

CITY OF PROVIDENCE
FINANCIAL STATEMENTS

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

**Honorable Mayor and City Council
City of Providence, Utah**

Report on the Financial Statements

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 City of Providence, Utah (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the City's 2012 financial statements and, in our report dated December 7, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 *Government 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 from 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 auditors' 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 auditors consider internal control relevant to the City'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 City'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.

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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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 9 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the City'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 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 the City's internal control over financial reporting and compliance.



Salt Lake City, Utah
December 30, 2013

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

This document is a narrative overview and analysis of the financial activities of City of Providence (the City) for the fiscal year ending June 30, 2013. The City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the City's activities are classified in the following manner: governmental activities include basic services such as highway and public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water, wastewater, and storm water. The government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Financial Highlights

- The Statement of Net Position presents the financial position of the City at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position.
- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements present in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance. Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column and the remaining fund is into a column titled "Nonmajor Governmental Fund- Capital Projects." A budgetary comparison is presented for the general fund. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2013 and 2012 follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and cash equivalents	\$ 2,476,110	\$ 2,251,305	\$ 4,698,392	\$ 4,158,428	\$ 7,174,502	\$ 6,409,733
Other current assets	722,670	688,835	207,174	230,099	929,844	918,934
Non-current assets	<u>4,040,207</u>	<u>3,299,015</u>	<u>8,383,866</u>	<u>8,454,373</u>	<u>12,424,073</u>	<u>11,753,388</u>
TOTAL ASSETS	<u>\$ 7,238,987</u>	<u>\$ 6,239,155</u>	<u>\$ 13,289,432</u>	<u>\$ 12,842,900</u>	<u>\$ 20,528,419</u>	<u>\$ 19,082,055</u>
LIABILITIES						
Current liabilities	\$ 566,132	\$ 212,434	\$ 200,426	\$ 358,536	\$ 766,558	\$ 570,970
Long term liabilities	<u>-</u>	<u>-</u>	<u>805,000</u>	<u>893,000</u>	<u>805,000</u>	<u>893,000</u>
TOTAL LIABILITIES	<u>\$ 566,132</u>	<u>\$ 212,434</u>	<u>\$ 1,005,426</u>	<u>\$ 1,251,536</u>	<u>\$ 1,571,558</u>	<u>\$ 1,463,970</u>
NET POSITION						
Net investment in capital assets	\$ 4,040,207	\$ 3,299,015	\$ 7,490,866	\$ 7,277,835	\$ 11,531,073	\$ 10,576,850
Restricted	1,418,330	1,720,965	208,700	905,903	1,627,030	2,626,868
Unrestricted	<u>1,214,318</u>	<u>1,006,741</u>	<u>4,584,440</u>	<u>3,407,626</u>	<u>5,798,758</u>	<u>4,414,367</u>
TOTAL NET POSITION	<u>\$ 6,672,855</u>	<u>\$ 6,026,721</u>	<u>\$ 12,284,006</u>	<u>\$ 11,591,364</u>	<u>\$ 18,956,861</u>	<u>\$ 17,618,085</u>

During the year ended June 30, 2013 there were several significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Providence, assets exceed liabilities by \$18,956,861.

By far the largest portion of the City's net position (61%) reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities (continued)

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2013 and 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 961,566	\$ 869,051	\$ 2,057,169	\$ 1,891,481	\$ 3,018,735	\$ 2,760,532
Grants and contributions	281,492	474,821	-	-	281,492	474,821
General revenues						
Taxes	1,826,449	1,767,669	-	-	1,826,449	1,767,669
Interest	35,035	30,765	10,307	4,953	45,342	35,718
Transfers and miscellaneous	8,198	35,167	-	-	8,198	35,167
	Total revenues	3,112,740	3,177,473	2,067,476	1,896,434	5,180,216
Expenses						
General government	864,131	847,623	-	-	864,131	847,623
Public works	327,121	348,457	-	-	327,121	348,457
Highway and public safety	902,563	982,572	-	-	902,563	982,572
Parks and recreation	286,865	307,706	-	-	286,865	307,706
Cemetery	85,926	84,333	-	-	85,926	84,333
Water	-	-	620,179	592,707	620,179	592,707
Wastewater	-	-	702,782	732,167	702,782	732,167
Storm water	-	-	51,873	71,103	51,873	71,103
	Total expenses	2,466,606	2,570,691	1,374,834	1,395,977	3,841,440
Change in net position						
	646,134	606,782	692,642	500,457	1,338,776	1,107,239
Beginning net position prior restatement	6,026,721	4,954,765	11,591,364	11,090,907	17,618,085	16,045,672
Prior period adjustments	-	465,174	-	-	-	465,174
Beginning net position after restatement	<u>6,026,721</u>	<u>5,419,939</u>	<u>11,591,364</u>	<u>11,090,907</u>	<u>17,618,085</u>	<u>16,510,846</u>
Ending net position	<u>\$ 6,672,855</u>	<u>\$ 6,026,721</u>	<u>\$ 12,284,006</u>	<u>\$ 11,591,364</u>	<u>\$ 18,956,861</u>	<u>\$ 17,618,085</u>

- Charges for services – The City had revenue increases in the following: building permits \$56,988, park and road impact fees \$28,612, and burial permits \$5,950.
- During the fiscal year end June 30, 2013, Providence City made the following changes to infrastructure and capital assets:
 - Purchased a 2006 International truck for snowplowing \$75,300, purchased a 2011 Dodge Journey \$19,000, purchased a Kubota utility vehicle \$21,900, and purchased a hydro excavator/valve exerciser \$15,353. Total cost of the excavator was \$61,412 and the difference of \$46,059 was allocated between business type funds.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities (continued)

- Installed a truck wash station at the Public Works Facility - \$11,755; rebuilt the tennis court at Bragger Park - \$58,506; completed the Center Street 300 East project - \$831; improved Center Street from Main to 100 West - \$72,133; improved Sego Lily Road and Circle Place - \$49,482; and completed the Canyon Road expansion project - \$190,648.
- Providence City has the following infrastructure projects that are in progress:
 - 100 North Gateway Drive roundabout - \$465,480; 300 South West of State Road 165 - \$2,578; and improvements to South Satsuma - \$3,640.

