provision would (i) be upheld under constitutional or other legal challenge, (ii) protect the current rates and collection of all Pledged Taxes, or (iii) impact any other aspect of Pledged Taxes, cannot be predicted by the City.

## Flow Of Funds

To secure timely payment of the principal of and interest on the 2017 Bonds, the City has pledged and assigned to the Trustee the Pledged Taxes and all moneys in certain funds and accounts established by the Indenture. The Indenture establishes a Revenue Fund, a Bond Fund, and certain other funds and accounts.

See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE—Application of Revenues.”

## Pledged Taxes

Under State law sales taxes are imposed on the amount paid or charged for sales of tangible personal property in the State and for services rendered in the State for the repair, renovation or installation of tangible personal property. A use tax is imposed on the amount paid or charged for the use, storage or other consumption of tangible personal property in the State, including services for the repair, renovation or installation of such tangible personal property. Sales and use taxes also apply to leases and rentals of tangible personal property if the tangible personal property is in the State, the lessee takes possession in the State or the tangible personal property is stored, used or otherwise consumed in the State.

A sales and use tax due and unpaid constitutes a debt due from the vendor and may be collected, together with interest, penalty, and costs, by appropriate judicial proceeding within three years after the vendor is delinquent. Furthermore, if a sales and use tax is not paid when due and if the vendor has not followed the procedures to object to a notice of deficiency, the Utah State Tax Commission may issue a warrant directed to the sheriff of any county commanding the sheriff to levy upon and sell the real and personal property of a delinquent taxpayer found within such county for the payment of the tax due. The amount of the warrant shall have the force and effect of an execution against all personal property of the delinquent taxpayer and shall become a lien upon the real property of the delinquent taxpayer in the same manner as a judgment duly rendered by any district court.

*Pledged Local Sales and Use Taxes.* The Local Sales and Use Tax Act currently provides that each county, city and town in the State may levy a sales and use tax of up to 1% on the purchase price of taxable goods and services. Although local governments may elect to levy sales and use taxes at rates less than 1%, various provisions of the Local Sales and Use Tax Act encourage them to levy these taxes at the rate of 1%. The legislative intent contained in the Local Sales and Use Tax Act is to provide the counties, cities and towns of the State with an added source of revenue to assist them to meet their financial needs and to service their bonded indebtedness. *The City has levied the Pledged Taxes at the maximum legal rate of 1%.*

Local sales and use taxes, including the Pledged Taxes, are collected by the Utah State Tax Commission and distributed on a monthly basis to each county, city and town. The distributions are based on a formula, which provides that (i) 50% of sales tax collections will be distributed on the basis of the percentage of the population of the local government to the total population of all similar local governments in the State and (ii) 50% of sales tax collections will be distributed on the basis of the point of sale (the “50/50 Distribution”). The 50/50 Distribution formula is subject to legislative changes and the term “Minimum Tax Revenue Distribution” (used below) is based on total tax revenues distributed in certain defined Fiscal Years.

Beginning in Fiscal Year 2014 and ending with Fiscal Year 2016, a local government shall receive the Minimum Tax Revenue Distribution for such fiscal year if for Fiscal Year 2013 the 50/50 Distribution is less than or equal to the product of the Minimum Tax Revenue Distribution and 0.9% (for Fiscal Years 2014 through 2016 the “Minimum Tax Revenue Distribution” means the greater of the tax revenue distributions received by the local government in Fiscal Year 2001 or Fiscal Year 2005).

Beginning in Fiscal Year 2017 and ending with Fiscal Year 2021, a local government shall receive a tax distribution equal to the greater of the 50/50 Distribution or the Minimum Tax Revenue Distribution received by the local government in Fiscal Year 2005.

*Collections.* The following table shows the amount of local sales and use taxes (which constitute the Pledged Taxes) collected and received by the City for the past 10 Fiscal Years.

<u>Fiscal Year Ended June 30</u>	<u>Pledged Taxes (1)</u>	<u>% Increase (Decrease) from Prior Year</u>
2016 .....	\$2,345,505	4.3%
2015 .....	2,248,976	8.3
2014 .....	2,076,344	8.0
2013 .....	1,922,154	(0.4)
2012 .....	1,929,376	(2.3)
2011 .....	1,974,505	3.6
2010 .....	1,906,637	9.1
2009 .....	1,748,225	(9.3)
2008 .....	1,927,680	(9.2)
2007 .....	2,122,958	6.6

(1) The Local Sales and Use Taxes constitute the Pledged Taxes.

(Source: The City’s Financial Reports. Compiled by the Municipal Advisor.)

*The Larger Sales Taxpayers.* State law prohibits disclosure of actual dollar figures of sales and use tax collections by specific businesses. However, in Fiscal Year 2016, the 10 largest businesses collected approximately 33.8% of the total sales tax collected in the City. The largest tax collection by a single business was approximately 11.2%. Those larger sales tax payers include retail sales establishments, utility providers and automotive dealers. (Source: The City from data provided by the Utah State Tax Commission.)

## **Other Sales And Use Taxes**

*Current and Other City–Wide Sales and Use Taxes.* As of the date of this OFFICIAL STATEMENT, the City total sales and use tax rate is 6.85% (consisting of 4.70% state sales; 1% local sales (this sales and use tax rate is pledged to the repayment of the 2017 Bonds); 0.25% county option; 0.25% municipal mass transit; 0.25% additional mass transit; 0.25% transportation infrastructure; 0.05% supplemental state; and 0.10% botanical, cultural, zoo tax (municipality).

*County-Wide Sales and Use Taxes.* Within the City are county-wide sales and use taxes *which are not pledged to the repayment of the 2017 Bonds*. For example, as of the date of this OFFICIAL STATEMENT, other current county-wide sales tax levies include:

(i) 0.25% county option; (ii) 0.25% municipal mass transit; (iii) 0.25% additional municipal mass transit; (iv) 0.25% transportation infrastructure; (v) 0.05% supplemental state sales and use; (vi) 4.25% transient room tax; (vii) 3.0% tourism short-term leasing tax; (viii) 4% tourism short-term leasing population; (ix) 1% tourism-restaurant tax; (x) \$0.76 monthly per line county telecommunications (\$0.61 E911 emergency; \$0.09 state-wide unified E911; and \$0.06 computer aided); (xi) 2.00% municipal telecommunication license tax (on the provider); and (v) 6% municipal energy.

*State-Wide Sales and Use Tax.* In addition to the above-described sales and use taxes, the State levies a state-wide sales and use tax, which is currently imposed at a rate of 4.70% of the purchase price of taxable goods and services and 3% on unprepared food and food ingredients. The State also imposes a 2.5% tax on all short-term leases and rentals of motor vehicles (as identified above). For sales of residential energy, the combined rate (of the municipal entity) is reduced by 2.70%.

### **No Debt Service Reserve Fund For The 2017 Bonds**

Pursuant to the Indenture, each Series of Bonds, if required, may be secured by a separate subaccount in the Debt Service Reserve Fund as described herein.

Upon the issuance of the 2017 Bonds there will be no funding of a subaccount of the Debt Service Reserve Fund with respect to the 2017 Bonds

### **Issuance Of Additional Bonds**

No additional indebtedness, bonds or notes of the City secured by a pledge of the Revenues senior to the pledge of Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations, if any, authorized under the Indenture shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the City payable on a parity with the Bonds authorized by the Indenture out of Revenues shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing under the Indenture on the date of authentication of any Additional Bonds. This paragraph (a) shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that the Revenues for any consecutive 12 month period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 200% of the sum of (x) the maximum Aggregate Annual Debt Service Requirement on all Bonds and Additional Bonds to be Outstanding following the issuance of the Additional Bonds plus (y) the average annual installments due on all Reserve Instrument Repayment Obligations to be outstanding following the issuance of such Additional Bonds; provided, however, that the Revenue coverage test set forth above shall not apply to the issuance of any Additional Bonds to the extent (i) they are issued for the purpose of refunding Bonds issued under the Indenture, and (ii) the maximum Aggregate Annual Debt Service for such Additional Bonds does not exceed the then remaining maximum Aggregate Annual Debt Service for the Bonds being refunded; and

(c) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account

any Reserve Instrument coverage) the full amount required by the Indenture to be accumulated therein at such time; and

(d) The proceeds of the Additional Bonds must be used (i) to refund Bonds issued under the Indenture or other obligations of the City (including the funding of necessary reserves and the payment of costs of issuance) or (ii) to finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

## **PROJECTED DEBT SERVICE COVERAGE**

*Forward Looking Projected Information.* The City does not as a matter of course make public projections as to future revenues, income or other results. However, the City prepared the prospective financial information set forth below in the table “Projected Debt Service Coverage” to present projected debt service coverage on the 2017 Bonds assuming there is no increase or decrease in Fiscal Year 2016 Pledged Taxes. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the City or was prepared by carrying forward historical information to future years. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this OFFICIAL STATEMENT are cautioned not to place undue reliance on the prospective financial information.

Neither the City’s independent auditors nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumption and estimates underlying the prospective financial information are inherently uncertain and, although considered reasonable by the management of the City as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties, that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurance that the prospective results are indicative of the future performance of the City or that the actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this OFFICIAL STATEMENT should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

The following table shows the debt service requirements for the 2017 Bonds and projected debt service coverage based upon Fiscal Year 2016 Pledged Taxes for all years during which the 2017 Bonds are scheduled to be outstanding.

*For purposes of the following debt service coverage table, the amount of Pledged Taxes estimated to be collected for Fiscal Year 2016 is shown for all years during which the 2017 Bonds are scheduled to be outstanding.*

## Projected Debt Service Coverage

The following table shows the debt service requirement for the 2017 Bonds, the projected Pledged Taxes and the projected debt service coverage for the relevant Fiscal Year with respect to such 2017 Bonds (based on the assumptions contained herein).

Fiscal Year Ending June 30	2017 Bonds Total Debt Service	Pledged Taxes (1)	Debt Service Cover- age (2)
2016.....	\$ -	\$ 2,345,505	
2017 (2).....	73,258	2,345,505	32.0
2018.....	399,763	2,345,505	5.9
2019.....	399,563	2,345,505	5.9
2020.....	397,113	2,345,505	5.9
2021.....	398,313	2,345,505	5.9
2022.....	399,113	2,345,505	5.9
2023.....	399,513	2,345,505	5.9
2024.....	399,513	2,345,505	5.9
2025.....	399,113	2,345,505	5.9
2026.....	398,313	2,345,505	5.9
2027.....	398,538	2,345,505	5.9
2028.....	399,838	2,345,505	5.9
2029.....	400,838	2,345,505	5.9
2030.....	401,538	2,345,505	5.8
2031.....	397,013	2,345,505	5.9
2032.....	397,263	2,345,505	5.9
2033.....	396,788	2,345,505	5.9
2034.....	400,494	2,345,505	5.9
2035.....	398,338	2,345,505	5.9
2036.....	400,300	2,345,505	5.9
2037.....	396,825	2,345,505	5.9
Totals.....	<u>\$ 8,051,339</u>		

- (1) Fiscal Year 2016 Pledged Tax amount. Pledged Taxes after Fiscal Year 2016 are held constant, based on the Fiscal Year 2016 amount. There is no assurance that projected Pledged Taxes in each year will equal or exceed such
- (2) Multiple by which Pledged Taxes exceed Total Debt Service. Projected debt service coverage is preliminary and subject to change.

## **THE 2017 PROJECT**

The 2017 Project consists of the construction of a new public works facility complex (the “2017 Project”). The 2017 Project consists of the construction of a 38,000 square foot public works facility containing offices for the City’s public works department and space for the repair and storage of public works vehicles. The building will be metal frame construction with a partial decorative exterior finish of brick, stone, stucco and glass. Four other smaller buildings are also included in the 2017 Project: (i) a 1,900 square foot metal building with a decorative finish for vehicle and evidence storage for the City’s police department; (ii) a 5,500 square foot warehouse of metal construction for equipment and material storage; (iii) a 1,500 square foot metal building with an open front to store equipment and materials; and (iv) a 5,500 square foot building of concrete and metal construction to hold salt, road base, gravel, sand and topsoil.

Total cost of the 2017 Project is \$6,000,000. Construction is expected to begin in May 2017 with completion of the 2017 Project in December 2017.

## **WOODS CROSS CITY, UTAH**

### **General**

The City, incorporated in 1935, covers an area of approximately 3.9 square miles and is located in the southeastern area of the County. The City is located approximately 10 miles north of Salt Lake City and is part of the Ogden–Clearfield, Utah Metropolitan Statistical Area. The City had approximately 11,284 residents according to the 2015 Census estimate.

It is estimated by the City that the City has reached 80% of its full “built out” of residential land and 80% of its commercial land where there is no available undeveloped land to be built upon.

The County covers an area of approximately 304 (land area) square miles and is located in the north central portion of the State. The southern boundary of the County adjoins the northern boundary of Salt Lake City and Salt Lake County. The northern boundary is approximately eight miles south of Ogden City (Weber County). The County had 336,043 residents according to the 2015 estimate by the U.S. Census Bureau, ranking the County as the third most populated county in the State (out of 29 counties).

### **Form Of Government**

State statutes detail the functions to be performed by Utah municipalities. Title 10, Utah Code generally sets out laws to provide for the incorporation, organization, and classification of cities and towns in proportion to population. The City is a fifth class city. Cities of the fifth class, such as the City, are those with fewer than 10,000 and more than 1,000 inhabitants. State law allows cities of the fifth class to choose government either by mayor and city council or by mayor, council and city manager. The City is governed by six–member Council, with a non–voting Mayor. Council members serve four–year terms. The Mayor, who is elected at large by voters for a four–year term, chairs the city council and votes only to break a tie. The Mayor has certain statutory, legislative, judicial and ex–officio powers. City Manager powers are governed by an ordinance or resolution passed by the City Council. The City Council is charged with the responsibility of performing the legislative functions of the City.

The principal powers and duties of State municipalities are to maintain law and order, abate nuisances, guard public health and sanitation, promote recreation, provide fire protection, and to construct and maintain streets, sidewalks, waterworks and sewers. Municipalities also regulate commercial and residential development within their boundaries by means of zoning ordinances, building codes and licensing procedures.

The current Mayor, City Council and certain administrative officers of the City have the following respective terms in office:

<u>Office</u>	<u>Person</u>	<u>Years of Service</u>	<u>Expiration of Term</u>
Mayor.....	Rick Earnshaw	3	January 2018
Council Member .....	Tamra Dayley	13	January 2018
Council Member .....	Jessica Gertsch	1	January 2020
Council Member .....	Wallace Larrabee	1	January 2020
Council Member .....	Ryan Westergard	7	January 2018
Council Member .....	vacant	—	January 20__
Chief Administrator ..	Gary Uresk	23	Appointed
City Attorney .....	Mark Bell (Hayes Godfrey Bell PC)	2	Appointed
City Recorder .....	Jessica Sims	2	Appointed
City Treasurer .....	Maureen Nelson	13	Appointed

### **Employee Workforce And Retirement System; No Post–Employment Benefits**

*Employee Workforce and Retirement System.* The City employs approximately 32 full–time equivalent employees. The City participates in cost–sharing multiple employer defined benefit pension plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems (“URS”). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes.

For a detailed discussion regarding retirement benefits and contributions “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016–Notes to Financial Statements–Note 9. Retirement Plan” (page A–41).

*No Post–Employment Benefits.* The City has not provided past or present post–employment benefits to its employees.

### **Risk Management**

The City manages its risks through the purchase of a general insurance coverage policy for public entities through the Utah Local Governments Trust (a public entity risk pool). As of the date of this OFFICIAL STATEMENT, all policies are current and in force. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016–Notes to Financial Statements–Note 8. Risk Management” (page A–40).

### **Investment Of Funds**

*The State Money Management Act.* The State Money Management Act, Title 51, Chapter 7 of the Utah Code (the “Money Management Act”), governs and establishes criteria for the investment of all public funds held by public treasurers in the State. The Money Management Act provides a limited list of approved investments, including qualified in–state and permitted out–of–state financial institutions, obligations of the State and political subdivisions of the State, U.S. Treasury and approved federal government agency and instrumentality securities, certain investment agreements and repurchase agreements and investments in corporate securities meeting certain ratings requirements. The Money Management Act establishes the State Money Management Council (the “Money Management Council”) to exercise oversight of public deposits and investments. The Money Management Council is comprised of five members

appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The City is currently complying with all of the provisions of the Money Management Act for all City operating funds.

*The Utah Public Treasurers' Investment Fund.* A significant portion of City funds may be invested in the Utah Public Treasurers Investment Fund ("PTIF"). The PTIF is a local government investment fund, established in 1981, and managed by the State Treasurer. All investments in the PTIF must comply with the Money Management Act and rules of the Money Management Council. The PTIF invests primarily in money market securities. Securities in the PTIF include certificates of deposit, commercial paper, short-term corporate notes, and obligations of the U.S. Treasury and securities of certain agencies of the federal government. By policy, the maximum weighted average adjusted life of the portfolio is not to exceed 90 days and the maximum final maturity of any security purchased by the PTIF is limited to five years. Safekeeping and audit controls for all investments owned by the PTIF must comply with the Money Management Act.

All securities purchased are delivered versus payment to the custody of the State Treasurer or the State Treasurer's safekeeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are completely segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the Money Management Council and is audited by the State Auditor. The PTIF is not rated.

See "APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016—Notes to Financial Statements—Note 2. Cash and Investments" (page A-34).

## Population

	<u>City</u>	<u>% Change From Prior Period</u>	<u>County</u>	<u>% Change From Prior Period</u>
2015 Estimate.....	11,284	15.6%	336,043	9.6%
2010 Census.....	9,761	52.1	306,479	28.2
2000 Census.....	6,419	19.2	238,994	27.2
1990 Census.....	5,384	26.3	187,941	28.3
1980 Census.....	4,263	36.5	146,540	48.0
1970 Census.....	3,124	184.5	99,028	52.9
1960 Census.....	1,098	302.2	64,760	109.8
1950 Census.....	273	29.4	30,867	95.6
1940 Census.....	211	—	15,784	12.6

(Source: U.S. Department of Commerce, Bureau of the Census.)



## Employment, Income, Construction, and Sales Taxes Within Woods Cross City, Davis County, and the State of Utah

### Labor Force, Nonfarm Jobs and Wages within Davis County

	Calendar Year (1)						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014-15	2013-14	2012-13	2011-12	2010-11
Civilian labor force.....	160,089	156,266	152,979	148,808	146,802	146,959	2.4	2.1	2.8	1.4	(0.1)
Employed persons.....	154,772	150,671	146,466	141,492	137,871	136,698	2.7	2.9	3.5	2.6	0.9
Unemployed persons.....	5,317	5,595	6,513	7,316	8,931	10,261	(5.0)	(14.1)	(11.0)	(18.1)	(13.0)
Total private sector (average).....	92,321	88,161	84,521	81,482	78,310	75,302	4.7	4.3	3.7	4.1	4.0
Agriculture, forestry, fishing and hunting.....	365	366	346	246	241	246	(0.3)	5.8	40.7	2.1	(2.0)
Mining.....	157	196	174	180	159	137	(19.9)	12.6	(3.3)	13.2	16.1
Utilities.....	115	96	95	109	109	111	19.8	1.1	(12.8)	0.0	(1.8)
Construction.....	9,171	8,379	7,536	7,157	6,870	6,742	9.5	11.2	5.3	4.2	1.9
Manufacturing.....	12,031	11,304	10,861	10,504	9,815	8,989	6.4	4.1	3.4	7.0	9.2
Wholesale trade.....	2,703	2,640	2,646	2,515	2,599	2,514	2.4	(0.2)	5.2	(3.2)	3.4
Retail trade.....	14,090	13,726	13,277	13,417	12,779	12,502	2.7	3.4	(1.0)	5.0	2.2
Transportation and warehousing.....	4,324	4,036	3,808	4,071	3,966	4,107	7.1	6.0	(6.5)	2.6	(3.4)
Information.....	1,244	1,338	1,344	1,409	1,357	1,103	(7.0)	(0.4)	(4.6)	3.8	23.0
Finance and insurance.....	2,508	2,411	2,405	2,325	2,408	2,567	4.0	0.2	3.4	(3.4)	(6.2)
Real estate, rental and leasing.....	1,344	1,217	1,190	1,127	1,158	1,142	10.4	2.3	5.6	(2.7)	1.4
Professional, scientific, and technical services.....	8,191	8,062	7,977	7,199	6,945	6,206	1.6	1.1	10.8	3.7	11.9
Management of companies and enterprises.....	885	848	855	808	736	801	4.4	(0.8)	5.8	9.8	(8.1)
Admin., support, waste mgmt., remediation.....	6,141	5,897	5,582	5,133	4,864	4,800	4.1	5.6	8.7	5.5	1.3
Education services.....	2,256	1,893	1,671	1,390	1,355	1,260	19.2	13.3	20.2	2.6	7.5
Health care and social assistance.....	11,851	11,606	11,262	10,768	10,370	9,810	2.1	3.1	4.6	3.8	5.7
Arts, entertainment and recreation.....	2,896	2,716	2,508	2,527	2,209	2,291	6.6	8.3	(0.8)	14.4	(3.6)
Accommodation and food services.....	8,974	8,570	8,198	7,902	7,731	7,441	4.7	4.5	3.7	2.2	3.9
Other services.....	3,438	3,228	3,130	2,934	2,881	2,780	6.5	3.1	6.7	1.8	3.6
Unclassified establishments.....	5	0	0	0	0	0	-	-	-	-	-
Total public sector (average).....	26,364	26,163	26,228	26,530	26,825	25,073	0.8	(0.2)	(1.1)	(1.1)	7.0
Federal.....	12,574	12,259	12,333	12,636	13,023	12,996	2.6	(0.6)	(2.4)	(3.0)	0.2
State.....	1,016	1,068	1,102	1,132	1,104	1,045	(4.9)	(3.1)	(2.7)	2.5	5.6
Local.....	12,773	12,837	12,794	12,762	12,698	11,032	(0.5)	0.3	0.3	0.5	15.1
Total payroll (in millions)..... \$	3,577	\$ 4,591	\$ 4,328	\$ 4,221	\$ 4,057	\$ 3,769	(22.1)	6.1	2.5	4.0	7.6
Average monthly wage..... \$	3,229	\$ 3,346	\$ 3,257	\$ 3,256	\$ 3,216	\$ 3,129	(3.5)	2.7	0.0	1.2	2.8
Average employment.....	92,321	114,325	110,749	108,012	105,135	100,375	(19.2)	3.2	2.5	2.7	4.7
Establishments.....	7,550	7,651	7,444	7,143	7,010	6,890	(1.3)	2.8	4.2	1.9	1.7

(1) Utah Department of Workforce Services.

