



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

With Report of

Certified Public Accountants

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MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
BRENT R. HALL, CPA

TODD R. HESS, CPA
KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Washington City's management. Our responsibility is to express opinions on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011, on our consideration of Washington City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and additional required supplementary information listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements of Washington City, Utah. The combining statements have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.



HINTON, BURDICK, HALL & SPILKER, PLLC
April 15, 2011

Washington City, Utah
Management's Discussion and Analysis
For the Year Ended June 30, 2010

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, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of Washington City exceeded its liabilities at June 30, 2010 by \$144,216,365 (net assets). Of this amount, \$17,170,952 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$9,042,846.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$2,306,684, an increase of \$367,974 in comparison with the prior year. Approximately 7% (or \$149,580) of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,015,060 or approximately 24% of total general fund expenditures.
- Washington City's total long-term debt decreased by \$705,667 or 1.58% during the current fiscal year.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$771,700.

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 assets includes *all* of the government's assets and liabilities. 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 assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To access 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 and state grants 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 money 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Washington City, assets exceed liabilities by \$144,216,365 at the close of the fiscal year.

By far the largest portion of Washington City's net assets, (97.20% for governmental activities and 73.25% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure buildings, equipment, etc.) 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 Assets

	Governmental activities		Business-type activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 3,148,459	\$ 2,522,579	\$ 25,110,275	\$ 23,710,944	\$ 28,258,734	\$ 26,233,523
Capital assets	81,633,638	78,095,163	82,977,653	79,759,135	164,611,291	157,854,298
Total assets	<u>84,782,097</u>	<u>80,617,742</u>	<u>108,087,928</u>	<u>103,470,079</u>	<u>192,870,025</u>	<u>184,087,821</u>
Long-term liabilities outstanding	21,627,595	21,997,843	23,028,504	23,330,137	44,656,099	45,327,980
Other liabilities	1,133,652	867,831	2,863,909	2,718,491	3,997,561	3,586,322
Total liabilities	<u>22,761,247</u>	<u>22,865,674</u>	<u>25,892,413</u>	<u>26,048,628</u>	<u>48,653,660</u>	<u>48,914,302</u>
Net assets:						
Invested in capital assets, net of related debt	60,286,916	56,365,163	60,209,499	56,656,665	120,496,415	113,021,828
Restricted	1,865,227	1,528,493	4,683,771	4,718,782	6,548,998	6,247,275
Unrestricted	(131,293)	(141,588)	17,302,245	16,046,004	17,170,952	15,904,416
Total net assets	<u>\$ 62,020,850</u>	<u>\$ 57,752,068</u>	<u>\$ 82,195,515</u>	<u>\$ 77,421,451</u>	<u>\$ 144,216,365</u>	<u>\$ 135,173,519</u>

Percentage of Net Assets

<u>Net asset type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Invested in capital assets, net of related debt	97.20%	73.25%	83.55%
Restricted net assets	3.01%	5.70%	4.54%
Unrestricted net assets	-0.21%	21.05%	11.91%
Total net assets	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

An additional portion of Washington City's net assets (3.01% and 5.70% respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$17,170,952 (-0.21% and 21.05% 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities, except for the deficit in unrestricted governmental activities.

Governmental activities. Governmental activities increased Washington City's net assets by \$4,268,782 (see below table for details).