Business-type activities

For the year ending June 30, 2013, the total revenues for business-type activities were \$2,067,476. Program revenues total \$2,057,169. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$10,307 in interest income. The City had an increase in water sales revenue of \$165,688, largely attributable to a water rate increase in September 2012.

Providence City installed new telemetry for the water system for \$107,681, replaced waterlines in Sego Lily Road and Circle Place for \$61,473, replaced waterlines in Canyon Road for \$71,602, and purchased a hydro excavator/valve exerciser as stated under Governmental Activities for \$46,059 (\$15,353 – Water Fund, \$15,353 – Wastewater Fund, \$15,353 – Storm Water Fund).

Budgetary Highlights

During the year, the City Council revised the budget four times to make modifications and to accommodate unexpected expenditures.

The General Fund original budget was amended from \$2,810,700 to \$3,104,300; a change of \$293,600 which is a 10.45% increase. The increase was largely due to vehicle purchases.

Capital Assets

At June 30, 2013, the City had \$12,424,073 invested in capital assets (net of accumulated depreciation), including land, buildings and systems, improvements, infrastructure (streets, sidewalks, etc.), machinery and equipment. The amount represents a net increase of \$670,685 or 5.71% increase.

CITY OF PROVIDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Capital Assets (continued)

	Capital Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 733,113	\$ 733,113	\$ 199,404	\$ 203,604	\$ 932,517	\$ 936,717
Construction in process	508,832	552,928	-	-	508,832	552,928
Water Stock	-	-	290,394	290,394	290,394	290,394
Improvements	2,448,273	1,588,222	12,697,240	12,456,484	2,690,160	1,830,109
Buildings	637,053	637,053	241,887	241,887	13,334,293	13,093,537
Equipment	969,993	826,685	562,937	516,878	1,532,930	1,343,563
Infrastructure	4,281,617	4,281,617	-	-	4,281,617	4,281,617
Subtotal	9,578,881	8,619,618	13,991,862	13,709,247	23,570,743	22,328,865
Accumulated depreciation	(5,538,674)	(5,320,603)	(5,607,996)	(5,264,412)	(11,146,670)	(10,585,015)
Capital Assets, net	<u>\$ 4,040,207</u>	<u>\$ 3,299,015</u>	<u>\$ 8,383,866</u>	<u>\$ 8,444,835</u>	<u>\$ 12,424,073</u>	<u>\$ 11,743,850</u>

More detailed information of current year changes in listed in the governmental activities section.

Debt Outstanding

At year-end, the City has \$893,000 in revenue bonds versus \$1,167,000 in the prior year, a decrease of \$274,000. There was a total of \$274,000 of debt retired during the year.

Business Activities:	Balance July 1, 2012			Balance June 30, 2013	Amounts Due Within One Year
	Additions	Reductions	2013		
Series 2001A bonds	\$ 188,000	\$ -	\$ (188,000)	\$ -	\$ -
Series 2001C bonds	<u>979,000</u>	<u>-</u>	<u>(86,000)</u>	<u>893,000</u>	<u>88,000</u>
Total debt	<u>\$ 1,167,000</u>	<u>\$ -</u>	<u>\$ (274,000)</u>	<u>\$ 893,000</u>	<u>\$ 88,000</u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors

Property Taxes, sales taxes, franchise and phone taxes make up 59% of the governmental revenue; licenses and permits 5%; intergovernmental (grants and Class C road money) 9%; fines and forfeitures 3%; and charges for services/miscellaneous 23%.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at 15 South Main Providence, Utah 84332.

CITY OF PROVIDENCE
STATEMENT OF NET POSITION
June 30, 2013
With comparative totals for 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	Memorandum Totals	
			2013 Total	2012 Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,067,424	\$ 4,489,692	\$ 5,557,116	\$ 3,770,480
Restricted cash and cash equivalents	1,408,686	208,700	1,617,386	2,639,253
Accounts receivable (net)	133,318	207,174	340,492	339,630
Taxes receivable	536,799	-	536,799	528,586
Restricted taxes receivable	52,553	-	52,553	45,942
Other current assets	-	-	-	4,776
TOTAL CURRENT ASSETS	3,198,780	4,905,566	8,104,346	7,328,667
NONCURRENT ASSETS				
Bond issue costs (net of accumulated amortization)	-	-	-	9,538
Capital Assets:				
Water shares	-	290,394	290,394	290,394
Construction in progress	508,832	-	508,832	552,928
Land	733,113	199,404	932,517	936,717
Improvements other than buildings	2,448,273	241,887	2,690,160	1,830,109
Buildings	637,053	12,697,240	13,334,293	13,093,537
Machinery and equipment	969,993	562,937	1,532,930	1,343,563
Infrastructure	4,281,617	-	4,281,617	4,281,617
Less accumulated depreciation	(5,538,674)	(5,607,996)	(11,146,670)	(10,585,015)
TOTAL NONCURRENT ASSETS	4,040,207	8,383,866	12,424,073	11,753,388
TOTAL ASSETS	<u>\$ 7,238,987</u>	<u>\$ 13,289,432</u>	<u>\$ 20,528,419</u>	<u>\$ 19,082,055</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 461,333	\$ 97,616	\$ 558,949	\$ 178,684
Other accrued liabilities	53,017	14,810	67,827	74,804
Deposits payable	51,782	-	51,782	43,482
Noncurrent liabilities due within one year	-	88,000	88,000	274,000
TOTAL CURRENT LIABILTIES	566,132	200,426	766,558	570,970
NONCURRENT LIABILITES				
TOTAL LIABILITIES	<u>\$ 566,132</u>	<u>\$ 1,005,426</u>	<u>\$ 1,571,558</u>	<u>\$ 1,463,970</u>
NET POSITION				
Net investment in capital assets	\$ 4,040,207	\$ 7,490,866	\$ 11,531,073	\$ 10,576,850
Restricted				
Roads and city improvements	1,418,330	208,700	1,627,030	2,626,868
Unrestricted	1,214,318	4,584,440	5,798,758	4,414,367
TOTAL NET POSITION	<u>\$ 6,672,855</u>	<u>\$ 12,284,006</u>	<u>\$ 18,956,861</u>	<u>\$ 17,618,085</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013
With comparative totals for 2012