## Employment, Income, Construction, and Sales Taxes Within Woods Cross City, Davis County, and the State of Utah--continued

### Personal Income; Per Capital Personal Income; Median Household Income within Davis County and the State of Utah

	Calendar Year (1)						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014-15	2013-14	2012-13	2011-12	2010-11
Total Personal Income (in \$1,000's):											
Davis County.....	\$ 13,441,555	\$ 12,581,999	\$ 11,969,160	\$11,733,330	\$10,885,813	\$10,178,111	6.8	5.1	2.0	7.8	7.0
State of Utah.....	117,763,901	110,843,820	104,664,413	101,508,754	94,918,680	87,931,071	6.2	5.9	3.1	6.9	7.9
Total Per Capita Personal Income:											
Davis County.....	40,000	38,163	37,073	37,113	34,876	33,053	4.8	2.9	(0.1)	6.4	5.5
State of Utah.....	39,308	37,644	36,045	35,538	33,702	31,682	4.4	4.4	1.4	5.4	6.4
Median Household Income:											
Davis County.....	72,268	70,797	70,456	69,019	68,974	64,840	2.1	0.5	2.1	0.1	6.4
State of Utah.....	62,961	60,943	59,715	57,067	55,802	54,740	3.3	2.1	4.6	2.3	1.9

### Construction within Woods Cross City (2)

	Calendar Year						% change from prior year				
	2016	2015	2014	2013	2012	2011	2015-16	2014-15	2013-14	2012-13	2011-12
Number new dwelling units.....	3	13	44	68	174	45	(75.0)	(70.5)	(35.3)	(60.9)	286.7
New (in \$1,000's):											
Residential value.....	\$ 282.4	\$ 3,358.8	\$ 9,233.4	\$ 12,330.5	\$ 24,553.4	\$ 8,958.4	(91.0)	(63.6)	(25.1)	(49.8)	174.1
Non-residential value.....	3,009.1	3,993.8	5,492.7	7,457.4	631.3	852.0	(23.4)	(27.3)	(26.3)	1,081.3	(25.9)
Additions, alterations, repairs (in \$1,000's):											
Residential value.....	1,145.4	919.9	380.2	390.6	884.0	864.2	117.7	142.0	(2.7)	(55.8)	2.3
Non-residential value.....	3,103.1	376.8	976.7	192.7	487.2	1,501.2	978.2	(61.4)	406.9	(60.4)	(67.5)
Total construction value (in \$1,000's).....	<u>\$ 7,540.0</u>	<u>\$ 8,649.3</u>	<u>\$ 16,083.0</u>	<u>\$ 20,371.2</u>	<u>\$ 26,555.9</u>	<u>\$ 12,175.8</u>	(4.1)	(46.2)	(21.1)	(23.3)	118.1

### Sales Taxes Within Davis County and the State of Utah (3)

	Calendar Year						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014-15	2013-14	2012-13	2011-12	2010-11
Taxable Sales (in \$1,000's):											
Woods Cross City.....	\$ 274,178	\$ 254,449	\$ 227,650	\$ 225,080	\$ 223,986	\$ 194,711	7.8	11.8	1.1	0.5	15.0
Davis County.....	4,897,829	4,550,828	4,268,195	4,001,710	3,784,536	3,599,416	7.6	6.6	6.7	5.7	5.1
State of Utah.....	53,933,277	51,709,163	49,404,046	47,531,180	44,335,559	41,907,568	4.3	4.7	3.9	7.2	5.8
	Fiscal Year						% change from prior year				
	2015	2014	2013	2012	2011	2010	2014-15	2013-14	2012-13	2011-12	2010-11
Local Sales and Use Tax Distribution:											
Woods Cross City.....	\$ 2,245,824	\$ 2,004,500	\$ 1,945,149	\$ 1,912,936	\$ 1,723,429	\$ 1,722,710	12.0	3.1	1.7	11.0	0.0
Davis County (and all cities).....	51,284,441	47,953,175	45,626,942	42,920,410	39,657,466	38,362,708	6.9	5.1	6.3	8.2	3.4

(1) U.S. Department of Commerce; Bureau of Economic Analysis and U.S. Census Bureau.

(3) Utah State Tax Commission.

(2) University of Utah Bureau of Economic and Business Research, Utah Construction Report.

## Largest Employers In The City And County

<u>Firm (location)</u>	<u>Business</u>	<u>Employees</u>
<b>City:</b>		
HollyFrontier Payroll Services, Inc.....	Manufacturing	500–1,000
Benchmark Behavioral Health System .....	Health care and social assistance	100–250
Brock Services LTD.....	Other services (except public admin.)	100–250
Legacy Preparatory Academy .....	Education services	100–250
Silver Eagle Refinery .....	Manufacturing	100–250
Bountiful Toyota (2) .....	Auto dealer	50–100
C&E Stone Masonry LLC.....	Construction	50–100
Central Laundry .....	Other services (except public admin.)	50–100
Electrical Consultants Inc. ....	Professional, scientific, & technical	50–100
Flex Pak Inc. ....	Admin., support, waste mgmt., remediation	50–100
Foreland Refining Corporation .....	Manufacturing	50–100
Intermountain Wind and Solar LLC .....	Construction	50–100
Manheim Remarketing, Inc.....	Wholesale trade	50–100
Manuel's Mexican American Fine Foods .....	Wholesale trade	50–100
Murdock Chevrolet, Inc. ....	Retail trade	50–100
Pipe Fabricating & Supply Co. ....	Manufacturing	50–100
Residential Exterior Solutions By B .....	Construction	50–100
Salmon Electrical Contractors, Inc.....	Construction	50–100
<b>County:</b>		
Davis School District (county-wide) .....	Educational services	12,900–22,470
Hill Air Force Base (Clearfield) (1) .....	Public Administration	10,000–15,000
Wal-Mart (county-wide).....	Retail trade	1,050–2,100
ATK Space Systems (Clearfield).....	Manufacturing	1,000–2,000
GMRI, Inc. ....	Accommodation and food services	1,000–2,000
Lifetime Products (Clearfield) .....	Manufacturing	1,000–2,000
Northrup Grumman Corp. (Clearfield) .....	Professional, scientific, & technical	1,000–2,000
Utility Trailer and Manufacturing (Clearfield) .....	Manufacturing	1,000–2,000
Wendy's.....	Accommodation and food services	1,000–2,000
Western States Lodging and Mgmt. ....	Accommodation and food services	1,000–2,000
Smith's Marketplace (county-wide).....	Retail trade	850–1,995
Progrexion Teleservices, Inc. (North Salt Lake)....	Professional, scientific, & technical	770–1,550
Alliant (Clearfield City).....	Manufacturing	500–1,000
Boeing Company .....	Manufacturing	500–1,000
Davis County Government.....	Public administration	500–1,000
Davis Hospital and Medical Center (Layton).....	Health care and social assistance	500–1,000
FedEx Ground.....	Transportation and warehousing	500–1,000
General Dynamics Information Tech.....	Admin., support, waste mgmt., remediation	500–1,000
Lagoon Corporation Inc. (Farmington).....	Arts, entertainment, and recreation	500–1,000
Lakeview Hospital (Bountiful City).....	Health care and social assistance	500–1,000
Lexington Law Firm (Bountiful) .....	Professional, scientific, & technical	500–1,000
Management & Training Corp. ....	Health care and social assistance	500–1,000
May Trucking Co. (Layton) .....	Transportation and warehousing	500–1,000
McDonald's of Centerville) .....	Accommodation and food services	500–1,000
Member Service Center (Clearfield).....	Admin., support, waste mgmt., remediation	500–1,000
Parallon Enterprises, LLC (Layton) .....	Management of companies and enterprises	500–1,000
Smith's Distribution Center (Layton) .....	Transportation and warehousing	500–1,000
South Davis Community Hospital (Bountiful).....	Health care and social assistance	500–1,000
Tanner Memorial Clinic.....	Health care and social assistance	500–1,000
Yes (North Salt Lake) .....	Health care and social assistance	500–1,000

(1) Hill Air Force Base is located in Davis and Weber counties.

(2) Source: The City.

(Source: Utah Department of Workforce Services. Updated September 2016, reflecting information as of March 2016.)

## Rate Of Unemployment—Annual Average

<u>Year</u>	<u>Davis County</u>	<u>State of Utah</u>	<u>United States</u>
2016 (1).....	2.8%	3.1%	4.6%
2015 .....	3.3	3.5	4.8
2014 .....	3.6	3.8	6.2
2013 .....	4.3	4.7	7.4
2012 .....	4.9	5.4	8.1
2011 .....	6.1	6.8	8.9

(1) Preliminary, subject to change. As of November 2016 (seasonally adjusted).

(Source: Utah Department of Workforce Services.)

## DEBT STRUCTURE OF WOODS CROSS CITY, UTAH

### Outstanding Sales Tax Revenue Bonded Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2017 (1).....	Building complex	\$5,810,000	December 15, 2036	<u>\$5,810,000</u>

(1) For purposes of this OFFICIAL STATEMENT, the 2017 Bonds will be considered issued and outstanding. Rated “AA” by S&P Global Ratings (“S&P”), as of the date of this OFFICIAL STATEMENT.

### Outstanding Water Revenue Bond Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2016 (1).....	Refunding	\$3,891,000	September 1, 2026	\$3,544,000
2014B (2) .....	Various	3,275,000	September 1, 2034	3,117,000
2014A (2).....	Various	1,225,000	September 1, 2034	<u>1,163,000</u>
Total .....				<u>\$7,824,000</u>

(1) Not rated, no rating applied for. These bonds were privately placed.

(2) Not rated, no rating applied for. These bonds were privately placed, purchased by the State of Utah Division of Drinking Water at a 0% interest rate.

### Outstanding Tax Increment Indebtedness Of The Redevelopment Agency Of Woods Cross City, Utah

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2008 (1).....	Redevelopment	\$1,880,000	April 15, 2017	<u>\$85,000</u>

(1) Not rated, no rating applied for. These bonds were privately placed.

Also see “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, FOR FISCAL YEAR 2016—Notes to Financial Statements—Note 7. Long–Term Debt” (page A–38).

### **Other Financial Considerations**

*Future Issuance of Debt.* Other than the issuance of the 2017 Bonds (and any refunding opportunities) the City does not anticipate the issuance of any other debt within the next three years.

*Other Financial Considerations.* The City has also entered into various agreements for financing its capital equipment needs. As of Fiscal Year 2016, the present value of the minimum lease payments of the City’s capital leases totals \$22,420, with annual payments scheduled through Fiscal Year 2017. See “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016—Notes to Financial Statements—Note 7. Long–Term Debt—Capital Leases” (page A–40).

*Joint Ventures.* The City has entered into an interlocal agreement with the South Davis Metro Fire Agency for fire and emergency protection services. In Fiscal Year 2016 the City paid assessment of \$579,616 and impact fees of \$13,702 to South Davis Metro Fire Agency. See “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016—Notes to Financial Statements—Note 13. Joint Venture in South Davis Metro Fire Agency” (page A–48).

### **Debt Service Schedule Of Outstanding Sales Tax Revenue Bonds By Fiscal Year**

See “THE 2017 BONDS—Debt Service On The 2017 Bonds” above.

(The remainder of this page has been intentionally left blank.)

### Debt Service Schedule Of Outstanding Water Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2016 \$3,891,000		Series 2014B \$3,275,000		Series 2014A \$1,225,000		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2016.....	\$ 0	\$ 0	\$ 79,000 (2)	\$ 0	\$ 31,000 (3)	\$ 0	\$ 110,000	\$ 0	\$ 110,000
2017.....	347,000 (1)	37,441	79,000 (2)	0	31,000 (3)	0	457,000	37,441	494,441
2018.....	325,000 (1)	59,176	79,000 (2)	0	31,000 (3)	0	435,000	59,176	494,176
2019.....	333,000 (1)	53,419	79,000 (2)	0	31,000 (3)	0	443,000	53,419	496,419
2020.....	340,000 (1)	47,530	79,000 (2)	0	31,000 (3)	0	450,000	47,530	497,530
2021.....	346,000 (1)	41,528	79,000 (2)	0	31,000 (3)	0	456,000	41,528	497,528
2022.....	351,000 (1)	35,429	79,000 (2)	0	31,000 (3)	0	461,000	35,429	496,429
2023.....	357,000 (1)	29,234	79,000 (2)	0	31,000 (3)	0	467,000	29,234	496,234
2024.....	363,000 (1)	22,934	79,000 (2)	0	31,000 (3)	0	473,000	22,934	495,934
2025.....	369,000 (1)	16,529	79,000 (2)	0	31,000 (3)	0	479,000	16,529	495,529
2026.....	376,000 (1)	10,010	79,000 (2)	0	31,000 (3)	0	486,000	10,010	496,010
2027.....	384,000 (1)	3,360	79,000 (2)	0	31,000 (3)	0	494,000	3,360	497,360
2028.....	—	—	290,000 (2)	0	106,000 (3)	0	396,000	0	396,000
2029.....	—	—	291,000 (2)	0	106,000 (3)	0	397,000	0	397,000
2030.....	—	—	291,000 (2)	0	106,000 (3)	0	397,000	0	397,000
2031.....	—	—	291,000 (2)	0	107,000 (3)	0	398,000	0	398,000
2032.....	—	—	291,000 (2)	0	107,000 (3)	0	398,000	0	398,000
2033.....	—	—	291,000 (2)	0	107,000 (3)	0	398,000	0	398,000
2034.....	—	—	291,000 (2)	0	107,000 (3)	0	398,000	0	398,000
2035.....	—	—	291,000 (2)	0	107,000 (3)	0	398,000	0	398,000
Totals.....	<u>\$ 3,891,000</u>	<u>\$ 356,588</u>	<u>\$ 3,275,000</u>	<u>\$ 0</u>	<u>\$ 1,225,000</u>	<u>\$ 0</u>	<u>\$ 8,391,000</u>	<u>\$ 356,588</u>	<u>\$ 8,747,588</u>

(1) Mandatory sinking fund principal payments from a \$3,891,000, 1.75%, term bond due September 1, 2026.

(2) Mandatory sinking fund principal payments from a \$3,275,000, 0%, term bond due September 1, 2034.

(3) Mandatory sinking fund principal payments from a \$1,225,000, 0%, term bond due September 1, 2034.

### Debt Service Schedule Of Outstanding Tax Increment Bonds By Fiscal Year

Fiscal Year Ending June 30	Series 2008 \$1,880,000		Total Debt Service
	Principal*	Interest (a)	
2016.....	\$ 75,000	\$ 5,268	\$ 80,268
2017.....	85,000	1,828	86,828
Totals.....	<u>\$ 160,000</u>	<u>\$ 7,096</u>	<u>\$ 167,096</u>

## Overlapping And Underlying General Obligation Debt

<u>Taxing Entity</u>	<u>2016 Taxable Value (1)</u>	<u>City's Portion of Tax- able Value</u>	<u>City's Per- centage</u>	<u>Entity's General Obligation Debt</u>	<u>City's Portion of G.O. Debt</u>
<i>Overlapping:</i>					
State of Utah .....	\$239,942,572,174	\$802,938,220	0.3%	\$2,173,985,000	\$ 6,521,955
WBWCD (2) (3) .....	51,913,349,748	802,938,220	1.5	21,139,452	317,092
Davis County .....	20,391,317,626	802,938,220	3.9	14,185,000	553,215
Davis School District .....	20,391,317,626	802,938,220	3.9	460,010,000	17,940,390
South Davis Rec. District (4).....	7,755,530,288	802,938,220	10.4	10,590,000	<u>1,101,360</u>
Total overlapping .....					<u>26,434,012</u>
<i>Underlying:</i>					
Total underlying .....					<u>0</u>
Total overlapping and underlying general obligation debt .....					<u>\$26,434,012</u>
Total <i>overlapping</i> general obligation debt (excluding the State) (5) .....					\$19,912,057
Total <i>direct</i> general obligation bonded indebtedness.....					<u>0</u>
Total <i>direct and overlapping</i> general obligation debt (excluding the State) (5) .....					<u>\$19,912,057</u>

This table excludes any additional principal amounts attributable to unamortized original issue bond premium.

- (1) Preliminary; subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Weber Basin Water Conservancy District ("WBWCD") overlaps into the County and almost covers the entire County; for purposes of this table WBWCD will be considered as overlapping debt. WBWCD covers all of Morgan County, almost all of the County and Weber County, and portions of Box Elder and Summit Counties. Principal and interest on WBWCD's outstanding general obligation bonds are limited ad valorem tax bonds. Certain portions of the principal of and interest on WBWCD's general obligation bonds are paid from sales of water.
- (3) All or portions of these governmental entities outstanding general obligation debt are supported by user fee revenues from water or sewer. The City's portion of overlapping general obligation debt has been reduced to the extent that such general obligation debt is supported by "user fee revenues."
- (4) South Davis Recreation District members are the cities of: Bountiful, Centerville, North Salt Lake, the City and West Bountiful.
- (5) The State's general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

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## Debt Ratios

The following table sets forth the ratios of general obligation debt (excluding any additional principal amounts attributable to unamortized original issue bond premium) that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the City, the estimated market value of such property and the population of the City. *The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.*

	To 2016 Estimated Taxable Value (1)	To 2016 Estimated Market Value (2)	To 2015 Population Estimate Per Capita (3)
Direct general obligation debt.....	0.00%	0.00%	\$ 0
Direct and overlapping general obligation debt.....	2.48	1.74	1,765

(1) Based on an estimated 2016 Taxable Value of \$802,938,220, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.

(2) Based on an estimated 2016 Market Value of \$1,146,954,091, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.

(3) Based on the 2015 U.S. Census Bureau estimated population of 11,284.

## No Defaulted Obligations

The City has never failed to pay principal of and interest on its bond or financial obligations when due.

## FINANCIAL INFORMATION REGARDING WOODS CROSS CITY, UTAH

### Fund Structure; Accounting Basis

The accounts of the City are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund or account group are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds are grouped by type in the combined financial statements.

Revenues and expenditures are recognized using the modified accrual basis of accounting in all governmental funds. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means that amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues on cost-reimbursement grants are accrued when the related expenditures are incurred.

In proprietary funds, revenues and expenses are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred.

### Budget And Appropriation Process

The budget and appropriation process of the City is governed by the Uniform Fiscal Procedures Act for Utah Cities (the "Fiscal Procedures Act"). Pursuant to the Fiscal Procedures Act, the budget officer of



the City is required to prepare budgets for the general fund, special revenue funds, debt service funds and capital improvement funds. These budgets are to provide a complete financial plan for the budget (ensuing fiscal) year. Each budget is required to specify, in tabular form, estimates of anticipated revenues and appropriations for expenditures. Under the Fiscal Procedures Act, the total of anticipated revenues must equal the total of appropriated expenditures.

On or before the first regular meeting of the City Council of the City in May of each year, the budget officer is required to submit to the City Council tentative budgets for all funds for fiscal year commencing July 1. Various actual and estimated budget data are required to be set forth in the tentative budgets. The budget officer and mayor may revise the budget requests submitted by the heads of City departments, these submissions with the City Council together with the tentative budget. The budget officer is required to estimate in the tentative budget the revenue from non-property tax sources available for each fund and the revenue from general property taxes required by each fund. The tentative budget is then tentatively adopted by the City Council, with any amendments or revisions that the City Council deems advisable prior to the public hearing on the tentative budget. After public notice and hearing, the tentative budget is adopted by the City Council, subject to further amendment or revisions by the City Council prior to adoption of the final budget.

Prior to June 22 of each year, the final budgets for all funds are adopted by the City Council. The Fiscal Procedures Act prohibits the City Council from making any appropriation in the final budget of any fund in excess of the estimated expendable revenue of such fund. The adopted final budget is subject to amendment by the City Council during the fiscal year. However, in order to increase the budget total of any fund, public notice and hearing must be provided. Intra- and inter-department transfers of appropriation balances are permitted upon compliance with the Fiscal Procedures Act. The amount set forth in the final budget as the total amount of estimated revenue from property taxes constitutes the basis for determining the property tax levy to be set by the City Council for the succeeding tax year.

## **Financial Controls**

The City utilizes a computerized financial accounting system which includes a system of budgetary controls. State law requires budgets to be controlled by individual departments, but the City has also empowered the Finance Director to maintain control of major categories within departments. These controls are such that a requisition will not be entered into the purchasing system unless the appropriated funds are available. The Finance Director checks for sufficient funds again prior to the purchase order being issued and again before the payment check is issued.

## **Sources Of General Fund Revenues**

Set forth below are brief descriptions of the various sources of revenues available to the City's general fund. The percentage of total general fund revenues represented by each source is based on the City's Fiscal Year 2016 period (total general fund revenues was \$4,719,521).

*Taxes*—Approximately 80% (or \$3,760,897) of general fund revenues are from taxes.

*Intergovernmental Revenue*—Approximately 8% (or \$399,144) of general fund revenues are from State and federal shared grant revenues or grants.

*Fines and Forfeitures*—Approximately 6% (or \$285,209) of general fund revenues are from fines and forfeitures.

*Licenses and Permits*—Approximately 3% (or \$140,082) of general fund revenues are collected from licenses and permits.

*Charges for Services*—Approximately 2% (or \$80,164) of general fund revenues are from charges for services.

*Miscellaneous*—Approximately 1% (or \$54,025) of general fund revenues are collected from other or miscellaneous items.

### **Five-Year Financial Summaries**

The summaries contained herein were extracted from the City's Annual Financial Statements of WOODS CROSS CITY, Utah for Fiscal Years 2012 through 2016. The summaries have not been audited. See APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016.”

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# Woods Cross City

## Statement of Net Position

(This summary has not been audited)

	As of June 30				
	2016	2015	2014	2013	2012
Assets:					
Capital assets, net of accumulated depreciation:					
Improvements.....	\$ 24,456,198	\$ 24,505,717	\$ 16,716,894	\$ 16,132,882	\$ 16,281,958
Infrastructure.....	6,308,278	6,671,817	6,584,264	6,107,261	6,202,786
Machinery, equipment, and vehicles.....	1,118,380	1,150,425	1,146,684	932,092	772,236
Buildings.....	854,155	890,440	927,706	966,669	809,465
Capital assets not being depreciated:					
Land.....	9,883,131	9,883,131	9,883,131	9,883,131	9,796,584
Construction in progress.....	52,002	—	4,927,779	632,867	106,319
Cash and cash equivalents.....	1,966,554	1,900,236	2,238,104	3,125,523	3,549,421
Receivables:					
Taxes.....	1,251,720	1,321,336	1,315,058	1,023,076	1,576,579
Accounts, net.....	249,837	214,285	228,000	226,812	188,573
Intergovernmental.....	—	—	—	62,956	55,055
Restricted assets:					
Cash and cash equivalents.....	1,104,567	1,067,019	1,696,987	2,184,394	2,087,035
Receivables - taxes.....	139,317	105,588	102,198	99,870	42,572
Prepays.....	112,399	119,552	14,558	—	—
Net pension asset.....	1,031	1,002	—	—	—
Deferred charges.....	—	—	—	—	97,908
Total assets.....	<u>47,497,569</u>	<u>47,830,548</u>	<u>45,781,363</u>	<u>41,377,533</u>	<u>41,566,491</u>
Deferred outflows of resources:					
Deferred outflows of resources relating to pensions.....	<u>620,161</u>	<u>215,317</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets and deferred outflows of resources.....	<u>\$ 48,117,730</u>	<u>\$ 48,045,865</u>	<u>\$ 45,781,363</u>	<u>\$ 41,377,533</u>	<u>\$ 41,566,491</u>
Liabilities:					
Noncurrent liabilities:					
Due in more than one year.....	\$ 7,922,774	\$ 8,472,440	\$ 6,702,422	\$ 4,808,356	\$ 5,290,482
Due within one year.....	613,087	566,668	429,647	368,742	336,658
Net pension liability.....	1,056,235	755,788	—	—	—
Developer and customer deposits - restricted asset.....	208,963	227,605	623,444	1,092,508	604,945
Accounts payable.....	186,833	405,249	622,944	330,057	812,407
Accrued liabilities.....	148,572	163,586	215,843	214,443	309,665
Unearned revenue.....	—	—	—	—	1,177,748
Accounts payable - restricted asset.....	—	1,498	3,390	—	—
Total liabilities.....	<u>10,136,464</u>	<u>10,592,834</u>	<u>8,597,690</u>	<u>6,814,106</u>	<u>8,531,905</u>
Deferred inflows of resources:					
Unavailable revenue—property taxes.....	776,713	842,962	837,580	708,151	—
Deferred inflows of resources relating to pensions.....	94,808	101,584	—	—	—
Total deferred inflows of resources.....	<u>871,521</u>	<u>944,546</u>	<u>837,580</u>	<u>708,151</u>	<u>—</u>
Net position:					
Invested in capital assets, net of related debt.....	34,367,724	34,299,814	33,302,515	29,664,142	28,551,818
Unrestricted.....	1,707,100	1,265,167	1,871,227	2,999,378	2,958,106
Restricted for:					
Construction.....	459,185	297,146	257,894	255,931	157,441
Impact fees.....	410,647	372,372	92,417	307,483	354,439
Debt service.....	95,900	80,300	551,505	—	404,521
Property tax increment.....	61,569	190,905	256,683	620,778	404,754
Law enforcement.....	7,620	2,781	13,852	7,564	7,710
Replacement.....	—	—	—	—	195,797
Total net position.....	<u>37,109,745</u>	<u>36,508,485</u>	<u>36,346,093</u>	<u>33,855,276</u>	<u>33,034,586</u>
Total liabilities, deferred inflows of resources and net position.....	<u>\$ 48,117,730</u>	<u>\$ 48,045,865</u>	<u>\$ 45,781,363</u>	<u>\$ 41,377,533</u>	<u>\$ 41,566,491</u>

(Source: Information extracted from the City's audited basic financial statements compiled by the Municipal Advisor.)