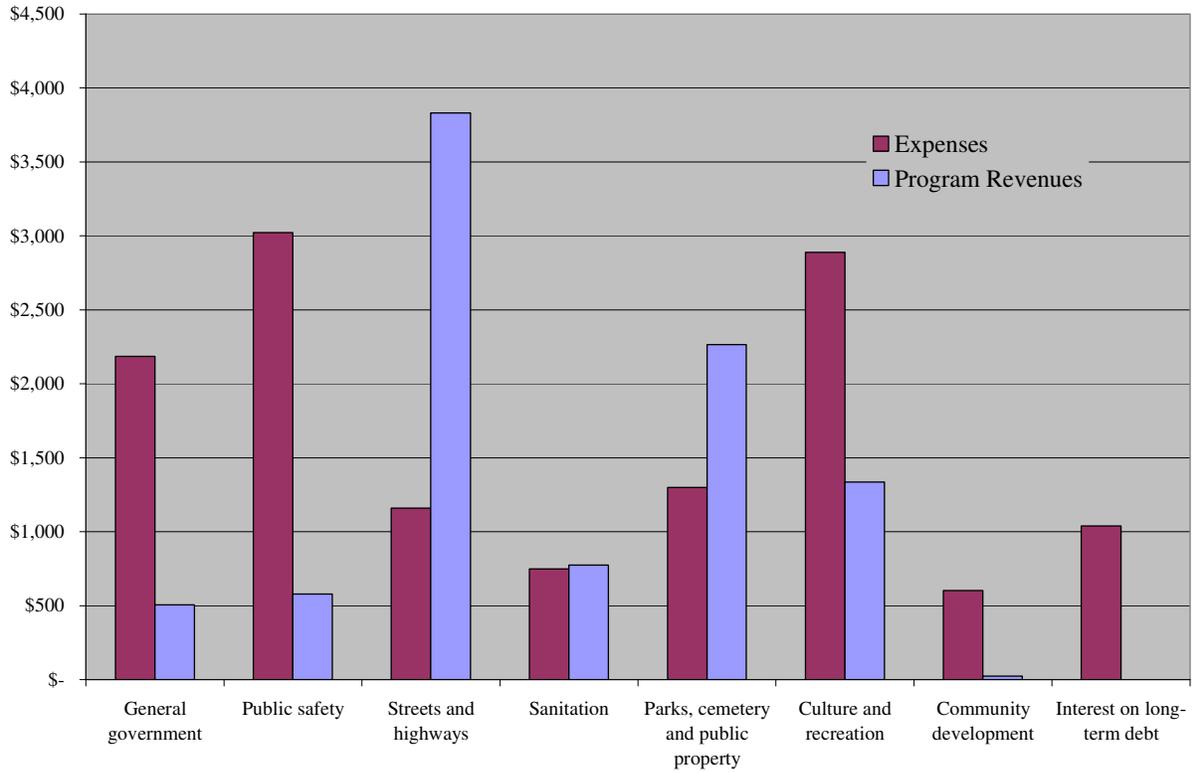
Business-type activities. Business-type activities increased Washington City's net assets by \$4,774,064 (see below table for details).

Washington City's Changes in Net Assets

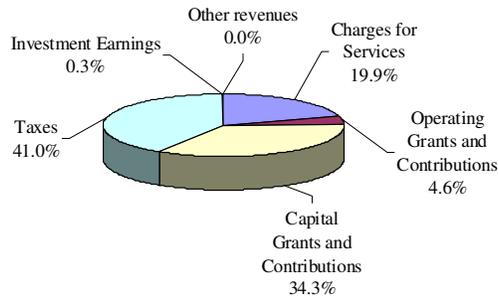
	Governmental activities		Business-type activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues:						
Program revenues:						
Charges for services	\$ 3,151,375	\$ 2,053,130	\$ 15,525,002	\$ 16,443,856	\$ 18,676,377	\$ 18,496,986
Operating grants and contributions	727,994	676,316	-	-	727,994	676,316
Capital grants and contributions	5,433,857	3,028,997	5,427,085	2,202,532	10,860,942	5,231,529
General revenues:						
Taxes	7,057,130	7,108,684	-	-	7,057,130	7,108,684
Unrestricted interest earnings	45,849	189,236	211,447	422,594	257,296	611,830
Gain on sale of capital assets	-	-	-	-	-	-
Other	239,882	132,820	-	-	239,882	132,820
Total revenues	<u>16,656,087</u>	<u>13,189,183</u>	<u>21,163,534</u>	<u>19,068,982</u>	<u>37,819,621</u>	<u>32,258,165</u>
Expenses:						
General government	2,185,520	2,238,368	-	-	2,185,520	2,238,368
Public safety	3,020,932	2,928,972	-	-	3,020,932	2,928,972
Streets and highways	1,159,405	1,879,578	-	-	1,159,405	1,879,578
Sanitation	749,135	-	-	-	749,135	-
Parks, cemetery and public property	1,300,506	1,389,442	-	-	1,300,506	1,389,442
Culture and recreation	2,888,343	2,536,268	-	-	2,888,343	2,536,268
Community development	603,458	733,504	-	-	603,458	733,504
Interest on long-term debt	1,040,006	1,074,122	-	-	1,040,006	1,074,122
Water	-	-	3,900,396	3,919,640	3,900,396	3,919,640
Sewer	-	-	1,152,729	1,801,833	1,152,729	1,801,833
Electric	-	-	9,225,465	9,503,977	9,225,465	9,503,977
Irrigation	-	-	59,228	68,140	59,228	68,140
Storm drain	-	-	137,965	187,821	137,965	187,821
Golf course	-	-	1,353,687	1,339,666	1,353,687	1,339,666
Total expenses	<u>12,947,305</u>	<u>12,780,254</u>	<u>15,829,470</u>	<u>16,821,077</u>	<u>28,776,775</u>	<u>29,601,331</u>
Increase in net assets before transfers	3,708,782	408,929	5,334,064	2,247,905	9,042,846	2,656,834
Transfers	<u>560,000</u>	<u>485,000</u>	<u>(560,000)</u>	<u>(485,000)</u>	<u>-</u>	<u>-</u>
Increase in net assets	4,268,782	893,929	4,774,064	1,762,905	9,042,846	2,656,834
Net assets, beginning	57,752,068	56,247,997	77,421,451	75,985,814	135,173,519	132,233,811
Prior-period adjustment	-	610,142	-	(327,268)	-	282,874
Net assets, ending	<u>\$ 62,020,850</u>	<u>\$ 57,752,068</u>	<u>\$ 82,195,515</u>	<u>\$ 77,421,451</u>	<u>\$ 144,216,365</u>	<u>\$ 135,173,519</u>