Functions/Programs	Program Revenues				Changes in Net Assets			Memorandum Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		2013 Total	2012 Total
Governmental Activities									
General government	\$ 864,131	\$ 281,455	\$ 740	\$ -	\$ (581,936)	\$ -	\$ (581,936)	\$ (635,504)	
Public works	327,121	54,986	-	-	(272,135)	-	(272,135)	(288,158)	
Highways and public safety	902,563	483,361	-	280,752	(138,450)	-	(138,450)	(25,712)	
Parks and recreation	286,865	108,269	-	-	(178,596)	-	(178,596)	(220,657)	
Cemetery	85,926	33,495	-	-	(52,431)	-	(52,431)	(56,788)	
TOTAL GOVERNMENT ACTIVITIES	2,466,606	961,566	740	280,752	(1,223,548)	-	(1,223,548)	(1,226,819)	
Business-type Activities									
Water	620,179	1,129,042	-	-	-	508,863	508,863	362,906	
Wastewater	702,782	805,824	-	-	-	103,042	103,042	82,471	
Storm water	51,873	122,303	-	-	-	70,430	70,430	50,127	
TOTAL BUSINESS -TYPE ACTIVITIES	1,374,834	2,057,169	-	-	-	682,335	682,335	495,504	
TOTAL GOVERNMENT	\$ 3,841,440	\$ 3,018,735	\$ 740	\$ 280,752	(1,223,548)	682,335	(541,213)	(731,315)	
General Revenues:									
Taxes									
Property					610,284	-	610,284	588,085	
Sales and use					852,803	-	852,803	833,310	
Franchise and phone tax					363,362	-	363,362	346,274	
Interest and investment earnings					35,035	10,307	45,342	35,718	
Miscellaneous					8,198	-	8,198	35,167	
Total general revenues					1,869,682	10,307	1,879,989	1,838,554	
Change in Net Position					646,134	692,642	1,338,776	1,107,239	
Net position at beginning of year prior to restatement					6,026,721	11,591,364	17,618,085	16,045,672	
Prior period adjustments					-	-	-	465,174	
Net position at beginning of year after restatement					6,026,721	11,591,364	17,618,085	16,510,846	
Net position at end of year					\$ 6,672,855	\$ 12,284,006	\$ 18,956,861	\$ 17,618,085	

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2013
With comparative totals for 2012

	Memorandum Totals			
	General	Nonmajor Governmental Fund- Capital Projects	Total Governmental Funds 2013	Total Governmental Funds 2012
ASSETS				
Cash and cash equivalents	\$ 1,067,424	\$ -	\$ 1,067,424	\$ 517,955
Restricted cash and cash equivalents	1,408,686	-	1,408,686	1,733,350
Accounts receivable (net)	133,318	-	133,318	110,409
Taxes receivable	536,799	-	536,799	528,586
Restricted taxes receivable	52,553	-	52,553	45,942
Other current assets	-	-	-	4,776
TOTAL ASSETS	<u>\$ 3,198,780</u>	<u>\$ -</u>	<u>\$ 3,198,780</u>	<u>\$ 2,941,018</u>
LIABILITIES				
Accounts payable	\$ 90,320	\$ 371,013	\$ 461,333	\$ 114,975
Due to other funds	-	-	-	878
Deposits payable	51,782	-	51,782	43,482
Other accrued liabilities	53,017	-	53,017	53,977
TOTAL LIABILITIES	195,119	371,013	566,132	213,312
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	487,612	-	487,612	481,360
TOTAL DEFERRED INFLOWS OF RESOURCES	487,612	-	487,612	481,360
FUND BALANCES				
Restricted for:				
Roads	748,449	-	748,449	685,121
Perpetual care	201,495	-	201,495	189,521
Library	78,158	-	78,158	77,606
Capital project funds	-	-	-	272,661
Impact fees	94,677	-	94,677	258,418
Parks and public property	295,551	-	295,551	237,638
Unassigned	1,097,719	(371,013)	726,706	525,381
TOTAL FUND BALANCES	2,516,049	(371,013)	2,145,036	2,246,346
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,198,780</u>	<u>\$ -</u>	<u>\$ 3,198,780</u>	<u>\$ 2,941,018</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

2013

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

Total fund balances-governmental funds	\$ 2,145,036
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements	4,040,207
Property tax revenue is recognized in the governmental funds when measureable and "available". Property taxes levied but not available have been recorded as deferred inflows in the funds, but are reported as revenue in the government-wide financial statements.	<u>487,612</u>
Net position of governmental activities	<u>\$ 6,672,855</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
Year ended June 30, 2013
With comparative totals for 2012

	Memorandum Totals			
	Total	Nonmajor	Total	Total
	General	Governmental	Governmental	Governmental
REVENUES				
Taxes	\$ 1,820,197	\$ -	\$ 1,820,197	\$ 1,751,483
Licenses and permits	148,089	-	148,089	86,533
Intergovernmental	280,752	-	280,752	474,668
Charges for services	680,111	-	680,111	657,085
Fines	133,366	-	133,366	125,433
Other revenues	<u>43,973</u>	-	<u>43,973</u>	<u>66,085</u>
TOTAL REVENUES	3,106,488	-	3,106,488	3,161,287
EXPENDITURES				
Current Operating:				
General government	738,067	-	738,067	844,601
Public works	326,190	-	326,190	348,457
Highway and public improvement:	862,971	-	862,971	870,437
Parks and recreation	246,594	-	246,594	270,764
Cemetery	74,713	-	74,713	73,120
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>315,589</u>	<u>643,674</u>	<u>959,263</u>	<u>684,189</u>
TOTAL EXPENDITURES	<u>2,564,124</u>	<u>643,674</u>	<u>3,207,798</u>	<u>3,091,568</u>
Excess of revenues over (under) expenditures	<u>542,364</u>	<u>(643,674)</u>	<u>(101,310)</u>	<u>69,719</u>
Net Change in Fund Balances	542,364	(643,674)	(101,310)	69,719
Fund balances at beginning of year	<u>1,973,685</u>	<u>272,661</u>	<u>2,246,346</u>	<u>2,176,627</u>
Fund balances at end of year	<u>\$ 2,516,049</u>	<u>\$ (371,013)</u>	<u>\$ 2,145,036</u>	<u>\$ 2,246,346</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