## Woods Cross City

### Statement of Activities (1)

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2016	2015	2014	2013	2012
Governmental activities:					
Public safety.....	\$ (2,071,901)	\$ (1,940,695)	\$ (2,031,595)	\$ (2,057,890)	\$ (1,935,770)
General government.....	(1,127,481)	(1,281,892)	(768,175)	(850,795)	(3,400,846)
Parks, recreation, and public property.....	(689,584)	(468,606)	(213,529)	(437,488)	(595,274)
Highways and public improvements.....	(470,496)	(435,209)	369,155	(22,184)	(162,818)
Interest on long-term debt.....	(8,189)	(9,001)	(13,087)	(35,408)	(32,879)
Total governmental activities.....	<u>(4,367,651)</u>	<u>(4,135,403)</u>	<u>(2,657,231)</u>	<u>(3,403,765)</u>	<u>(6,127,587)</u>
Business-type activities:					
Water.....	496,953	611,263	678,735	307,029	12,401
Storm drain.....	17,660	267,548	577,361	374,858	276,491
Solid waste.....	(2,105)	(13,919)	(6,016)	10,712	12,563
Total business-type activities.....	<u>512,508</u>	<u>864,892</u>	<u>1,250,080</u>	<u>692,599</u>	<u>301,455</u>
Total government.....	<u>(3,855,143)</u>	<u>(3,270,511)</u>	<u>(1,407,151)</u>	<u>(2,711,166)</u>	<u>(5,826,132)</u>
General revenues:					
Sales taxes.....	2,345,505	2,248,976	2,076,344	1,922,154	1,929,376
Property taxes.....	1,242,061	1,164,493	1,040,500	1,033,852	1,536,204
Franchise taxes.....	770,461	690,631	701,204	611,413	633,871
Miscellaneous.....	56,409	37,251	2,662	26,989	35,251
Gain on sale of capital assets.....	38,291	106,982	39,959	3,867	—
Unrestricted interest on investments.....	18,846	13,109	19,299	31,487	26,910
Total general revenues and transfers.....	<u>4,471,573</u>	<u>4,261,442</u>	<u>3,879,968</u>	<u>3,629,762</u>	<u>4,161,612</u>
Change in net position.....	616,430	990,931	2,472,817	918,596	(1,664,520)
Net position—beginning (as adjusted).....	36,508,485	36,346,093	33,855,276	33,034,588	35,203,422
Prior period adjustment.....	(15,170)	(828,539)	—	(97,908)	(504,316)
Net position—ending.....	<u>\$ 37,109,745</u>	<u>\$ 36,508,485</u>	<u>\$ 36,328,093</u>	<u>\$ 33,855,276</u>	<u>\$ 33,034,586</u>

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets—Primary Government” and is not intended to be complete.

(Source: Information extracted from the City’s audited basic financial statements compiled by the Municipal Advisor.)

## Woods Cross City

### Balance Sheet—Governmental Funds

#### General Fund

(This summary has not been audited)

	<b>Fiscal Year Ended June 30</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Assets:</b>					
<b>Receivables:</b>					
Taxes.....	\$ 1,232,473	\$ 1,070,733	\$ 1,051,936	\$ 947,673	\$ 947,708
Accounts - net.....	35,007	2,236	5,583	43,168	17,081
Intergovernmental.....	—	1,615	—	—	55,055
<b>Restricted assets:</b>					
Cash and cash equivalents.....	437,093	323,440	529,569	929,168	383,870
Receivables.....	93,583	56,791	52,130	62,956	—
Cash and cash equivalents.....	253,326	337,213	108,383	110,479	388,729
Prepays.....	1,922	—	—	—	—
<b>Total assets.....</b>	<b>\$ 2,053,404</b>	<b>\$ 1,792,028</b>	<b>\$ 1,747,601</b>	<b>\$ 2,093,444</b>	<b>\$ 1,792,443</b>
<b>Liabilities:</b>					
Accounts payable.....	\$ 113,440	\$ 228,807	\$ 183,499	\$ 210,576	\$ 155,211
Accrued liabilities.....	102,909	106,855	114,978	98,061	114,713
Developer deposits - restricted asset.....	63,871	80,304	309,953	728,629	218,719
Unearned revenues.....	—	—	—	—	548,877
<b>Total liabilities.....</b>	<b>280,220</b>	<b>415,966</b>	<b>608,430</b>	<b>1,037,266</b>	<b>1,037,520</b>
<b>Deferred inflow of resources:</b>					
Unavailable revenue—property taxes.....	757,466	592,359	574,458	569,792	—
<b>Fund balances:</b>					
Unassigned.....	546,991	482,161	292,967	222,891	589,772
<b>Restricted:</b>					
Construction.....	459,185	297,146	257,894	255,931	—
Law enforcement.....	7,620	2,781	13,852	7,564	7,710
Impact Fees.....	—	—	—	—	157,441
<b>Nonspendable:</b>					
Prepays.....	1,922	1,615	—	—	—
<b>Total fund balances.....</b>	<b>1,015,718</b>	<b>783,703</b>	<b>564,713</b>	<b>486,386</b>	<b>754,923</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 2,053,404</b>	<b>\$ 1,792,028</b>	<b>\$ 1,747,601</b>	<b>\$ 2,093,444</b>	<b>\$ 1,792,443</b>

(Source: Information extracted from the City's audited basic financial statements compiled by the Municipal Advisor.)

# Woods Cross City

## Statement of Revenues, Expenditures, and Changes in Fund Balance

### Governmental Funds—General Fund

(This summary has not been audited)

#### Fiscal Year Ended June 30

	2016	2015	2014	2013	2012
<b>Revenues:</b>					
Taxes.....	\$ 3,760,897	\$ 3,598,802	\$ 3,447,925	\$ 3,215,572	\$ 3,206,819
Intergovernmental.....	399,144	360,907	381,602	340,453	336,182
Fines and forfeitures.....	285,209	333,874	249,119	211,263	177,115
Licenses and permits.....	140,082	130,168	197,673	236,764	157,027
Charges for services.....	80,164	65,959	94,836	133,503	84,529
Miscellaneous.....	49,279	33,574	21,405	33,834	28,579
Interest.....	4,746	2,991	2,590	5,022	3,972
<b>Total revenues.....</b>	<b>4,719,521</b>	<b>4,526,275</b>	<b>4,395,150</b>	<b>4,176,411</b>	<b>3,994,223</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public safety.....	2,368,102	2,328,441	2,255,557	2,218,909	2,186,326
General government.....	1,126,283	1,037,327	1,009,265	1,027,126	944,613
Highways and public works.....	356,308	306,164	313,724	168,513	461,408
Parks and recreation.....	156,635	222,952	387,906	378,711	335,148
<b>Capital outlay:</b>					
Parks and recreation.....	294,681	172,388	28,435	58,289	—
Public safety.....	108,893	124,970	119,256	102,769	—
General government.....	51,333	—	—	188,734	—
Highways and public works.....	6,000	176,865	300,654	351,901	—
<b>Capital lease:</b>					
Principal.....	21,296	—	—	—	—
Interest.....	2,309	—	—	—	—
<b>Debt service:</b>					
Principal.....	—	20,277	23,605	—	—
<b>Total expenditures.....</b>	<b>4,491,840</b>	<b>4,389,384</b>	<b>4,438,402</b>	<b>4,494,952</b>	<b>3,927,495</b>
Excess of revenues over (under) expenditures.....	227,681	136,891	(43,252)	(318,541)	66,728
<b>Other financing sources (uses):</b>					
Sale of capital assets.....	19,504	82,099	—	—	—
Capital contributions.....	—	—	21,572	—	—
Transfers in.....	—	33,000	118,000	50,000	—
Transfers out.....	—	(33,000)	(18,000)	—	—
<b>Total other financing sources (uses).....</b>	<b>19,504</b>	<b>82,099</b>	<b>121,572</b>	<b>50,000</b>	<b>—</b>
Net change in fund balances.....	247,185	218,990	78,320	(268,541)	66,728
Fund balance—beginning of year, as restated.....	783,703	564,713	486,386	754,927	688,195
Prior period adjustment.....	(15,170)	—	—	—	—
<b>Fund balance—end of year.....</b>	<b>\$ 1,015,718</b>	<b>\$ 783,703</b>	<b>\$ 564,706</b>	<b>\$ 486,386</b>	<b>\$ 754,923</b>

(Source: Information extracted from the City's audited basic financial statements compiled by the Municipal Advisor.)

## Taxable, Fair Market And Market Value Of Property

Calendar Year	Taxable Value (2)	% Change Over Prior Year	Fair Market/Market Value (3)	% Change Over Prior Year
2016 (1) .....	\$ 802,938,220	13.2	\$ 1,146,954,091	13.7
2015 .....	709,488,921	3.6	1,009,004,817	2.7
2014 .....	684,857,291	8.5	982,206,644	10.9
2013 .....	630,930,649	1.9	885,380,627	2.9
2012 .....	619,435,486	3.5	860,624,240	3.1

(1) Preliminary; subject to change. Fair Market/Market Value calculated by the Municipal Advisor.

(2) Taxable valuation includes redevelopment agency valuation. The estimated redevelopment agency valuation for Calendar Year 2016 was approximately \$32.99 million; for Calendar Year 2015 was approximately \$25.9 million; for Calendar Year 2014 was approximately \$24.7 million; for Calendar Year 2013 was approximately \$15.3 million; and for Calendar Year 2012 was approximately \$17.9 million.

(3) Estimated fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act.

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

## Historical Summaries Of Taxable Values Of Property

	Calendar Year					
	2016		2015	2014	2013	2012
	Taxable Value*	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by State Tax Commission (centrally assessed):						
Total centrally assessed.....	\$ 21,820,293	2.7 %	\$ 20,128,944	\$ 17,307,140	\$ 18,052,983	\$ 16,657,943
Set by County Assessor (locally assessed):						
Real property (land and buildings):						
Primary residential.....	420,450,243	52.4	366,061,385	363,399,986	310,966,615	294,771,653
Secondary residential.....	2,153,824	0.3	1,875,208	1,756,652	1,447,863	1,690,640
Commercial and industrial.....	281,526,988	35.1	245,109,049	232,934,520	229,475,730	228,494,995
FAA (greenbelt).....	86,883	0.0	75,644	59,143	66,397	65,961
Unimproved non FAA (vacant)....	5,099,515	0.6	4,439,849	7,707,023	7,053,092	8,070,270
Agricultural.....	12,618	0.0	10,986	16,498	26,356	20,300
Total real property.....	709,330,071	88.3	617,572,121	605,873,822	549,036,053	533,113,819
Personal property:						
Primary mobile homes.....	13,599	0.0	13,599	27,001	27,802	14,602
Secondary mobile homes.....	12,845	0.0	12,845	15,200	20,636	15,420
Other business.....	71,761,412	8.9	71,761,412	61,634,128	63,793,175	69,633,702
SCME (1).....	0	0.0	0	0	0	0
Total personal property.....	71,787,856	8.9	71,787,856	61,676,329	63,841,613	69,663,724
Total locally assessed.....	781,117,927	97.3	689,359,977	667,550,151	612,877,666	602,777,543
Total taxable value.....	\$ 802,938,220	100.0 %	\$ 709,488,921	\$ 684,857,291	\$ 630,930,649	\$ 619,435,486
Total taxable value (2).....	\$ 802,938,220		\$ 709,488,921	\$ 684,857,291	\$ 630,930,649	\$ 619,435,486

\* Preliminary; subject to change.

(1) SCME (semi-conductor manufacturing equipment).

(2) Not including taxable valuation associated with SCME.

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

## **LEGAL MATTERS**

### **Absence Of Litigation**

There is no litigation pending or threatened questioning or in any manner relating to or affecting the validity of the 2017 Bonds.

On the date of the execution and delivery of the 2017 Bonds, certificates will be delivered by the City to the effect that to the knowledge of the City, there is no action, suit, proceeding or litigation pending or threatened against the City, which in any way materially questions or affects the validity or enforceability of the 2017 Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the City.

A non-litigation opinion issued by Mark Bell of Hayes Godfrey Bell PC, as counsel to the City, dated the date of closing, will be provided stating, among other things, that there is not pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the City, or the ability of the City, or their respective officers to authenticate, execute or deliver the 2017 Bonds or such other documents as may be required in connection with the issuance and sale of the 2017 Bonds, or to comply with or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2017 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2017 Bonds are issued, the legality of the purpose for which the 2017 Bonds are issued, or the validity of the 2017 Bonds or the issuance and sale thereof.

### **General**

Certain legal matters incident to the authorization, issuance and sale of the 2017 Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Bond Counsel to the City. Certain legal matters will be passed upon for the City by Mark Bell of Hayes Godfrey Bell PC. The approving opinion of Bond Counsel will be delivered with the 2017 Bonds. A copy of the opinion of Bond Counsel in substantially the form set forth in “APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL” of this OFFICIAL STATEMENT will be made available upon request from the contact persons as indicated under “INTRODUCTION—Contact Persons” above.

The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX MATTERS**

### **Federal Income Taxation**

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the City, interest on the 2017 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2017 Bonds, assuming the accuracy of the certifications of the City and continuing compliance by the City with the requirements of the Code. Interest on the 2017 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax (“AMT”); however, interest on 2017 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to fed-



eral AMT because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds.

*Qualified Tax-Exempt Obligations.* The 2017 Bonds are “qualified tax-exempt obligations” under the Code and therefore the interest expense of a financial institution will not be subject to allocation to the interest on the 2017 Bonds under Section 265(b) of the Code (but the interest on the 2017 Bonds will be subject to treatment as a financial institution preference item under Section 291 of the Code).

*Original Issue Premium.* All the 2017 Bonds (collectively, the “Premium Bonds”) are offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Bond through reductions in the holders’ tax basis in the Premium Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Bond rather than creating a deductible expense or loss. Holders of Premium Bonds should consult their tax advisors for an explanation of the amortization rules.

## **State Tax Exemption**

Bond Counsel is also of the opinion that, under currently existing law, interest on the 2017 Bonds is exempt from State individual income taxes.

## **Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the 2017 Bonds or otherwise prevent holders of the 2017 Bonds from realizing the full benefit of the tax exemption of interest on the 2017 Bonds. Further, such proposals may impact the marketability or market value of the 2017 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2017 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2017 Bonds would be impacted thereby.

Purchasers of the 2017 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2017 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

## **MISCELLANEOUS**

### **Bond Rating**

As of the date of this OFFICIAL STATEMENT, the 2017 Bonds have been rated “AA” by S&P. An explanation of the above rating may be obtained from S&P. The City has not directly applied to Moody’s Investors Service or Fitch Ratings for a rating on the 2017 Bonds.

Such rating does not constitute a recommendation by the rating agencies to buy, sell or hold the 2017 Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water St, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating given to the 2017 Bonds will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2017 Bonds.

### **Trustee**

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2017 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2017 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. See “APPENDIX B—EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE.”

### **Municipal Advisor**

The City has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the 2017 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2017 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

### **Independent Auditors**

The basic financial statements of the City as of June 30, 2016 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by Keddington & Christensen, LLC, Certified Public Accountants, Salt Lake City, Utah (“Keddington & Christensen”), as stated in their report in “APPENDIX A—FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016.”

Keddington & Christensen has not participated in the preparation or review of this OFFICIAL STATEMENT. Based upon their non-participation, they have not consented to the use of their name in this OFFICIAL STATEMENT.

### **Additional Information**

All quotations contained herein from and summaries and explanations of, the State Constitution, statutes, programs, laws of the State, court decisions and the Indenture, do not purport to be complete, and reference is made to said State Constitution, statutes, programs, laws, court decisions and the Indenture for full and complete statements of their respective provisions.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as a representation of fact.

The appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the City.

**Woods Cross City, Utah**

By:                     /s/ Rick Earnshaw                    

Rick Earnshaw, Mayor

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## **APPENDIX A**

### **FINANCIAL STATEMENTS OF WOODS CROSS CITY, UTAH FOR FISCAL YEAR 2016**

The audited financial statements for Fiscal Year 2016 are contained herein. Copies of current and prior financial reports are available upon request from the City's contact person as indicated under "INTRODUCTION—Contact Persons" above.

*The City's Audited Financial Report for the Fiscal Year 2017 must be completed under State law by December 31, 2017.*

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**WOODS CROSS CITY CORPORATION**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2016**

**Together With Independent Auditor's Report**

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## **FINANCIAL SECTION**



**Keddington & Christensen, LLC**  
Certified Public Accountants

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Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and  
Members of City Council  
Woods Cross City  
Woods Cross City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woods Cross as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woods Cross as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the general fund and the major special revenue funds, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, and the related notes to the required supplementary information, as noted on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing

the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Woods Cross's basic financial statements. Combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2016 on our consideration of the City of Woods Cross's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woods Cross City's internal control over financial reporting and compliance.

*Keddington & Christensen*

November 15, 2016

# **WOODS CROSS CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2016**

As management of Woods Cross City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

## **Financial Highlights**

- The assets and deferred outflows of resources of Woods Cross City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,109,745 (net position). Of this amount, \$1,707,100 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$22,543,511. The unrestricted fund balance is \$1,082,269.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$546,991, or 12.18% of total general fund expenditures.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

## **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of Woods Cross City's finances, in a manner similar to a private-sector business.

- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- The *statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Woods Cross City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and public works, and parks and recreation. The business-type activities of the City include Water Utility, Garbage Utility, and Storm Drain Fund.

**WOODS CROSS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2016**

The government-wide financial statements include not only the City itself, but also Woods Cross City Redevelopment Agency (Redevelopment Agency) as a blended component unit. The Redevelopment Agency is a legally separate entity governed by a board appointed by the City Council, consisting of the City Council members. For financial reporting purposes, the Redevelopment Agency is reported as if it was a part of the City's operations because its governing board is the City Council. Therefore, the City Council is financially accountable and has significant influence over the programs, projects, activities, and level of services performed or provided by the Redevelopment Agency.

**Fund financial statements**

A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable* resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Redevelopment Agency Fund, and the Park Development Fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single combined column. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its fund types. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

- *Proprietary funds*  
Woods Cross City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water utility, Garbage, and Storm Drain funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, Garbage, and Storm Drain Funds, all of which are considered to be major funds of the City.

**WOODS CROSS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2016**

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,109,745 at the close of the most recent fiscal year.

By far the largest portion of Woods Cross City's net position (93%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Woods Cross City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Woods Cross City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Net Position</b>					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,310,205	\$ 3,711,347	\$ 1,515,220	\$ 1,017,671	\$ 4,825,425	\$ 4,729,018
Capital assets	21,038,396	21,043,909	21,633,748	22,057,621	42,672,144	43,101,530
Total assets	24,348,601	24,755,256	23,148,968	23,075,292	47,497,569	47,830,548
Total deferred outflows of resources	529,369	183,794	90,792	31,523	620,161	215,317
Long-term liabilities outstanding	292,890	397,286	8,242,971	8,641,822	8,535,861	9,039,108
Other liabilities	1,183,927	1,148,534	416,676	405,192	1,600,603	1,553,726
Total liabilities	1,476,817	1,545,820	8,659,647	9,047,014	10,136,464	10,592,834
Total deferred inflows of resources	857,642	929,675	13,879	14,871	871,521	944,546
Net position:						
Net investment in capital assets	20,930,976	20,840,193	13,436,748	13,459,621	34,367,724	34,299,814
Restricted	530,266	491,414	504,655	452,090	1,034,921	943,504
Unrestricted	1,082,269	1,131,948	624,831	133,219	1,707,100	1,265,167
Total net position	<u>\$ 22,543,511</u>	<u>\$ 22,463,555</u>	<u>\$ 14,566,234</u>	<u>\$ 14,044,930</u>	<u>\$ 37,109,745</u>	<u>\$ 36,508,485</u>

An additional portion of Woods Cross City's net position (\$1,034,921) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,707,100) may be used to meet the government's ongoing obligations to citizens and creditors.

**WOODS CROSS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2016**

At the end of the current fiscal year, Woods Cross City is able to report positive balances in all three categories of net position for governmental and business-type activities.

	<b>Changes in Net Position</b>					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 501,260	\$ 526,367	\$ 2,329,634	\$ 2,290,578	\$ 2,830,894	\$ 2,816,945
Operating grants and contributions	399,144	360,907	-	-	399,144	360,907
Capital grants and contributions	-	81,708	210,756	491,399	210,756	573,107
General revenues:						
Property taxes	1,242,061	1,164,493	-	-	1,242,061	1,164,493
Other taxes	3,115,966	2,939,607	-	-	3,115,966	2,939,607
Other	104,750	153,577	8,796	3,765	113,546	157,342
Total revenues	<u>5,363,181</u>	<u>5,226,659</u>	<u>2,549,186</u>	<u>2,785,742</u>	<u>7,912,367</u>	<u>8,012,401</u>
Expenses:						
General government	1,333,164	1,469,087			1,333,164	1,469,087
Public safety	2,422,648	2,339,077			2,422,648	2,339,077
Highways and public works	807,982	746,540			807,982	746,540
Parks and recreation	696,072	540,680			696,072	540,680
Interest on long-term debt	8,189	9,001			8,189	9,001
Water	-	-	1,072,330	1,007,212	1,072,330	1,007,212
Garbage	-	-	650,722	658,405	650,722	658,405
Storm drain	-	-	304,830	251,468	304,830	251,468
Total expenses	<u>5,268,055</u>	<u>5,104,385</u>	<u>2,027,882</u>	<u>1,917,085</u>	<u>7,295,937</u>	<u>7,021,470</u>
Increase in net position before transfers	<u>95,126</u>	<u>122,274</u>	<u>521,304</u>	<u>868,657</u>	<u>616,430</u>	<u>990,931</u>
Increase (Decrease) in net position	95,126	122,274	521,304	868,657	616,430	990,931
Net position - beginning of year	22,463,555	23,210,519	14,044,930	13,135,574	36,508,485	36,346,093
Prior Period Adjustment	(15,170)	(869,238)	-	40,699	(15,170)	(828,539)
Net position - end of year	<u>\$ 22,543,511</u>	<u>\$ 22,463,555</u>	<u>\$ 14,566,234</u>	<u>\$ 14,044,930</u>	<u>\$ 37,109,745</u>	<u>\$ 36,508,485</u>

**Governmental activities.** Woods Cross City's total governmental activities net position increased by \$79,956. The revenues increased however the expenditures decreased from the prior year. Key elements are as follows:

- Total revenues increased by \$136,522 (2.61%). The increase in revenue was largely due to an increase in other taxes.

