



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**With Report of**

**Certified Public Accountants**

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## Independent Auditor's Report

The Honorable Mayor and  
Members of the City Council  
Washington City, 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 Washington City, Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express 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 of material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and additional required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City's basic financial statements. The accompanying combining statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of Washington 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 Washington City's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
December 1, 2014

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**Washington City, Utah**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

This section of Washington City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of Washington City exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$177,570,607 (net position). Of this amount, \$18,056,794 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,518,927. Of this amount, \$5,129,291 relates to capital contributions of capital assets.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$8,582,617, which is an increase of \$1,336,137 from the prior year. Approximately 36% (or \$3,074,379) of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,074,379 or approximately 29% of total general fund expenditures.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$1,200,777 before interfund transfers and other financings sources and uses.
- Washington City's total long-term debt decreased by \$208,984 or 0.50% during the current fiscal year.

**Overview of Financial Statements**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements and the required and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements:
  - The government funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses.

The financial statements also include notes that explain some of the information in the financial statements and provide additional details. The statements are followed by sections of required and other supplementary information that further explains and supports the information in the financial statements.



**Government-wide financial statements.** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources). All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—essentially the difference between the City's assets (and deferred outflows) and liabilities (and deferred inflows)—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities*—Most of the City's basic services are included here, such as public safety, streets and highways, parks, recreation and general administration. Property taxes, sales taxes, energy taxes, franchise taxes, state grants and impact fees finance most of these activities.
- *Business-type activities*—The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer and electric activities (among others) are included here.

**Fund financial statements.** The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources (revenues) and uses (expenditures) of funding for particular purposes.

- Some funds are required by state law and by bond covenants.
- The City Council establishes other funds to control and manage resources for particular purposes.

The City has two kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that help one determine whether there are financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The City also maintains an *internal service fund* that accounts for fleet services provided to other departments or funds of the City on a cost-reimbursement type basis.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets (and deferred outflows of resources) exceed liabilities (and deferred inflows of resources) by \$177,570,607 at the close of the fiscal year. By far the largest portion of Washington City's net position, (90.97% for governmental activities and 76.90% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure buildings, equipment) less any related debt used to acquire those assets that is still outstanding. Washington City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington 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.

### Washington City's Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 12,953,906	\$ 11,395,791	\$ 23,219,780	\$ 23,853,329	\$ 36,173,686	\$ 35,249,120
Capital assets	100,519,220	97,809,616	89,799,870	85,074,767	190,319,090	182,884,383
Total assets	<u>113,473,126</u>	<u>109,205,407</u>	<u>113,019,650</u>	<u>108,928,096</u>	<u>226,492,776</u>	<u>218,133,503</u>
Deferred outflows of resources	240,890	262,561	191,184	208,564	432,074	471,125
Long-term liabilities outstanding	19,340,413	19,712,004	22,696,310	22,470,367	42,036,723	42,182,371
Other liabilities	1,700,904	1,790,001	2,858,863	3,039,853	4,559,767	4,829,854
Total liabilities	<u>21,041,317</u>	<u>21,502,005</u>	<u>25,555,173</u>	<u>25,510,220</u>	<u>46,596,490</u>	<u>47,012,225</u>
Deferred inflows of resources	2,757,753	2,540,723	-	-	2,757,753	2,540,723
Net position:						
Net investment in capital assets	81,798,077	78,692,153	67,403,779	62,887,683	149,201,856	141,579,836
Restricted	4,806,239	3,366,004	5,505,718	7,180,355	10,311,957	10,546,359
Unrestricted	3,310,630	3,367,083	14,746,164	13,558,402	18,056,794	16,925,485
Total net position	<u>\$ 89,914,946</u>	<u>\$ 85,425,240</u>	<u>\$ 87,655,661</u>	<u>\$ 83,626,440</u>	<u>\$ 177,570,607</u>	<u>\$ 169,051,680</u>

### Percentage of Net Position

<u>Net position type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets	90.97%	76.90%	84.02%
Restricted net position	5.35%	6.28%	5.81%
Unrestricted net position	3.68%	16.82%	10.17%
Total net position	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

An additional portion of Washington City's net position (5.35% and 6.28%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,056,794 (3.68% and 16.82%, respectively) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Washington City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities increased Washington City's net position by \$4,489,706. See below table for details. The significant decrease in capital grants and contributions relates to infrastructure capital assets that were contributed to the City.

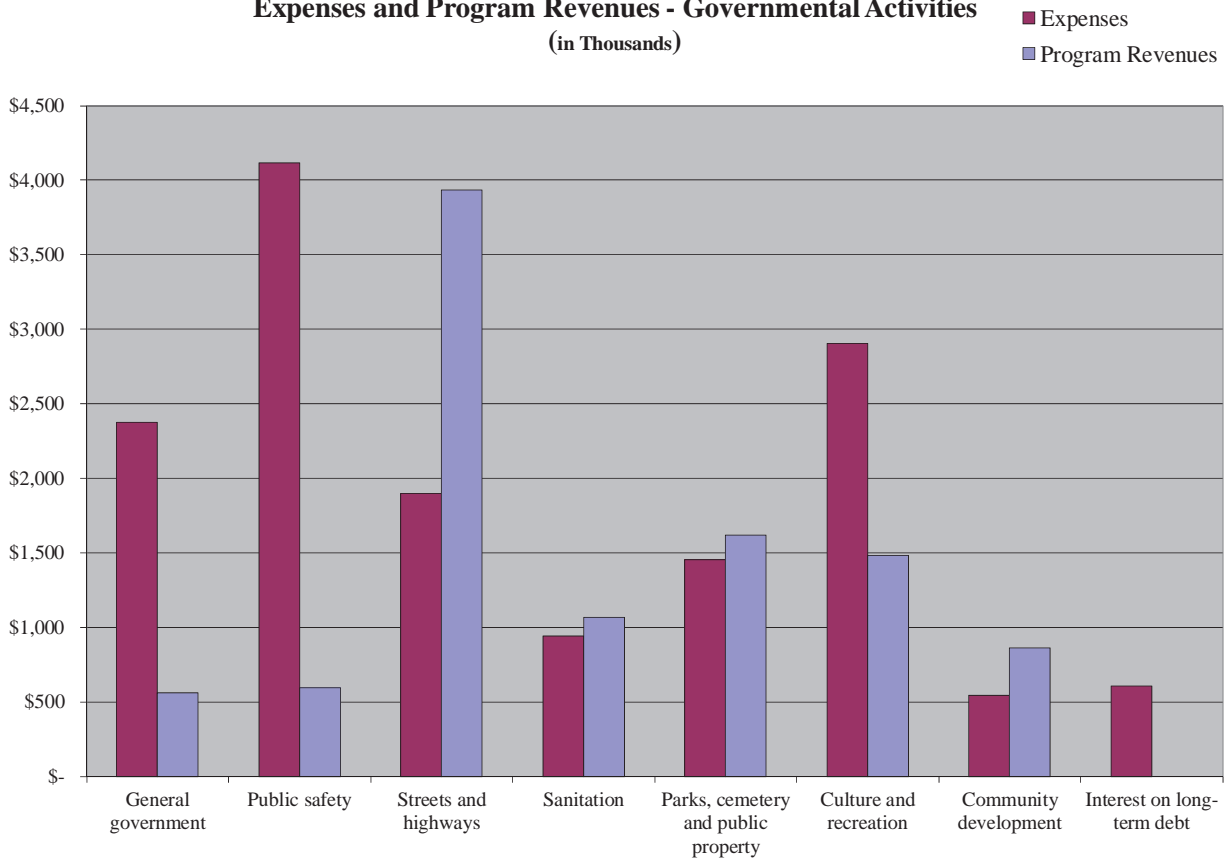
**Business-type activities.** Business-type activities increased Washington City's net position by \$4,029,221. See below table for details.

Washington City's Changes in Net Position

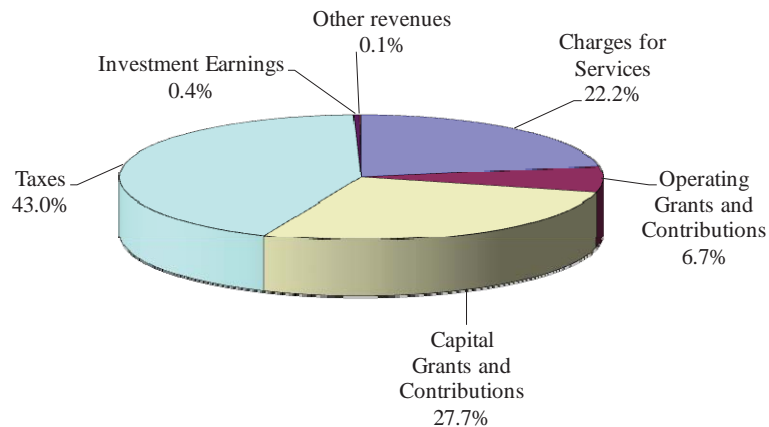
	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 3,973,951	\$ 3,772,795	\$ 17,278,121	\$ 17,009,492	\$ 21,252,072	\$ 20,782,287
Operating grants and contributions	1,191,794	776,453	-	-	1,191,794	776,453
Capital grants and contributions	4,952,775	14,167,147	5,063,964	4,206,128	10,016,739	18,373,275
General revenues:						
Taxes	8,327,156	8,027,041	-	-	8,327,156	8,027,041
Unrestricted investment earnings	68,078	27,923	325,804	(121,088)	393,882	(93,165)
Other	376,801	253,802	-	-	376,801	253,802
Total revenues	18,890,555	27,025,161	22,667,889	21,094,532	41,558,444	48,119,693
Expenses:						
General government	2,377,441	2,275,318	-	-	2,377,441	2,275,318
Public safety	4,117,504	3,428,442	-	-	4,117,504	3,428,442
Streets and highways	1,895,182	1,295,351	-	-	1,895,182	1,295,351
Sanitation	943,947	883,285	-	-	943,947	883,285
Parks, cemetery and public property	1,454,795	1,517,339	-	-	1,454,795	1,517,339
Culture and recreation	2,906,627	2,775,337	-	-	2,906,627	2,775,337
Community development	544,709	501,956	-	-	544,709	501,956
Interest on long-term debt	604,138	756,455	-	-	604,138	756,455
Water	-	-	4,832,857	4,569,591	4,832,857	4,569,591
Sewer	-	-	1,421,175	1,330,312	1,421,175	1,330,312
Electric	-	-	10,088,474	9,493,332	10,088,474	9,493,332
Irrigation	-	-	93,166	75,524	93,166	75,524
Storm drain	-	-	543,829	454,189	543,829	454,189
Golf course	-	-	1,215,673	1,174,309	1,215,673	1,174,309
Total expenses	14,844,343	13,433,483	18,195,174	17,097,257	33,039,517	30,530,740
Change in net position before transfers	4,046,212	13,591,678	4,472,715	3,997,275	8,518,927	17,588,953
Transfers	443,494	496,413	(443,494)	(496,413)	-	-
Change in net position	4,489,706	14,088,091	4,029,221	3,500,862	8,518,927	17,588,953
Net position, beginning	85,425,240	71,386,391	83,626,440	80,396,954	169,051,680	151,783,345
Restatement adjustments	-	(49,242)	-	(271,376)	-	(320,618)
Net position, ending	\$ 89,914,946	\$ 85,425,240	\$ 87,655,661	\$ 83,626,440	\$ 177,570,607	\$ 169,051,680

The following graphs compare program expenses and program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)

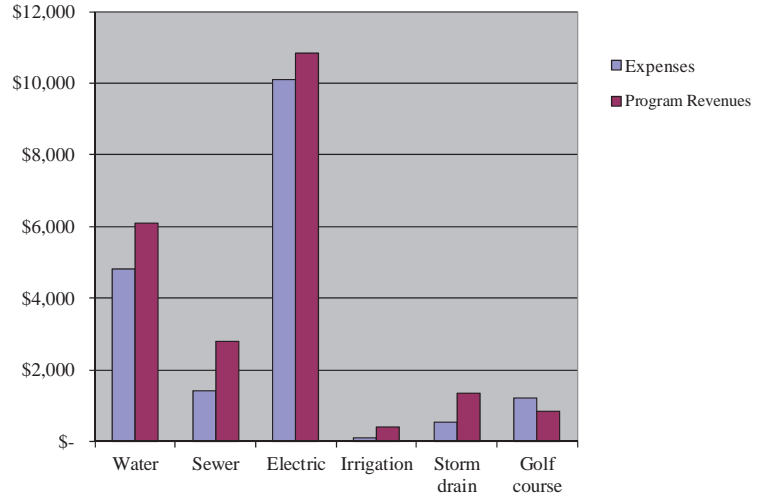


**Revenue By Source - Governmental Activities**



The following graph compares program expenses and program revenues for all business-type activities:

**Expenses and Program Revenues - Business- type Activities**  
(in Thousands)



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$8,582,617, an increase of \$1,336,137 from the prior year; \$3,074,379 or approximately 36% of the fund balance constitutes *unassigned* fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is *restricted* (\$4,983,210) and *assigned* (\$525,028).