	<u>2013</u>
Net change in fund balance, total governmental funds	\$ (101,310)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period	
Capital outlays	959,263
Depreciation expense	<u>(218,071)</u>
	<u>741,192</u>
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	<u>6,252</u>
Change in net position of governmental activities	<u>\$ 646,134</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
For the year ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
Taxes:				
Current year property taxes	\$ 569,000	\$ 600,000	\$ 604,032	\$ 4,032
Sales and use taxes	800,000	850,000	852,803	2,803
Franchise and phone taxes	320,000	355,000	363,362	8,362
	<u>1,689,000</u>	<u>1,805,000</u>	<u>1,820,197</u>	<u>15,197</u>
Licenses and Permits:				
Business licenses and permits	50,000	123,000	127,105	4,105
Other licenses and permits	13,000	21,000	20,984	(16)
	<u>63,000</u>	<u>144,000</u>	<u>148,089</u>	<u>4,089</u>
Intergovernmental:				
Class "C" road fund allotment	229,000	230,000	245,362	15,362
Federal/ state / local funding	54,600	93,600	35,390	(58,210)
State liquor allotment	-	-	-	-
	<u>283,600</u>	<u>323,600</u>	<u>280,752</u>	<u>(42,848)</u>
Charges for Services:				
Sanitation	485,000	487,000	483,361	(3,639)
Parks and public property	32,600	30,900	31,443	543
Communication center	55,000	55,000	54,986	(14)
Burial / cemetery lot fees	21,000	32,600	33,495	895
Impact fees	34,000	73,900	76,826	2,926
	<u>627,600</u>	<u>679,400</u>	<u>680,111</u>	<u>711</u>
Fines and forfeitures	112,500	100,800	133,366	32,566
Other Revenues:				
Interest earnings	20,000	30,000	35,035	5,035
Donations	-	700	740	40
Miscellaneous revenue	15,000	20,800	8,198	(12,602)
	<u>35,000</u>	<u>51,500</u>	<u>43,973</u>	<u>(7,527)</u>
TOTAL REVENUES	<u>\$ 2,810,700</u>	<u>\$ 3,104,300</u>	<u>\$ 3,106,488</u>	<u>\$ 2,188</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND (CONTINUED)
For the year ended June 30, 2013

EXPENDITURES:	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
General Government:				
Administrative	\$ 508,300	\$ 573,200	\$ 454,200	\$ 119,000
Court	115,800	124,500	113,360	11,140
Community development	185,900	192,000	146,591	45,409
Library	<u>25,000</u>	<u>25,000</u>	<u>23,916</u>	<u>1,084</u>
Total General Government	835,000	914,700	738,067	176,633
Public Works:				
Public safety and health	239,700	227,300	222,964	4,336
Public works	<u>106,000</u>	<u>108,000</u>	<u>103,226</u>	<u>4,774</u>
Total Public Works	345,700	335,300	326,190	9,110
Highway and public improvements:				
Streets and highways	741,200	928,300	684,275	244,025
Sanitation	<u>500,000</u>	<u>502,000</u>	<u>494,285</u>	<u>7,715</u>
Total Highway and Public Improvements	1,241,200	1,430,300	1,178,560	251,740
Parks, recreation, and public property:				
Parks and recreation	308,100	344,500	246,594	97,906
Cemetery	<u>80,700</u>	<u>79,500</u>	<u>74,713</u>	<u>4,787</u>
Total Parks, Recreation, and Public Property	<u>388,800</u>	<u>424,000</u>	<u>321,307</u>	<u>102,693</u>
TOTAL EXPENDITURES	2,810,700	3,104,300	2,564,124	540,176
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	542,364	542,364
Fund Balance - July 1, 2012	<u>-</u>	<u>-</u>	<u>1,973,685</u>	<u>1,973,685</u>
Fund Balance - June 30, 2013	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,516,049</u>	\$ <u>2,516,049</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Water	Wastewater	Storm Water	Memorandum Totals				
				2013	2012			
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 1,848,676	\$ 2,330,617	\$ 310,399	\$ 4,489,692	\$ 3,252,525			
Restricted cash and cash equivalents	208,700	-	-	208,700	905,903			
Due from other funds	-	-	-	-	878			
Accounts receivable (net)	109,529	85,327	12,318	207,174	229,221			
TOTAL CURRENT ASSETS	2,166,905	2,415,944	322,717	4,905,566	4,388,527			
NONCURRENT ASSETS								
Bond issue costs (net of accumulated amortization)	-	-	-	-	9,538			
Capital Assets:								
Water shares	290,394	-	-	290,394	290,394			
Land	165,008	34,396	-	199,404	203,604			
Buildings	241,887	-	-	241,887	241,887			
Improvements other than buildings	6,505,021	6,170,588	21,631	12,697,240	12,456,484			
Machinery and equipment	204,925	217,753	140,259	562,937	516,878			
Less accumulated depreciation	(2,422,131)	(3,064,068)	(121,797)	(5,607,996)	(5,264,412)			
TOTAL NONCURRENT ASSETS	4,985,104	3,358,669	40,093	8,383,866	8,454,373			
TOTAL ASSETS	<u>\$ 7,152,009</u>	<u>\$ 5,774,613</u>	<u>\$ 362,810</u>	<u>\$ 13,289,432</u>	<u>\$ 12,842,900</u>			
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ 62,536	\$ 15,521	\$ 19,559	\$ 97,616	\$ 63,709			
Compensated absences	6,559	2,623	1,312	10,494	11,395			
Interest payable	4,316	-	-	4,316	9,432			
Current portion of long-term obligations	88,000	-	-	88,000	274,000			
TOTAL CURRENT LIABILITIES	161,411	18,144	20,871	200,426	358,536			
NONCURRENT LIABILITIES								
Long-term obligations, net of current portion	805,000	-	-	805,000	893,000			
TOTAL LIABILITIES	966,411	18,144	20,871	1,005,426	1,251,536			
NET POSITION								
Net investment in capital assets	4,092,104	3,358,669	40,093	7,490,866	7,277,835			
Restricted (see Note G)	208,700	-	-	208,700	905,903			
Unrestricted	1,884,794	2,397,800	301,846	4,584,440	3,407,626			
TOTAL NET POSITION	6,185,598	5,756,469	341,939	12,284,006	11,591,364			
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,152,009</u>	<u>\$ 5,774,613</u>	<u>\$ 362,810</u>	<u>\$ 13,289,432</u>	<u>\$ 12,842,900</u>			