**WOODS CROSS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2016**

**Business-type activities.** Business-type activities increased Woods Cross City's net position by \$521,304. As of the end of the current fiscal year, all of the City's business-type funds reported positive net position. Key elements of this increase are as follows:

- Total revenues decreased by \$236,556 (8.49%). Decrease in revenue was largely due to the decrease in capital grants and contributions.
- Total expenses increased by \$110,797 (5.78%), which is mainly due to an increase in water expenses.

**Financial Analysis of the Government's Funds**

As noted earlier, Woods Cross City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Woods Cross City's governmental funds reported combined ending fund balances of \$2,251,389. The unassigned fund balance is \$546,991. Approximately 52% of the combined ending fund balance or \$1,172,210 is assigned to the capital projects fund, redevelopment agency and storm drain. The remainder of the fund balance is restricted for a variety of other purposes.

The general fund is the chief operating fund of Woods Cross City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$546,991, while total fund balance was \$1,015,718. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.18% of total general fund expenditures, while total fund balance represents 22.61% of that amount.

The fund balance of Woods Cross City's general fund increased by \$232,015 during the current fiscal year.

**Proprietary funds.** Woods Cross City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$396,594, for the Garbage Utility Fund, unrestricted net position amounted to \$15,393, and for the Storm Drain Fund, unrestricted net position amounted to \$212,844.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$88,100. Actual revenues were \$64,779 lower than budget revenues. In addition, expenditures were \$392,460 less than budgeted expenditures. The key factor contributing to this variance is as follows:

- Revenue was lower than anticipated by \$64,779.
- Expenditures in general government were \$91,684 less than budget.
- Expenditures in highways and public works were \$245,692 less than budget.
- Expenditures in public safety were \$43,705 less than budget.
- Expenditures in parks and recreation were \$34,984 less than budget.



**WOODS CROSS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2016**

**Capital Assets and Debt Administration**

**Capital assets.** Woods Cross City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$42,672,144 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and roads. The total decrease in Woods Cross City's investment in capital assets for the current fiscal year was \$429,386 (net of depreciation expense). The decrease is due to depreciation expense.

Major capital asset events during the current fiscal year included the following:

- Hogan Park
- Vehicles
- Machinery & equipment
- Infrastructure
- Landscaping
- Water system improvements
- 1500 South improvements

	<b>Capital Assets (Net of depreciation)</b>					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,090,810	\$ 9,090,810	\$ 792,321	\$ 792,321	\$ 9,883,131	\$ 9,883,131
Construction in progress	14,686	-	37,316	-	52,002	-
Buildings	854,155	890,440	-	-	854,155	890,440
Improvements	3,962,722	3,595,998	20,493,476	20,909,719	24,456,198	24,505,717
Machinery & equipment	807,745	794,844	310,635	355,581	1,118,380	1,150,425
Infrastructure	6,308,278	6,671,817	-	-	6,308,278	6,671,817
Total	<u>\$ 21,038,396</u>	<u>\$ 21,043,909</u>	<u>\$ 21,633,748</u>	<u>\$ 22,057,621</u>	<u>\$ 42,672,144</u>	<u>\$ 43,101,530</u>

Additional information on the City's capital assets can be found in Note 5.

**Long-term debt.** At the end of the current year, the City had total debt outstanding of \$8,304,420. All of Woods Cross City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	<b>Outstanding debt</b>					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
2008 Series RDA Tax Increment Bonds	\$ 85,000	\$ 160,000	\$ -	\$ -	\$ 85,000	\$ 160,000
Capital Lease	22,420	43,716	-	-	22,420	43,716
2012 Series Water Refunding Bonds	-	-	3,807,000	4,098,000	3,807,000	4,098,000
2014 Series Water Reveue Bonds	-	-	4,390,000	4,500,000	4,390,000	4,500,000
Total	<u>\$ 107,420</u>	<u>\$ 203,716</u>	<u>\$ 8,197,000</u>	<u>\$ 8,598,000</u>	<u>\$ 8,304,420</u>	<u>\$ 8,801,716</u>

During the current fiscal year the City's total debt decreased by \$497,296.

Additional information on the City's long-term debt can be found in Note 7.

**WOODS CROSS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2016**

**Economic Factors and Next Year's Budgets and Rates**

- As the economy improves, building will improve and building permits and impact fees will increase
- As the general economy increase it is anticipated that sales tax revenues will increase over the previous years' amounts.

**Request for Information**

This financial report is designed to provide a general overview of Woods Cross City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 1555 South 800 West, Woods Cross, Utah, 84087.

## **BASIC FINANCIAL STATEMENTS**

**WOODS CROSS CITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,426,539	\$ 540,015	\$ 1,966,554
Receivables:			
Taxes	1,251,720	-	1,251,720
Accounts net	35,007	214,830	249,837
Prepays	1,922	110,477	112,399
Restricted assets:			
Cash and cash equivalents	454,820	649,747	1,104,567
Receivables - taxes	139,317	-	139,317
Capital assets not being depreciated:			
Land	9,090,810	792,321	9,883,131
Construction in progress	14,686	37,316	52,002
Capital assets, net of accumulated depreciation:			
Buildings	854,155	-	854,155
Improvements	3,962,722	20,493,476	24,456,198
Machinery, equipment, and vehicles	807,745	310,635	1,118,380
Infrastructure	6,308,278	-	6,308,278
Net Pension Asset	880	151	1,031
<b>Total Assets</b>	<b>24,348,601</b>	<b>23,148,968</b>	<b>47,497,569</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources relating to pensions	529,369	90,792	620,161
<b>Total Deferred Outflows of Resources</b>	<b>529,369</b>	<b>90,792</b>	<b>620,161</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 24,877,970</b>	<b>\$ 23,239,760</b>	<b>\$ 48,117,730</b>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF NET POSITION (Continued)**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	\$ 113,436	\$ 73,397	\$ 186,833
Accrued liabilities	105,018	43,554	148,572
Developer and customer deposits - restricted asset	63,871	145,092	208,963
Noncurrent liabilities:			
Due within one year	195,311	417,776	613,087
Due in more than one year	97,579	7,825,195	7,922,774
Net pension liability	901,602	154,633	1,056,235
<b>Total Liabilities</b>	<b>1,476,817</b>	<b>8,659,647</b>	<b>10,136,464</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	776,713	-	776,713
Deferred inflows of resources relating to pensions	80,929	13,879	94,808
<b>Total Deferred Inflows of Resources</b>	<b>857,642</b>	<b>13,879</b>	<b>871,521</b>
<b>Net Position</b>			
Net investment in capital assets	20,930,976	13,436,748	34,367,724
Restricted for:			
Impact fees	1,892	408,755	410,647
Property tax increment	61,569	-	61,569
Construction	459,185	-	459,185
Law enforcement	7,620	-	7,620
Debt Service	-	95,900	95,900
Unrestricted	1,082,269	624,831	1,707,100
<b>Total Net Position</b>	<b>22,543,511</b>	<b>14,566,234</b>	<b>37,109,745</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 24,877,970</b>	<b>\$ 23,239,760</b>	<b>\$ 48,117,730</b>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2016**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
<b>Functions/Programs</b>							
<b>Government Activities</b>							
General governmental	\$ 1,333,164	\$ 205,683	\$ -	\$ -	\$ (1,127,481)	\$ -	\$ (1,127,481)
Public safety	2,422,648	289,089	61,658	-	(2,071,901)	-	(2,071,901)
Highways and public improvements	807,982	-	337,486	-	(470,496)	-	(470,496)
Parks, recreation, and public property	696,072	6,488	-	-	(689,584)	-	(689,584)
Interest on long-term debt	8,189	-	-	-	(8,189)	-	(8,189)
<b>Total Governmental Activities</b>	<b>5,268,055</b>	<b>501,260</b>	<b>399,144</b>	<b>-</b>	<b>(4,367,651)</b>	<b>-</b>	<b>(4,367,651)</b>
<b>Business-type Activities</b>							
Water	1,072,330	1,372,232	-	197,051	-	496,953	496,953
Solid waste	650,722	648,617	-	-	-	(2,105)	(2,105)
Storm drain	304,830	308,785	-	13,705	-	17,660	17,660
<b>Total Business-type Activities</b>	<b>2,027,882</b>	<b>2,329,634</b>	<b>-</b>	<b>210,756</b>	<b>-</b>	<b>512,508</b>	<b>512,508</b>
<b>Total Government</b>	<b>\$ 7,295,937</b>	<b>\$ 2,830,894</b>	<b>\$ 399,144</b>	<b>\$ 210,756</b>	<b>(4,367,651)</b>	<b>512,508</b>	<b>(3,855,143)</b>
<b>General Revenues</b>							
					1,242,061	-	1,242,061
					2,345,505	-	2,345,505
					770,461	-	770,461
					12,985	5,861	18,846
					53,474	2,935	56,409
					38,291	-	38,291
<b>Total General Revenues</b>					<b>4,462,777</b>	<b>8,796</b>	<b>4,471,573</b>
					95,126	521,304	616,430
<b>Net Position, Beginning</b>					<b>22,463,555</b>	<b>14,044,930</b>	<b>36,508,485</b>
Prior period adjustment					(15,170)	-	(15,170)
<b>Net Position, Ending</b>					<b>\$ 22,543,511</b>	<b>\$ 14,566,234</b>	<b>\$ 37,109,745</b>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<b>General</b>	<b>Capital Projects</b>	<b>Redevelopment Agency</b>	<b>Park Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 253,326	\$ 465,102	\$ 625,748	\$ -	\$ 82,363	\$ 1,426,539
Receivables:						
Taxes	1,232,473	-	19,247	-	-	1,251,720
Accounts - net	35,007	-	-	-	-	35,007
Prepays	1,922	-	-	-	-	1,922
Restricted assets:						
Cash and cash equivalents	437,093	-	-	1,892	15,835	454,820
Receivables	93,583	-	-	-	45,734	139,317
<b>Total Assets</b>	<b>\$ 2,053,404</b>	<b>\$ 465,102</b>	<b>\$ 644,995</b>	<b>\$ 1,892</b>	<b>\$ 143,932</b>	<b>\$ 3,309,325</b>
<b>Liabilities</b>						
Accounts payable	\$ 113,440	\$ -	\$ -	\$ -	\$ -	\$ 113,440
Accrued liabilities	102,909	-	1,003	-	-	103,912
Developer deposits - restricted asset	63,871	-	-	-	-	63,871
<b>Total Liabilities</b>	<b>280,220</b>	<b>-</b>	<b>1,003</b>	<b>-</b>	<b>-</b>	<b>281,223</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	757,466	-	19,247	-	-	776,713
<b>Total Deferred Inflows of Resources</b>	<b>757,466</b>	<b>-</b>	<b>19,247</b>	<b>-</b>	<b>-</b>	<b>776,713</b>
<b>Fund Balances</b>						
Nonspendable						
Prepays	1,922	-	-	-	-	1,922
Restricted						
Impact fees	-	-	-	1,892	-	1,892
Sales Tax	-	-	-	-	61,569	61,569
Construction	459,185	-	-	-	-	459,185
Law enforcement	7,620	-	-	-	-	7,620
Assigned						
Capital projects	-	465,102	-	-	-	465,102
Redevelopment	-	-	624,745	-	-	624,745
Subsurface storm drain	-	-	-	-	82,363	82,363
Unassigned	546,991	-	-	-	-	546,991
<b>Total Fund Balances</b>	<b>1,015,718</b>	<b>465,102</b>	<b>624,745</b>	<b>1,892</b>	<b>143,932</b>	<b>2,251,389</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,053,404</b>	<b>\$ 465,102</b>	<b>\$ 644,995</b>	<b>\$ 1,892</b>	<b>\$ 143,932</b>	<b>\$ 3,309,325</b>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total fund balance - governmental funds</b>	\$ 2,251,389
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,038,396
The net pension liability resulting from pension liabilities exceeding pension assets is not an available resource and, therefore, is not reported in the funds.	(900,722)
Deferred outflows of resources associated with the net pension liability and asset is not an available resource and, therefore, is not reported in the funds.	529,369
Deferred inflows of resources associated with the net pension liability and asset is not due and the current period and therefore are not recorded in the funds.	(80,929)
Accrued interest is not recorded in the funds.	(1,102)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not recorded in the funds.	(292,890)
<b>Net position - governmental activities</b>	<u><u>\$ 22,543,511</u></u>

The notes to the basic financial statements are an integral part of this statement.



**WOODS CROSS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<b>General</b>	<b>Capital Projects</b>	<b>Redevelopment Agency</b>	<b>Park Development</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Taxes	\$ 3,760,897	\$ -	\$ 334,039	\$ -	\$ 263,091	\$ 4,358,027
Licenses and permits	140,082	-	-	-	-	140,082
Intergovernmental	399,144	-	-	-	-	399,144
Charges for services	80,164	-	-	-	-	80,164
Fines and forfeitures	285,209	-	-	-	-	285,209
Interest	4,746	2,652	4,326	11	1,248	12,983
Miscellaneous	49,279	-	-	-	-	49,279
<b>Total Revenues</b>	<b>4,719,521</b>	<b>2,652</b>	<b>338,365</b>	<b>11</b>	<b>264,339</b>	<b>5,324,888</b>
<b>Expenditures</b>						
Current:						
General government	1,126,283	-	171,043	-	-	1,297,326
Public safety	2,368,102	-	-	-	-	2,368,102
Highways and public works	356,308	-	83,826	-	-	440,134
Parks and recreation	156,635	-	-	(1,299)	393,107	548,443
Debt service:						
Principal	-	-	75,000	-	-	75,000
Interest	-	-	8,380	-	-	8,380
Capital lease::						
Principal	21,296	-	-	-	-	21,296
Interest	2,309	-	-	-	-	2,309
Capital outlay:						
General government	51,333	222,174	-	-	-	273,507
Public safety	108,893	-	-	-	-	108,893
Highways and public works	6,000	-	-	-	-	6,000
Parks and recreation	294,681	-	-	-	-	294,681
<b>Total Expenditures</b>	<b>4,491,840</b>	<b>222,174</b>	<b>338,249</b>	<b>(1,299)</b>	<b>393,107</b>	<b>5,444,071</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>227,681</b>	<b>(219,522)</b>	<b>116</b>	<b>1,310</b>	<b>(128,768)</b>	<b>(119,183)</b>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	19,504	-	-	-	-	19,504
<b>Total Other Financing Sources (Uses)</b>	<b>19,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,504</b>
<b>Net Change in Fund Balances</b>	<b>247,185</b>	<b>(219,522)</b>	<b>116</b>	<b>1,310</b>	<b>(128,768)</b>	<b>(99,679)</b>
<b>Fund Balance, Beginning</b>	<b>783,703</b>	<b>684,624</b>	<b>624,629</b>	<b>582</b>	<b>272,700</b>	<b>2,366,238</b>
<b>Prior Period Adjustment</b>	<b>(15,170)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,170)</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,015,718</b>	<b>\$ 465,102</b>	<b>\$ 624,745</b>	<b>\$ 1,892</b>	<b>\$ 143,932</b>	<b>\$ 2,251,389</b>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances - total governmental funds</b>	\$ (99,679)
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(722,068)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.	716,556
Governmental funds expense capital lease expenditures in the current year, however, those expenditures reduce capital lease liabilities in the statement of net position.	21,296
In the statement of activities, current changes to the net pension asset account to increase pension expense. The Governmental Funds do not adjust pension contribution expense.	25
In the statement of activities, current changes to the net pension liability account to increase pension expense. The Governmental Funds do not adjust pension contribution expense.	(256,464)
In the statement of activities, the current year's pension contributions from January to June are removed from pension expense and shown on the statement of net position as deferred outflows of resources - pensions. The Governmental Funds do not adjust pension contribution expense.	345,576
In the statement of activities the differences between expected and actual results and changes in assumptions decrease pension expense are shown on the statement of net position as deferred inflows of resources - pensions. The Governmental Funds do not adjust for these differences.	5,784
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	75,000
In the statement of activities, accrued interest on debt is recorded.	1,000
The long term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.	8,100
<b>Change in net position - governmental activities</b>	<u><u>\$ 95,126</u></u>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>final budget</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 685,000	\$ 685,000	\$ 644,931	\$ (40,069)
Sales and use	2,300,000	2,406,600	2,361,599	(45,001)
Franchise	665,000	735,500	754,367	18,867
Licenses and permits	252,000	205,000	140,082	(64,918)
Intergovernmental	356,000	356,000	399,144	43,144
Charges for services	4,000	10,000	80,164	70,164
Fines and forfeitures	400,000	330,000	285,209	(44,791)
Interest	4,200	4,200	4,746	546
Miscellaneous	30,000	52,000	49,279	(2,721)
<b>Total Revenues</b>	<u>4,696,200</u>	<u>4,784,300</u>	<u>4,719,521</u>	<u>(64,779)</u>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	73,300	78,800	72,359	6,441
Administrative	297,800	304,400	290,697	13,703
Judicial	221,700	221,700	205,317	16,383
Data processing	69,000	69,000	35,096	33,904
Non-departmental	124,000	165,000	158,340	6,660
City Hall	70,400	97,900	95,118	2,782
City attorney	71,000	93,000	88,854	4,146
Community Development	234,500	227,500	222,770	4,730
Election	7,000	4,000	2,604	1,396
Volunteer services	8,000	8,000	6,461	1,539
Total general government	<u>1,176,700</u>	<u>1,269,300</u>	<u>1,177,616</u>	<u>91,684</u>
Public safety:				
Police department	1,724,200	1,803,200	1,789,963	13,237
Liquor law enforcement	12,000	12,000	5,201	6,799
Fire department	590,000	583,000	579,616	3,384
Building inspection	150,000	100,000	79,677	20,323
Animal control	19,000	22,500	22,538	(38)
Total public safety	<u>2,495,200</u>	<u>2,520,700</u>	<u>2,476,995</u>	<u>43,705</u>
Highways and public works:				
Streets department	218,800	218,800	182,662	36,138
City shop	129,200	89,200	36,634	52,566
Road repairs and equipment	300,000	300,000	143,012	156,988
Total public works	<u>648,000</u>	<u>608,000</u>	<u>362,308</u>	<u>245,692</u>
Parks and recreation	<u>476,300</u>	<u>486,300</u>	<u>451,316</u>	<u>34,984</u>
Capital Leases:				
Principal	-	-	21,296	(21,296)
Interest	-	-	2,309	(2,309)
<b>Total Expenditures</b>	<u>\$ 4,796,200</u>	<u>\$ 4,884,300</u>	<u>\$ 4,491,840</u>	<u>\$ 392,460</u>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Continued)**  
**For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 227,681</u>	<u>\$ 327,681</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	121,000	(121,000)	21,000	142,000
Transfer out	(21,000)	21,000	(21,000)	(42,000)
Sale of capital assets	-	-	19,504	19,504
<b>Total Other Financing Sources (Uses)</b>	<u>100,000</u>	<u>(100,000)</u>	<u>19,504</u>	<u>119,504</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>247,185</u>	<u>\$ 447,185</u>
<b>Fund Balance, Beginning</b>			<u>783,703</u>	
<b>Prior Period Adjustment</b>			(15,170)	
<b>Fund Balance, Ending</b>			<u>\$ 1,015,718</u>	

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL –REDEVELOPMENT AGENCY**  
**SPECIAL REVENUE FUND**  
**For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with final budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 250,000	\$ 264,000	\$ 334,039	\$ 70,039
Interest	3,000	3,000	4,326	1,326
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>253,000</u>	<u>267,000</u>	<u>338,365</u>	<u>71,365</u>
<b>Expenditures</b>				
Current:				
Redevelopment	212,100	217,100	254,869	(37,769)
Debt Service:				
Principal payments	75,000	75,000	75,000	-
Interest payments	7,000	9,000	6,880	2,120
Bond trustee fees	1,500	1,500	1,500	-
<b>Total Expenditures</b>	<u>295,600</u>	<u>302,600</u>	<u>338,249</u>	<u>(35,649)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(42,600)</u>	<u>(35,600)</u>	<u>116</u>	<u>35,716</u>
<b>Net Change in Fund Balance</b>	<u>\$ (42,600)</u>	<u>\$ (35,600)</u>	<u>116</u>	<u>\$ 35,716</u>
<b>Fund Balance, Beginning</b>			<u>624,629</u>	
<b>Fund Balance, Ending</b>			<u>\$ 624,745</u>	

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**June 30, 2016**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 313,104	\$ 9,209	\$ 217,702	\$ 540,015
Accounts receivable, net	117,067	64,591	33,172	214,830
Prepaid expenses	110,477	-	-	110,477
<b>Total Current Assets</b>	<u>540,648</u>	<u>73,800</u>	<u>250,874</u>	<u>865,322</u>
<b>Noncurrent Assets</b>				
Restricted assets:				
Cash and cash equivalents	322,791	-	326,956	649,747
Capital assets:				
Land	792,321	-	-	792,321
Construction on progress	-	-	37,316	37,316
Improvements	20,289,529	-	7,490,757	27,780,286
Office furniture and equipment	96,264	-	14,990	111,254
Machinery, equipment, and vehicles	690,234	-	90,018	780,252
Less accumulated depreciation	(4,430,359)	-	(3,437,322)	(7,867,681)
Net Pension Asset	100	17	34	151
<b>Total Noncurrent Assets</b>	<u>17,760,880</u>	<u>17</u>	<u>4,522,749</u>	<u>22,283,646</u>
<b>Total Assets</b>	<u>18,301,528</u>	<u>73,817</u>	<u>4,773,623</u>	<u>23,148,968</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources relating to pensions	59,908	10,357	20,527	90,792
<b>Total Deferred Outflows of Resources</b>	<u>59,908</u>	<u>10,357</u>	<u>20,527</u>	<u>90,792</u>
<b>Total Deferred Outflows of Resources, and Assets</b>	<u>\$ 18,361,436</u>	<u>\$ 84,174</u>	<u>\$ 4,794,150</u>	<u>\$ 23,239,760</u>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)**  
**June 30, 2016**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 5,071	\$ 49,063	\$ 19,263	\$ 73,397
Compensated absences	10,776	-	-	10,776
Accrued liabilities	3,172	496	1,228	4,896
Accrued interest payable	38,658	-	-	38,658
Revenue bond payable	407,000	-	-	407,000
<b>Total Current Liabilities</b>	<u>464,677</u>	<u>49,559</u>	<u>20,491</u>	<u>534,727</u>
<b>Noncurrent Liabilities</b>				
Compensated absences	35,195	-	-	35,195
Developer and customer deposits - restricted asset	145,092	-	-	145,092
Revenue bond payable	7,790,000	-	-	7,790,000
Net pension liability	102,032	17,639	34,962	154,633
<b>Total Noncurrent Liabilities</b>	<u>8,072,319</u>	<u>17,639</u>	<u>34,962</u>	<u>8,124,920</u>
<b>Total Liabilities</b>	<u>8,536,996</u>	<u>67,198</u>	<u>55,453</u>	<u>8,659,647</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources relating to pensions	9,158	1,583	3,138	13,879
<b>Total Deferred Inflows of Resources</b>	<u>9,158</u>	<u>1,583</u>	<u>3,138</u>	<u>13,879</u>
<b>Total Deferred Inflows of Resources,     and Liabilities</b>	<u>8,546,154</u>	<u>68,781</u>	<u>58,591</u>	<u>8,673,526</u>
<b>Net Position</b>				
Net invested in capital assets	9,240,989	-	4,195,759	13,436,748
Restricted for:				
Debt service	95,900	-	-	95,900
Impact fees	81,799	-	326,956	408,755
Unrestricted	396,594	15,393	212,844	624,831
<b>Total Net Position</b>	<u>9,815,282</u>	<u>15,393</u>	<u>4,735,559</u>	<u>14,566,234</u>
<b>Total Liabilities, Deferred Inflows of     Resources, and Net Position</b>	<u>\$ 18,361,436</u>	<u>\$ 84,174</u>	<u>\$ 4,794,150</u>	<u>\$ 23,239,760</u>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**POSITION – PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2016**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Operating Revenues</b>				
Charges for services:				
Metered water sales	\$ 1,360,469	\$ -	\$ -	\$ 1,360,469
Connection and servicing fees	11,763	-	-	11,763
User fees	-	648,617	308,785	957,402
Miscellaneous	2,935	-	-	2,935
<b>Total Operating Revenues</b>	<u>1,375,167</u>	<u>648,617</u>	<u>308,785</u>	<u>2,332,569</u>
<b>Operating Expenses</b>				
Salaries and wages	189,830	28,029	70,103	287,962
Employee benefits	87,238	11,695	35,715	134,648
Office expense and supplies	7,806	-	1,214	9,020
Maintenance and repairs	50,007	15,096	3,358	68,461
General and administrative	64,283	3,996	27,070	95,349
Utilities	70,971	-	11,119	82,090
Professional services	18,070	1,530	26,784	46,384
Water purchases	16,694	-	-	16,694
Solid waste collection and disposal	-	590,376	-	590,376
Depreciation	413,761	-	109,447	523,208
Miscellaneous	36,578	-	20,020	56,598
<b>Total Operating Expenses</b>	<u>955,238</u>	<u>650,722</u>	<u>304,830</u>	<u>1,910,790</u>
<b>Operating Income (Loss)</b>	<u>419,929</u>	<u>(2,105)</u>	<u>3,955</u>	<u>421,779</u>
<b>Nonoperating Income (Expense)</b>				
Interest income	2,393	52	3,416	5,861
Interest expense	(117,092)	-	-	(117,092)
<b>Total Nonoperating Income (Expense)</b>	<u>(114,699)</u>	<u>52</u>	<u>3,416</u>	<u>(111,231)</u>
Income (loss) before capital contributions	305,230	(2,053)	7,371	310,548
<b>Capital Contributions</b>				
Impact fees	197,051	-	13,705	210,756
<b>Change in Net Position</b>	<u>502,281</u>	<u>(2,053)</u>	<u>21,076</u>	<u>521,304</u>
<b>Net Position, Beginning</b>	<u>9,313,001</u>	<u>17,446</u>	<u>4,714,483</u>	<u>14,044,930</u>
<b>Net Position, Ending</b>	<u>\$ 9,815,282</u>	<u>\$ 15,393</u>	<u>\$ 4,735,559</u>	<u>\$ 14,566,234</u>

The notes to the basic financial statements are an integral part of this statement.