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)

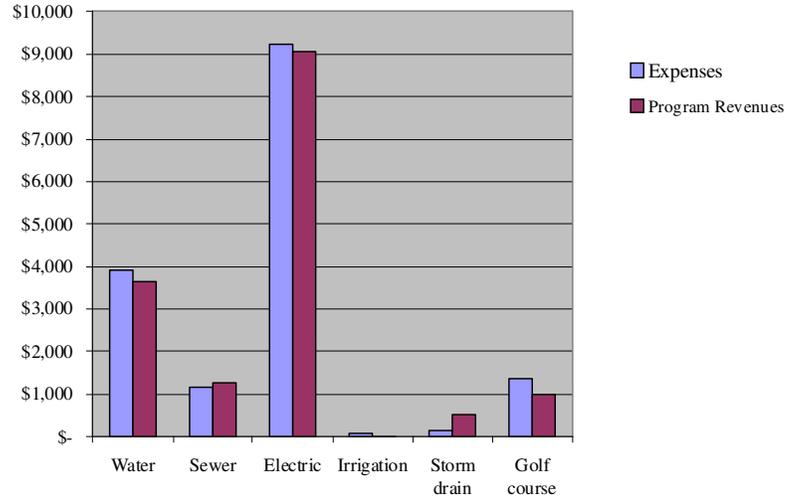


Revenue By Source - Governmental Activities



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, *unreserved 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 \$2,306,684, an increase of \$367,974 in comparison with the prior year; \$149,580 or approximately 7% of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* (\$2,157,104). The reserved fund balance indicates that the balance is not available for new spending because it has already been committed.

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$2,015,060 or approximately 83% of the total fund balance of \$2,437,859. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 24% of total general fund expenditures, while total fund balance represents approximately 29% 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 deficit of \$131,175 as the capital projects-recreation fund has a fund deficit of \$2,629,083. These combined fund balances experienced a net increase of \$542,943.

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

The combined unrestricted net assets for the water, sewer and electric funds along with the irrigation, storm drain, golf course and internal debt service funds, total \$17,302,245 at the end of the fiscal year. Aside from the golf course fund, all of these proprietary funds experienced increases in total net assets 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 \$869,860 net increase in appropriations. The main component of the increase relates to a \$1,123,359 increase in transfers out to the special revenue leisure services (community center) fund.