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2013
With comparative totals for 2012

	Water	Wastewater	Storm Water	Memorandum Totals	
				2013	2012
OPERATING REVENUES					
Charges for services	\$ 1,065,795	\$ 806,107	\$ 122,303	\$ 1,994,205	\$ 1,831,560
Other operating revenues	2,290	(283)	-	2,007	20,325
TOTAL OPERATING REVENUES	1,068,085	805,824	122,303	1,996,212	1,851,885
OPERATING EXPENSES					
Direct operating expenses	179,984	465,980	271	646,235	615,099
Personnel services	147,752	49,046	29,477	226,275	241,454
Other operating expenses	9,381	6,343	7,421	23,145	22,677
Professional services	15,162	4,104	3,750	23,016	30,223
Repairs and maintenance	61,290	5,466	8,310	75,066	76,968
Depreciation	169,097	171,843	2,644	343,584	359,376
Amortization - deferred charge	9,538	-	-	9,538	6,358
TOTAL OPERATING EXPENSES	592,204	702,782	51,873	1,346,859	1,352,155
OPERATING INCOME	475,881	103,042	70,430	649,353	499,730
OTHER INCOME (EXPENSE)					
Impact fees	60,957	-	-	60,957	39,596
Interest revenue	7,174	3,133	-	10,307	4,953
Interest expense	(27,975)	-	-	(27,975)	(43,822)
TOTAL OTHER INCOME (EXPENSE)	40,156	3,133	-	43,289	727
CHANGE IN NET POSITION	516,037	106,175	70,430	692,642	500,457
Total net position - beginning	<u>5,669,561</u>	<u>5,650,294</u>	<u>271,509</u>	<u>11,591,364</u>	<u>11,090,907</u>
Total net position - ending	<u>\$ 6,185,598</u>	<u>\$ 5,756,469</u>	<u>\$ 341,939</u>	<u>\$ 12,284,006</u>	<u>\$ 11,591,364</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2013
With comparative totals for 2012

	Water	Wastewater	Storm Water	Memorandum Totals	
				2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,092,123	\$ 803,056	\$ 123,080	\$ 2,018,259	\$ 1,779,131
Cash paid to suppliers	(226,122)	(506,886)	(547)	(733,555)	(749,369)
Cash paid to employees	(148,315)	(49,272)	(29,589)	(227,176)	(230,059)
Net cash provided by operating activities	717,686	246,898	92,944	1,057,528	799,703
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	543	226	109	878	(878)
Net cash flows from (used by) noncapital financing activities	543	226	109	878	(878)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(256,109)	(11,153)	(15,353)	(282,615)	(75,545)
Principal payments - bonds	(274,000)	-	-	(274,000)	(217,000)
Interest paid	(33,091)	-	-	(33,091)	(50,748)
Impact fees collected	60,957	-	-	60,957	39,596
Net cash used by capital and related financing activities	(502,243)	(11,153)	(15,353)	(528,749)	(303,697)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	7,174	3,133	-	10,307	4,953
Net cash provided by investing activities	7,174	3,133	-	10,307	4,953
Net increase in cash	223,160	239,104	77,700	539,964	500,081
Cash - July 1	1,834,216	2,091,513	232,699	4,158,428	3,658,347
Cash - June 30	<u>\$ 2,057,376</u>	<u>\$ 2,330,617</u>	<u>\$ 310,399</u>	<u>\$ 4,698,392</u>	<u>\$ 4,158,428</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 475,881	\$ 103,042	\$ 70,430	\$ 649,353	\$ 499,730
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	169,097	171,843	2,644	343,584	359,376
Amortization	9,538	-	-	9,538	6,358
Changes in assets and liabilities:					
Accounts receivable	24,038	(2,768)	777	22,047	(72,754)
Accounts payable	39,695	(24,993)	19,205	33,907	(4,402)
Compensated absences	(563)	(226)	(112)	(901)	11,395
Net Cash Provided by Operating Activities	<u>\$ 717,686</u>	<u>\$ 246,898</u>	<u>\$ 92,944</u>	<u>\$ 1,057,528</u>	<u>\$ 799,703</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City operates under a six-member Council form of municipal government and provides the following services as authorized by its charter: public safety (police and fire), public utilities (water, wastewater, storm water, and sanitation), highways and streets, social services, culture-recreation, public improvements, planning and zoning, economic redevelopment, and general administrative services.

The City's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). The city does not have any component units.

B. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Position - The statement of net position and the statement of activities display information about the City as a whole. The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is net position. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements present in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

The City has two categories of funds: governmental and proprietary. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following describes the major governmental fund of the City:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (continued)

The following describes the nonmajor governmental fund of the City:

The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

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

The following is a description of the proprietary funds of the City.

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the water fund, wastewater fund, and storm water fund.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus/Basis of Accounting (continued)

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (continued)

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Deferred Inflows/Outflows of Resources

A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period. Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

6. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (continued)

6. Capital Assets (continued)

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Utility system improvements	40 - 50
Buildings	20 - 30
Machinery and equipment	5 - 10
Improvements other than buildings	20
Roads and infrastructure	15

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

7. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensated time benefits. Vacation pay and compensated time are accrued when incurred and are reported in other accrued liabilities in the governmental funds balance sheet since they must be used by the end of the following fiscal year.

8. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (continued)

9. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets— Consists of 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.
- b. Restricted component of net position – Consists of expendable components with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted component of net position – All other components that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Fund Statements

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

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The 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.

Amounts that are restricted to specific purposes are reported as restricted fund balance. Fund balance is reported as restricted when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Equity (continued)

9. Equity Classifications

Fund Statements (continued)

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority (the City Council) are reported as committed fund balance. The City had no committed fund balances at June 30, 2013.