**WOODS CROSS CITY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2016**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 1,365,099	\$ 648,406	\$ 316,283	\$ 2,329,788
Change in customer deposits Increase (Decrease)	2,791	-	(5,000)	(2,209)
Payments to suppliers and service providers	(272,018)	(621,050)	(86,326)	(979,394)
Payments to employees and related benefits	(291,267)	(42,375)	(111,508)	(445,150)
<b>Net cash flows from operating activities</b>	<u>804,605</u>	<u>(15,019)</u>	<u>113,449</u>	<u>903,035</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Due to/from other funds	(33,170)	-	-	(33,170)
<b>Net cash flows from non-capital financing activities</b>	<u>(33,170)</u>	<u>-</u>	<u>-</u>	<u>(33,170)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(60,449)	-	(38,887)	(99,336)
Capital contributions received	197,051	-	13,705	210,756
Principal paid on bonds and leases	(401,000)	-	-	(401,000)
Interest Paid	(117,092)	-	-	(117,092)
<b>Net cash flows from capital and related financing activities</b>	<u>(381,490)</u>	<u>-</u>	<u>(25,182)</u>	<u>(406,672)</u>
<b>Cash Flows From Investing Activities</b>				
Interest on investments	2,393	52	3,416	5,861
<b>Net cash flows from investing activities</b>	<u>2,393</u>	<u>52</u>	<u>3,416</u>	<u>5,861</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	392,338	(14,967)	91,683	469,054
<b>Cash and Cash Equivalents, Beginning</b>	<u>243,557</u>	<u>24,176</u>	<u>452,975</u>	<u>720,708</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 635,895</u>	<u>\$ 9,209</u>	<u>\$ 544,658</u>	<u>\$ 1,189,762</u>

The notes to the basic financial statements are an integral part of this statement.

**WOODS CROSS CITY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)**  
**For The Year Ended June 30, 2016**

	<u>Water</u>	<u>Solid Waste</u>	<u>Storm Drain</u>	<u>Total Enterprise</u>
<b>Reconciliation of operating income to net cash flows from operating activities</b>				
Earnings (loss) from operations	\$ 419,929	\$ (2,105)	\$ 3,955	\$ 421,779
Adjustments to reconcile earnings (loss) to net cash flows from operating activities:				
Depreciation	413,761	-	109,447	523,208
Changes in assets and liabilities				
Accounts receivable, net	(10,068)	(211)	7,498	(2,781)
Inventories	-	-	-	-
Prepaid expenses	7,460	-	-	7,460
Accounts payable	(15,069)	(10,052)	3,239	(21,882)
Compensated absences	2,149	-	-	2,149
Accrued liabilities	(16,348)	(2,651)	(5,690)	(24,689)
Liabilities payable from restricted assets	-	-	-	-
Customer deposits	2,791	-	(5,000)	(2,209)
<b>Net cash flows from operating activities</b>	<u>\$ 804,605</u>	<u>\$ (15,019)</u>	<u>\$ 113,449</u>	<u>\$ 903,035</u>
 Noncash investing, capital, and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

## **WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Woods Cross City Corporation is a municipal corporation governed by an elected mayor and a five member council.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

**(A) The Reporting Entity**

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The Woods Cross City Redevelopment Agency (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board composed of the members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the RDA have been included in the financial reporting entity as a blended component unit. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

**(B) Government-Wide and Fund Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative services, public safety, highways and streets, and the RDA are classified as governmental activities. The City's Water Utility, Solid Waste Utility, and Storm Drain are classified as business-type activities.

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

## **WOODS CROSS CITY**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(B) Government-Wide and Fund Financial Statements (Continued)

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, federal grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. The City has determined that the period of availability for property tax to be 30 and other taxes to be 60 days. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *Capital Projects Fund* accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by Proprietary funds and Special Revenue funds).

The *Redevelopment Agency Fund* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The City reports the following major proprietary funds:

The *Water Utility Fund* accounts for the activities of the water distribution system of the City.

The *Solid Waste Utility Fund* accounts for the activities of the solid waste collection system of the City.

The *Storm Drain Fund* accounts for the activities of the storm drain system of the City.

Additionally, the City reports the following fund types:

Special revenue funds account for and report the proceeds of specific revenue sources that are the foundation of the fund and are restricted or committed to expenditure for specified purposes other than debt or capital projects. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the RAP Tax, Subsurface Storm Drain, and Park Development as special revenue funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

(D) Budgetary Data

Annual budgets are prepared and adopted, in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah, by the City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Funds and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year-end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 25% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the total expenditures do not exceed the total expenditures per the adopted budget, in which case a public hearing must be held. With the consent of the city manager and finance director, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Special Revenue Funds and Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is not practicable or appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(E) Tax Revenues

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before August 17. All property taxes levied by the City are assessed and collected by Davis County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on the January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from each County on a monthly basis.

Transient room tax, municipal telecommunications tax, and the RAP (Recreation, Arts, and Parks) tax are collected by the State Tax Commission and remitted to the City monthly.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

(F) Cash and Cash Equivalents

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts.

Investments, in the form of accounts at the Utah Public Treasurer's Investment Trust (the State Treasurer's Pool), of the City are stated at cost, which approximates fair value.

(G) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the City would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balance when expending funds.

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Amortization of capital assets acquired with a capital lease has been included in depreciation expense.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1980) have been valued at estimated historical cost.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(H) Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	15-60
Infrastructure	20-50
Machinery and Equipment	7-15
Vehicles	5
Office equipment	5

(I) Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a use of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The government reports only one item that qualifies for reporting in this category. Deferred outflows of resources relating to pensions are recorded as required by GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

(J) Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Employees may convert a portion of accrued sick leave to pay each year. If an employee retires as a member of the Utah State Retirement System, one-third of unused sick leave will be used to pay medical insurance premiums.

(K) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(L) Deferred Inflows

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government reports two items that qualify for reporting in this category: unavailable revenues from property taxes, and deferred inflows of resources relating to pensions. These amounts are recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources relating to pensions are recorded as required by GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

(M) Fund equity

Equity is classified in the government-wide financial statements as position and is displayed in three components:

- (1) *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) *Restricted net position* – portion of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) *Unrestricted net position* – remaining portion of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

- (1) *Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) *Restricted fund balance* classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(M) Fund equity (Continued)

- (4) *Assigned fund balance* Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- (5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary Fund equity is classified the same as in the government-wide statements.

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

(N) Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "advances to other funds" or "advances from other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

(O) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

## **WOODS CROSS CITY NOTES TO FINANCIAL STATEMENTS (Continued)**

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(P) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **NOTE 2 CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Investments are stated at cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as a component of "cash and cash equivalents", "restricted cash and cash equivalents", and "investments", which includes cash accounts that are separately held by several of the City's funds.

The City's deposit and investment policy is to follow the Utah Money Management Act; however, the City does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

*Custodial credit risk – deposits* is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, the balance of deposit accounts exposed to custodial credit risk because it was uninsured and uncollateralized was \$57,070.

*Custodial credit risk – investments* is the risk that in the event of the failure of counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risks of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

The City invests in the Utah Public Treasurer's Investment Fund. As of June 30, 2016, the Utah Public Treasurer's Investment Fund was unrated.

*Interest rate risk* is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The weighted average maturity of the City's investments as of June 30, 2016, was less than one year.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 CASH AND INVESTMENTS (Continued)**

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

For the year ended June 30, 2016, the City had investments of \$2,968,997 with the PTIF. The fair value of these investments was \$2,982,527. As of June 30, 2016 the PTIF fair value factor was 1.00455704. The PTIF pool has not been rated.

**NOTE 3 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts receivable at June 30, 2016 for all funds is \$11,119.

**NOTE 4 RESTRICTED ASSETS**

Certain assets are restricted to use as follows as of June 30, 2016:

Future construction	\$	776,249
Recreation, Arts, Parks		15,835
Water system replacement		95,900
Customer/developer deposits		208,963
Law enforcement		7,620
<b>Total restricted cash</b>	<b>\$</b>	<b>1,104,567</b>
Class C road accounts receivable	\$	93,583
Rap tax accounts receivable		45,734
<b>Total restricted accounts receivable</b>	<b>\$</b>	<b>139,317</b>

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 9,090,810	\$ -	\$ -	\$ 9,090,810
Construction in progress	-	14,686	-	14,686
<b>Total capital assets, not being depreciated</b>	9,090,810	14,686	-	9,105,496
<b>Capital assets, being depreciated:</b>				
Infrastructure	23,663,912	-	-	23,663,912
Buildings	1,545,393	-	-	1,545,393
Improvements other than buildings	4,422,731	495,848	-	4,918,579
Machinery and equipment	2,165,314	315,128	153,885	2,326,557
<b>Total capital assets, being depreciated</b>	31,797,350	810,976	(153,885)	32,454,441
<b>Less accumulated depreciation for:</b>				
Infrastructure	(16,992,095)	(363,539)	-	(17,355,634)
Buildings	(654,953)	(36,285)	-	(691,238)
Improvements other than buildings	(826,733)	(129,124)	-	(955,857)
Machinery and equipment	(1,370,471)	(193,120)	44,779	(1,518,812)
<b>Total accumulated depreciation</b>	(19,844,252)	(722,068)	44,779	(20,521,541)
<b>Total capital assets, being depreciated, net</b>	11,953,098	88,908	(109,106)	11,932,900
<b>Governmental activities capital assets, net</b>	<u>\$ 21,043,908</u>	<u>\$ 103,594</u>	<u>\$ (109,106)</u>	<u>\$ 21,038,396</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
General government	\$ 40,058
Public safety	119,914
Highways and public improvements	408,632
Parks, recreation, and public property	153,464
<b>Total depreciation expense - governmental activities</b>	<u>\$ 722,068</u>

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 CAPITAL ASSETS (Continued)**

The Business-type Activities property, plant and equipment consist of the following at June 30, 2016:

	<b>Balance</b> <b>June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2016</b>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 792,321	\$ -	\$ -	\$ 792,321
Construction in progress	-	37,316	-	37,316
<b>Total capital assets, not being depreciated</b>	792,321	37,316	-	829,637
<b>Capital assets, being depreciated</b>				
Improvements other than buildings	27,722,406	57,880	-	27,780,286
Machinery and equipment	888,362	3,144	-	891,506
<b>Total capital assets, being depreciated</b>	28,610,768	61,024	-	28,671,792
<b>Less accumulated depreciation for</b>				
Improvements other than buildings	(6,812,687)	(474,123)	-	(7,286,810)
Machinery and equipment	(532,781)	(48,090)	-	(580,871)
<b>Total accumulated depreciation</b>	(7,345,468)	(522,213)	-	(7,867,681)
<b>Total capital assets, being depreciated, net</b>	21,265,300	(461,189)	-	20,804,111
<b>Business-type activities capital assets, net</b>	<u>\$ 22,057,621</u>	<u>\$ (423,873)</u>	<u>\$ -</u>	<u>\$ 21,633,748</u>

Depreciation expense was charged to functions/programs as follows:

Water	\$ 412,766
Storm Drain	109,447
<b>Total depreciation expense - business-type activities</b>	<u>\$ 522,213</u>

**NOTE 6 DEFERRED INFLOWS**

In conjunction with GASB pronouncement 33, "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued property tax receivable and a deferred outflow in the General Fund and Redevelopment Agency in the amounts of \$757,466 and \$19,247, respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 30 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30. Since the property tax levied on October 1, 2016 was not expected to be received within 30 days after the year ended June 30,

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 DEFERRED INFLOWS (Continued)**

2016, the City was required to record receivable and deferred inflow of the estimated amount of the total property tax to be levied on October 1, 2016.

**NOTE 7 LONG-TERM DEBT**

The following is summary of long-term debt transactions of the City for the year ended June 30, 2016:

	Long-term debt payable at June 30, 2015	Additions	Reductions	Long-term debt payable at June 30, 2016	Due within One Year
<b>Governmental activities</b>					
Series 2008 RDA tax increment	\$ 160,000	\$ -	\$ (75,000)	\$ 85,000	\$ 85,000
Capital lease	43,716	-	(21,296)	22,420	22,420
Total bonds payable	203,716	-	(96,296)	107,420	107,420
Compensated absences	193,570	138,563	(146,663)	185,470	87,891
<b>Governmental activity long-term liabilities</b>	<u>\$ 397,286</u>	<u>\$ 138,563</u>	<u>\$ (242,959)</u>	<u>\$ 292,890</u>	<u>\$ 195,311</u>
<b>Business-type activities</b>					
Series 2012 Water Revenue	\$4,098,000	\$ -	\$ (291,000)	\$3,807,000	\$ 297,000
Series 2014 Water Revenue	4,500,000	-	(110,000)	4,390,000	110,000
Total bonds payable	8,598,000	-	(401,000)	8,197,000	407,000
Compensated absences	43,822	37,206	(35,057)	45,971	10,776
<b>Business-type activity long-term liabilities</b>	<u>\$8,641,822</u>	<u>\$ 37,206</u>	<u>\$ (436,057)</u>	<u>\$8,242,971</u>	<u>\$ 417,776</u>

**Redevelopment Agency Tax Increment Revenue Bonds Series 2008**

The Redevelopment Agency Tax Increment Revenue Bonds Series 2008 was issued in January 2008 by the Redevelopment Agency. The \$1,880,000 revenue bonds are due in semi-annual installments through April 15, 2017. The bonds carry an interest rate of 4.30%. The bonds were issued at a discount for \$1,842,400.

The annual debt service requirements to maturity, including principal and interest, for the Tax Increment Revenue Bonds Series 2008, as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 85,000	\$ 1,828	\$ 86,828
<b>Total</b>	<u>\$ 85,000</u>	<u>\$ 1,828</u>	<u>\$ 86,828</u>

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Water Revenue Refunding Bonds, Series 2012

The Water Revenue Refunding Bonds, Series 2012 was issued in December 2012. The \$4,632,000 revenue bonds are due in semiannual installments through March, 2027. The bonds carry an interest rate of 2.83%. The bonds require no replacement and debt service reserves to be established. The proceeds were used to advance refund the Water Revenue Bonds, Series 2008. The net proceeds, along with \$290,000 from the Series 2008 bonds debt reserve fund, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service on the refunded bonds. As a result the Water Revenue Bonds, Series 2008 are considered defeased and the liability for those bonds have been removed from the statement of net position. The City advanced refunded the series 2008 bonds to obtain an economic gain of \$115,070.

The annual debt service requirements to maturity, including principal and interest, for the Water Revenue Bonds Series 2012, as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 297,000	\$ 103,536	\$ 400,536
2018	306,000	95,003	401,003
2019	317,000	86,188	403,188
2020	327,000	77,075	404,075
2021	336,000	67,694	403,694
2022-2026	1,826,000	188,391	2,014,391
2027	398,000	5,632	403,632
<b>Total</b>	<u>\$ 3,807,000</u>	<u>\$ 623,519</u>	<u>\$ 4,430,519</u>

Water Revenue Bonds, Series 2015 A and B

The Water Revenue Refunding Bonds, Series 2015 A and B were issued February 2015. The \$1,225,000 A and \$3,275,000 B revenue bonds are due in annual installments through September 2034. As of June 30, 2016 \$3,275,000 has been issued for the Series B bonds and \$1,225,000 has been issued for Series A bond. The bonds carry an interest rate of 0.00%. The bonds require replacement reserves of 5% of the City's annual operating budget, and debt service reserves of \$208,000 to be established evenly over 10 years.

The annual debt service requirements to maturity, including principal and interest, for the Water Revenue Bonds Series 2015, as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,000	\$ -	\$ 110,000
2018	110,000	-	110,000
2019	110,000	-	110,000
2020	110,000	-	110,000
2021	110,000	-	110,000
2022-2026	550,000	-	550,000
2027-2031	1,698,000	-	1,698,000
2032-2035	1,592,000	-	1,592,000
<b>Total</b>	<u>\$ 4,390,000</u>	<u>\$ -</u>	<u>\$ 4,390,000</u>



**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Capital Leases

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met. The following is a schedule by year of future minimum lease payments as of June 30, 2016.

Fiscal Year Ending June 30,	Governmental Activities
2017	\$ 23,605
Total minimum lease payments	23,605
Less: Amount representing interest	(1,185)
Present value of net minimum lease payments	<u>\$ 22,420</u>

Equipment and related accumulated depreciation under capital lease are as follows:

Cost of equipment	\$ 87,548
Accumulated depreciation	\$ 21,296

Pledged Revenues

The City has pledged future tax increment revenues to repay \$1,880,000 in tax increment revenue bonds issued in January 2008 to finance the acquisition of land for housing projects within the 500 West Redevelopment Project Area. The bonds are payable solely from the incremental taxes levied upon certain taxable property in the redevelopment project areas as described in the Redevelopment Act.

The City has pledged future water customer revenues, net of specified operating expenses, to repay water revenue bonds issued in 2012. Proceeds from the Series 2012 Bonds provided financing to refund the Series 2008 Bonds. The bonds are payable solely from water customer net revenues. Annual principal and interest payments on the bonds are estimated to be approximately 45% of net revenues over the life of the bonds.

The City has pledged the net revenues of the water system to fund the Water Revenue Refunding Bonds, Series 2015 A and B.

**NOTE 8 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Utah Local Government Trust (a public entity risk pool).

All claims are submitted to the Utah Local Government Trust, which acts as a commercial insurer. The Trust is obligated to pay all claims covered by its plan. All claims are subject to a \$500 deductible. The deductible is accrued as a current liability when the claim is incurred. The Utah Local Government Trust covers claims up to \$2,000,000. The City has not incurred a claim in excess of its coverage for any of the past three fiscal years.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 RETIREMENT PLAN**

**Plan Description**

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Public Employees Contributory Retirement System (Contributory System); are multiple employer, cost sharing, retirement systems.
- Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing; multiple-employer public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing, public employee retirement system;
- Tier 2 Public Safety and Firefighter Contributory Retirement system (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 RETIREMENT PLAN (Continued)**

Benefits Provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 Years	30 years any age 25 years any age * 20 years age 60 * 10 years age 62 * 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 Years	30 years any age 25 years any age* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 Years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 Years; 2.0% per year over 20 years	Up to 2.5% or 4% Depending upon employer
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years age 60 * 10 years age 62 * 4 years age 65	1.50% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.5%

\* with actuarial reductions

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPE increases not met may be carried forward to subsequent years.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 RETIREMENT PLAN (Continued)**

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

**Utah Retirement Systems**

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
<b>Contributory System</b>				
11 Local Government Div - Tier 1	6.00	N/A	14.46	N/A
111 Local Governmental Div - Tier 2	N/A	N/A	16.67	1.78
<b>Noncontributory System</b>				
15 Local Governmental Div - Tier 1	N/A	N/A	18.47	N/A
<b>Public Safety System</b>				
<b>Noncontributory</b>				
49 Other Div B with 2.5% COLA	N/A	N/A	32.20	N/A

Tier 2 Rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 136,888	N/A
Contributory System	11,380	-
Public Safety System	183,011	-
Tier 2 Public Employees System	12,947	-
Tier 2 Public Safety and Firefighter	15,711	-
<b>Total Contributions</b>	<b>\$ 359,937</b>	<b>\$ -</b>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 RETIREMENT PLAN (Continued)**

*Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, we reported a net pension asset of \$1,031 and a net pension liability of \$1,056,234.

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.0854994%	\$ -	\$ 483,798
Contributory System	0.1829928%	-	128,617
Public Safety System	0.9095581%	-	443,820
Tier 2 Public Employees System	0.0120101%	26	-
Tier 2 Public Safety and Firefighter	6.8766700%	1,005	-
		\$ 1,031	\$ 1,056,235

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, we recognized pension expense of \$248,830.

At June 30, 2016 we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 77,698	\$ 28,958
Change in assumptions	-	65,676
Net difference between projected and actual earnings on pension plan investments	346,038	-
Changes in proportion and differences between contributions and proportionate share of contributions	19,876	174
Contributions subsequent to the measurement date	176,549	-
Total	\$ 620,161	\$ 94,808

\$176,549 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 RETIREMENT PLAN (Continued)**

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Deferred Outflows (inflow) of Resources</b>
2016	\$ 82,058
2017	83,296
2018	83,604
2019	91,134
2020	9,071
Thereafter	(360)
Total	<u>\$ 348,803</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9 RETIREMENT PLAN (Continued)**

Asset Class	Target Asset Allocation	Expected Return Arithmetic Basis	
		Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected Arithmetic Nominal Return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 1,022,215	\$ 483,797	\$ 34,326
Contributory System	226,507	128,617	46,434
Public Safety System	968,249	443,820	14,169
Tier 2 Public Employees System	4,808	(26)	(3,690)
Tier 2 Public Safety and Firefighter	1,708	(1,005)	(3,088)
<b>Total</b>	<b>\$ 2,223,487</b>	<b>\$ 1,055,203</b>	<b>\$ 88,151</b>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

# WOODS CROSS CITY

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 9 RETIREMENT PLAN (Continued)

#### Defined Contributions Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457 (b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Woods Cross City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- \* 401(k) Plan
- \* 457(b) Plan
- \* Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plan for fiscal year ended June 30, were as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>401 (k) Plan</b>			
Employer Contributions	\$65,056	\$73,602	\$62,949
Employee Contributions	\$33,273	\$37,655	\$38,090
<b>457 Plan</b>			
Employer Contributions	\$9,710	\$2,127	\$997
Employee Contributions	\$18,219	\$16,100	\$7,476
<b>Roth IRA Plan</b>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$9,000	\$11,700	\$11,250

### NOTE 10 COMMITMENTS AND CONTINGENCIES

The City has approximately \$296,601 to pay in an outstanding construction commitment to complete the construction of the Public Works building and the Legacy Preserve storm drain project.