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$3,074,379 or approximately 94% of the total fund balance of \$3,264,016. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 29% of total general fund expenditures, while total fund balance represents approximately 31% of that same amount.

All other governmental funds (capital projects funds, special revenue fund, MBA fund and Coral Canyon SSD fund) have a total fund balance of \$5,318,601. These combined fund balances experienced a net increase of \$1,448,598.

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

The combined unrestricted net position for the enterprise funds total \$14,746,164 at the end of the fiscal year. Aside from the golf course fund, all of the enterprise funds experienced increases in total net position for the current fiscal year.

### General Fund Budgetary Highlights

The general fund was amended during the year. Between the original and final budget there was a \$1,437,811 net increase in appropriations. The main components of the increase relates to increases in general government, public safety, and transfers out.

### Capital Asset and Debt Administration

**Capital assets.** Washington City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$190,319,090 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, infrastructure (i.e. roads, and sidewalks), autos and trucks and machinery and equipment.

Washington City's Capital Assets  
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,047,664	\$ 3,163,278	\$ 5,210,942
Infrastructure	69,175,336	-	69,175,336
Construction in progress	1,275,494	1,148,094	2,423,588
Buildings and improvements	26,901,168	5,943,524	32,844,692
Improvements and systems	-	78,265,107	78,265,107
Machinery and equipment	500,762	803,175	1,303,937
Automobiles and trucks	618,796	476,692	1,095,488
Total	<u>\$ 100,519,220</u>	<u>\$ 89,799,870</u>	<u>\$ 190,319,090</u>

This fiscal year's major capital asset additions, including construction in progress, included:

- Three Rivers Trail improvements
- Construction of Washington Fields Road project
- Facility improvements (Siemens lease)
- Sewer warehouse
- Power generation facility
- Digger Derrick (lease)
- Acquisition of automobiles and trucks for various funds
- Construction of various utility system improvements
- Contributions of various roads and systems within subdivision developments

The City uses the modified approach to account for infrastructure assets in the governmental funds; consequently, the City does not depreciate infrastructure assets. Instead, the City expenses certain maintenance costs to maintain the condition of these assets at a certain level. As shown in the accompanying required supplementary information, based on the City's recent condition assessment, improvements were made during the current fiscal year and the City's average rating of 16.84 exceeds the City's minimum of 12.60.

**Long-term debt.** At fiscal year-end, the City had \$41,358,124 in outstanding debt—a decrease of 0.50% over the last fiscal year—as shown in the below table. More detailed information about the City's long-term debt is presented in the notes to the financial statements.

Washington City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
General obligation bonds	\$ 8,788,000	\$ 9,027,000	\$ -	\$ -	\$ 8,788,000	\$ 9,027,000	-2.65%
Lease revenue bonds	6,076,000	6,393,000	-	-	6,076,000	6,393,000	-4.96%
Sales/Excise tax revenue bonds	3,395,000	3,754,000	-	-	3,395,000	3,754,000	-9.56%
Revenue bonds	-	-	21,153,783	22,187,084	21,153,783	22,187,084	-4.66%
Capital leases obligation	565,684	-	1,242,308	-	1,807,992	-	N/A
Notes payable	137,349	206,024	-	-	137,349	206,024	-33.33%
Total	<u>\$ 18,962,033</u>	<u>\$ 19,380,024</u>	<u>\$ 22,396,091</u>	<u>\$ 22,187,084</u>	<u>\$ 41,358,124</u>	<u>\$ 41,567,108</u>	-0.50%

## **Next Year's Budget and Economic Factors**

Washington City is in good financial condition and the fiscal year 2014 general fund has a balanced budget. Over fiscal year 2014, the City issued 702 building permits, which is up 9.5% from fiscal year 2013. General sales tax revenues increased by approximately 10% in comparing fiscal year 2014 to fiscal year 2013.

There are no major policy changes anticipated for the 2015 fiscal year. We do believe that the economy is in a recovery mode for our area, as is indicated by the previously-mentioned tax numbers. What we anticipate in regards to this recovery mode and its impact upon the City is reflected in the fiscal year 2015 budget. We will continue to monitor the ever-changing state of the economy and make adjustments as needed.

The fiscal year 2015 budget was funded without a tax rate increase. After careful consideration of all revenue sources and conservative forecasts for future revenues, the budget was presented to the City Council as being funded within the scope of anticipated revenues and allowable fund balance use. The budget as adopted will continue the significant work that has come to be expected by our citizens as we strive to meet their needs and fulfill our personal commitments to provide high quality services to all those who live or visit our community.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Budget Officer, 111 North 100 East, Washington City, Utah, 84780.



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**BASIC FINANCIAL STATEMENTS**

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,554,791	\$ 1,513,183	\$ 4,067,974
Investments	2,579,595	18,946,454	21,526,049
Receivables, net	4,086,382	2,776,542	6,862,924
Internal balances	2,303,750	(2,303,750)	-
Inventories	44,233	475,440	519,673
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,385,155	1,811,911	3,197,066
Capital assets not being depreciated:			
Land, easements and water rights	2,047,664	3,163,278	5,210,942
Infrastructure	69,175,336	-	69,175,336
Construction in progress	1,275,494	1,148,094	2,423,588
Capital assets net of accumulated depreciation:			
Buildings and improvements	26,901,168	5,943,524	32,844,692
Improvements and systems	-	78,265,107	78,265,107
Machinery and equipment	500,762	803,175	1,303,937
Automobiles and trucks	618,796	476,692	1,095,488
Total assets	<u>113,473,126</u>	<u>113,019,650</u>	<u>226,492,776</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	240,890	191,184	432,074
Total deferred outflows of resources	<u>240,890</u>	<u>191,184</u>	<u>432,074</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,507,748	2,533,378	4,041,126
Unearned revenue	-	203,841	203,841
Accrued interest payable	193,156	121,644	314,800
Noncurrent liabilities:			
Due within one year	1,336,667	1,448,029	2,784,696
Due in more than one year	18,003,746	21,248,281	39,252,027
Total liabilities	<u>21,041,317</u>	<u>25,555,173</u>	<u>46,596,490</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	2,757,753	-	2,757,753
Total deferred inflows of resources	<u>2,757,753</u>	<u>-</u>	<u>2,757,753</u>
<b>Net Position</b>			
Net investment in capital assets	81,798,077	67,403,779	149,201,856
Restricted for:			
Debt service	555,152	1,300,350	1,855,502
Capital outlay	4,251,087	4,205,368	8,456,455
Unrestricted	3,310,630	14,746,164	18,056,794
Total net position	<u>\$ 89,914,946</u>	<u>\$ 87,655,661</u>	<u>\$ 177,570,607</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,377,441	\$ 430,514	\$ -	\$ 127,296	\$ (1,819,631)	\$ -	\$ (1,819,631)
Public safety	4,117,504	42,223	462,583	90,143	(3,522,555)	-	(3,522,555)
Streets and highways	1,895,182	-	729,211	3,206,395	2,040,424	-	2,040,424
Sanitation	943,947	1,066,152	-	-	122,205	-	122,205
Parks, cemetery and public property	1,454,795	88,880	-	1,528,941	163,026	-	163,026
Culture and recreation	2,906,627	1,482,748	-	-	(1,423,879)	-	(1,423,879)
Community development	544,709	863,434	-	-	318,725	-	318,725
Interest on long-term debt	604,138	-	-	-	(604,138)	-	(604,138)
Total governmental activities	<u>14,844,343</u>	<u>3,973,951</u>	<u>1,191,794</u>	<u>4,952,775</u>	<u>(4,725,823)</u>	<u>-</u>	<u>(4,725,823)</u>
Business-type activities:							
Water	4,832,857	4,306,234	-	1,776,181	-	1,249,558	1,249,558
Sewer	1,421,175	1,578,778	-	1,226,171	-	1,383,774	1,383,774
Electric	10,088,474	9,716,959	-	1,116,183	-	744,668	744,668
Irrigation	93,166	16,995	-	401,698	-	325,527	325,527
Storm drain	543,829	798,520	-	543,731	-	798,422	798,422
Golf course	1,215,673	860,635	-	-	-	(355,038)	(355,038)
Total business-type activities	<u>18,195,174</u>	<u>17,278,121</u>	<u>-</u>	<u>5,063,964</u>	<u>-</u>	<u>4,146,911</u>	<u>4,146,911</u>
Total primary government	<u>\$ 33,039,517</u>	<u>\$ 21,252,072</u>	<u>\$ 1,191,794</u>	<u>\$ 10,016,739</u>	<u>(4,725,823)</u>	<u>4,146,911</u>	<u>(578,912)</u>
General Revenues:							
Taxes:							
Property taxes					2,995,952	-	2,995,952
Sales taxes					4,265,700	-	4,265,700
Franchise taxes					426,626	-	426,626
Energy taxes					638,878	-	638,878
Unrestricted investment earnings					68,078	325,804	393,882
Other revenues not restricted to specific programs					360,162	-	360,162
Gain on sale of capital assets					16,639	-	16,639
Transfers					443,494	(443,494)	-
Total general revenues and transfers					<u>9,215,529</u>	<u>(117,690)</u>	<u>9,097,839</u>
Change in net position					4,489,706	4,029,221	8,518,927
Net position - beginning					85,425,240	83,626,440	169,051,680
Net position - ending					<u>\$ 89,914,946</u>	<u>\$ 87,655,661</u>	<u>\$ 177,570,607</u>

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

**WASHINGTON CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 123,210	\$ 130,853	\$ 2,277,394	\$ 2,531,457
Investments	-	-	2,579,595	2,579,595
Receivables	262,967	-	267	263,234
Property taxes receivable	2,075,802	-	681,951	2,757,753
Due from other funds	2,303,750	-	-	2,303,750
Due from other governments	1,060,641	-	4,754	1,065,395
Restricted cash and cash equivalents	828,646	-	556,509	1,385,155
Total assets	<u>\$ 6,655,016</u>	<u>\$ 130,853</u>	<u>\$ 6,100,470</u>	<u>\$ 12,886,339</u>
<b>Liabilities, deferred inflows, and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 464,955	\$ 87,684	\$ 99,918	\$ 652,557
Accrued wages and taxes	120,696	43,169	-	163,865
Other payables	19,475	-	-	19,475
Construction bonds payable	653,376	-	-	653,376
Total liabilities	<u>1,258,502</u>	<u>130,853</u>	<u>99,918</u>	<u>1,489,273</u>
<b>Deferred inflow of resources:</b>				
Deferred revenue - property taxes	2,075,802	-	681,951	2,757,753
Unavailable revenue - grants	56,696	-	-	56,696
Total deferred inflows of resources	<u>2,132,498</u>	<u>-</u>	<u>681,951</u>	<u>2,814,449</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	130,349	-	561,263	691,612
Capital outlay - impact fees	-	-	2,491,790	2,491,790
Capital outlay - other	40,511	-	1,759,297	1,799,808
<b>Assigned to:</b>				
Capital outlay	-	-	506,251	506,251
Community garden	18,777	-	-	18,777
Unassigned	3,074,379	-	-	3,074,379
Total fund balances	<u>3,264,016</u>	<u>-</u>	<u>5,318,601</u>	<u>8,582,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,655,016</u>	<u>\$ 130,853</u>	<u>\$ 6,100,470</u>	<u>\$ 12,886,339</u>