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The City had no assigned fund balances at June 30, 2013.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

10. Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

11. Property Tax

Property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

12. Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary activities.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Subsequent Events

Management of the City has evaluated subsequent events through December 30, 2013, which is also the date the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or disclosure in these financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Annual budgets are prepared and adopted in accordance with the “Uniform Fiscal Procedures Act for Utah Cities” by the City of Providence City Council on or before the first scheduled council meeting in May for the following fiscal year, which begins on July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

Budgets may be increased by resolution of the City Council at any time during the year. To change the budget a public hearing is required, but the City may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budget Information (continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. Fund Equity Restrictions

Restricted for Roads - Reserve required to be kept that accounts for the unspent proceeds of class "C" road funds.

Restricted for Perpetual Care - The City owns and operates a cemetery. The money received from the sale of cemetery spaces is deposited into an interest bearing account for the purpose of capital improvements and maintenance of the cemetery.

Restricted for Library - Amounts generated in the library fund are restricted to be spent to promote updating books and resources, and building improvements for the City library.

Restricted for Capital Projects - The City Council approves resolutions through the budget for providing for funds to be set aside for capital projects for the City.

Restricted for Impact Fees - The City Council passed an ordinance providing for specific impact fees on all new construction. Impact fees include fees for roads, parks, and water. These fees are to be restricted for current and future costs to help defray a portion of the costs that naturally result from increased development.

Restricted for Parks and Public Property - Amounts generated for parks and public property are restricted to be spent on park improvements and additions if needed in the City.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of City funds in a "qualified depository".

The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2013, \$1,905,307 of the City's bank balances of \$2,497,444 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (continued)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. 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 based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares. As of June 30, 2013, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to maturity categorizations:		
Utah Public Treasurer's Investment Fund	\$ 4,694,033	\$ 4,717,605

The GASB Fair Value factor at June 30, 2013 was 1.00502171.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less.

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 reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – 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 policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

A. Deposits and Investments (continued)

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2013, are as follows:

Cash on hand and on deposit:

Cash on deposit (per books)	\$ 2,456,897
PTIF investment	<u>4,717,605</u>
Total cash and cash equivalents	<u>\$ 7,174,502</u>

Cash and cash equivalents per the statement of net assets

Unrestricted	\$ 5,557,116
Restricted	<u>1,617,386</u>
Total cash and cash equivalents	<u>\$ 7,174,502</u>

B. Accounts Receivable

Accounts receivable for the City at June 30, 2013, are as follows:

	General	Other Governmental Funds	Total
Governmental Activities:			
Receivables:			
Accounts	\$ 133,318	\$ -	\$ 133,318
Taxes	536,799	-	536,799
Restricted taxes	<u>52,553</u>	<u>-</u>	<u>52,553</u>
Net total receivables	<u>\$ 722,670</u>	<u>\$ -</u>	<u>\$ 722,670</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

B. Accounts Receivable (continued)

Accounts receivable for the City's business-type activities at June 30, 2013 are as follows:

	Water	Wastewater	Storm Water	Total
Business type activities:				
Receivables:				
Accounts	\$ 109,529	\$ 85,327	\$ 12,318	\$ 207,174

Management deems all accounts to be materially collectible and thus does not have an allowance for doubtful accounts except for an allowance of \$17,589 for the court receivable.

C. Restricted Assets

The total restricted assets on the balance sheet are comprised of the following cash and cash equivalents and receivables.

General fund:

Accounts receivable - Class C	\$ 52,553
Cash - perpetual care	201,495
Cash - park impact fees	295,551
Cash - Class C road	738,805
Cash - road impact fees	67,725
Cash - restricted donation	1,879
Cash - veterans memorial donations	12,973
Cash - capital projects	12,100
Cash - library donations	78,158
Total general fund	<u>1,461,239</u>

Enterprise funds:

Water fund:

Cash - revenue bond sinking/reserve	114,000
Cash - bond proceeds	-
Cash - impact fees	94,700
Total water fund	<u>208,700</u>

Total restricted assets

\$ 1,669,939

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Capital Assets

A summary of changes in capital assets for the governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 733,113	\$ -	\$ -	\$ 733,113
Construction in progress	<u>552,928</u>	<u>471,668</u>	<u>(515,764)</u>	<u>508,832</u>
Total capital assets not being depreciated	1,286,041	471,668	(515,764)	1,241,945
Capital assets, being depreciated				
Improvements other than buildings	1,588,222	860,051	-	2,448,273
Buildings	637,053	-	-	637,053
Machinery and equipment	826,685	143,308	-	969,993
Infrastructure	<u>4,281,617</u>	<u>-</u>	<u>-</u>	<u>4,281,617</u>
Total capital assets being depreciated	7,333,577	1,003,359	-	8,336,936
Less accumulated depreciation	<u>(5,320,603)</u>	<u>(218,071)</u>	<u>-</u>	<u>(5,538,674)</u>
Total capital assets being depreciated, net	<u>2,012,974</u>	<u>785,288</u>	<u>-</u>	<u>2,798,262</u>
Total capital assets, net	<u>\$ 3,299,015</u>	<u>\$ 1,256,956</u>	<u>\$ (515,764)</u>	<u>\$ 4,040,207</u>

Depreciation Expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

General Government	\$ 126,064
Public works	931
Highways and public safety	39,592
Parks and Recreation	40,271
Cemetery	<u>11,213</u>
Total Depreciation Expense	<u>\$ 218,071</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

D. Capital Assets (continued)

A summary of changes in capital assets for the business activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
Capital assets, not being depreciated				
Land	\$ 203,604	\$ -	\$ (4,200)	\$ 199,404
Water Stock	<u>290,394</u>	<u>-</u>	<u>-</u>	<u>290,394</u>
Total capital assets				
not being depreciated	493,998	-	(4,200)	489,798
Capital assets, being depreciated				
Buildings	241,887	-	-	241,887
Improvements other				
than buildings	12,456,484	240,756	-	12,697,240
Machinery and equipment	<u>516,878</u>	<u>46,059</u>	<u>-</u>	<u>562,937</u>
Total capital assets				
being depreciated	13,215,249	286,815	-	13,502,064
Less accumulated depreciation	<u>(5,264,412)</u>	<u>(343,584)</u>	<u>-</u>	<u>(5,607,996)</u>
Total capital assets				
being depreciated, net	<u>7,950,837</u>	<u>(56,769)</u>	<u>-</u>	<u>7,894,068</u>
Net book value	<u>\$ 8,444,835</u>	<u>\$ (56,769)</u>	<u>\$ (4,200)</u>	<u>\$ 8,383,866</u>