### NOTE 11 REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17C-1-605(1), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2016:

The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2016</u>
500 South Project	\$ 334,039
Total increment received	<u>\$ 334,039</u>



**WOODS CROSS CITY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 11 REDEVELOPMENT AGENCY (Continued)**

The Agency expended amounts in the following areas:

Amounts expended for:

Administrative costs	\$ 102,086
Property acquisitions and site improvements	83,176
Debt service costs	<u>83,380</u>
Total amounts expended by RDA	<u><u>\$ 268,642</u></u>

Outstanding bonds and loans to finance RDA projects	<u><u>\$ 86,828</u></u>
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**NOTE 12 CONDUIT DEBT OBLIGATIONS**

During the year ended June 30, 2005, the City issued industrial development bonds to provide financial assistance to a private-sector entity for the acquisition, construction, and furnishings of manufacturing facilities and related improvements deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, there is only one series of industrial development bonds issued and outstanding. The original issue amount was \$3,605,000.

**NOTE 13 JOINT VENTURE IN SOUTH DAVIS METRO FIRE AGENCY**

South Davis Metro Fire Agency was created pursuant to an Interlocal Agreement, entered into among Bountiful City, Centerville City, Davis County, North Salt Lake, West Bountiful City, and Woods Cross City, to provide consolidated fire and emergency medical services in the area boundaries as defined by the agreement. Upon formation of the Agency, participants that provided the Agency with fire station buildings or other real property or equipment, maintained individual ownership of the property. The Agency owns all property it acquires. Each participant pays its proportionate share of the Agency's costs, which are allocated among participants based on the assessed value of property within each participant's municipal boundaries. In addition, participants (excluding Bountiful City) have adopted a uniform capital facilities plan and uniform impact fee ordinance for fire and emergency services and remit all such fees to the Agency. Assessments and all impact fees are used for operational costs, debt services, risk management insurance, equipment, and new fire stations, as appropriate. During the year ended June 30, 2016, the City paid assessments of \$579,616 and impact fees of \$13,702 to South Davis Metro Fire Agency. A copy of the South Davis Metro Fire Agency audited financial statements may be obtained by writing to the Agency at 255 South 100 West, Bountiful, UT 84010.

**NOTE 14 PRIOR PERIOD ADJUSTMENT**

URS Adjustment

In fiscal year 2016, the Utah Retirement System informed the City that it owed \$15,170 for retirement contribution that should have been paid in a prior year. The net effect of this accounting required a prior period adjustment reducing net position to governmental activities by \$15,170 and the general fund by the same amount.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WOODS CROSS CITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**UTAH RETIREMENT SYSTEMS**  
**December 31, 2015**  
**Last 10 Fiscal Years\***

	<u>As of year ended December 31,</u>	<u>Noncontributory Retirement System</u>	<u>Contributory Retirement System</u>	<u>Public Safety System</u>	<u>Tier 2 Public Employees Retirement System</u>	<u>Tier 2 Public Safety and Firefighters Retirement</u>
Proportion of the net pension liability (asset)	2015	0.0854994%	0.1829928%	0.9095581%	0.0120101%	0.0687667%
	2014	0.0830057%	0.1459815%	0.8933265%	0.0100314%	0.0471591%
Proportionate share of the net pension liability (asset)	2015	\$ 483,797	\$ 128,617	\$ 443,820	\$ (26)	\$ (1,005)
	2014	360,430	42,107	353,250	(304)	(698)
Covered-employee payroll	2015	\$ 733,807	\$ 77,971	\$ 714,172	\$ 77,596	\$ 40,915
	2014	731,125	78,149	661,207	49,308	19,411
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2015	65.93%	164.96%	62.14%	-0.03%	-2.46%
	2014	50.5%	53.9%	53.4%	-0.6%	-3.6%
Plan fiduciary net position as a percentage percentage of its covered-employee payroll	2015	87.8%	85.7%	87.6%	100.2%	110.7%
	2014	90.2%	94.0%	89.0%	103.5%	120.5%

\* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year.

**WOODS CROSS CITY**  
**REQUIRED SUPPLEMENTARY INFORMATION (Continued)**  
**UTAH RETIREMENT SYSTEMS**  
**December 31, 2015**  
**Last 10 Fiscal Years\***

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required Contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory System</b>	2014	\$ 125,375	\$ 125,375	\$ -	\$ 726,996	17.25%
	2015	\$ 130,808	\$ 130,808	\$ -	\$ 709,442	18.44%
	2016	\$ 136,888	\$ 136,888	\$ -	\$ 741,337	18.47%
<b>Contributory System</b>	2014	\$ 10,357	\$ 10,357	\$ -	\$ 78,259	13.23%
	2015	\$ 11,163	\$ 11,163	\$ -	\$ 77,198	14.46%
	2016	\$ 11,380	\$ 11,380	\$ -	\$ 74,711	15.23%
<b>Public Safety System</b>	2014	\$ 177,091	\$ 177,091	\$ -	\$ 650,020	27.24%
	2015	\$ 178,591	\$ 178,591	\$ -	\$ 676,235	26.41%
	2016	\$ 183,011	\$ 183,011	\$ -	\$ 705,218	25.95%
<b>Tier 2 Public Employees System*</b>	2014	\$ 4,720	\$ 4,720	\$ -	\$ 33,868	13.94%
	2015	\$ 9,617	\$ 9,617	\$ -	\$ 64,368	14.94%
	2016	\$ 12,947	\$ 12,947	\$ -	\$ 86,826	14.91%
<b>Tier 2 Public Safety and Firefighter System*</b>	2014	\$ 65,511	\$ 6,511	\$ -	\$ 31,731	20.52%
	2015	\$ 4,699	\$ 4,699	\$ -	\$ 22,992	20.44%
	2016	\$ 15,711	\$ 15,711	\$ -	\$ 77,778	20.20%

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

Tier 2 systems were created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10 year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

**WOODS CROSS CITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR FISCAL YEAR ENDED JUNE 30, 2016**

*Changes in Assumptions:*

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age from 3.75%.

## **SUPPLEMENTAL INFORMATION**

**WOODS CROSS CITY**  
**COMBINING BALANCE SHEET – NONMAJOR**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<u>Special Revenue Fund</u>		<u>Total</u>
	<u>Subsurface</u>		<u>Nonmajor</u>
	<u>Storm</u>		<u>Governmental</u>
	<u>Drain</u>	<u>RAP Tax</u>	<u>Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 82,363	\$ -	\$ 82,363
Restricted assets:			
Cash and cash equivalents	-	15,835	15,835
Taxes Receivable	-	45,734	45,734
<b>Total Assets</b>	<u>\$ 82,363</u>	<u>\$ 61,569</u>	<u>\$ 143,932</u>
<b>Liabilities and</b>			
<b>Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Restricted			
Sales tax	-	61,569	61,569
Assigned	82,363	-	82,363
<b>Total Fund Balances</b>	<u>\$ 82,363</u>	<u>\$ 61,569</u>	<u>\$ 143,932</u>
<b>Total Liabilities and</b>			
<b>Fund Balances</b>	<u>\$ 82,363</u>	<u>\$ 61,569</u>	<u>\$ 143,932</u>

**WOODS CROSS CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2016**

	<u>Special Revenue Fund</u>		<u>Total</u>
	<u>Subsurface</u>		<u>Nonmajor</u>
	<u>Storm</u>		<u>Governmental</u>
	<u>Drain</u>	<u>RAP Tax</u>	<u>Funds</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 263,091	\$ 263,091
Interest	565	683	1,248
Miscellaneous	-	-	-
<b>Total Revenues</b>	<u>565</u>	<u>263,774</u>	<u>264,339</u>
<b>Expenditures</b>			
Parks and recreation	-	393,107	393,107
<b>Total Expenditures</b>	<u>-</u>	<u>393,107</u>	<u>393,107</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over (Under) Expenditures</b>	<u>565</u>	<u>(129,333)</u>	<u>(128,768)</u>
Net Change in Fund			
Balances	565	(129,333)	(128,768)
<b>Fund Balance, Beginning</b>	<u>81,798</u>	<u>190,902</u>	<u>272,700</u>
<b>Fund Balance, Ending</b>	<u>\$ 82,363</u>	<u>\$ 61,569</u>	<u>\$ 143,932</u>



**WOODS CROSS CITY  
WOODS CROSS, UTAH**

**SUPPLEMENTARY REPORTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**WOODS CROSS CITY  
SUPPLEMENTARY REPORTS  
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**Keddington & Christensen, LLC**  
Certified Public Accountants

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Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and  
Members of the City Council  
City of Woods Cross  
Woods Cross, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woods Cross, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Woods Cross's (the City) basic financial statements, and have issued our report thereon dated November 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and recommendations.

**City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Keddington & Christensen*

November 15, 2016



**Keddington & Christensen, LLC**  
Certified Public Accountants

Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH  
THE *STATE COMPLIANCE AUDIT GUIDE* ON:  
COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS,  
COMPLIANCE FOR EACH MAJOR STATE PROGRAM, AND  
INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and  
Members of the City Council  
City of Woods Cross  
Woods Cross, Utah

**Report on Compliance**

We have audited the City of Woods Cross's compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Budgetary Compliance  
Justice Courts  
Open and Public Meetings Act  
Restricted Taxes  
Transparency

Fund Balance  
URS Compliance  
Treasurer Bond  
Cash Management

**Management's Responsibility**

Management is responsible for compliance with the general state requirements referred to above.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Compliance Audit Guide. Those standards and the State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

## **Opinion on General State Compliance Requirements and Each Major State Program**

In our opinion, Woods Cross City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures did not disclose any instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*. Our opinion on compliance is not modified with respect to these matters.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

*Keddington & Christensen*

Salt Lake City, Utah

November 15, 2016

**WOODS CROSS CITY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For The Year Ended June 30, 2016**

**MATERIAL WEAKNESS**

**Financial Statement Preparation**

**Finding**

The city does not prepare the financial statements in accordance with Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The City relies on the financial statement audit procedures to identify certain necessary adjustments, reclassifications, and disclosures to produce financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Management's Response**

The City will continue to use its auditors to assist in the preparation of its GASB 34 financial statements.

**SIGNIFICANT DEFICIENCY**

**Court Administrator Segregation of Duties**

**Financial Audit and Government Auditing Standards Finding**

**Finding**

During the audit we found that in the justice court area, the court administrator has custody of assets (receipting of payments), recording (case dismissal/closing ability), and reconciling responsibilities. This provides the opportunity to see a transaction through the entire accounting process without any supervisory oversight. This weakness in internal controls appears to be the unintended result of consolidating responsibilities.

**Recommendation**

As much as possible, the City should separate the custody of assets (cash receipting) from the record keeping function (case dismissal/closing ability). If this is not possible then a regular supervisory review (employee with the technical knowledge to create the proper oversight) of all clerk adjustments to court cases (i.e. dismissals, accounts receivable adjustments, credits, and voids) should be implemented. This would ensure accurate and balanced accounts and provide a secondary review of court transactions.

**Management's Response**

The court administrator will be instructed to have the court clerk be responsible for taking all payments into the court. However, since there will be times when the court clerk is out of the office, and the court administrator will need to take the payments, a regularly supervisory review of all adjustments to court cases will be implemented to provide a secondary review of court transactions.

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## **APPENDIX B**

### **EXTRACTS OF CERTAIN PROVISIONS OF THE INDENTURE**

The following excerpts briefly outline certain provisions contained in the General Indenture and are not to be considered as a full statement thereof. Reference is made to the General Indenture and the First Supplemental Indenture for full details of the Indenture, terms of the 2017 Bonds and the security provisions appertaining thereto.

#### **Definitions**

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds, as established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds.

“Act” means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code, each to the extent applicable.

“Additional Bonds” means all Bonds issued under the Indenture other than the Initial Bonds.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs, and Rebtable Arbitrage.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations) for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum Principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Representative” means the Mayor, City Manager, or the Finance Director of the Issuer, or any other officer of the Issuer certified in writing to the Trustee by the Issuer.

“Average Aggregate Annual Debt Service Requirement” means the total of all Aggregate Annual Debt Service Requirements divided by the total Bond Fund Years of the Bonds Outstanding or any specified portion thereof.

“Bond Fund” means the Woods Cross City, Utah Sales Tax Revenue Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Bond Fund Year” means the 12-month period beginning July 1 of each year and ending on the next succeeding June 30, except that the first Bond Fund Year shall begin on the date of delivery of the Initial Bonds and shall end on the next succeeding June 30.

“Bondholder,” “Bondowner,” “Registered Owner,” or “Owner” means the registered owner of any Bonds authorized in the Indenture according to the registration books of the Issuer maintained by the Trustee as Registrar.

“Bonds” means bonds, notes, commercial paper or other obligations (other than Repayment Obligations) authorized by and at any time Outstanding pursuant to the Indenture, including the Initial Bonds and any Additional Bonds.

“Build America Bonds” means the interest subsidy bonds issuable by the Issuer under Sections 54AA and 6431 of the Code and a “qualified bond” under Section 54AA(g)(2) of the Code or such other tax credit bonds (including Recovery Zone Economic Development Bonds) of substantially similar nature which may be hereafter authorized.

“Business Day” means any day (a)(i) on which banking business is transacted, but not including any day on which banks are authorized to be closed in New York City or in the city in which the Trustee has its Principal Corporate Trust Office or, with respect to a related Series of Bonds, in the city in which any Security Instrument Issuer has its principal office for purposes of such Security Instrument and (ii) on which the New York Stock Exchange is open, or (b) as otherwise provided in a Supplemental Indenture.

“Capital Appreciation Bonds” means Bonds the interest on which (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (b) is payable upon maturity or prior redemption of such Bonds.

“City Recorder” means the City Recorder of the Issuer and any deputy to the City Recorder or any successor to the duties of such office.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the Issuer from time to time pursuant to the Indenture and are outstanding up to an Authorized Amount.

“Construction Fund” means the Woods Cross City, Utah Sales Tax Revenue Construction Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Cost” or “Costs” or “Cost of Completion,” or any phrase of similar import, in connection with a Project or with the refunding of any bonds, means all costs and expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing, acquisition, and construction of a Project, or the refunding of any bonds, including, without limiting the generality of the foregoing:

- (a) amounts payable to contractors and costs incident to the award of contracts;
- (b) cost of labor, facilities, and services furnished by the Issuer and its employees or others, materials and supplies purchased by the Issuer or others, and permits and licenses obtained by the Issuer or others;
- (c) engineering, architectural, legal, planning, underwriting, accounting, and other professional and advisory fees;
- (d) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (e) interest expenses, including interest on the Series of Bonds relating to a Project;
- (f) printing, engraving and other expenses of financing, including fees of financial rating services and other costs of issuing the Series of Bonds (including costs of interest rate caps and costs related to Interest Rate Swaps (or the elimination thereof));
- (g) costs, fees, and expenses in connection with the acquisition of real and personal property or rights in the Indenture, including premiums for title insurance;
- (h) costs of furniture, fixtures, and equipment purchased by the Issuer and necessary to construct a Project;
- (i) amounts required to repay temporary or bond anticipation loans or notes made to finance the costs of a Project;
- (j) cost of site improvements performed by the Issuer in anticipation of a Project;
- (k) moneys necessary to fund the funds created under the Indenture;
- (l) costs of the capitalization with proceeds of a Series of Bonds issued under the Indenture of any operation and maintenance expenses and other working capital appertaining to any facilities to be acquired for a Project and of any interest on a Series of Bonds for any period not exceeding the period estimated by the Issuer to effect the construction of a Project plus one year, as in the Indenture provided, of any discount on bonds or other securities, and of any reserves for the payment of the principal of and interest on a Series of Bonds, of any replacement expenses and of any other cost of issuance of a Series of Bonds or other securities, Security Instrument Costs and Reserve Instrument Costs;
- (m) costs of amending any indenture or other instrument authorizing the issuance of or otherwise appertaining to a Series of Bonds;
- (n) all other expenses necessary or desirable and appertaining to a Project, as estimated or otherwise ascertained by the Issuer, including costs of contingencies for a Project; and
- (o) payment to the Issuer of such amounts, if any, as shall be necessary to reimburse the Issuer in full for advances and payments theretofore made or costs theretofore incurred by the Issuer for any item of Costs.

In the case of refunding or redeeming any bonds or other obligations, “Cost” includes, without limiting the generality of the foregoing, the items listed in (c), (e), (f), (i), (k), (l), (m) and (o) above, advertising and other expenses related to the redemption of such bonds to be redeemed and the redemption price of such bonds (and the accrued interest payable on redemption to the extent not otherwise provided for).

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means all Bonds other than Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (a) all interest payable during such Bond Fund Year on such Series of Bonds plus (b) the Principal Installments payable during such Bond Fund Year on (i) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (ii) such Repayment Obligations then outstanding;

provided, however, for issuance of Additional Bonds,

(1) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Repayment Obligations as shall be established for this purpose in the opinion of the Issuer’s financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average rate of interest rates for prior years, or otherwise);

(2) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds which are issued with a floating rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a fixed interest rate, such Series of Variable Rate Bonds shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Interest Rate Swap; provided that such effective fixed annual rate may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(3) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a floating amount, Debt Service shall include the interest payable on such Series of Bonds, less fixed amounts to be received by the Issuer under such Interest Rate Swap plus the amount of the floating payments (using the market rate in a manner similar to that described in (1) above, unless another method of estimation is more appropriate, in the opinion of the Issuer’s financial advisor, underwriter, or similar agent with the approval of each Rating Agency, for such floating payments) to be made by the Issuer under the Interest Rate Swap; provided that the above described calculation of Debt Service may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(4) when calculating interest payable during such Bond Fund Year with respect to any Commercial Paper Program, Debt Service shall include an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at such market rate of interest applicable to such Commercial Paper Program as shall be established for this purpose in the opinion of the Issuer’s financial advisor, underwriter, or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise); and

(5) When calculating interest payable on Bonds that are Paired Obligations, the interest rate on such Bonds shall be the resulting linked rate or effective fixed interest rate to be paid by the Issuer with respect to such Paired Obligations.

and further provided, that there shall be excluded from Debt Service (a) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (b) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, as amended, and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, (c) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations, and (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

"Debt Service Reserve Fund" means the Woods Cross City, Utah Sales Tax Revenue Debt Service Reserve Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"Debt Service Reserve Requirement" means with respect to each Series of Bonds issued pursuant to the Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (a) ten percent (10%) of the proceeds of such Series of Bonds determined on the basis of original Principal amount (unless original issue premium or original issue discount exceeds two percent (2%) of original principal, then determined on the basis of initial purchase price to the public), (b) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (c) one hundred twenty-five percent (125%) of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of Refunding Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series of Bonds issued pursuant to the Indenture (the "Prior Bonds"), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such Refunding Bonds and the portion of such Refunding Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement shall be allocated among the two Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded by proceeds from the sale of such Series of Bonds, by a Reserve Instrument as provided in the Indenture or, if provided in the related Supplemental Indenture, may be accumulated over time. Each Account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

"Direct Obligations" means noncallable Government Obligations.

"Direct Payments" means the interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or other similar programs with respect to Bonds issued under the Indenture.

"Escrowed Interest" means amounts irrevocably deposited in escrow in accordance with the requirements of Section 11-27-3, Utah Code, in connection with the issuance of refunding bonds or Cross-over Refunding Bonds secured by such amounts or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunding Bonds or the related Cross-over Refunded Bonds.

"Event of Default" means with respect to any default or event of default under the Indenture any occurrence or event specified in and defined by the Indenture.

"Fitch" means Fitch Ratings.

"Governing Body" means the City Council of the Issuer.

"Government Obligations" means solely one or more of the following:

- (a) State and Local Government Series issued by the United States Treasury ("SLGS");
- (b) United States Treasury bills, notes and bonds, as traded on the open market;
- (c) Zero Coupon United States Treasury Bonds; and
- (d) Any other direct obligations of or obligations fully and unconditionally guaranteed by, the United States of America (including, without limitation, obligations commonly referred to as "REFCORP strips").

"Indenture" means the General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

"Initial Bonds" means the first Series of Bonds issued under the Indenture.

"Interest Payment Date" means the stated payment date of an installment of interest on the Bonds.

“Interest Rate Swap” means an agreement between the Issuer or the Trustee and a Swap Counterparty related to a Series of Bonds whereby a variable rate cash flow (which may be subject to any interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount. If the Issuer or the Trustee enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

“Issuer” means Woods Cross City, Utah, and its successors.

“Mayor” means the Mayor of the Issuer or any successor to the duties of such office.

“Moody’s” means Moody’s Investors Service, Inc.

“Outstanding” or “Bonds Outstanding” means at any date all Bonds which have not been canceled which have been or are being authenticated and delivered by the Trustee under the Indenture, except:

(a) Any Bond or portion thereof which at the time has been paid or deemed paid pursuant to Article X of the Indenture; and

(b) Any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered under the Indenture, unless proof satisfactory to the Trustee is presented that such Bond is held by a bona fide holder in due course.

“Owner(s)” or “Registered Owner(s)” means the registered owner(s) of the Bonds according to the registration books of the Issuer maintained by the Trustee as Registrar for the Bonds pursuant to the Indenture.

“Paired Obligations” means any Series (or portion thereof) of Bonds designated as Paired Obligations in the Supplemental Indenture authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the Principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates of which, when taken together, result in an irrevocably fixed interest rate obligation of the Issuer for the terms of such Bonds.

“Paying Agent” means the Trustee, appointed as the initial paying agent for the Bonds pursuant to the Indenture, and any additional or successor paying agent appointed pursuant to the Indenture.

“Pledged Bonds” means any Bonds that have been (a) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (b) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest); and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Corporate Trust Office” means, with respect to the Trustee, the office of the Trustee at One South Main Street, 12th Floor, Salt Lake City, Utah 84133, or such other or additional offices as may be specified by the Trustee.

“Principal Installment” means, as of any date of calculation, (a) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a Principal amount equal to such unsatisfied balance of such Sinking Fund Installment; and (b) with respect to any Repayment Obligations, the principal amount of such Repayment Obligations due on a certain future date.

“Project” means the acquisition, construction, and/or improvement of capital facilities, equipment and/or improvements financed or refinanced with a Series of Bonds that qualifies as an appropriate use for the Revenues.

“Put Bond” means any Bond which is part of a Series of Bonds which is subject to purchase by the Issuer, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond and designating it as a “Put Bond.”