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

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2014**

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

<b>Total fund balances - total governmental funds</b>		\$ 8,582,617
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
	Governmental capital assets	\$ 111,077,094
	Accumulated depreciation	<u>(10,557,874)</u>
		100,519,220
<p>Some liabilities, including bonds payable, capital leases, and interest payable are not due and payable in the current period and therefore are not reported in the funds.</p>		
	Bonds payable	(18,259,000)
	Deferred charge on refunding (amortized as interest expense)	240,890
	Capital leases payable	(565,684)
	Notes payable	(137,349)
	Compensated absences	(373,521)
	Accrued interest payable	<u>(193,156)</u>
		(19,287,820)
<p>Unavailable revenue associated with grants are recorded as deferred inflows in the funds but are recognized as revenue in the government-wide financial statements.</p>		
		56,696
<p>An internal service fund is used by management to charge the cost of fleet services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.</p>		
	Net position of the internal service fund	199,183
	Less general capital assets transferred in	<u>(154,950)</u>
		44,233
<b>Net position of governmental activities</b>		<u><u>\$ 89,914,946</u></u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>General</b>	<b>Special Revenue Leisure Services</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Current year property taxes	\$ 2,243,969	\$ -	\$ 641,538	\$ 2,885,507
Prior year property taxes	110,445	-	-	110,445
General sales and use taxes	4,265,700	-	-	4,265,700
Energy taxes	638,878	-	-	638,878
Franchise taxes	426,626	-	-	426,626
Licenses and permits	748,674	-	-	748,674
Intergovernmental revenues	1,262,394	-	-	1,262,394
Charges for services	1,420,376	1,320,296	-	2,740,672
Impact fees	-	-	2,491,519	2,491,519
Fines and forfeitures	322,153	-	-	322,153
Investment earnings	22,631	-	48,438	71,069
Miscellaneous	285,481	73,233	115,202	473,916
Total revenues	<u>11,747,327</u>	<u>1,393,529</u>	<u>3,296,697</u>	<u>16,437,553</u>
<b>Expenditures</b>				
Current:				
General government	2,746,528	-	-	2,746,528
Public safety	3,934,055	-	-	3,934,055
Streets and highways	731,671	-	1,037,448	1,769,119
Sanitation	943,947	-	-	943,947
Parks, cemetery and public property	1,118,592	-	-	1,118,592
Culture and recreation	-	2,350,574	-	2,350,574
Community and economic development	533,281	-	-	533,281
Debt service:				
Principal	427,675	-	556,000	983,675
Interest	110,801	-	459,923	570,724
Capital outlay	-	36,923	960,158	997,081
Total expenditures	<u>10,546,550</u>	<u>2,387,497</u>	<u>3,013,529</u>	<u>15,947,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,200,777</u>	<u>(993,968)</u>	<u>283,168</u>	<u>489,977</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,432,970	993,968	2,100,458	4,527,396
Transfers out	(3,311,892)	-	(935,028)	(4,246,920)
Capital lease	565,684	-	-	565,684
Total other financing sources and (uses)	<u>(1,313,238)</u>	<u>993,968</u>	<u>1,165,430</u>	<u>846,160</u>
Net change in fund balances	(112,461)	-	1,448,598	1,336,137
Fund balances - beginning	<u>3,376,477</u>	<u>-</u>	<u>3,870,003</u>	<u>7,246,480</u>
Fund balances - ending	<u>\$ 3,264,016</u>	<u>\$ -</u>	<u>\$ 5,318,601</u>	<u>\$ 8,582,617</u>

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

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2014**

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

<b>Net change in fund balances-total governmental funds</b>		<b>\$ 1,336,137</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period as shown below:</p>		
Capital outlays	\$ 1,560,506	
Depreciation expense	<u>(1,157,989)</u>	402,517
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) changes net position. In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the carrying cost of the assets sold.</p>		
		(8,580)
<p>Sub divider and other capital contributions do not provide current financial resources in the governmental funds, however these contributions are recorded as revenue in the government-wide statement of activities.</p>		
		2,315,667
<p>Repayment of principal on long-term debt (including payment to escrow for bond refunding) is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.</p>		
		983,675
<p>The issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(565,684)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:</p>		
Amortization of deferred charge on refunding	(21,671)	
Accrued interest, net change	(11,743)	
Compensated absences, net change	<u>(41,541)</u>	(74,955)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Unavailable revenue - grants, net change	<u>56,696</u>	56,696
<p>The internal service fund is used by management to charge the costs of fleet services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
Change in net position of the internal service fund	199,183	
Less general capital assets transferred in	<u>(154,950)</u>	44,233
<b>Change in net position of governmental activities</b>		<b><u>\$ 4,489,706</u></b>

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



**WASHINGTON CITY, UTAH**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Current year property taxes	\$ 2,000,000	\$ 2,291,311	\$ 2,243,969	\$ (47,342)
Prior-years property taxes	65,000	145,671	110,445	(35,226)
General sales and use taxes	4,177,463	4,216,760	4,265,700	48,940
Energy taxes	646,969	646,969	638,878	(8,091)
Franchise taxes	327,920	400,866	426,626	25,760
Licenses and permits	446,135	748,767	748,674	(93)
Intergovernmental revenues	1,005,238	1,211,108	1,262,394	51,286
Charges for services	1,182,484	1,393,919	1,420,376	26,457
Fines and forfeitures	345,000	324,902	322,153	(2,749)
Investment earnings	4,500	38,330	22,631	(15,699)
Miscellaneous	272,439	238,529	285,481	46,952
Total revenues	<u>10,473,148</u>	<u>11,657,132</u>	<u>11,747,327</u>	<u>90,195</u>
<b>Expenditures</b>				
Current:				
General government	2,193,529	2,434,383	2,746,528	(312,145)
Public safety	3,715,727	3,878,906	3,934,055	(55,149)
Streets and highways	734,440	770,890	731,671	39,219
Sanitation	876,000	879,000	943,947	(64,947)
Parks, cemetery and public property	1,169,706	1,155,179	1,118,592	36,587
Community and economic development	569,607	558,218	533,281	24,937
Debt service:				
Principal	427,675	427,675	427,675	-
Interest	110,801	110,801	110,801	-
Total debt service	<u>538,476</u>	<u>538,476</u>	<u>538,476</u>	<u>-</u>
Total expenditures	<u>9,797,485</u>	<u>10,215,052</u>	<u>10,546,550</u>	<u>(331,498)</u>
Excess of revenues over (under) expenditures	<u>675,663</u>	<u>1,442,080</u>	<u>1,200,777</u>	<u>(241,303)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,432,970	1,432,970	1,432,970	-
Transfers out	(2,119,928)	(3,140,172)	(3,311,892)	(171,720)
Capital lease	-	-	565,684	565,684
Total other financing sources and (uses)	<u>(686,958)</u>	<u>(1,707,202)</u>	<u>(1,313,238)</u>	<u>393,964</u>
Net change in fund balances	(11,295)	(265,122)	(112,461)	152,661
Fund balance - beginning	<u>3,376,477</u>	<u>3,376,477</u>	<u>3,376,477</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,365,182</u>	<u>\$ 3,111,355</u>	<u>\$ 3,264,016</u>	<u>\$ 152,661</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities					Governmental Activities		
	Water	Sewer	Electric	Storm Drain	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>								
<b>Current assets:</b>								
Cash and cash equivalents	\$ 766,169	\$ 53,669	\$ -	\$ 672,144	\$ 400	\$ 20,801	\$ 1,513,183	\$ 23,334
Investments	5,374,829	6,583,833	4,486,449	2,187,912	-	313,431	18,946,454	-
Accounts receivable, net	735,807	123,905	1,845,828	61,218	1,042	8,742	2,776,542	-
Due from other funds	-	627,254	-	-	-	-	627,254	-
Inventory	-	-	475,440	-	-	-	475,440	44,233
Total current assets	<u>6,876,805</u>	<u>7,388,661</u>	<u>6,807,717</u>	<u>2,921,274</u>	<u>1,442</u>	<u>342,974</u>	<u>24,338,873</u>	<u>67,567</u>
<b>Noncurrent assets:</b>								
Restricted cash and cash equivalents	1,037,349	315,191	459,371	-	-	-	1,811,911	-
<b>Capital assets:</b>								
Land	821,613	9,055	1,367,687	99,208	865,715	-	3,163,278	-
Buildings	1,185,494	1,953,176	3,132,755	-	374,360	-	6,645,785	254,560
Improvements and systems	44,587,389	19,187,222	24,268,900	9,866,661	4,000,641	1,664,398	103,575,211	-
Machinery and equipment	704,829	812,486	508,581	68,196	1,192,590	4,990	3,291,672	46,625
Automobiles and trucks	324,580	374,194	1,039,574	-	29,464	-	1,767,812	16,758
Construction in progress	243,263	-	904,831	-	-	-	1,148,094	-
Less accumulated depreciation	(12,322,839)	(5,123,842)	(6,968,037)	(994,883)	(4,146,882)	(235,499)	(29,791,982)	(162,993)
Total capital assets, net	<u>35,544,329</u>	<u>17,212,291</u>	<u>24,254,291</u>	<u>9,039,182</u>	<u>2,315,888</u>	<u>1,433,889</u>	<u>89,799,870</u>	<u>154,950</u>
Total noncurrent assets	<u>36,581,678</u>	<u>17,527,482</u>	<u>24,713,662</u>	<u>9,039,182</u>	<u>2,315,888</u>	<u>1,433,889</u>	<u>91,611,781</u>	<u>154,950</u>
Total assets	<u>43,458,483</u>	<u>24,916,143</u>	<u>31,521,379</u>	<u>11,960,456</u>	<u>2,317,330</u>	<u>1,776,863</u>	<u>115,950,654</u>	<u>222,517</u>
<b>Deferred outflow of resources</b>								
Deferred charge on refunding	-	-	191,184	-	-	-	191,184	-
Total deferred outflow of resources	<u>-</u>	<u>-</u>	<u>191,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,184</u>	<u>-</u>
<b>Liabilities</b>								
<b>Current liabilities:</b>								
Accounts payable	276,525	240,991	1,419,113	20,984	48,321	1,171	2,007,105	14,050
Accrued wages and taxes	20,664	16,625	29,095	2,957	16,707	684	86,732	4,425
Due to other funds	-	-	-	-	2,784,456	146,548	2,931,004	-
Accrued interest payable	21,068	10,375	90,201	-	-	-	121,644	-
Customer deposits	114,680	-	324,861	-	-	-	439,541	-
Unearned revenue	8,210	4,303	9,786	181,542	-	-	203,841	-
Compensated absences payable - current	69,676	46,110	88,116	7,462	30,327	1,994	243,685	4,859
Capital leases payable - current	1,722	-	99,366	-	-	-	101,088	-
Revenue bonds payable - current	469,256	194,000	440,000	-	-	-	1,103,256	-
Total current liabilities	<u>981,801</u>	<u>512,404</u>	<u>2,500,538</u>	<u>212,945</u>	<u>2,879,811</u>	<u>150,397</u>	<u>7,237,896</u>	<u>23,334</u>
<b>Noncurrent liabilities:</b>								
Compensated absences payable	7,131	8,113	-	4,441	36,849	-	56,534	-
Capital leases payable	29,705	-	1,111,515	-	-	-	1,141,220	-
Revenue bonds payable	11,567,687	1,050,840	7,432,000	-	-	-	20,050,527	-
Total noncurrent liabilities	<u>11,604,523</u>	<u>1,058,953</u>	<u>8,543,515</u>	<u>4,441</u>	<u>36,849</u>	<u>-</u>	<u>21,248,281</u>	<u>-</u>
Total liabilities	<u>12,586,324</u>	<u>1,571,357</u>	<u>11,044,053</u>	<u>217,386</u>	<u>2,916,660</u>	<u>150,397</u>	<u>28,486,177</u>	<u>23,334</u>
<b>Net position</b>								
Net investment in capital assets	23,475,959	15,967,451	15,171,410	9,039,182	2,315,888	1,433,889	67,403,779	154,950
<b>Restricted for:</b>								
Debt service	920,417	315,191	64,742	-	-	-	1,300,350	-
Capital outlay	1,557,234	2,053,190	6,221	588,723	-	-	4,205,368	-
Unrestricted	4,918,549	5,008,954	5,426,137	2,115,165	(2,915,218)	192,577	14,746,164	44,233
Total net position	<u>\$ 30,872,159</u>	<u>\$ 23,344,786</u>	<u>\$ 20,668,510</u>	<u>\$ 11,743,070</u>	<u>\$ (599,330)</u>	<u>\$ 1,626,466</u>	<u>\$ 87,655,661</u>	<u>\$ 199,183</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities					Governmental Activities		
	Water	Sewer	Electric	Storm Drain	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Operating revenues:</b>								
Charges for services	\$ 4,304,414	\$ 1,578,733	\$ 9,652,342	\$ 782,177	\$ 859,427	\$ 16,859	\$ 17,193,952	\$ 230,255
Miscellaneous	1,820	45	64,617	16,343	1,208	136	84,169	-
Total operating revenues	<u>4,306,234</u>	<u>1,578,778</u>	<u>9,716,959</u>	<u>798,520</u>	<u>860,635</u>	<u>16,995</u>	<u>17,278,121</u>	<u>230,255</u>
<b>Operating expenses:</b>								
Salaries and wages	650,496	459,331	875,334	81,995	457,812	19,330	2,544,298	135,849
Employee benefits	377,332	277,788	457,701	51,812	197,231	13,867	1,375,731	70,907
Utilities	377,035	32,534	23,173	5,827	76,459	-	515,028	10,840
Professional services	41,243	10,030	114,955	168,868	7,196	-	342,292	1,584
Repairs and maintenance	365,686	2,462	317,024	2,154	11,720	-	699,046	2,802
Water purchased	1,308,662	-	-	-	-	-	1,308,662	-
Power purchased	-	-	6,385,373	-	-	-	6,385,373	-
Transmission expense	-	-	898,907	-	-	-	898,907	-
Rent	-	-	-	-	99,970	-	99,970	-
Miscellaneous	13,238	10,018	86,151	2,322	16,456	-	128,185	3,136
Supplies	61,778	58,475	53,876	11,036	188,514	302	373,981	123,922
Depreciation/amortization	1,132,893	548,209	631,117	219,815	160,315	59,667	2,752,016	-
Total operating expenses	<u>4,328,363</u>	<u>1,398,847</u>	<u>9,843,611</u>	<u>543,829</u>	<u>1,215,673</u>	<u>93,166</u>	<u>17,423,489</u>	<u>349,040</u>
Operating income (loss)	<u>(22,129)</u>	<u>179,931</u>	<u>(126,652)</u>	<u>254,691</u>	<u>(355,038)</u>	<u>(76,171)</u>	<u>(145,368)</u>	<u>(118,785)</u>
<b>Nonoperating revenues (expenses):</b>								
Intergovernmental	5,801	22,948	-	5,801	-	-	34,550	-
Investment earnings	91,013	109,271	88,433	31,246	-	5,841	325,804	-
Impact fees	839,174	456,478	630,833	289,305	-	-	2,215,790	-
Gain (loss) on disposal of capital assets	126	4,785	-	-	-	-	4,911	-
Interest and fiscal charges	(504,620)	(27,113)	(244,863)	-	-	-	(776,596)	-
Total nonoperating revenues (expenses)	<u>431,494</u>	<u>566,369</u>	<u>474,403</u>	<u>326,352</u>	<u>-</u>	<u>5,841</u>	<u>1,804,459</u>	<u>-</u>
Income before transfers and capital contributions	409,365	746,300	347,751	581,043	(355,038)	(70,330)	1,659,091	(118,785)
Transfers in	-	-	-	54,448	-	-	54,448	163,018
Transfers out	(200,000)	(150,000)	(72,942)	(75,000)	-	-	(497,942)	-
Capital contributions	931,206	746,745	485,350	248,625	-	401,698	2,813,624	154,950
<b>Change in net position</b>	<u>1,140,571</u>	<u>1,343,045</u>	<u>760,159</u>	<u>809,116</u>	<u>(355,038)</u>	<u>331,368</u>	<u>4,029,221</u>	<u>199,183</u>
Total net position - beginning	<u>29,731,588</u>	<u>22,001,741</u>	<u>19,908,351</u>	<u>10,933,954</u>	<u>(244,292)</u>	<u>1,295,098</u>	<u>83,626,440</u>	<u>-</u>
<b>Total net position - ending</b>	<u>\$ 30,872,159</u>	<u>\$ 23,344,786</u>	<u>\$ 20,668,510</u>	<u>\$ 11,743,070</u>	<u>\$ (599,330)</u>	<u>\$ 1,626,466</u>	<u>\$ 87,655,661</u>	<u>\$ 199,183</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities						Governmental Activities	
	Water	Sewer	Electric	Storm Drain	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
								Fund
<b>Cash flows from operating activities:</b>								
Cash received from customers and users	\$ 4,188,155	\$ 1,588,043	\$ 9,577,055	\$ 809,136	\$ 860,635	\$ 14,657	\$ 17,037,681	\$ -
Cash received from interfund charges for fleet services	-	-	-	-	-	-	-	230,255
Cash paid to suppliers	(2,161,077)	(124,773)	(7,848,500)	(214,331)	(384,333)	(208)	(10,733,222)	(128,234)
Cash paid to employees	(1,022,337)	(725,360)	(1,313,623)	(131,124)	(648,473)	(33,000)	(3,873,917)	(197,472)
Net cash flows from operating activities	<u>1,004,741</u>	<u>737,910</u>	<u>414,932</u>	<u>463,681</u>	<u>(172,171)</u>	<u>(18,551)</u>	<u>2,430,542</u>	<u>(95,451)</u>
<b>Cash flows from noncapital financing activities:</b>								
Transfers (to) from other funds	(200,000)	(150,000)	(72,942)	(20,552)	-	-	(443,494)	118,785
Cash received (paid) from (to) other funds	-	(623,361)	-	-	172,571	18,551	(432,239)	-
Net cash flows from noncapital financing activities	<u>(200,000)</u>	<u>(773,361)</u>	<u>(72,942)</u>	<u>(20,552)</u>	<u>172,571</u>	<u>18,551</u>	<u>(875,733)</u>	<u>118,785</u>
<b>Cash flows from capital and related financing activities:</b>								
Capital grants and contributions	5,801	22,948	-	185,801	-	-	214,550	-
Principal paid on capital debt	(389,301)	(190,000)	(454,000)	-	-	-	(1,033,301)	-
Interest paid on capital debt	(505,003)	(28,696)	(177,589)	-	-	-	(711,288)	-
Purchase and acquisition of capital assets	(230,717)	(472,850)	(3,932,382)	(29,420)	-	-	(4,665,369)	-
Proceeds from sales of capital assets	1,999	4,785	-	-	-	-	6,784	-
Proceeds from capital leases	31,427	-	1,210,881	-	-	-	1,242,308	-
Impact fees	839,174	456,478	630,833	289,305	-	-	2,215,790	-
Net cash flows from capital and related financing activities	<u>(246,620)</u>	<u>(207,335)</u>	<u>(2,722,257)</u>	<u>445,686</u>	<u>-</u>	<u>-</u>	<u>(2,730,526)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>								
Net change in investments	(1,111,894)	(1,053,269)	(425,099)	(974,795)	-	(7,108)	(3,572,165)	-
Interest and dividends received	91,173	109,401	89,310	31,444	-	6,138	327,466	-
Net cash flows from investing activities	<u>(1,020,721)</u>	<u>(943,868)</u>	<u>(335,789)</u>	<u>(943,351)</u>	<u>-</u>	<u>(970)</u>	<u>(3,244,699)</u>	<u>-</u>
Net change in cash and cash equivalents	(462,600)	(1,186,654)	(2,716,056)	(54,536)	400	(970)	(4,420,416)	23,334
Cash and cash equivalents, including restricted, beginning of year	2,266,118	1,555,514	3,175,427	726,680	-	21,771	7,745,510	-
<b>Cash and cash equivalents, including restricted, end of year</b>	<u>\$ 1,803,518</u>	<u>\$ 368,860</u>	<u>\$ 459,371</u>	<u>\$ 672,144</u>	<u>\$ 400</u>	<u>\$ 20,801</u>	<u>\$ 3,325,094</u>	<u>\$ 23,334</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>								
Net operating income (loss)	\$ (22,129)	\$ 179,931	\$ (126,652)	\$ 254,691	\$ (355,038)	\$ (76,171)	\$ (145,368)	\$ (118,785)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:								
Depreciation/amortization	1,132,893	548,209	631,117	219,815	160,315	59,667	2,752,016	-
Changes in operating assets and liabilities:								
(Increase) decrease in receivables	(42,894)	9,825	88,244	9,702	-	(2,338)	62,539	-
(Increase) decrease in inventory	-	-	153,336	-	-	-	153,336	-
Increase (decrease) in accounts payable	6,565	(11,254)	(122,377)	(24,124)	15,982	94	(135,114)	14,050
Increase (decrease) in accrued payroll	6,630	6,598	10,069	873	4,929	77	29,176	4,425
Increase (decrease) in customer deposits	(80,800)	-	(223,221)	-	-	-	(304,021)	-
Increase (decrease) in unearned revenues	5,615	(560)	(4,927)	914	-	-	1,042	-
Increase (decrease) in compensated absences	(1,139)	5,161	9,343	1,810	1,641	120	16,936	4,859
Net cash flows from operating activities	<u>\$ 1,004,741</u>	<u>\$ 737,910</u>	<u>\$ 414,932</u>	<u>\$ 463,681</u>	<u>\$ (172,171)</u>	<u>\$ (18,551)</u>	<u>\$ 2,430,542</u>	<u>\$ (95,451)</u>
<b>Noncash investing, capital, and financing activities</b>								
Contributions of capital assets	\$ 931,206	\$ 746,745	\$ 485,350	\$ 248,625	\$ -	\$ 401,698	\$ 2,813,624	\$ 154,950
Increase (decrease) in fair value of investments	(160)	(130)	(877)	(198)	-	(243)	(1,608)	-