Depreciation expense was charged to funds as follows:

Business-Type Activities:

Water fund	\$ 169,097
Wastewater fund	171,843
Storm water	<u>2,644</u>
Total Depreciation Expense	<u>\$ 343,584</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

E. Deposits Payable

Deposits payable consisted of the following at June 30, 2013:

Bond deposits	\$ 3,252
Utility deposits	14,960
Digging deposits	5,250
Power deposits	<u>28,320</u>
Total deposits payable	<u>\$ 51,782</u>

F. Long-Term Liabilities

Water Revenue Bond, Series 2001A. The government issued a series 2001 bond to provide funds for improvements and construction of water projects. Interest is due on January 1st and principal and interest are paid on July 1st of each year. The bonds matured on July 1, 2012.

Water Revenue Bond, Series 2001C. The government issued a series 2001 bond to provide funds for improvements and construction of water projects. Interest and principal are paid on May 1st of each year. The bonds mature on May 1, 2022. The interest rate is 2.90%:

Water Revenue Bonds 2001C
2.90%

Year ended	2.90%		
June 30,	Principal	Interest	Total
2014	\$ 88,000	\$ 25,897	\$ 113,897
2015	91,000	23,345	114,345
2016	93,000	20,706	113,706
2017	96,000	18,009	114,009
2018	99,000	15,225	114,225
2019 - 2022	<u>426,000</u>	<u>31,320</u>	<u>457,320</u>
Totals	<u>\$ 893,000</u>	<u>\$ 134,502</u>	<u>\$ 1,027,502</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

F. Long-Term Liabilities (continued)

The interest expense for the Water Revenue bonds of \$33,091 has been charged as a direct expense to the Public Works Department in the Statement of Activities.

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the business activities:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Business-Type Activities:					
Series 2001A Water Bonds	\$ 188,000	\$ -	\$ (188,000)	\$ -	\$ -
Series 2001C Water Bonds	979,000	-	(86,000)	893,000	88,000
Total Debt	<u>\$ 1,167,000</u>	<u>\$ -</u>	<u>\$ (274,000)</u>	<u>\$ 893,000</u>	<u>\$ 88,000</u>

G. Restricted Fund Equity

The amounts reported on the balance sheet identified as restricted fund balance and on the proprietary funds statement of net position as restricted components of net position are comprised of the following:

General fund:			
Restricted - road		\$ 748,449	
Restricted - perpetual care		201,495	
Restricted - library donations		78,158	
Restricted - impact fees		94,677	
Restricted - park and public property		<u>295,551</u>	
Total general fund			<u>\$ 1,418,330</u>
Enterprise fund:			
Water fund (net assets):			
Restricted - sinking/reserve		114,000	
Restricted - impact fees		<u>94,700</u>	
Total water fund			<u>208,700</u>
			<u>Total enterprise funds</u>
			<u>208,700</u>
			<u>Total restricted fund equity</u>
			<u>\$ 1,627,030</u>

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)

H. Prior Period Adjustments

In prior years, the deferral related to property taxes receivable at June 30 that were not available to spend until the subsequent year was inadvertently reported as a deferral in the Statement of Net Position (formerly called the Statement of Net Assets). It should have been reversed in the reconciliation from the Governmental Funds Balance Sheet to the Statement of Net Position. The effect is that the deferral in the Statement of Net Position was overstated by \$465,174 and unrestricted net position was understated by the same amount at the end of 2011. Therefore, the beginning balance of unrestricted net position at July 1, 2012 has been restated by this amount.

IV. OTHER INFORMATION

A. Retirement System

Plan Description - The City of Providence contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - At the present time, Providence City only has Tier 1 employees; Tier 1 employees are not required to contribute to the Retirement System. The City is required to contribute 16.04% of the employee's annual salary from July 1, 2012 – June 30, 2013. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

IV. OTHER INFORMATION (CONTINUED)

A. Retirement System (continued)

The contributions by the City of Providence to the Local Government Noncontributory Retirement System for the years ended June 30, 2013, 2012 and 2011 were \$86,768, \$98,300 and \$101,526, respectively. The contributions were equal to the required contributions for each pay period and were paid by the due dates or within 30 days thereafter.

The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to the City of Providence.

The City also sponsors defined contribution retirement plans provided to all City employees under Internal Revenue Code 401(K), 457, and Roth IRA which are administered by the Utah Retirement Systems. Participants are fully vested. These plans are elective deferral plans. The City does not make contributions on behalf of the employees. All city employees may contribute minimum and maximum amounts in accordance with IRS rules for each plan. The participants' contributions for the years ended June 30, 2013, 2012 and 2011 were \$7,333, \$2,730 and \$875, respectively.

B. Insurance and bond coverage

Providence City has insurance and bonding policies with effective limits as follows:

Description	Issuer	Policy #	Limits	Expiration Date
Insurance:				
Comprehensive general liability (includes vehicle)	Utah Local Governments Trust	13080-GL2011	\$5,000,000	7/1/2013
Buildings Contents Equipment	Unigard	PX809764	7,292,500 1,141,700 247,874	7/1/2013
Automobile	Unigard	BA-900006	26 vehicles	7/1/2013
Bonds:				
City Treasurer/City Recorder	CAN Surety	70011063	600,000	9/15/2015

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

IV. OTHER INFORMATION (CONTINUED)

C. Water users and rates

The Providence City water, wastewater, and storm water utility funds service both residential and commercial users. As of June 30, 2013, there were the following number of users in each category:

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Water</u>
Residential	1,931	1,873	1,930
Commercial	60	47	60
Totals	<u>1,991</u>	<u>1,920</u>	<u>1,990</u>

Water rates:

Standard monthly service \$23.25 * first 10,000 gallons

Overage charges for City and County

10,000 to 50,000	\$.75 per 1,000 gallons
50,001 +	\$1.50 per 1,000 gallons

* Determined by size of water pipe

	<u>City</u>	<u>County</u>
Garbage rates:		
Standard monthly service	\$ 13.25	
Recycling	\$ 3.00	