“Qualified Investments” means any of the following securities:

(a) Government Obligations;

(b) Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America including: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Financing Bank; the Farmer's Home Administration; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA's);

(c) Money market funds rated "AAAm" or "AAAm-G" or better by S&P and/or the equivalent rating or better of Moody's (if so rated), including money market funds from which the Trustee or its affiliates derive a fee for investment advisory services to the fund;

(d) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(e) Bonds, notes or other evidences of indebtedness rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(f) U.S. dollar denominated deposit accounts, federal funds, and banker's acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than three hundred sixty (360) days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(g) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer's Investment Fund; and

(h) Any other investments or securities permitted for investment of public funds under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code Annotated 1953, as amended, including investments contracts permitted by Section 51-7-17(2)(d) thereof.

"Rating Agency" means Fitch, Moody's, or S&P and their successors and assigns, but only to the extent such rating agency is then providing a rating on a Series of Bonds issued under the Indenture at the request of the Issuer. If either such Rating Agency ceases to act as a securities rating agency, the Issuer may designate any nationally recognized securities rating agency as a replacement.

"Rating Category" or "Rating Categories" mean one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

"Rebatable Arbitrage" means with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

"Rebate Calculation Date" means, with respect to any Series of Bonds (i) where the interest thereon is intended to be excludable from gross income for federal income tax purposes or (ii) Direct Payments are applicable, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial rebate calculation date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

"Rebate Fund" means the Woods Cross City, Utah Sales Tax Revenue Rebate Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

"Registrar" means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the registrar for the Bonds pursuant to the Indenture, and any additional or successor registrar appointed pursuant to the Indenture.

"Regular Record Date" means unless otherwise provided by Supplemental Indenture for a Series of Bonds, the fifteenth (15th) day immediately preceding each Interest Payment Date.

"Regulations," and all references thereto means the applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made hereafter.

"Remarketing Agent" means a remarketing agent or commercial paper dealer appointed by the Issuer pursuant to a Supplemental Indenture.

“Repayment Obligations” means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit, and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the Issuer and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses, and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement shall specify the fees, premiums, expenses, and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant to the Indenture under all Reserve Instruments.

“Reserve Instrument Fund” means the Woods Cross City, Utah Sales Tax Revenue Reserve Instrument Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company, or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the Issuer under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“Revenue Fund” means the Woods Cross City, Utah Sales Tax Revenue Fund created in the Indenture to be held by the Issuer and administered pursuant to the Indenture.

“Revenues” means 100% of (i) the Sales and Use Tax and (ii) Direct Payments.

“S&P” means S&P Global Ratings.

“Sales and Use Tax” means 100% of the sales and use tax revenues received by the Issuer pursuant to the Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, of the Utah Code.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit, and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of the Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the Issuer and a Security Instrument Issuer pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture shall specify any fees, premiums, expenses, and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company, or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the Issuer under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means the Woods Cross City, Utah Sales Tax Revenue Sinking Fund Account of the Bond Fund created in the Indenture to be held by the Trustee and administered pursuant to the Indenture.

“Sinking Fund Installment” means the amount of money which is required to be deposited into the Sinking Fund Account in each Bond Fund Year for the retirement of Term Bonds as specified in the Supplemental Indenture authorizing said Term Bonds (whether at maturity or by redemption), and including the redemption premium, if any.

“Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with the Indenture.

“State” means the State of Utah.

“Supplemental Indenture” means any supplemental indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the provisions of Article IX of the Indenture.

“Swap Counterparty” means a member of the International Swap Dealers Association rated in one of the three top Rating Categories by at least one of the Rating Agencies and meeting the requirements of applicable laws of the State.

“Swap Payments” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counterparty by the Issuer. Swap Payments do not include any Termination Payments.

“Swap Receipts” means as of each payment date specified in an Interest Rate Swap, the amount, if any, payable for the account of the Issuer by the Swap Counterparty. Swap Receipts do not include amounts received with respect to the early termination or modification of an Interest Rate Swap.

“Term Bonds” means the Bonds which shall be subject to retirement by operation of mandatory sinking fund redemptions from the Sinking Fund Account.

“Termination Payments” means the amount payable to the Swap Counterparty by the Issuer with respect to the early termination or modification of an Interest Rate Swap. Termination Payments may only be payable from and secured by Revenues after payment of all amounts then due pursuant to the Indenture.

“Trustee” means ZB, National Association, or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“Utah Code” means Utah Code Annotated 1953, as amended.

“Variable Rate Bonds” means, as of any date of calculation, Bonds, the interest on which for any future period of time is to be calculated at a rate which is not susceptible to a precise determination.

### **Indenture to Constitute Contract**

In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued under the Indenture by the Registered Owners thereof, the issuance from time to time of any and all Security Instruments by the Security Instrument Issuers, and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers pursuant to the Indenture, the Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, the Security Instrument Issuers and the Reserve Instrument Providers; and the pledge made in the Indenture and the covenants and agreements set forth in the Indenture to be performed by or on behalf of the Issuer shall be, FIRST, for the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their issuance and delivery or maturity, or expiration, shall be of equal rank without preference, priority, or distinction of any of the Bonds or Security Instrument Repayment Obligations over any others, except as expressly provided in or permitted by the Indenture, and SECOND, for the equal benefit, protection, and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which,



regardless of the time or times of their issuance, delivery, or termination, shall be of equal rank without preference, priority, or distinction of any Reserve Instrument over any other thereof.

### **Execution; Limited Obligation**

Unless otherwise specified in the related Supplemental Indenture, the Bonds of any Series shall be executed on behalf of the Issuer with the manual or official facsimile signature of its Mayor, countersigned with the manual or official facsimile signature of the City Recorder, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Issuer. In case any officer, the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds, together with interest thereon, and all Repayment Obligations shall be limited obligations of the Issuer payable solely from the Revenues (except to the extent paid out of moneys attributable to the Bond proceeds or other funds created under the Indenture (except the Rebate Fund) or the income from the temporary investment thereof). The Bonds shall be a valid claim of the Registered Owners thereof only against the Revenues and other moneys in funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and the Issuer pledges by the Indenture and assigns the same for the equal and ratable payment of the Bonds and all Repayment Obligations, and the Revenues shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds and to pay the Repayment Obligations, except as may be otherwise expressly authorized in the Indenture or by Supplemental Indenture. The issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly, or contingently obligate the Issuer or any agency, instrumentality, or political subdivision thereof to levy any form of ad valorem taxation therefor.

### **Nonpresentation of Bonds**

Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. The foregoing provisions are subject to the provisions of Title 67, Chapter 4a, Utah Code Annotated 1953, as amended.

### **Issuance of Additional Bonds**

No additional indebtedness, bonds, or notes of the Issuer secured by a pledge of the Revenues senior to the pledge of Revenues for the payment of the Bonds and the Security Instrument Repayment Obligations authorized in the Indenture shall be created or incurred without the prior written consent of the Owners of 100% of the Outstanding Bonds and the Security Instrument Issuers. In addition, no Additional Bonds or other indebtedness, bonds or notes of the Issuer payable on a parity with the Bonds and the Security Instrument Repayment Obligations authorized in the Indenture out of Revenues shall be created or incurred, unless the following requirements have been met:

(a) No Event of Default shall have occurred and be continuing under the Indenture on the date of authentication of any Additional Bonds. This provision shall not preclude the issuance of Additional Bonds if (i) the issuance of such Additional Bonds otherwise complies with the provisions of the Indenture and (ii) such Event of Default will cease to continue upon the issuance of Additional Bonds and the application of the proceeds thereof; and

(b) A certificate shall be delivered to the Trustee by an Authorized Representative to the effect that Revenues, less any Direct Payments, for any 12-month consecutive period in the 24 months immediately preceding the proposed date of issuance of such Additional Bonds were at least equal to 200% of the sum of (x) the maximum Aggregate Annual Debt Service Requirement on all Bonds and Additional Bonds to be Outstanding following the issuance of the Additional Bonds and (y) the average annual installments due on all Reserve Instrument Repayment Obligations to be outstanding following the issuance of such Additional Bonds; provided, however, that such Revenue coverage test set forth above shall not apply to the issuance of any Additional Bonds to the extent (i) they are issued

for the purpose of refunding Bonds issued under the Indenture and (ii) the maximum Aggregate Annual Debt Service for such Additional Bonds does not exceed the then remaining maximum Aggregate Annual Debt Service for the Bonds being refunded therewith; and

(c) All payments required by the Indenture to be made into the Bond Fund must have been made in full, and there must be on deposit in each account of the Debt Service Reserve Fund (taking into account any Reserve Instrument coverage) the full amount required to be accumulated therein at the time of issuance of the Additional Bonds; and

(d) The proceeds of the Additional Bonds must be used to (i) refund Bonds issued under the Indenture or other obligations of the Issuer (including the funding of necessary reserves and the payment of costs of issuance) and/or (ii) finance or refinance a Project (including the funding of necessary reserves and the payment of costs of issuance).

### **Covenant Against Creating or Permitting Liens**

Except for the pledge of Revenues to secure payment of the Bonds and Repayment Obligations under the Indenture, the Revenues are and shall be free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto; provided, however, that nothing contained in the Indenture shall prevent the Issuer from issuing, if and to the extent permitted by law, indebtedness having a lien on Revenues subordinate to that of the Bonds and Repayment Obligations.

### **Use of Construction Fund**

(a) So long as an Event of Default shall not have occurred and be continuing and except as otherwise provided by Supplemental Indenture, moneys deposited in the appropriate account in the Construction Fund shall be disbursed by the Trustee to pay the Costs of a Project, in each case within three Business Days (or within such longer period as is reasonably required to liquidate investments in the Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition approved by an Authorized Representative of the Issuer in substantially the form as Exhibit A attached to the Indenture, stating that the Trustee shall disburse sums in the manner specified by and at the direction of the Issuer to the person or entity designated in such written requisition, and that the amount set forth therein is justly due and owing and constitutes a Cost of a Project based upon itemized claims substantiated in support thereof.

(b) Upon receipt of such requisition, the Trustee shall pay the obligation set forth in such requisition out of moneys in the applicable account in the Construction Fund. In making such payments the Trustee may rely upon the information submitted in such requisition. Such payments shall be presumed to be made properly and the Trustee shall not be required to verify the application of any payments from the Construction Fund or to inquire into the purposes for which disbursements are being made from the Construction Fund.

(c) The Issuer shall deliver to the Trustee, within 90 days after the completion of a Project, a certificate executed by an Authorized Representative of the Issuer stating:

(i) that such Project has been fully completed in accordance with the plans and specifications therefor, as amended from time to time, and stating the date of completion for such Project; and

(ii) that the Project has been fully paid for and no claim or claims exist against the Issuer or against such Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing certification any claim or claims out of which a lien exists or might ripen in the event the Issuer intends to contest such claim or claims, in which event such claim or claims shall be described to the Trustee.

(d) In the event the certificate filed with the Trustee pursuant to the above provision shall state that there is a claim or claims in controversy which create or might ripen into a lien, an Authorized Representative of the Issuer shall file a similar certificate with the Trustee when and as such claim or claims shall have been fully paid or otherwise discharged.

(e) The Trustee and the Issuer shall keep and maintain adequate records pertaining to each account within the Construction Fund and all disbursements therefrom.

(f) Unless otherwise specified in a Supplemental Indenture, upon completion of a Project and payment of all costs and expenses incident thereto and the filing with the Trustee of documents required by the Indenture, any balance remaining in the applicable account in the Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund, to be applied, (i) toward the redemption of

the Series of Bonds issued to finance such Project or (ii) to pay principal and/or interest next falling due with respect to the Bonds.

(g) The Trustee shall, to the extent there are no other available funds held under the Indenture, use the remaining funds in the Construction Fund to pay principal and interest on the Bonds at any time in the event of a payment default under the Indenture.

### **Application of Revenues**

All Revenues shall be accounted for by the Issuer separate and apart from all other moneys of the Issuer.

(a) So long as any Bonds are Outstanding and as a first charge and lien on the Revenues, the Issuer shall on or before fifteen days prior to each Interest Payment Date, principal payment date, and Sinking Fund Installment payment date, allocate to the Revenue Fund an amount equal to:

(i) the interest falling due on the Bonds on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the Issuer need not allocate to the Revenue Fund to pay interest on the Bonds); plus

(ii) the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds; plus

(iii) the Sinking Fund Installment falling due on the next succeeding Sinking Fund Installment payment date, plus

(iv) notwithstanding subsections (i) through (iii) above, Administrative Costs which shall be paid by the Issuer from time to time as they become due and payable.

The Issuer shall transfer from the Revenue Fund or otherwise provide for allocation from Revenues to the Trustee for deposit to the Bond Fund at least fifteen days prior to each Interest Payment Date amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable.

(b) As a second charge and lien on the Revenues, the Issuer shall on or before the fifteenth day prior to each Interest Payment Date, principal payment date, and Sinking Fund Installment payment date, make the following transfers to the Trustee:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required by the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the Indenture and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Issuer shall deposit Revenues in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one (1) year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of remaining Revenues if less than the amount necessary; and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Revenues, or a ratable portion (based on the amount to be transferred pursuant to the Indenture) of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such monthly transfer or deposit of Revenues into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit, such that the Reserve Instrument Coverage shall equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

(c) The Revenues remaining after the foregoing deposits and transfers in each month and not required to be used for remedying any deficiencies in payments previously made into the Funds established in the Indenture, may be used at any time for any other lawful purpose.

## **Use of Bond Fund**

The Issuer may direct the Trustee, pursuant to a Supplemental Indenture, to create an account within the Bond Fund for a separate Series of Bonds under the Indenture.

- (a) The Trustee shall make deposits to the Bond Fund, as and when received, as follows:
  - (i) accrued interest received upon the issuance of any Series of Bonds;
  - (ii) all moneys payable by the Issuer as specified in the Indenture;
  - (iii) any amount in the Construction Fund to the extent required by or directed pursuant to the Indenture upon completion of a Project or, to the extent there are no other available funds held under the Indenture, use the remaining funds in the Construction Fund to pay principal and interest on the Bonds at any time in the event of a payment default under the Indenture;
  - (iv) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in the Indenture; and
  - (v) all other moneys received by the Trustee under the Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.
- (b) Except as provided elsewhere in the Indenture and as provided in this provision and except as otherwise provided by Supplemental Indenture, moneys in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:
  - (i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;
  - (ii) on or before each Principal Installment due date, the amount required to pay the Principal Installment due on such due date; and
  - (iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

Such amounts shall be applied by the Paying Agent to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture, all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

The Issuer by the Indenture authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest on the Bonds and on Security Instrument Repayment Obligations as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Principal and interest.

- (c) After payment in full of the Principal of and interest on (i) all Bonds issued under the Indenture (or after provision has been made for the payment thereof as provided in the Indenture so that such Bonds are no longer Outstanding); (ii) all agreements relating to all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations in accordance with their respective terms; and (iii) all fees, charges, and expenses of the Trustee, the Paying Agent and any other amounts required to be paid under the Indenture or under any Supplemental Indenture and under any Security Instrument Agreement and under any Reserve Instrument Agreement; all amounts remaining in the Bond Fund shall be paid to the Issuer.

## **Use of Sinking Fund Account**

- (a) The Trustee shall apply moneys in the Sinking Fund Account to the retirement of any Term Bonds required to be retired by operation of the Sinking Fund Account under the provisions of and in accordance with the Supplemental Indenture authorizing the issuance of such Term Bonds, either by redemption in accordance with such Supplemental Indenture or, at the direction of the Issuer, purchase of such Term Bonds in the open market prior to the

date on which notice of the redemption of such Term Bonds is given pursuant to the Indenture, at a price not to exceed the redemption price of such Term Bonds (plus accrued interest which will be paid from moneys in the Bond Fund other than those in the Sinking Fund Account).

(b) On the maturity date of any Term Bonds, the Trustee shall apply the moneys on hand in the Sinking Fund Account for the payment of the principal of such Term Bonds.

#### **Use of Debt Service Reserve Fund**

Except as otherwise provided in this provision and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall be (a) deposited immediately upon the issuance and delivery of such Series from (i) proceeds from the sale thereof or from any other legally available source, or (ii) by a Reserve Instrument or Instruments, or (iii) any combination thereof, (b) deposited from available Revenues over the period of time specified therein, or (c) deposited from any combination of (a) and (b) above; provided however, the foregoing provisions shall be subject to the requirements of any bond insurer or other Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under this provision of the Indenture, the Issuer is required, pursuant to the Indenture and the provisions of any Supplemental Indenture, to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in the Indenture.

No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) shall be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to the Bonds for which such Reserve Instrument was obtained.

#### **Use of Reserve Instrument Fund**

There shall be paid into the Reserve Instrument Fund the amounts required by the Indenture and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement. The Issuer may, upon obtaining an approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument.

#### **Use of Rebate Fund**

(a) If it becomes necessary for the Issuer to comply with the rebate requirements of the Code and the Regulations, the Trustee shall establish and thereafter maintain, so long as the Bonds which are subject to said rebate requirements are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for one or more Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, the excess amount remaining after payment of the Rebatable Arbitrage to the United States shall, upon the Issuer's written request accompanied by the determination report, be paid by the Trustee to the Issuer.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the Funds and Accounts held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations, and certifications required by this provision and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by this provision.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this provision. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) These provisions may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the excludability from gross income of interest on the Bonds or the status of the Bonds as Build America Bonds, if applicable.

### **Investment of Funds**

Any moneys in the Bond Fund, the Construction Fund, the Rebate Fund, the Reserve Instrument Fund, or the Debt Service Reserve Fund shall, at the discretion and authorization of the Issuer, be invested by the Trustee in Qualified Investments; provided, however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Qualified Investments having a maturity date one (1) year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee, and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Construction Fund, Bond Fund, the Reserve Instrument Fund, and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as in the Indenture provided. All income derived from the investment of the Debt Service Reserve Fund shall be disbursed in accordance with the Indenture. All moneys in the Revenue Fund may, at the discretion of the Issuer, be invested by the Issuer in Qualified Investments.

The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with these provisions. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Qualified Investment, remains a Qualified Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee may, to the extent permitted by the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code, make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliate's investment departments.

The Issuer acknowledges by the Indenture that to the extent regulations of the comptroller of the currency or any other regulatory entity grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Indenture.

In the event the Issuer shall be advised by nationally recognized municipal bond counsel that it is necessary to restrict or limit the yield on the investment of any moneys paid to or held by the Trustee in order to avoid the Bonds, or any Series thereof, being considered “arbitrage bonds” within the meaning of the Code or the Treasury Regulations proposed or promulgated thereunder, or to otherwise preserve the excludability of interest payable or paid on any Bonds from gross income for federal income tax purposes, the Issuer may require in writing the Trustee to take such steps as it may be advised by such counsel are necessary so to restrict or limit the yield on such investment, irrespective of whether the Trustee shares such opinion, and the Trustee agrees that it will take all such steps as the Issuer may require.

### **Trust Funds**

All moneys and securities received by the Trustee under the provisions of the Indenture shall be trust funds under the terms of the Indenture and shall not be subject to lien or attachment of any creditor of the State or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions of the Indenture. Except as provided otherwise in the Indenture, unless and until disbursed pursuant to the terms of the Indenture, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds and the fees and expenses of the Trustee payable under the Indenture.

### **Method of Valuation and Frequency of Valuation**

In computing the amount in any fund or account, Qualified Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually, except in the event of a withdrawal from the Debt Service Reserve Fund, whereupon securities shall be valued immediately after such withdrawal.

### **General Covenants**

The Issuer by the Indenture covenants and agrees with each and every Registered Owner of the Bonds issued under the Indenture and Reserve Instrument Provider as follows:

(a) Pursuant to Section 11-14-307(2)(d) of the Act, while any of the Bonds remain outstanding and unpaid, or any Repayment Obligations are outstanding, the ordinance, resolution or other enactment of the Issuer imposing the taxes described in the definition of Revenues and pursuant to which said taxes are being collected, the obligation of the Issuer to continue to levy, collect, and allocate such taxes, and to apply such Revenues in accordance with the provisions of the authorizing ordinance, resolution or other enactment, shall be irrevocable until the Bonds and/or any Repayment Obligations have been paid in full as to both principal and interest, and is not subject to amendment in any manner which would impair the rights of the holders of those Bonds or Repayment Obligations which would in any way jeopardize the timely payment of principal or interest when due. The Issuer covenants to take all actions necessary to continue the Sales and Use Tax included in the Revenues

(b) The outstanding Bonds to which the Revenues (less Direct Payments) of the Issuer have been pledged as the sole source of payment shall not at any one time exceed an amount for which the Aggregate Annual Debt Service Requirement of the Bonds will exceed eighty percent (80%) of the Revenues (less Direct Payments) to be received by the Issuer during the Bond Fund Year immediately preceding the Bond Fund Year in which the resolution authorizing the applicable Series of Bonds is adopted.

(c) Each Registered Owner, Security Instrument Issuer, and Reserve Instrument Provider, or any duly authorized agent or agents thereof shall have the right at all reasonable times to inspect all records, accounts, and data relating to the receipt and disbursements of the Revenues. Except as otherwise provided in the Indenture, the Issuer further agrees that it will within one hundred eighty (180) days following the close of each Bond Fund Year cause an audit of such books and accounts to be made by an independent firm of certified public accountants, showing the receipts and disbursements of the Revenues, and that such audit will be available for inspection by each Registered Owner, Security Instrument Issuer, and Reserve Instrument Provider.

### **First Lien Bonds; Equality of Liens**

The Bonds and any Security Instrument Repayment Obligations constitute an irrevocable first lien upon the Revenues. The Issuer covenants that the Bonds and Security Instrument Repayment Obligations hereafter authorized to be issued and from time to time outstanding are equitably and ratably secured by a first lien on the Revenues and shall not be entitled to any priority one over the other in the application of the Revenues regardless of the time or times of the issuance of the Bonds or delivery of Security Instruments, it being the intention of the Issuer that there shall be

no priority among the Bonds or the Security Instrument Repayment Obligations regardless of the fact that they may be actually issued and/or delivered at different times.

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (a) proceeds of the issuance and sale of Bonds, (b) Revenues, or (c) Funds established by the Indenture, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected by the Indenture to the Registered Owners of the Bonds and to the Security Instrument Issuers.

### **Payment of Principal and Interest**

The Issuer covenants that it will punctually pay or cause to be paid the Principal of and interest on every Bond issued under the Indenture, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, the Indenture, any Security Instrument Agreement, and any Reserve Instrument Agreement, according to the true intent and meaning of the Indenture and thereof. The Principal of and interest on the Bonds, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations are payable solely from the Revenues (except to the extent paid out of moneys attributable to Bond proceeds or other funds created under the Indenture or the income from the temporary investment thereof), which Revenues are by the Indenture specifically pledged and assigned to the payment thereof in the manner and to the extent in the Indenture specified, and nothing in the Bonds, the Indenture, any Security Instrument Agreement, or any Reserve Instrument Agreement should be considered as pledging any other funds or assets of the Issuer for the payment thereof.

### **Performance of Covenants; Issuer**

The Issuer covenants by the Indenture that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Indenture, and in any and every Bond, Security Instrument Agreement, and Reserve Instrument Agreement. The Issuer represents that it is duly authorized under the Constitution of the State to issue the Bonds authorized by the Indenture and to execute the Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of the Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

### **List of Bondholders**

The Trustee will keep on file at its Principal Corporate Trust Office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of ten percent (10%) or more in principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the reasonable satisfaction of the Trustee.

### **Designation of Additional Paying Agents**

The Issuer by the Indenture covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate paying agents, if any, and for the making available of funds under the Indenture, but only to the extent such funds are made available to the Issuer from Bond proceeds or other Funds created under the Indenture or the income from the temporary investment thereof, for the payment of such of the Bonds as shall be presented when due at the Principal Corporate Trust Office of the Trustee, or its successor in trust under the Indenture, or at the principal corporate trust office of said alternate Paying Agents.