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities, when applicable, are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

Washington City (the City) is organized as a mayor/council form of government and is located in Washington County, Utah. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. When applicable, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units. The following are blended component units included with the reporting entity:

The **Coral Canyon Special Service District** (the District) was created on June 14, 2000 for the purpose of providing various services within the boundaries of the District. Specifically, the District issued bonds to finance the construction of public infrastructure within the District. The Coral Canyon Special Service District fund is treated as a governmental debt service fund in these financial statements.

The **Municipal Building Authority of Washington City** (the Authority) was incorporated in the State of Utah on October 20, 1995 for the purpose of accomplishing the public purposes for which the City exists by acquiring, improving or extending one or more projects and financing the cost of such projects on behalf of the City. Both of these component units are governed by boards of trustees comprised of the elected officials of the City.

**Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **Special Revenue Fund – Leisure Services** is used to account for the collection of various leisure service fees and the related expenditures, including the activities of the City's community center.

The City reports the following major enterprise funds:

The **Water Fund** is used to account for the activities of the City's water production, treatment, and distribution operation.

The **Sewer Fund** accounts for the activities of the City's sewer system which provides services to residential and commercial users within the City.

The **Electric Fund** accounts for the activities of the City's electric distribution operations.

The **Storm Drain Fund** accounts for the activities of the City's storm drain system, which provides services to residential and commercial users within the City.

The **Golf Course Fund** accounts for the activities of the City's golf course.

Additionally, the City reports the following fund type:

The **Internal Service Fund** accounts for fleet services provided to other departments or funds of the City on a cost-reimbursement basis.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Property taxes, sales taxes, franchise taxes, energy taxes, state road funds and unreimbursed, earned grant funds associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***

The City's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to investment earnings. Fair market values are based on quoted market prices.

***Receivables***

Management regularly reviews accounts receivable and writes off any uncollectible accounts. Given the write-offs and the nature of the accounts receivable in the governmental and business-type activities of the City, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, an allowance for uncollectible accounts receivable is not presented.

***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable electric fund supplies and materials and general fund fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. The costs of all other inventories are recorded as expenditures/expenses when purchased rather than when consumed and are not deemed material to the financial statements and have not been recognized in these financial statements.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Improvements and systems	10-50 years
Machinery and equipment	5-20 years
Automobiles and trucks	3-20 years
Infrastructure	Not depreciated*

\*The City uses the modified approach to account for infrastructure assets. See accompanying supplemental information.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one type of item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary funds statement of net position and government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The first item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The other item, *unavailable revenue – grants*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from grants. These unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The city council (council) is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 (lien date) for all real property located in the City. Taxable values are established by the county assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

*Compensated Absences*

For governmental funds, amounts of vested or accumulated vacation, sick and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the governmental fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Accumulated unpaid vacation, sick and comp time are accrued based upon the City's expected legal obligation as of the statement date.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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*Proprietary Funds Operating and Nonoperating Revenues and Expenses*

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

**Use of Estimates**

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

**Encumbrances**

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the City.

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 19.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 21.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 3. Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the governing council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year. The budget was amended during the current fiscal year.

The governmental fund budgets are prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

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**NOTE 4. Deposits and Investments**

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A reconciliation of deposits and investments as shown on the statement net position is as follows:

Cash and cash equivalents	\$ 4,067,974
Investments	21,526,049
Restricted cash and cash equivalents	<u>3,197,066</u>
Total	<u>\$ 28,791,089</u>

Restricted cash and cash equivalents consist primarily of assets relating to required debt reserves and unspent debt proceeds. In addition to the \$130,349 in required debt reserves and the \$40,511 in debt escrow funds in the general fund, restricted assets also include refundable deposits relating to construction bonds and other payables.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The 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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 4. Deposits and Investments, Continued**

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**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned. The City does not have a formal policy for custodial credit risk. As of June 30, 2014, \$1,219,597 of the City's bank balance of \$1,469,597 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment 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 Investor 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.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. 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 gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer's office.

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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 4. Deposits and Investments, Continued**

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As of June 30, 2014, the City's deposits and investments consist of the following:

	Fair Value	Credit Ratings (1)		Weighted Average Maturity (2)
		Moody's	S&P	
Cash on hand	\$ 1,450	N/A	N/A	N/A
Cash deposits	1,521,461	N/A	N/A	N/A
Utah Public Treasurers' Investment Fund	5,298,219	N/A	N/A	65.66
Dreyfus Mutual Fund	443,910	Aaa	AAA	46
Wells Fargo Investments Wells Fargo MMMF	102,119	N/A	N/A	20
Bonds - U.S. Agencies	17,605,963	N/A	AAA	1,701
Bonds - municipal	1,662,075	Aa2 to A2	AA+ to A+	2,030
Bonds - corporate	2,155,892	A3 to Baa2	A to A-	414
Total Fair Value	<u>\$28,791,089</u>			

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**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's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 5. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclass- ifications**</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:					
Land, easements and water rights	\$ 1,997,092	\$ 50,572	\$ -	\$ -	\$ 2,047,664
Construction in progress	186,927	2,139,135	(1,050,568)	-	1,275,494
Infrastructure	66,299,543	2,585,922	-	289,871	69,175,336
Total capital assets, not being depreciated:	<u>68,483,562</u>	<u>4,775,629</u>	<u>(1,050,568)</u>	<u>289,871</u>	<u>72,498,494</u>
Capital assets, being depreciated:					
Buildings and other improvements	34,757,049	-	(88,210)	(289,871)	34,378,968
Machinery and equipment	1,699,689	80,659	(97,082)	-	1,683,266
Automobiles and trucks	2,576,719	70,453	(130,806)	-	2,516,366
Total capital assets, being depreciated:	<u>39,033,457</u>	<u>151,112</u>	<u>(316,098)</u>	<u>(289,871)</u>	<u>38,578,600</u>
Less accumulated depreciation for:					
Buildings and other improvements	(6,717,178)	(867,832)	107,210	-	(7,477,800)
Machinery and equipment	(1,160,842)	(102,025)	80,363	-	(1,182,504)
Automobiles and trucks	(1,829,383)	(188,132)	119,945	-	(1,897,570)
Total accumulated depreciation	<u>(9,707,403)</u>	<u>(1,157,989)</u>	<u>307,518</u>	<u>-</u>	<u>(10,557,874)</u>
Total capital assets, being depreciated, net	<u>29,326,054</u>	<u>(1,006,877)</u>	<u>(8,580)</u>	<u>(289,871)</u>	<u>28,020,726</u>
Governmental activities capital assets, net	<u>\$ 97,809,616</u>	<u>\$ 3,768,752</u>	<u>\$ (1,059,148)</u>	<u>\$ -</u>	<u>\$ 100,519,220</u>

\*\*Reclassifications between the infrastructure and buildings and other improvements categories are made in these financial statements to correct inconsistencies in prior-year financial statements. The reclassifications are offsetting.