	<u>City</u>	<u>County</u>
Sewer rates:		
Standard residential service	\$ 29.15	N/A
Multi-unit complex	\$ 29.15	N/A
Standard commercial	\$ 29.15	N/A
Regulated commercial	* N/A	

* Determined by Logan City according to type of business

D. Risk Management – Claims and Judgments

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.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

IV. OTHER INFORMATION (CONTINUED)

E. Other assets

Water fund:

The City owns water shares in two irrigation companies and rights through the State of Utah and carries amounts in the water fund at the cost of such certificates as purchased since July 1, 1980. Water shares purchased since 1980 and capitalized in the water fund total \$155,394; water rights acquired in 2008 and capitalized in the water fund total \$135,000, for a combined total of \$290,394 at June 30, 2013. Certificates held prior to that date have never been recorded as follows:

	Shares Acquired Prior to 1980	Total Shares at June 30, 2013
Spring Creek Water Company	74.00	212.35
Providence Blacksmith Fork Irrigation	135.25	411.80
Total	<u>209.25</u>	<u>624.15</u>

Therefore, the water fund has an unrecognized value associated with the water shares of the irrigation companies.

F. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or change in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF PROVIDENCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

IV. OTHER INFORMATION (CONTINUED)

G. Segment information

Net working capital for the water, wastewater, and storm water utility funds is calculated as follows:

	Water fund	Wastewater	Storm Water
Current assets:			
Cash	\$ 2,057,376	\$ 2,330,617	\$ 310,399
Receivables	109,529	85,327	12,318
Less current liabilities:			
Accounts payable	(66,852)	(15,521)	(19,559)
Compensated absences	(6,559)	(2,623)	(1,312)
Interest payable	(4,316)	-	-
Current portion of long-term debt	<u>(88,000)</u>	<u>-</u>	<u>-</u>
Net working capital	<u>\$ 2,001,178</u>	<u>\$ 2,397,800</u>	<u>\$ 301,846</u>



**INDEPENDENT AUDITORS' 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 City Council
City of Providence, Utah**

We have audited, in accordance with the 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 Providence, Utah (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2013.

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.

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 City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

WISAN, SMITH, RACKER & PRESCOTT, LLP

SALT LAKE ~ 155 North 400 West, Suite 400 · Salt Lake City, Utah · 84103 · 801.328.2011 (office) · 801.328.2015 (fax)
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Licensed to Practice in Utah, Wyoming, Nevada, New Mexico and Idaho.
Member: American Institute, Utah Association and Nevada Society of Certified Public Accountants

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Smith, Baughman & Prescott, LLP

Salt Lake City, Utah
December 30, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH
LEGAL COMPLIANCE AUDIT GUIDE***

**Honorable Mayor and City Council
City of Providence, Utah**

REPORT ON COMPLIANCE

We have audited the City of Providence's (City) compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

Cash Management	Transfers from Utility Enterprise Funds
Budgetary Compliance	Government Records Access Management Act
Fund Balance	Conflict of Interest
Justice Court	Nepotism
Impact Fees	Utah Public Finance Website
Utah Retirement Systems Compliance	Open and Public Meetings Act

The City received the following major assistance program from the State of Utah:

C Road Funds (Department of Transportation)

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

WISAN, SMITH, RACKER & PRESCOTT, LLP

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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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal 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 material effect on the City and its major programs 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, the City of Providence, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 13-1 through 13-3.

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, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying letter to management. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Salt Lake City, Utah
December 30, 2013

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CITY OF PROVIDENCE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the year ended June 30, 2013

State Legal Compliance Findings:

Finding 13-1 – Budgetary Compliance

Finding: Utah Code 10-6-117 requires that the city officers may not make or incur expenditures in excess of total appropriations for any department or fund in the budget as adopted or as subsequently amended. For the year ended June 30, 2013, expenditures for the Capital Projects Fund exceeded the budgeted appropriations in the amount of \$43,674. In addition, because of a shortfall in revenue, the Capital Projects Fund had a deficit balance of \$(371,013) as of June 30, 2013.

Recommendation: The City Administrator should monitor the fund expenditures on a regular basis and compare them to the approved budget. The Council should amend the budget whenever necessary to ensure compliance with the State Code. In addition, according to the Utah Code 10-6-117, a fund deficit needs to be eliminated in the year following the deficit.

Management's Response:

The City administration agrees with the recommendation and will implement steps to monitor the fund expenditures and adjust the budget to ensure compliance with State Code.

Finding 13-2 – Fund Balance

Finding: Utah State Code 10-6-116-(2) requires that the accumulation of a fund balance in the general fund may not exceed 25% of the total estimated revenue of the general fund. The total estimated revenue of the general fund is the current's year total general fund revenue minus any beginning fund balances appropriated. During our review of the City's general fund, we noted that the City's unrestricted general fund balance exceeded the 25% threshold as of June 30, 2013, as set forth in the Utah State Code 10-6-116-(2).

Recommendation: The City Administrator should monitor the unrestricted fund balance of the general fund and take appropriate actions to eliminate such excess in fund balance in accordance with the Utah State Code.

Management's Response:

The City administration agrees with the above recommendation. The unrestricted fund balance will be monitored regularly. Steps such as, adjustments to revenues and expenditures or appropriate transfers to other funds, such as the Capital Project Fund, will be taken to ensure compliance with Utah State Code.

CITY OF PROVIDENCE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the year ended June 30, 2013

Finding 13-3 – Utah Public Finance Website

Finding: State law requires municipalities to post public financial information to the Utah Public Finance Website within the required deadlines. Detail revenue and expense information must be posted quarterly and within one month of the end of the fiscal quarter. After our review of the transparency website and through inquiries of the City's Administrator, we determined that the first batch of data was posted in October 2013, with the final data posted in November 2013.

Recommendation: The City's Administrator or other designated employee should monitor these deadlines and upload the required financial information within the required deadlines.

Management's Response:

The City administration agrees with the finding and the recommendation. Administration has changed employee assignments in this area and will monitor the quarterly and annual submittals to ensure compliance with the State Legal Compliance Audit Guide.