### **Tax Exemption of Bonds and Direct Payments**

The Issuer recognizes that Section 149(a) of the Code requires bonds to be issued and to remain in fully registered form in order that interest thereon is excludable from gross income for federal income tax purposes under laws in force at the time the bonds are delivered. Bonds issued pursuant to the Indenture, the interest on which is excludable from gross income for federal income tax purposes, are referred to in the Indenture as “tax-exempt Bonds.” Pursuant to the provisions of the Indenture, the Issuer agrees that it will not take any action to permit tax-exempt Bonds issued under the Indenture to be issued in, or converted into, bearer or coupon form, unless the Issuer first receives an opinion from nationally recognized bond counsel that such action will not result in the interest on any Bonds becoming includible in gross income for purposes of federal income taxes then in effect.

The Issuer’s Mayor and City Recorder are by the Indenture authorized and directed to execute such certificates as shall be necessary to establish that tax-exempt Bonds or Build America Bonds issued under the Indenture are not “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations promulgated or proposed thereunder, including Treasury Regulation Sections 1.148-1 through 1.148-11, 1.149 and 1.150-1 through



1.150-2 as the same presently exist, or may from time to time hereafter be amended, supplemented, or revised. The Issuer covenants and certifies to and for the benefit of the Registered Owners of such Bonds that no use will be made of the proceeds of the issue and sale of such Bonds, or any funds or accounts of the Issuer which may be deemed to be available proceeds of such Bonds, pursuant to Section 148 of the Code and applicable regulations (proposed or promulgated) which use, if it had been reasonably expected on the date of issuance of such Bonds, would have caused the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code. Pursuant to this covenant, the Issuer obligates itself to comply throughout the term of such Bonds with the requirements of Section 148 of the Code and the regulations proposed or promulgated thereunder.

The Issuer further covenants and agrees to and for the benefit of the Registered Owners that the Issuer (a) will not take any action that would cause interest on tax-exempt Bonds issued under the Indenture to become includible in gross income for purposes of federal income taxation, (b) will not take any action that would jeopardize the Direct Payments on Build America Bonds issued under the Indenture, (c) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the tax-exempt Bonds to become includible in gross income for purposes of federal income taxation, (d) will not omit to take or cause to be taken, in timely manner, any action, which omission would jeopardize the Direct Payments on Build America Bonds issued under the Indenture, and (e) to the extent possible, will comply with any other requirements of federal tax law applicable to the Bonds in order to preserve the excludability from gross income for purposes of federal income taxation of interest on tax-exempt Bonds and the Direct Payments on Build America Bonds issued under the Indenture.

### **Expeditious Construction**

The Issuer shall complete the acquisition and construction of each Project with all practical dispatch and will cause all construction to be effected in a sound and economical manner.

### **Instruments of Further Assurance**

The Issuer and the Trustee mutually covenant that they will, from time to time, each upon the written request of the other, or upon the request of a Security Instrument Issuer or a Reserve Instrument Provider, execute and deliver such further instruments and take or cause to be taken such further actions as may be reasonable and as may be required by the other to carry out the purposes of the Indenture; provided, however, that no such instruments or action shall involve any personal liability of the Trustee or members of the governing body of the Issuer or any official thereof.

### **Covenant of State of Utah**

In accordance with Section 11-14-307(3), Utah Code Annotated 1953, as amended, the State of Utah pledges and agrees with the Owners of the Bonds and all Reserve Instrument Providers that it will not alter, impair, or limit the taxes included in the Revenues in a manner that reduces the amounts to be rebated to the Issuer which are devoted or pledged in the Indenture until the Bonds, together with applicable interest, and all Reserve Instrument Repayment Obligations, are fully met and discharged; provided, however, that nothing shall preclude such alteration, impairment, or limitation if and when adequate provision shall be made by law for the protection of the Owners of the Bonds.

### **Events of Default**

Each of the following events is by the Indenture declared an “Event of Default”:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund under the Indenture or otherwise; or

(c) if the Issuer shall for any reason be rendered incapable of fulfilling its obligations under the Indenture; or

(d) if an order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or custodian for any of the Revenues of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer shall not be vacated or discharged or stayed on appeal within thirty (30) days after the entry thereof; or

(e) if any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such

creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(f) if (i) the Issuer is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Issuer, a receiver, trustee, or custodian of the Issuer or of the whole or any part of the Issuer's property and any of the aforesaid adjudications, orders, judgments, or decrees shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof; or

(g) if the Issuer shall file a petition or answer seeking reorganization, relief, or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(h) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of the property of the Issuer, and such custody or control shall not be terminated within thirty (30) days from the date of assumption of such custody or control; or

(i) if the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, or in the Indenture or any Supplemental Indenture to the Indenture on the part of the Issuer to be performed other than as set forth above in (a) through (h), and such Event of Default shall continue for 30 days after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding under the Indenture; or

(j) the occurrence of any event specified in a Supplemental Indenture as constituting an Event of Default.

### **Remedies; Rights of Registered Owners**

Upon the occurrence of an Event of Default, the Trustee, upon being indemnified pursuant to the Indenture, may pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding or to enforce any obligations of the Issuer under the Indenture including the right to require the Issuer to make monthly deposits to the Bond Fund in the amounts set forth in the Indenture.

If an Event of Default shall have occurred, and if requested so to do by (a) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (b) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (c) any combination of Registered Owners and Security Instrument Issuers described in (a) and (b) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this provision as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Registered Owners or to the Security Instrument Issuers) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Registered Owners, or the Security Instrument Issuers or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default under the Indenture, whether by the Trustee or by the Registered Owners or the Security Instrument Issuers, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

### **Right of Registered Owners to Direct Proceedings**

Anything in the Indenture to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (a) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (b) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and

not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, or (c) any combination of Registered Owners and Security Instrument Issuers described in (a) and (b) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

### **Application of Moneys**

All moneys received by the Trustee pursuant to any right given or action taken under these provisions of the Indenture shall, after payment of Trustee's fees and expenses including the fees and expenses of its counsel for the proceedings resulting in the collection of such moneys and of the expenses and liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited in the Bond Fund shall be applied in the following order:

(a) To the payment of the principal of, premium, if any, and interest then due and payable on the Bonds and the Security Instrument Repayment Obligations as follows:

(i) Unless the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST—To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the interest component of any Security Instrument Repayment Obligations then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND—To the payment to the persons entitled thereto of the unpaid Principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and the Principal component of any Security Instrument Repayment Obligations then due, and, if the amount available shall not be sufficient to pay in full all the Bonds and the Principal component of any Security Instrument Repayment Obligations due on any particular date, then to the payment ratably, according to the amount of Principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(ii) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Bonds and Security Instrument Repayment Obligations, without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond or Security Instrument Repayment Obligation over any other Bond or Security Instrument Repayment Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or privilege.

(b) To the payment of all obligations owed to all Reserve Instrument Providers, ratably, according to the amounts due without any discrimination or preference under any applicable agreement related to any Reserve Instrument Agreement.

Whenever moneys are to be applied pursuant to these provisions of the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such dates shall cease to accrue.

### **Remedies Vested in Trustee**

All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its

name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

### **Rights and Remedies of Registered Owners**

Except as provided in the last sentence of this provision, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture, or of which by said Section it is deemed to have notice, nor unless also Registered Owners of 25% in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name or names. Such notification, request, and offer of indemnity are by the Indenture declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Indenture by its action or to enforce any right under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing contained in the Indenture shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture held by such Registered Owner and Security Instrument Repayment Obligations at the time, place, from the source, and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

### **Termination of Proceedings**

In case the Trustee, any Registered Owner, or any Security Instrument Issuer shall have proceeded to enforce any right under the Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Registered Owner, or Security Instrument Issuer, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights under the Indenture, and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

### **Waivers of Events of Default**

Subject to the Indenture, the Trustee may in its discretion, and with the prior written consent of all Security Instrument Issuers at the time providing Security Instruments, waive any Event of Default under the Indenture and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate Principal amount of all the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate principal amount of Bonds at the time Outstanding in respect of which an Event of Default in the payment of principal and interest exist, or (b) a majority in aggregate principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any Bonds at the date that a Principal Installment is due, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of principal and premium, if any, when due and all expenses of the Trustee, in connection with such Event of Default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Registered Owners, and the Security Instrument Issuers shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

### **Cooperation of Issuer**

In the case of any Event of Default under the Indenture, the Issuer shall cooperate with the Trustee and use its best efforts to protect the Registered Owners, Reserve Instrument Providers, and the Security Instrument Issuers.

### **Fees, Charges, and Expenses of Trustee**

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its services rendered as Trustee under the Indenture and all advances, counsel fees, and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as provided in the Indenture. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the foregoing advances, fees, costs, and expenses incurred. The Trustee's rights under this provision will not terminate upon its resignation or removal or upon payment of the Bonds and discharge of the Indenture.

### **Intervention by Trustee**

In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Registered Owners of the Bonds, the Trustee may intervene on behalf of such Owners and shall do so if requested in writing by the Registered Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding. The rights and obligations of the Trustee under this provision are subject to the approval of a court of competent jurisdiction.

### **Resignation by the Trustee**

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving written notice to the Issuer, served personally or by registered or certified mail, and by registered or certified mail to each Reserve Instrument Issuer, Security Instrument Issuer and Registered Owner of Bonds then Outstanding, and such resignation shall take effect upon the appointment of and acceptance by a successor Trustee by the Registered Owners or by the Issuer as provided in the Indenture; provided, however that if no successor Trustee has been appointed within 60 days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

### **Removal of the Trustee**

The Trustee may be removed at any time, by an instrument or concurrent instruments (a) in writing delivered to the Trustee, and signed by the Issuer, unless there exists any Event of Default, or (b) in writing delivered to the Trustee and the Issuer, and signed by the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding if an Event of Default exists; provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth in the Indenture.

### **Appointment of Successor Trustee by Registered Owners; Temporary Trustee**

In case the Trustee under the Indenture shall resign or be removed or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer or, if an Event of Default exists, by the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed by an Authorized Representative under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners in the manner provided by the Indenture; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Registered Owners. Every successor Trustee appointed pursuant to these provisions or otherwise shall be a trust company or bank in good standing having a reported capital and surplus of not less than \$50,000,000.

Each Reserve Instrument Provider and Security Instrument Issuer shall be notified by the Issuer immediately upon the resignation or termination of the Trustee and provided with a list of candidates for the office of successor Trustee.

### **Trustee's Right to Own and Deal in Bonds**

The bank or trust company acting as Trustee under the Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold, and deal in any of the Bonds issued under the Indenture and secured

by the Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under the Indenture.

**Supplemental Indentures Not Requiring Consent of Registered Owners, Security Instrument Issuers, and Reserve Instrument Providers**

The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Reserve Instrument Providers, or Security Instrument Issuers, enter into an indenture or indentures supplemental to the Indenture, as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) To provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Registered Owners or any of them which shall not adversely affect the interests of any Reserve Instrument Providers or Security Instrument Issuers without its consent;
- (d) To subject to the Indenture additional Revenues or other revenues, properties, collateral or security;
- (e) To provide for the issuance of the Bonds pursuant to a book-entry system or as uncertificated registered public obligations pursuant to the provisions of the Registered Public Obligations Act, Title 15, Chapter 7 of the Utah Code Annotated 1953, as amended, or any successor provisions of law;
- (f) To make any change which shall not materially adversely affect the rights or interests of the Owners of any Outstanding Bonds, any Security Instrument Issuers or any Reserve Instrument Provider, requested or approved by a Rating Agency in order to obtain or maintain any rating on the Bonds or requested or approved by a Security Instrument Issuer or Reserve Instrument Provider in order to insure or provide other security for any Bonds;
- (g) To make any change necessary (i) to establish or maintain the excludability from gross income for federal income tax purposes of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code or interpretations by the Internal Revenue Service of Section 148 of the Code or of regulations proposed or promulgated thereunder, (ii) to comply with the provisions of Section 148(f) of the Code, including provisions for the payment of all or a portion of the investment earnings of any of the Funds established under the Indenture to the United States of America, or (iii) to establish or maintain the Direct Payments related to any Series of Bonds;
- (h) If the Bonds affected by any change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;
- (i) If the Bonds affected by any change are secured by a Security Instrument, to make any change approved in writing by the related Security Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;
- (j) Unless otherwise provided by a Supplemental Indenture authorizing a Series of Bonds, the designation of the facilities to constitute a Project by such Supplemental Indenture may be modified or amended if the Issuer delivers to the Trustee (i) a Supplemental Indenture designating the facilities to comprise the Project, and (ii) an opinion of Bond Counsel to the effect that such amendment will not adversely affect the tax-exempt status (if applicable) or validity of the Bonds; and
- (k) To correct any references contained in the Indenture to provisions of the Act, the Code or other applicable provisions of law that have been amended so that the references in the Indenture are correct.

**Supplemental Indentures Requiring Consent of Registered Owners and Reserve Instrument Providers; Waivers and Consents by Registered Owners**

Exclusive of Supplemental Indentures covered by the above provisions of the Indenture and subject to the terms and provisions contained in this provision, and not otherwise, the Registered Owners of 66-2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to (a) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms

or provisions contained in the Indenture or in any Supplemental Indenture; or (b) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions of the Indenture or of any indenture supplemental to the Indenture; provided, however, that nothing in this provision shall permit or be construed as permitting (i) an extension of the date that a Principal Installment is due at maturity or mandatory redemption or reduction in the principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (ii) a reduction in the amount or extension of the time of any payment required by any Fund established under the Indenture applicable to any Bonds without the consent of the Registered Owners of all the Bonds which would be affected by the action to be taken, or (iii) a reduction in the aforesaid aggregate principal amount of Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (iv) affect the rights of the Registered Owners of less than all Bonds then outstanding, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement to the Indenture shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument or a Reserve Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as provided in the Indenture, neither the Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer or Reserve Instrument Provider, as applicable.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of the provision above, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by registered or certified mail to the Bondholder of each Bond shown by the list of Bondholders required by the terms of the Indenture to be kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondholders. At the time such notices are mailed by the Trustee, the Issuer may, but is not required to, designate a reasonable time period for receipt of such consents and shall include such requirement in the notices sent to the Bondholders. If the Bondholders of not less than 66 2/3% in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted by and provided in the Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

### **Discharge of Indenture**

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made, to or for the Registered Owners of the Bonds, the principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions of the Indenture, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due according to the provisions of any Security Instrument Agreements, Reserve Instrument Agreements, as applicable, then the presents and the estate and rights granted by the Indenture shall cease, terminate, and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and release, assign, and deliver unto the Issuer any and all the estate, right, title, and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds, the payment of amounts pursuant to any Security Instrument Agreements or the payment of amounts pursuant to any Reserve Instrument Agreements.

Any Bond shall be deemed to be paid within the meaning of the Indenture when payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment, or (ii) Direct Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Direct Obligations.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by the Indenture);

(b) directing the Trustee to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity pursuant to the provisions of the Indenture; and

(c) directing the Trustee to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the Registered Owners of such Bonds and to each related Security Instrument Issuer that the deposit required by the Indenture has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds as specified in Subparagraph (a) above.

Any moneys so deposited with the Trustee as provided in this provision of the Indenture may at the direction of the Issuer also be invested and reinvested in Direct Obligations, maturing in the amounts and times as set forth in the Indenture, and all income from all Direct Obligations in the hands of the Trustee pursuant to this provision which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund; provided, however, that before any excess moneys shall be deposited in the Bond Fund, the Trustee shall first obtain a written verification from a certified public accountant that the moneys remaining on deposit with the Trustee and invested in Direct Obligations after such transfer to the Bond Fund shall be sufficient in amount to pay principal and interest on the Bonds when due and payable.

No such deposit under this provision shall be made or accepted under the Indenture and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any tax-exempt Bonds to be treated as arbitrage bonds within the meaning of Sections 148 of the Code.

Notwithstanding any other provision of the Indenture which may be contrary to these provisions of the Indenture, all moneys or Direct Obligations set aside and held in trust pursuant to these provisions for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or Direct Obligations have been so set aside in trust.

Anything in the Indenture to the contrary notwithstanding, if moneys or Direct Obligations have been deposited or set aside with the Trustee pursuant to these provisions for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to these provisions shall be made without the consent of the Registered Owner of each Bond affected thereby.



## **APPENDIX C**

### **PROPOSED FORM OF OPINION OF BOND COUNSEL**

Upon the delivery of the 2017 Bonds, Gilmore & Bell, P.C., Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form:

We have acted as bond counsel to Woods Cross City, Utah (the “Issuer”) in connection with the issuance by the Issuer of its \$5,810,000 Sales Tax Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended and other applicable provisions of law; (ii) a resolution adopted by the Issuer on October 18, 2016, which provides for the issuance of the Series 2017 Bonds; and (iii) a General Indenture of Trust, dated February 1, 2017 (the “General Indenture”), as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 2017 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”) each by and between the Issuer and ZB, National Association, as trustee. The proceeds of the Series 2017 Bonds will be used by the Issuer to (a) finance a portion of the acquisition, construction, furnishing and equipping of a city building, including a maintenance and shop facility, and all related improvements and (b) pay costs of issuance with respect to the Series 2017 Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2017 Bonds under the applicable laws of the State of Utah and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under currently existing law, as follows:

1. The Issuer is a political subdivision and body politic of the State of Utah created and validly existing under the laws of the State of Utah.
2. The Indenture has been authorized, executed and delivered by the Issuer, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer and creates a valid lien on the Revenues (as defined in the Indenture) and the other amounts pledged thereunder for the security of the Series 2017 Bonds.
3. The Series 2017 Bonds are valid and binding special obligations of the Issuer payable solely from the Revenues and other amounts pledged therefor in the Indenture, and the Series 2017 Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any State of Utah constitutional provision or statutory limitation, nor a charge against the general credit or taxing power of the Issuer.
4. Interest on the Series 2017 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2017 Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Internal Revenue Code of 1986 (the “Code”). Interest on the Series 2017 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax (“AMT”); however, interest on Series 2017 Bonds held by a corporation (other than an S corporation,

regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder.

5. The Series 2017 Bonds are “qualified tax–exempt obligations” under Section 265(b)(3) of the Code and therefore the interest expense of a financial institution will not be subject to allocation to the interest on the Series 2017 Bonds under Section 265(b) of the Code (but the interest on the Series 2017 Bonds will be subject to treatment as a financial institution preference item under Section 291 of the Code).

6. Interest on the Series 2017 Bonds is exempt from State of Utah individual income taxes. In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Series 2017 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2017 Bonds; and

(c) Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

Respectfully submitted,

## APPENDIX D

### PROPOSED FORM OF LIMITED CONTINUING DISCLOSURE UNDERTAKING

This Limited Continuing Disclosure Undertaking dated as of February 1, 2017 (the “Undertaking”) is executed and delivered by Woods Cross City, Utah, (the “City”), in connection with the issuance by the City of its Sales Tax Revenue Bonds, Series 2017 in the aggregate principal amount of \$5,810,000 (the “Bonds”). The Bonds are being issued pursuant to (i) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and other applicable provisions of law; (ii) a resolution of the City Council of the City adopted on October 18, 2016, which provides for the issuance of the Bonds; and (iii) a General Indenture of Trust (the “General Indenture”), and a First Supplemental Indenture of Trust (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”) each dated as of February 1, 2017 and each by and between the City and ZB, National Association, as trustee. The Bonds are being issued for the purpose of financing (a) a portion of the acquisition, construction, furnishing and equipping of a city building, including a maintenance and shop facility, and all related improvements; and (b) costs of issuance of the Bonds.

Section 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with the Rule (each as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 4 and 5 of this Undertaking.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 6 of this Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board, the address of which is 1300 I Street, NW, Suite 1000, Washington DC 20005-3314; Telephone (202) 838-1500; Fax (202) 898-1500, and the website address of which is [www.msrb.org](http://www.msrb.org) and [www.emma.org](http://www.emma.org) (for municipal disclosures and market data).

“Official Statement” shall mean the Official Statement of the City dated January 11, 2017, relating to the Bonds.

Participating Underwriter” shall mean any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Limited Disclosure Exception. Pursuant to paragraph (d)(2) of the Rule, the City is not an obligated person with respect to more than \$10,000,000 in aggregate amount of outstanding

municipal securities, including the Bonds but excluding transactions exempt from the Rule under paragraph (d)(1) thereof, as of the date hereof. The City represents that the only financial information and operating data contained in the Official Statement and which it customarily prepares and makes publicly available is the financial information and operating data referenced in the Annual Report described in Sections 4 and 5 hereof.

Section 4. Provision of Annual Reports.

(a) The City shall prepare an Annual Report of the City and shall, or shall cause the Dissemination Agent to, no later than six months after the end of each fiscal year of the City (presently June 30), commencing with the fiscal year ended June 30, 2017, provide to the MSRB, the Annual Report of the City which is consistent with the requirements of Section 5 of this Undertaking. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report of the City to the Dissemination Agent. In each case, the Annual Report of the City may be submitted as a single document or as separate documents comprising package, and may include by reference other information as provided in Section 5 of this Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section (6)(a).

(b) If by fifteen (15) Business Days prior to the date specified in Section (4)(a) for providing the Annual Report of the City to the MSRB the Dissemination Agent has not received a copy of the Annual Report of the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with Section (4)(a).

(c) If the City is unable to provide to the MSRB by the date required in subsection (a), the City shall, in a timely manner, send a notice to the MSRB.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the website address to which the MSRB directs the Annual Report to be submitted; and

(ii) if the Dissemination Agent is other than an officer of the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Undertaking, stating the date it was provided and listing the website address to which it was provided.

Section 5. Content of Annual Reports.

(a) The City's Annual Report shall contain or incorporate by reference a copy of the City's annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If the City's audited annual financial statements are not available by the time specified in Section 4(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such document incorporated by reference.

Section 6.      Reporting of Significant Events.

(a)      Pursuant to the provisions of this Section 6, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner but not more than ten (10) business days after the event:

- (i)      Principal and interest payment delinquencies;
- (ii)      Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii)      Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv)      Substitution of credit or liquidity providers, or their failure to perform;
- (v)      Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (vi)      Defeasances;
- (vii)      Tender offers;
- (viii)      Bankruptcy, insolvency, receivership or similar proceedings; or
- (ix)      Rating changes.

(b)      Pursuant to the provisions of this Section 6, the City shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner not more than ten (10) business days after the Listed Event, if material:

- (i)      Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
- (ii)      Appointment of a successor or additional trustee or the change of the name of a trustee;
- (iii)      Non-payment related defaults;
- (iv)      Modifications to the rights of the owners of the Bonds;
- (v)      Bond calls; or
- (vi)      Release, substitution or sale of property securing repayment of the Bonds.

(c)      Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 6(b), whether because of a notice from the Trustee or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d)      If the City has determined that knowledge of the occurrence of a Listed Event under Section 6(b) would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection 6(f).

(e) If the City determines that a Listed Event under Section 6(b) would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in a timely manner but in no case not more than ten (10) business days after the Listed Event.

Section 7. Termination of Reporting Obligation. The City's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 6(f).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment, Waiver. Notwithstanding any other provision of this Undertaking, the City may amend this Undertaking and any provision of this Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 4(a), 5, 6(a) or 6(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The Undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Undertaking, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation

under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Undertaking, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Indenture, and the sole remedy under this Undertaking shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence, gross negligence or willful misconduct. The obligation of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

WOODS CROSS CITY, UTAH

By: \_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_  
City Recorder

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## APPENDIX E

### BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com>.

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017 Bond documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2017 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.*

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