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 155,640
Public safety	178,055
Streets and highways	62,316
Parks, cemetery and public property	333,580
Culture and recreation	417,716
Community and economic development	10,682
Total depreciation expense - governmental activities	<u>\$ 1,157,989</u>



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 5. Capital Assets, Continued**

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

<b>Business-type Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Capital assets not being depreciated:				
Land, easements and water rights	\$ 3,163,278	\$ -	\$ -	\$ 3,163,278
Construction in progress	260,157	4,141,379	(3,253,442)	1,148,094
Total capital assets, not being depreciated	<u>3,423,435</u>	<u>4,141,379</u>	<u>(3,253,442)</u>	<u>4,311,372</u>
Capital assets being depreciated:				
Buildings and improvements	3,418,453	3,227,332	-	6,645,785
Improvements and systems	100,489,505	3,085,706	-	103,575,211
Machinery and equipment	3,404,421	43,598	(156,347)	3,291,672
Automobiles and trucks	1,654,892	234,420	(121,500)	1,767,812
Total capital assets, being depreciated	<u>108,967,271</u>	<u>6,591,056</u>	<u>(277,847)</u>	<u>115,280,480</u>
Less accumulated depreciation for:				
Buildings	(622,616)	(79,645)	-	(702,261)
Improvements and systems	(22,901,598)	(2,408,506)	-	(25,310,104)
Machinery and equipment	(2,502,042)	(142,802)	156,347	(2,488,497)
Automobiles and trucks	(1,289,683)	(121,063)	119,626	(1,291,120)
Total accumulated depreciation	<u>(27,315,939)</u>	<u>(2,752,016)</u>	<u>275,973</u>	<u>(29,791,982)</u>
Total capital assets, being depreciated, net	<u>81,651,332</u>	<u>3,839,040</u>	<u>(1,874)</u>	<u>85,488,498</u>
Business-type activities capital assets, net	<u>\$ 85,074,767</u>	<u>\$ 7,980,419</u>	<u>\$ (3,255,316)</u>	<u>\$ 89,799,870</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Business-type Activities:</b>	
Water	\$ 1,132,893
Sewer	548,209
Electric	631,117
Irrigation	59,667
Storm drain	219,815
Golf	160,315
Total depreciation expense - business-type activities	<u>\$ 2,752,016</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 6. Long-term Liabilities**

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The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

<b>Governmental Activities:</b>	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
General obligation bonds (Coral Canyon)	\$ 9,027,000	\$ -	\$ 239,000	\$ 8,788,000	\$ 235,000
Lease revenue bonds (MBA)	6,393,000	-	317,000	6,076,000	330,000
Sales tax and excise tax road revenue bonds	3,754,000	-	359,000	3,395,000	372,000
Capital leases payable	-	565,684	-	565,684	30,992
Notes payable	206,024	-	68,675	137,349	68,675
Compensated absences	331,980	340,986	294,586	378,380	300,000
Total governmental activities	<u>19,712,004</u>	<u>906,670</u>	<u>1,278,261</u>	<u>19,340,413</u>	<u>1,336,667</u>
 <b>Business-type Activities:</b>					
Revenue bonds	22,187,084	-	1,033,301	21,153,783	1,103,256
Capital leases payable	-	1,242,308	-	1,242,308	101,088
Compensated absences	283,283	269,500	252,564	300,219	243,685
Total business-type activities	<u>22,470,367</u>	<u>1,511,808</u>	<u>1,285,865</u>	<u>22,696,310</u>	<u>1,448,029</u>
Total long-term liabilities	<u>\$ 42,182,371</u>	<u>\$ 2,418,478</u>	<u>\$ 2,564,126</u>	<u>\$ 42,036,723</u>	<u>\$ 2,784,696</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 6. Long-term Liabilities, Continued**

Long-term liabilities for the City at June 30, 2014 consist of the following:

**General Obligation Bonds:**

**Governmental Activities:**

Coral Canyon Special Service District:

General Obligation Bonds - Series 2006 issued May 11, 2006 in the amount of \$3,295,000 payable in annual installments of \$40,000 to \$745,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 4.85% to 5.3%.	\$ 3,165,000
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General Obligation Refunding Bonds - Series 2012 issued December 13, 2012 in the amount of \$5,817,000 payable in annual installments of \$194,000 to \$246,000 with final payment due July 15, 2028. Interest is paid semi-annually at a rate of 1.03% to 4.35%.	<u>5,623,000</u>
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Total general obligation bonds, governmental activities	<u>8,788,000</u>
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**Revenue Bonds:**

**Governmental Activities:**

Lease Revenue and Refunding Bonds Series 2008 issued by the Municipal Building Authority in the amount of \$8,321,000 payable in annual installments of \$305,000 to \$552,000 with final payment due December 15, 2027. The bond bears interest of 1.053% to 4.45%. Interest is paid semi-annually. Property located at Buena Vista Blvd and Main St is pledged toward these bonds.	<u>6,076,000</u>
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Total lease revenue bonds (MBA), governmental activities	<u>6,076,000</u>
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Sales Tax Revenue Bonds - Series 2001 were issued in the amount of \$1,000,000. Payable in annual installments of \$33,000 to \$89,000 with final payment due November 15, 2016. The bonds bear interest of 2.7% to 4.5%.	257,000
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Sales Tax Revenue Refunding Bonds Series 2011. Payable in annual principal installments of \$160,000 to \$287,000 with interest due semi-annually. The bonds bear interest of 2.93%. Final payment is due November 15, 2023.	2,528,000
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Excise Tax Road Revenue Bonds Series 2011. Payable in annual principal installments of \$68,000 to \$84,000 with interest due semi-annually. The bonds bear interest of 1.50% to 3.75%. Final payment is due July 15, 2021.	<u>610,000</u>
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Total sales tax and excise tax road revenue bonds, governmental activities	<u>3,395,000</u>
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**Business-type Activities:**

Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	743,384
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Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest.	137,000
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Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	270,253
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Water Revenue Bonds - Series 2000 A were issued in the amount of \$1,639,900. The bonds are held by USDA - RD and bear interest of 3.25%. Payments of \$6,117 are paid monthly with final payment due May 15, 2041.	1,315,165
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(Continued)

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 6. Long-term Liabilities, Continued**

Water Revenue Bonds - Series 2000 B dated January 17, 2001 were issued in the amount of \$1,150,000. The bonds are held by the State of Utah - Drinking Water Board and bear interest at 1.95%. Payments are made yearly in January and range from \$48,000 to \$69,000 with final payment due January 1, 2021.	\$ 453,000
Water Revenue Bonds - Series 2002 A payable in monthly installments of \$10,416 with a final payment due August 2043. The bonds bear interest of 4.25%.	2,085,139
Water Revenue Bonds Series 2002 B payable in yearly installments of \$27,000 to \$44,000 bearing interest of 2.59% with a final payment due January 1, 2023.	352,000
Water Revenue Bonds Series 2006 payable in monthly principal and interest installments of \$17,520 with the final payment due September 2046. The bond bears interest of 4.25%.	3,678,571
Water Revenue Bonds Series 2008 payable in monthly principal and interest installments of \$17,240 with the final payment due September 2036. The bond bears interest of 4.125%.	3,002,431
Sewer Revenue Bonds, Series 1999 approved May 27, 1999 in the total amount of \$3,356,000. Payable in annual installments of \$115,000 to \$219,000 with a final payment due February 1, 2020. The bonds bear interest of 2%.	1,244,840
Electric Revenue Bonds - Series 2004 issued October 2, 2004 in the amount of \$7,845,000. Principal payable in annual installments of \$275,000 to \$585,000 with final payment due September 1, 2024. The bonds bear interest of 1.65% to 5%. These bonds were partially refunded in fiscal year 2013. The remaining balance will be paid in fiscal years 2014 and 2015 with final payment due September 1, 2014.	360,000
Electric Revenue Bonds - Series 2013 issued May 1, 2013 in the amount of \$7,621,000. Principal payable in annual installments of \$80,000 to \$617,000 with final payment due March 1, 2028. The bonds bear interest of 2.38%.	<u>7,512,000</u>
Total revenue bonds, business-type activities	<u>21,153,783</u>
<b>Leases Payable:</b>	
<b>Governmental Activities:</b>	
Lease payable in various installment amounts through fiscal year 2027. The lease bears interest of 3.34%.	<u>565,684</u>
Total leases payable, governmental activities	<u>565,684</u>
<b>Business-type Activities:</b>	
Leases payable in various installment amounts through fiscal year 2027. The leases bear interest ranging from 1.43% to 3.34%.	<u>1,242,308</u>
Total leases payable, business-type activities	<u>1,242,308</u>
<b>Notes Payable:</b>	
<b>Governmental Activities:</b>	
5% note payable to School and Institutional Trust Lands Administration (SITLA), due in annual principal and interest installments of \$72,108 to \$89,277, maturing June 1, 2016.	\$ 137,349
Total notes payable, governmental activities	<u>137,349</u>
<b>Accrued Compensated Absences</b>	
Total long-term liabilities	<u>678,599</u>
Total long-term liabilities	<u>42,036,723</u>
Due within one year	\$ 2,784,696
Due in more than one year	<u>39,252,027</u>
Total long-term liabilities	<u>\$ 42,036,723</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 6. Long-term Liabilities, Continued**

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The annual requirements to amortize bonds and notes payable at June 30, 2014 are as follows:

**Governmental Activities**

Year Ending June 30,	Coral Canyon SSD GO Bonds		MBA Lease Revenue Bonds		Sales Tax and Excise Tax Road Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 235,000	\$ 334,194	\$ 330,000	\$ 102,209	\$ 372,000	\$ 127,475	\$ 68,675	\$ 6,867
2016	240,000	329,563	344,000	88,420	384,000	117,028	68,674	3,434
2017	325,000	323,757	358,000	73,533	395,000	89,387	-	-
2018	454,000	315,247	374,000	57,497	319,000	62,466	-	-
2019	465,000	304,155	390,000	47,122	324,000	53,086	-	-
2020-2024	2,548,000	1,295,251	2,194,000	169,343	1,601,000	115,008	-	-
2025-2029	3,071,000	753,773	2,086,000	44,984	-	-	-	-
2030-2031	1,450,000	77,910	-	-	-	-	-	-
Totals	<u>\$ 8,788,000</u>	<u>\$ 3,733,850</u>	<u>\$ 6,076,000</u>	<u>\$ 583,108</u>	<u>\$ 3,395,000</u>	<u>\$ 564,450</u>	<u>\$ 137,349</u>	<u>\$ 10,301</u>

**Business-type Activities**

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 440,000	\$ 185,034	\$ 469,256	\$ 471,466	\$ 194,000	\$ 24,900	\$ 1,103,256
2016	453,000	171,491	343,389	460,237	202,000	21,020	998,389
2017	464,000	160,579	356,404	447,081	206,000	16,980	1,026,404
2018	475,000	149,405	370,135	434,163	210,000	12,860	1,055,135
2019	487,000	137,957	383,318	420,728	214,000	8,660	1,084,318
2020-2024	2,614,000	508,249	1,878,177	1,888,662	218,840	4,380	4,711,017
2025-2029	2,939,000	170,694	1,935,243	1,513,617	-	-	4,874,243
2030-2034	-	-	2,377,328	1,071,532	-	-	2,377,328
2035-2039	-	-	2,019,786	586,414	-	-	2,019,786
2040-2044	-	-	1,469,510	238,448	-	-	1,469,510
2045-2047	-	-	434,397	21,628	-	-	434,397
Totals	<u>\$ 7,872,000</u>	<u>\$ 1,483,409</u>	<u>\$ 12,036,943</u>	<u>\$ 7,553,976</u>	<u>\$ 1,244,840</u>	<u>\$ 88,800</u>	<u>\$ 21,153,783</u>

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**NOTE 7. Capital Leases**

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The City has entered into lease agreements that are considered capital leases in accordance with accounting standards. The leases are for the acquisition of the items listed below and have varying annual payments through fiscal year 2027.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7. Capital Leases, Continued**

The following is a schedule of future minimum lease payments with the present value of the net minimum lease payments:

Year Ending June 30,	Energy Equipment**	Digger Derrick Truck	Total
2015	\$ 177,789	\$ 49,211	\$ 227,000
2016	138,797	49,211	188,008
2017	142,501	49,211	191,712
2018	138,734	49,210	187,944
2019	142,530	49,210	191,740
2020-2024	773,430	-	773,430
2025-2027	479,332	-	479,332
<hr/>			
Total remaining lease payments:	1,993,113	246,053	2,239,166
Less amount representing interest:	(421,768)	(9,406)	(431,174)
<hr/>			
Present value of net remaining minimum lease payments:	<u>\$ 1,571,345</u>	<u>\$ 236,647</u>	<u>\$ 1,807,992</u>
Governmental activities	\$ 565,684	\$ -	\$ 565,684
Business-type activities	1,005,661	236,647	1,242,308
	<u>\$ 1,571,345</u>	<u>\$ 236,647</u>	<u>\$ 1,807,992</u>

\*\*The energy equipment lease is allocated among three funds of the City as follows: general fund - 36%; water fund - 2%; electric fund - 62%.

A summary of assets acquired through capital leases as of June 30, 2014 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Construction in progress	\$ 1,459,403	\$ -	\$ -
Automobiles and trucks	234,420	6,551	6,551
	<u>\$ 1,693,823</u>	<u>\$ 6,551</u>	<u>\$ 6,551</u>

**NOTE 8. Operating Leases**

Effective August 2013, Washington City entered into a 72 month equipment lease with Zion's Credit Corp to rent 70 Club Car golf carts. The lease is payable in monthly installments and expires in August 2019. Total payments made during the fiscal year ended June 30, 2014 were \$99,970. The future minimum rental payments for this lease are as follows (on the next page):

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Operating Leases, Continued**

Year Ending June 30,	
2015	\$ 99,120
2016	99,120
2017	99,120
2018	99,120
2019	99,120
2020	4,248
	<u>\$ 99,120</u>

**NOTE 9. Interfund Transfers and Balances**

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

		<b>Transfers In</b>					
		General Fund	SRF - Leisure Services	Storm Drain Fund	Nonmajor Governmental	Internal Service Fund - Fleet	Total
<b>Transfers Out</b>	General Fund	\$ -	\$ 993,968	\$ 54,448	\$ 2,100,458	\$ 163,018	\$ 3,311,892
	Nonmajor governmental	935,028	-	-	-	-	935,028
	Water Fund	200,000	-	-	-	-	200,000
	Sewer Fund	150,000	-	-	-	-	150,000
	Electric Fund	72,942	-	-	-	-	72,942
	Storm Drain Fund	75,000	-	-	-	-	75,000
	Total	<u>\$ 1,432,970</u>	<u>\$ 993,968</u>	<u>\$ 54,448</u>	<u>\$ 2,100,458</u>	<u>\$ 163,018</u>	<u>\$ 4,744,862</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Interfund balances at June 30, 2014 are as follows:

		<b>Due From</b>		
		Golf Fund	Nonmajor Business-type	Total
<b>Due To</b>	General Fund	\$ 2,157,202	\$ 146,548	\$ 2,303,750
	Sewer Fund	627,254	-	627,254
	Total	<u>\$ 2,784,456</u>	<u>\$ 146,548</u>	<u>\$ 2,931,004</u>

The amounts payable to the general fund and sewer fund relate to working capital loans. The amount due from the golf course fund to the general fund and sewer fund is not expected to be repaid within the next fiscal year.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Retirement Plans**

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**Defined Benefit Plans**

Plan Description

Washington City contributes to the Local Governmental Noncontributory Retirement System 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 established and amended by the state legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State 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 for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members are required to contribute a percent of their covered salary (all of which is currently paid by the City for the employees) to the respective systems to which they belong, 12.29% to the Public Safety Contributory and 15.05% to the Firefighters Retirement Systems. The City is required to contribute a percent of covered salary to the respective systems, 13.99% to the Contributory, 17.29% to the Noncontributory, 20.83% (Tier 1) and 20.85% (Tier 2) to the Public Safety Contributory Systems and 2.96% (Tier 1) and 11.02% (Tier 2) to the Firefighters System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**Defined Contribution Plan**

The City also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. The City contributes 4.50% of the salaries of all full-time employees. Employees can make additional contributions to the 401(k) plan up to specified limits. The 401(k) plan funds are fully vested to participants at the time of deposits. The plan is administered by the Utah Retirement Systems.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Retirement Plans, Continued**

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The required contributions and amounts received for the current fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Contributory System:				
Local Governmental Division				
2014	\$ -	\$ -	\$ 33,656	\$ 395,951
2013	-	-	11,753	137,302
2012	-	-	2,126	28,014
Noncontributory System:				
Local Governmental Division Tier 1				
2014	-	-	679,280	3,784,623
2013	-	-	612,400	3,782,252
2012	-	-	531,552	3,860,216
Public Safety System				
Other Division A Contributory Tier 1				
2014	-	86,574	160,704	915,785
2013	-	86,427	137,268	924,182
2012	-	86,710	111,333	970,416
Other Division A Contributory				
2014	-	-	11,231	101,910
2013	-	-	3,022	27,230
2012	-	-	1,136	10,875
Firefighters System				
Division A Tier 1				
2014	-	32,202	6,333	285,901
2013	-	24,304	4,296	232,657
2012	-	28,357	942	257,785
Division B Tier 2				
2014	-	-	12,350	112,070
2013	-	-	1,591	14,331
Defined Contribution System:				
457 Plan				
2014	10,257	-	N/A	N/A
2013	7,274	-	N/A	N/A
2012	5,431	-	N/A	N/A
401(k) Plan				
2014	68,747	250,529	N/A	N/A
2013	67,112	226,619	N/A	N/A
2012	83,124	223,844	N/A	N/A

The contributions were equal to the required contributions for each year.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 11. Risk Management**

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through the Utah Local Government Trust. Worker's compensation coverage is also carried through the Utah Local Government's Insurance Trust.

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**NOTE 12. Municipal Building Authority Lease Agreement**

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On February 1, 2008 the Municipal Building Authority of Washington City, Utah (the Authority), and the City entered into a Master Lease Agreement.

Pursuant to the lease arrangement, the Authority is to construct a community center and related improvements and refund all of the Authority's outstanding Lease Revenue Bonds, Series 1995 and its Lease Revenue Bonds, Series 1996, which were originally issued to finance the costs of acquisition and construction of the City's existing municipal office facility. In order to accomplish these items, the Authority issued Lease Revenue and Refunding Bonds, Series 2008 in the amount of \$8,321,000. Proceeds of the bond issues have been deposited with the trust department of Zions First National Bank as fiscal agent for the bonds.

The initial term of the lease commenced as of the date of delivery (in fiscal year 2008) of the Series 2008 Bonds and terminated on June 30, 2008. The lease term may be continued, solely at the option of the City, beyond the expiration of the original term for an additional one year, the first "renewal term", and for consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term shall commence July 1, 2027 and end on December 15, 2027. The City makes an election to continue the lease for the next renewal term by budgeting sufficient City funds to pay the base and reasonably estimated additional rentals during the next following renewal term. The City renewed the lease for the current fiscal year.

The City and the Authority acknowledge and agree that the obligation of the City to pay base rentals and additional rentals constitutes a current expense of the City payable exclusively from City funds and shall not in any way be construed to be an obligation or indebtedness of the City within the meaning of Sections 3 or 4 of Article XIVC of the Utah Constitution, or any other constitutional or statutory limitation or requirement applicable to the City concerning the creation of indebtedness. The lease is to be deemed a net lease.

The terms of the lease require Washington City to pay certain rentals, which approximate the principal and interest due on the lease revenue bonds issued by the Authority. See the long-term liabilities note for annual requirements to amortize the MBA Lease Revenue Bonds.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 13. Commitments**

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The City has entered into various contracts for its various funds. The City's significant contracts are with the following entities:

The City of St. George for the purpose of transportation and treatment of wastewater initially entered into April 1, 1987 for 25 years (extended). The City collects these fees from wastewater users and remits the fees to the City of St. George. These collections and remittances are not reported as revenue and expenses in the sewer fund; rather, they are recorded in a liability account. During fiscal year 2014, the City collected \$829,976 and the liability balance at June 30, 2014 is \$134,489, which is included in accounts payable.

The Washington County Solid Waste District for the collection and disposal of solid waste. The current agreement was entered into on January 1, 2010 and expires on December 31, 2020.

The Washington County Water Conservancy District for the purpose of providing for the conservation and development of water resources of the State of Utah and in furtherance of such purposes that the Conservancy District owns and operates (i.e. various water supply, storage, treatment and transportation facilities), which provide water supplies and services to the municipal customers and other entities located in Washington County. The agreement terms end on April 22, 2056.

The Utah Association of Municipal Power Systems (UAMPS) for the purpose of acquiring reliable and economic supplies of power and energy—agreement terminates December 31, 2049.

The Flood Control Authority and interlocal cooperation agreement between the City of St. George, Washington City, Santa Clara City, Ivins City and Hurricane City. The purpose of the Flood Control Authority is to administer, acquire, construct, operate, inspect, repair and maintain flood control facilities and to perform all other related activities necessary for regional flood control. Flood control refers to the management and conveyance of flows above baseline conditions. The Flood Control board is made up of elected officials of the primary members and Washington City has two representatives on the board. Each primary member pays a monthly amount based upon the number of water connections as set by the board. The term of the agreement is 50 years (beginning fiscal year 2013) with automatic extensions of 50 year terms unless terminated as set forth in the agreement.

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**NOTE 14. Jointly Governed Organization**

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The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power with transmission delivery totaling \$6,032,885 during the fiscal year ended June 30, 2014.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 15. Contingencies**

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The City is involved with various matters of litigation. It is the opinion of management that these cases will either be handled by the City's insurance coverage or that they will not have a material effect on the City's financial condition.

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**NOTE 16. Leisure Services Trade Sales**

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In connection with its leisure services operations (community center), the City occasionally trades services with various outside parties. These transactions have not been recorded in the fund financial statements; however, they are included in the government-wide financial statements. The revenue from such trades for fiscal year 2014 was \$89,219.

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**NOTE 17. Advance Refunding**

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In the year ended June 30, 2013, the City issued \$7,621,000 of electric revenue and refunding bonds (Series 2013) for new construction money of \$2,500,000 and for resources placed in an escrow account to cover all future debt service payments of \$4,735,000 of electric revenue bonds (Series 2004). As a result, the refunded bonds are considered to be defeased as of June 30, 2013. However, as disclosed in Note 6, not all of the series 2004 electric revenue bonds were refunded and defeased in fiscal year 2013. The advanced refunding defeased debt still outstanding at June 30, 2014 is \$4,735,000.

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**NOTE 18. Subsequent Events**

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In November 2014, the City issued \$3,297,000 of Municipal Building Authority Lease Revenue Bonds, Series 2014, for park improvements. Annual payments are due each year through December 2021, which is when the bonds mature. The interest rate varies from 0.90% to 2.40%.

In November 2014, the governing body of the City authorized the issuance of not more than \$3,700,000 of Municipal Building Authority Lease Revenue Bonds, Series 2015, for the construction of a police department building and related improvements.

In October 2014, the governing body of the City authorized the issuance of not more than \$3,600,000 of General Obligation Refunding Bonds, Series 2014, for the purpose of refunding the Coral Canyon Special Service District's General Obligation Bonds, Series 2006. Also, in November 2014, the governing body of the City authorized an interest rate reduction on the Coral Canyon Special Service District's General Obligation Refunding Bonds, Series 2012.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## **Required Supplementary Information**

### **Budgetary Comparison Schedules**

**For the following funds:**

#### **Special Revenue Funds**

Special revenue funds are generally used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- **Leisure Services (community center) Fund** – This fund is used to account for the collection of various leisure service fees and the related expenditures.

**WASHINGTON CITY, UTAH**  
**Special Revenue Fund – Leisure Services**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 1,334,895	\$ 1,262,178	\$ 1,320,296	\$ 58,118
Miscellaneous	97,500	97,500	73,233	(24,267)
Total revenues	<u>1,432,395</u>	<u>1,359,678</u>	<u>1,393,529</u>	<u>33,851</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	2,349,847	2,313,833	2,350,574	(36,741)
Capital outlay	45,275	45,275	36,923	8,352
Total expenditures	<u>2,395,122</u>	<u>2,359,108</u>	<u>2,387,497</u>	<u>(28,389)</u>
Excess of revenues over (under) expenditures	<u>(962,727)</u>	<u>(999,430)</u>	<u>(993,968)</u>	<u>5,462</u>
<b>Other financing sources (uses)</b>				
Transfers in	962,727	999,430	993,968	(5,462)
Total other financing sources and (uses)	<u>962,727</u>	<u>999,430</u>	<u>993,968</u>	<u>(5,462)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2014**

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As allowed by GASB Statement No. 34, the City has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this method, referred to as the modified approach, the City expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include all roads, bridges, sidewalks and similar items that the City is responsible to maintain.

Improvements that lengthen the lives of infrastructure assets are not recorded unless they increase capacity of service potential, in which case they are recorded as additions to infrastructure at original cost. Therefore, resurfacing done to existing streets is not capitalized, but is treated as a maintenance expenditure under the modified approach.

The City conducts periodic physical assessments and theoretical deterioration modeling to determine whether infrastructure assets are being maintained at the levels required. The City maintains its streets using a pavement management system. The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a remaining service life (RSL) ranging from 0 years to 20 years.

The most recent condition assessment, completed for June 30, 2014, showed that the City had overall average condition ratings of 16.84 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	0.25
1-2	0.00
3-4	0.00
5-6	0.20
7-8	0.22
9-10	0.31
11-12	2.86
13-14	7.75
15-16	37.15
17-18	23.94
19-20	27.32
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 15.61 (June 2013) and 14.84 (June 2012).

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2014**

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The City’s administrative policy is to maintain its streets at an average remaining service life of 12.60 years. This rating allows for minor cracking and revealing of pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The following shows the amount the City planned (originally budgeted) to expend at the beginning of the fiscal year and the actual amount expended for street preservation.

For the Year Ended June 30,	Originally Budgeted	Actually Expensed
2014	\$ 700,000	\$ 1,037,448
2013	700,000	561,113
2012	700,000	599,443
2011	700,000	613,250
2010	700,000	315,359

In fiscal year 2013 14.23% of roads had an RLS of 10 years or less. With the improvements made in fiscal year 2014, the percent of roads with an RLS of 10 years or less decreased to 0.98%. The City is committed to maintain its infrastructure assets at required conditions.

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## **COMBINING STATEMENTS**

## NONMAJOR GOVERNMENTAL FUNDS

### Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by property funds and trust funds.

**Property Acquisition Fund** – This fund is generally used to account for the acquisition of property.

**Fire Station Impact Fee Fund** – This fund is used to account for the collection of fire station impact fees and the expenditure of these fees on public facilities.

**General Projects Fund** – This fund is generally used to account for the acquisition and construction of major capital facilities other than those recorded in another capital projects fund.

**Recreation Fund** – This fund is used to account for recreational capital improvement projects of the City. This fund includes, in addition to other items, the collection and expenditure of park impact fees.

**Streets Fund** – This fund is used to account for street capital improvement projects of the City that are not accounted for in other funds. This fund primarily includes the collection and expenditure of street impact fees and highway taxes.

### Debt Service Funds (Blended Component Units)

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Municipal Building Authority Fund** – This fund is used to account for the resources accumulated and payments made for principal and interest on certain long-term debt obligations of governmental funds.

**Coral Canyon Special Service District** – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the District.

**WASHINGTON CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	Capital Projects				Debt Service			Total Nonmajor Governmental Funds
	Property Acquisition	Fire Station Impact	General Projects	Recreation	Streets	Municipal Building Authority	Coral Canyon Special Service District	
<b>Assets</b>								
Cash and cash equivalents	\$ 35,989	\$ 188,633	\$ 15,011	\$ 998,142	\$ 1,039,619	\$ -	\$ -	\$ 2,277,394
Investments	-	-	280,455	959,748	1,339,392	-	-	2,579,595
Receivables	-	-	28	103	136	-	-	267
Property taxes receivable	-	-	-	-	-	-	681,951	681,951
Due from other governments	-	-	-	-	-	-	4,754	4,754
Restricted cash and cash equivalents	-	-	-	-	-	-	556,501	556,509
Total assets	\$ 35,989	\$ 188,633	\$ 295,494	\$ 1,957,993	\$ 2,379,147	\$ 8	\$ 1,243,206	\$ 6,100,470
<b>Liabilities, deferred inflows, and fund balances</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 91,530	\$ 8,388	\$ -	\$ -	\$ 99,918
Total liabilities	-	-	-	91,530	8,388	-	-	99,918
Deferred inflow of resources:								
Deferred revenue - property tax	-	-	-	-	-	-	681,951	681,951
Total deferred inflows of resources	-	-	-	-	-	-	681,951	681,951
Fund balances:								
Restricted for:								
Debt service	-	-	-	-	-	8	561,255	561,263
Capital outlay - impact fees	-	90,226	-	1,780,822	620,742	-	-	2,491,790
Capital outlay - other	-	-	-	9,280	1,750,017	-	-	1,759,297
Assigned to:								
Capital outlay	35,989	98,407	295,494	76,361	-	-	-	506,251
Total fund balances	35,989	188,633	295,494	1,866,463	2,370,759	8	561,255	5,318,601
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,989	\$ 188,633	\$ 295,494	\$ 1,957,993	\$ 2,379,147	\$ 8	\$ 1,243,206	\$ 6,100,470

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Capital Projects					Debt Service			Total Nonmajor Governmental Funds
	Property Acquisition	Fire Station Impact	General Projects	Recreation	Streets	Municipal Building Authority	Coral Canyon Special Service District		
<b>Revenues</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 641,538	\$ -	\$ 641,538
Impact fees	-	80,200	-	1,512,000	899,319	-	-	-	2,491,519
Investment earnings	152	229	4,477	16,005	22,429	132	5,014	-	48,438
Miscellaneous	-	19	42	15,300	99,841	-	-	-	115,202
Total revenues	152	80,448	4,519	1,543,305	1,021,589	132	646,552	-	3,296,697
<b>Expenditures</b>									
Current:									
Streets and highways	-	-	-	-	1,037,448	-	-	-	1,037,448
Debt service:									
Principal	-	-	-	-	-	317,000	239,000	-	556,000
Interest and fiscal charges	-	-	-	-	-	117,454	342,469	-	459,923
Capital outlay	-	-	-	687,848	272,310	-	-	-	960,158
Total expenditures	-	-	-	687,848	1,309,758	434,454	581,469	-	3,013,529
Excess (deficiency) of revenues over (under) expenditures	152	80,448	4,519	855,457	(288,169)	(434,322)	65,083	-	283,168
<b>Other financing sources (uses)</b>									
Transfers in	34,900	100,000	-	-	1,531,244	434,314	-	-	2,100,458
Transfers out	-	(83,981)	(5,932)	(495,563)	(349,552)	-	-	-	(935,028)
Total other financing sources and (uses)	34,900	16,019	(5,932)	(495,563)	1,181,692	434,314	-	-	1,165,430
Net change in fund balances	35,052	96,467	(1,413)	359,894	893,523	(8)	65,083	-	1,448,598
Fund balances - beginning	937	92,166	296,907	1,506,569	1,477,236	16	496,172	-	3,870,003
Fund balances - ending	\$ 35,989	\$ 188,633	\$ 295,494	\$ 1,866,463	\$ 2,370,759	\$ 8	\$ 561,255	\$ -	\$ 5,318,601

## NONMAJOR PROPRIETARY FUNDS

**Irrigation Fund** – This fund accounts for the activities of the City’s irrigation system, which provides services to customers and users within the City.

**Internal Debt Service Fund** – this fund accounts for funds used to provide internal financing for various projects of the City.



**WASHINGTON CITY, UTAH**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2014**

	<u>Irrigation</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 20,801	\$ 20,801
Investments	-	313,431	313,431
Accounts receivable, net	8,711	31	8,742
Total current assets	<u>8,711</u>	<u>334,263</u>	<u>342,974</u>
Noncurrent assets:			
Capital assets			
Improvements other than buildings	1,664,398	-	1,664,398
Machinery and equipment	4,990	-	4,990
Less accumulated depreciation	(235,499)	-	(235,499)
Total capital assets, net	<u>1,433,889</u>	<u>-</u>	<u>1,433,889</u>
Total noncurrent assets	<u>1,433,889</u>	<u>-</u>	<u>1,433,889</u>
Total assets	<u>1,442,600</u>	<u>334,263</u>	<u>1,776,863</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,171	-	1,171
Accrued wages and taxes	684	-	684
Due to other funds	146,548	-	146,548
Compensated absences payable - current	1,994	-	1,994
Total current liabilities	<u>150,397</u>	<u>-</u>	<u>150,397</u>
Noncurrent liabilities:			
Compensated absences payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>150,397</u>	<u>-</u>	<u>150,397</u>
<b>Net position</b>			
Net investment in capital assets	1,433,889	-	1,433,889
Unrestricted	(141,686)	334,263	192,577
Total net position	<u>\$ 1,292,203</u>	<u>\$ 334,263</u>	<u>\$ 1,626,466</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<u>Irrigation</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>			
Charges for services	\$ 16,859	\$ -	\$ 16,859
Miscellaneous	136	-	136
Total operating revenues	<u>16,995</u>	<u>-</u>	<u>16,995</u>
<b>Operating expenses:</b>			
Salaries and wages	19,330	-	19,330
Employee benefits	13,867	-	13,867
Supplies	302	-	302
Depreciation	59,667	-	59,667
Total operating expenses	<u>93,166</u>	<u>-</u>	<u>93,166</u>
Operating income (loss)	<u>(76,171)</u>	<u>-</u>	<u>(76,171)</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	-	5,841	5,841
Total nonoperating revenues (expenses)	<u>-</u>	<u>5,841</u>	<u>5,841</u>
Income (loss) before contributions	(76,171)	5,841	(70,330)
Capital contributions	<u>401,698</u>	<u>-</u>	<u>401,698</u>
<b>Change in net position</b>	325,527	5,841	331,368
Net position - beginning	<u>966,676</u>	<u>328,422</u>	<u>1,295,098</u>
<b>Net position - ending</b>	<u>\$ 1,292,203</u>	<u>\$ 334,263</u>	<u>\$ 1,626,466</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<u>Irrigation</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers and users	\$ 14,657	\$ -	\$ 14,657
Cash paid to suppliers	(208)	-	(208)
Cash paid to employees	(33,000)	-	(33,000)
Net cash flows from operating activities	<u>(18,551)</u>	<u>-</u>	<u>(18,551)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received (paid) from (to) other funds	18,551	-	18,551
Net cash flows from noncapital financing activities	<u>18,551</u>	<u>-</u>	<u>18,551</u>
<b>Cash flows from investing activities:</b>			
Net change in investments	-	(7,108)	(7,108)
Interest and dividends received	-	6,138	6,138
Net cash flows from investing activities	<u>-</u>	<u>(970)</u>	<u>(970)</u>
Net change in cash and cash equivalents	-	(970)	(970)
Cash and cash equivalents, including restricted, beginning of year	<u>-</u>	<u>21,771</u>	<u>21,771</u>
<b>Cash and cash equivalents, including restricted, end of year</b>	<u>\$ -</u>	<u>\$ 20,801</u>	<u>\$ 20,801</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>			
Net operating income (loss)	\$ (76,171)	\$ -	\$ (76,171)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities			
Depreciation/amortization	59,667	-	59,667
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(2,338)	-	(2,338)
Increase (decrease) in accounts payable	94	-	94
Increase (decrease) in accrued payroll	77	-	77
Increase (decrease) in compensated absences	120	-	120
Net cash flows from operating activities	<u>\$ (18,551)</u>	<u>\$ -</u>	<u>\$ (18,551)</u>
<b>Noncash investing, capital, and financing activities</b>			
Contributions of capital assets	\$ 401,698	\$ -	\$ 401,698
Increase (decrease) in fair value of investments	-	(243)	(243)

**OTHER SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2014**

Some of the City's revenue bond resolutions set forth certain covenants and restrictions. The City is in compliance with all related covenants and restrictions. Adequate funds are available in the applicable funds for reserve requirements. Additional disclosures required by the resolutions are as follows:

**WATER RATES**

Meter Size	Monthly Base Rate	Tier	Threshold gallons		Rate per 1,000 gallons
5/8"	\$18.25	1	0	5,000	\$1.00
		2	5,001	10,000	\$1.10
		3	10,001	15,000	\$1.20
		4	15,001	20,000	\$1.30
		5	20,001	25,000	\$1.40
		6	25,001	30,000	\$1.50
		7	30,001	35,000	\$1.65
		8	35,001	40,000	\$1.80
		9	40,001	Unlimited	\$1.95
3/4"	\$18.25	1	0	5,000	\$1.00
		2	5,001	10,000	\$1.10
		3	10,001	15,000	\$1.20
		4	15,001	20,000	\$1.30
		5	20,001	25,000	\$1.40
		6	25,001	30,000	\$1.50
		7	30,001	35,000	\$1.65
		8	35,001	40,000	\$1.80
		9	40,001	Unlimited	\$1.95
1"	\$33	1	0	9,000	\$1.00
		2	9,001	18,000	\$1.10
		3	18,001	27,000	\$1.20
		4	27,001	36,000	\$1.30
		5	36,001	45,000	\$1.40
		6	45,001	54,000	\$1.50
		7	54,001	63,000	\$1.65
		8	63,001	72,000	\$1.80
		9	72,001	Unlimited	\$1.95
1 1/2"	\$73	1	0	20,000	\$1.00
		2	20,001	40,000	\$1.10
		3	40,001	60,000	\$1.20
		4	60,001	80,000	\$1.30
		5	80,001	100,000	\$1.40
		6	100,001	120,000	\$1.50
		7	120,001	140,000	\$1.65
		8	140,001	160,000	\$1.80
		9	160,001	Unlimited	\$1.95
2"	\$130	1	0	36,000	\$1.00
		2	36,001	71,000	\$1.10
		3	71,001	107,000	\$1.20
		4	107,001	142,000	\$1.30
		5	142,001	178,000	\$1.40
		6	178,001	213,000	\$1.50
		7	213,001	249,000	\$1.65
		8	249,001	284,000	\$1.80
		9	284,001	Unlimited	\$1.95
3"	\$292	1	0	80,000	\$1.00
		2	80,001	160,000	\$1.10
		3	160,001	240,000	\$1.20
		4	240,001	320,000	\$1.30
		5	320,001	400,000	\$1.40
		6	400,001	480,000	\$1.50
		7	480,001	560,000	\$1.65
		8	560,001	640,000	\$1.80
		9	640,001	Unlimited	\$1.95

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2014**

**WATER RATES (Continued)**

Meter Size	Monthly Base Rate	Tier	Threshold gallons		Rate per 1,000 gallons
4"	\$518	1	0	142,000	\$1.00
		2	142,001	284,000	\$1.10
		3	284,001	426,000	\$1.20
		4	426,001	568,000	\$1.30
		5	568,001	710,000	\$1.40
		6	710,001	852,000	\$1.50
		7	852,001	994,000	\$1.65
		8	994,001	1,136,000	\$1.80
		9	1,136,001	Unlimited	\$1.95
6"	\$1,168	1	0	320,000	\$1.00
		2	320,001	640,000	\$1.10
		3	640,001	960,000	\$1.20
		4	960,001	1,280,000	\$1.30
		5	1,280,001	1,600,000	\$1.40
		6	1,600,001	1,920,000	\$1.50
		7	1,920,001	2,240,000	\$1.65
		8	2,240,001	2,560,000	\$1.80
		9	2,560,001	Unlimited	\$1.95

**ADMINISTRATIVE FEES**

	Amount	
Late Fee	5%	Of Unpaid Balance
Collection Fees	100%	Of Collection Agent Fee

**Water**

Water Connection	Meter Size	
	3/4"	\$225.00
	1"	\$275.00
	1 1/2"	\$520.50
	2"	\$661.00
	3"	\$1,982.67
	4"	\$1,982.67
	6"	TBD

**Water Impact:**

Meter Size	ERU's	
3/4"	1	\$2,121.00
1"	1.65	\$3,499.65
1 1/2"	3.73	\$7,911.33
2"	6.55	\$13,892.33
3"	14.73	\$31,242.33
4"	26.17	\$55,506.57
6"	58.88	\$124,884.48

**Sewer**

Sewer Impact:	Meter Size	ERU's	
	3/4"	1	\$1,159.00
	1"	2.16	\$1,912.35
	1 1/2"	3.73	\$4,323.07
	2"	6.55	\$7,591.45
	3"	14.73	\$17,072.07
	4"	26.17	\$30,331.03
	6"	58.88	\$68,241.92
Sewer Inspection	Standard Residential		\$150.00
	6"		\$200.00

**SEWER RATES**

	Base Rate	
Sewer Collection	\$12.65	Per ERU
Sewer Lift	\$6.27	Per ERU

*1 ERU = 6,000 gallons average monthly water usage measured December, January and February*

**SEWER SYSTEM STATISTICS:**

Utility accounts connected to the system 8,074  
Residential Equivalents connected to the system at June 30, 2014 were 9,241  
Average monthly billing per customer \$12.65

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2014**

Insurance coverage in effect at June 30, 2014:

Provider	Type	Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2013	07/01/13	06/30/14	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2013	07/01/13	06/30/14	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2013	07/01/13	06/30/14	80,000
Utah Local Government Trust	Auto - uninsured	14680-GL2013	07/01/13	06/30/14	80,000
Utah Local Government Trust	No fault sewer cleanup (per claim)	14680-GL2013	07/01/13	06/30/14	5,000
Utah Local Government Trust	General liability	14680-GL2013	07/01/13	06/30/14	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2013	07/01/13	06/30/14	53,908,676

Fidelity bonds are in effect on City personnel accordingly: city treasurer - \$1,500,000, various other employees - \$50,000.

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**



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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
Members of the City Council  
Washington City, 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 Washington City, Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Washington City's basic financial statements and have issued our report thereon dated December 1, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Washington 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washington City's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
December 1, 2014

**Independent Auditor's Report in Accordance  
with the *State Compliance Audit Guide* On:  
Compliance with General State Compliance Requirements  
Compliance for Each Major Program  
Internal Control Over Compliance  
Schedule of Expenditures of State Awards**

The Honorable Mayor and  
Members of the City Council  
Washington City, Utah

**Report on Compliance with General Statement Requirements and for Each Major State Program**

We have audited Washington City, Utah's compliance with the general and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Enterprise Fund Transfers, Reimbursements, Loans and Services
- Cash Management
- Impact Fees
- Government Records Access Management Act (GRAMA)
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act
- Budget Notices and Format

The City received state funding from the following program classified as a major program for the year ended June 30, 2014:

B&C Road Funds (Department of Transportation)

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

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

In our opinion, Washington City, Utah, complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major programs for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 14-01, 14-02, 13-03, 11-02 and 11-03. Our opinion on compliance is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

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

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

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

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

**Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.



HintonBurdick, PLLC  
St. George, Utah  
December 1, 2014

**WASHINGTON CITY, UTAH**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2014**

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
<b><u>Department of Public Safety</u></b>			
DUI Equipment Grant - Speed Trailer	No Funds Received Only Trailer		\$ 9,714
<b>Subtotal – Department of Public Safety</b>			9,714
<b><u>Highway Safety Office</u></b>			
DUI Overtime Grant	AR-OT-2014-Utah-00080		1,021
DUI Overtime Grant	AR-OT-2014-Utah-00220		762
EASY Compliance	AR-EZ-2014-Utah-00498		259
EASY Compliance	AR-EZ-2014-Utah-01055		156
Alcohol & Drug Grant - Digital Camera			4,550
DUI Overtime Grant	AR-OT-2014-Utah-00541		849
DUI Overtime Grant	AR-OT-2014-Utah-00864		780
<b>Subtotal – Highway Safety Office</b>			8,376
<b><u>Department of Health</u></b>			
Buruea of EMS Annual Grant	Per Capita Grant		2,306
Buruea of EMS Annual Grant	Competitive Grant		4,465
AED Grant			3,148
<b>Subtotal – Department of Health</b>			9,919
<b><u>Department of Natural Resources</u></b>			
Utah Fire Department Assistance Grant	Utah Fire & Rescue Academy		15,000
<b>Subtotal – Department of Natural Resources</b>			15,000
<b><u>Department of Transportation</u></b>			
Class C Road Funds		FY13	729,211
<b>Subtotal – Department of Transportation</b>			729,211
<b><u>Substance Abuse Advisory Council</u></b>			
Beer Tax Funds			21,771
<b>Subtotal – Substance Abuse Advisory Council</b>			21,771
<b>TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES</b>			<b>\$ 793,991</b>



**WASHINGTON CITY**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2014**

Honorable Mayor and City Council  
Washington City, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Washington City for the fiscal year ended June 30, 2014, we noted areas needing corrective action for the City to be in compliance with laws and regulations and we found circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

14-01 Enterprise Funds—Interfund Loans

The sewer fund makes interfund loans to the golf fund to cover the golf fund's negative cash balance. For utility enterprise funds loaned to another fund, the following state requirements apply (see following page):



- a. The loan must be in writing and contain the following terms and conditions:
  - i. Effective date of the loan.
  - ii. Name of the fund loaning the money.
  - iii. Name of the fund receiving the money.
  - iv. Amount of the loan.
  - v. Term of and repayment schedule of the loan (not to exceed 10 years).
  - vi. Interest rate of the loan (if less than one year, the interest rate cannot be less than the rate offered by the PTIF, if greater than one year the rate cannot be less than the greater of the PTIF rate or the rate of a US Treasury note of a comparable term).
  - vii. Method of calculating interest applicable to the loan.
  - viii. Procedures for applying interest and paying interest.
- b. The governing body must hold a public hearing and provide written notice within at least 7 days of the hearing regarding the:
  - i. Date, time, and place of the hearing,
  - ii. Purpose of the hearing, and
  - iii. The proposed terms and conditions of the interfund loan.
- c. The governing body should authorize the loan by ordinance or resolution at a public meeting.

It's our understanding that the City has not addressed all of these requirements.

#### Recommendation

We recommend that the City operate within the confines of state law by appropriately addressing the above interfund loan requirements for the sewer fund loan.

#### 14-02 Fund Balance—Deficits

Appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget years (Utah Code 10-6-117). In other words, deficits in any fund are illegal. The golf course fund has a negative net position at June 30, 2014.

#### Recommendation

We recommend that the City operate within the confines of state law by appropriately addressing the deficit position in the golf fund.

#### 13-03 Interfund Allocations of Costs

The City budgets for and records interfund transfers between the water, sewer, irrigation, and storm drain funds and the general fund to account for various administrative cost reimbursements/allocations. Utah Code requires that allocation rates be based on a formal study and reasonable methodology that has been conducted or updated within the last five years when utility enterprise funds are transferred to another fund that are considered a reasonable allocation of costs. In discussing this with city personnel, it appears that there is really no basis for the amounts that are transferred from the enterprise funds to the general fund. Similar figures have been used for a number of years and current city personnel appear to be uncertain as to how the City arrived at these figures.

Furthermore, accounting standards dictate that such interfund reimbursements should be treated as an adjustment to expenses or expenditures—that is, an increase in expenses in the reimbursing fund (enterprise funds) and a corresponding decrease in expenditures in the reimbursed fund (general fund)—rather than recording interfund transfers.

Recommendation

We recommend that the City conduct a formal study to determine the cost allocations in connection with a reasonable methodology. The City should establish a policy to ensure that the study is updated at least every five years.

We also recommend that the City more closely follow accounting standards and budget for and record interfund reimbursements as indicated above rather than using interfund transfers. A credit balance expenditure account could be utilized to record the credit to expenditures in the general fund.

11-02 General Fund Maximum Fund Balance

Utah Code indicates that the maximum fund balance (including committed, assigned and unassigned fund balance) in the general fund may not exceed 25% of the total current fiscal year revenue (excluding transfers in and other financing sources) of the general fund. Based on the aforementioned and the City’s fiscal year 2014 revenues, the City’s fund balance in the general fund is over the state maximum as of June 30, 2014 by \$232,374.

Recommendation

In connection with the budgeting process, we recommend that the City make the necessary appropriations to reduce the excess fund balance and operate within the state’s requirements.

11-03 Budgetary Compliance

Utah Code indicates that officers and employees of the City shall not incur expenditures in excess of the total appropriation for any fund. For the year ended June 30, 2014, the general fund and the special revenue leisure services (community center) fund were over budget.

Recommendation

We recommend that the City operate within the confines of state law by limiting expenditures or following proper procedures to adjust the departmental and fund budgets. We also recommend that management continue to utilize system-generated budget reports on a regular basis to determine the status of budgets for current disbursements.

**Other Matters:**

None noted

Please respond to the above findings and recommendations in letter form for submission to the State Auditor's office as required by state law.

The City's written responses to the findings identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This letter is intended solely for the use of management, city council, others within the City and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant, professional relationship.

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
December 1, 2014



December 1, 2014

HintonBurdick CPAs and Advisors  
63 South 300 East, Suite 100  
St. George, Utah 84770

To Whom It May Concern:

We have received and carefully reviewed the "Findings and Recommendations For the Year Ending June 30, 2014" and provide the following response.

Enterprise Funds—Interfund Loans

The sewer fund makes interfund loans to the golf fund to cover the golf fund's negative cash balance. The governing body will authorize a loan in accordance with state requirements to address the interfund loan.

Fund Balance—Deficits

The governing body will review and address the the deficit position in the golf fund.

Interfund Allocations of Costs

A study will be conducted to account for various administrative costs performed by the general fund and determine the appropriate level of cost allocation. The City will also establish a policy to ensure that the study is updated at least every five years.

General Fund Maximum Fund Balance

The general fund budget for Fiscal Year 2015 includes appropriations of fund balance in the amount of \$234,973 bring the fund balance for the general fund within the guidelines for maximum fund balance.

Budgetary Compliance

We will monitor all funds to ensure that they operate within the confines of state law by limiting expenditures or following proper procedures to adjust the departmental and fund budgets.

Please let me know if you have any additional questions.

Sincerely,

Roger Carter  
City Manager