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, 2010, amounts to \$164,611,291 (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	\$ 1,438,767	\$ 3,064,070	\$ 4,502,837
Infrastructure	50,774,283	-	50,774,283
Construction in progress	971,571	672,771	1,644,342
Buildings and improvements	26,854,606	3,035,341	29,889,947
Improvements and systems	-	75,005,327	75,005,327
Machinery and equipment	652,157	718,263	1,370,420
Automobiles and trucks	942,254	481,881	1,424,135
Total	\$ 81,633,638	\$ 82,977,653	\$ 164,611,291

This fiscal year's major capital asset additions included:

- Construction of Buena Vista Blvd to Washington Parkway (North Frontage Road)
- Construction of Virgin River bridge/300 East project
- Golf course improvements
- 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 16.42 exceeds the City's minimum of 12.60.

Long-term debt. At fiscal year-end, the City had \$43,945,911 in outstanding debt—a decrease of 1.58% 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		% Change
	2010	2009	2010	2009	2010	2009	
General obligation bonds	\$ 9,490,000	\$ 9,695,000	-	-	\$ 9,490,000	\$ 9,695,000	-2.11%
Lease revenue bonds	7,496,000	7,919,000	-	-	7,496,000	7,919,000	-5.34%
Sales tax revenue bonds	3,880,000	4,116,000	-	-	3,880,000	4,116,000	-5.73%
Revenue bonds	-	-	22,256,046	22,447,648	22,256,046	22,447,648	-0.85%
Capital leases obligation	-	-	343,143	473,930	343,143	473,930	-27.60%
Notes payable	480,722	-	-	-	480,722	-	N/A
Total	\$ 21,346,722	\$ 21,730,000	\$ 22,599,189	\$ 22,921,578	\$ 43,945,911	\$ 44,651,578	-1.58%

Next Year's budget and Economic Factors

In considering the City budget for fiscal year 2011, the City Council and management were cautious as to growth of revenues and expenditures. Overall general fund operating expenditures were budgeted so as to contain costs at approximately the same level as fiscal year 2010.

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 money 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 STATEMENT

WASHINGTON CITY, UTAH
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 825,425	\$ 11,949,814	\$ 12,775,239
Receivables, net	1,764,600	2,650,136	4,414,736
Internal balances	(4,508,537)	4,508,537	-
Inventories	26,101	575,417	601,518
Bond issuance costs, net	-	161,558	161,558
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	5,040,870	5,264,813	10,305,683
Capital assets not being depreciated:			
Land	1,438,767	3,064,070	4,502,837
Infrastructure	50,774,283	-	50,774,283
Construction in progress	971,571	672,771	1,644,342
Capital assets net of accumulated depreciation:			
Buildings and improvements	26,854,606	3,035,341	29,889,947
Improvements and systems	-	75,005,327	75,005,327
Machinery and equipment	652,157	718,263	1,370,420
Automobiles and trucks	942,254	481,881	1,424,135
Total assets	<u>84,782,097</u>	<u>108,087,928</u>	<u>192,870,025</u>
Liabilities			
Accounts payable and other current liabilities	841,775	2,714,877	3,556,652
Accrued interest payable	291,877	149,032	440,909
Noncurrent liabilities:			
Due within one year	1,272,986	1,269,546	2,542,532
Due in more than one year	20,354,609	21,758,958	42,113,567
Total liabilities	<u>22,761,247</u>	<u>25,892,413</u>	<u>48,653,660</u>
Net Assets			
Invested in capital assets, net of related debt	60,286,916	60,209,499	120,496,415
Restricted for:			
Debt service	473,690	785,818	1,259,508
Capital outlay	1,391,537	3,897,953	5,289,490
Unrestricted	(131,293)	17,302,245	17,170,952
Total net assets	<u>\$ 62,020,850</u>	<u>\$ 82,195,515</u>	<u>\$ 144,216,365</u>

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

WASHINGTON CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,185,520	\$ 505,078	\$ -	\$ -	\$ (1,680,442)	\$ -	\$ (1,680,442)
Public safety	3,020,932	461,274	59,712	58,141	(2,441,805)	-	(2,441,805)
Streets and highways	1,159,405	-	668,282	3,160,437	2,669,314	-	2,669,314
Sanitation	749,135	774,925	-	-	25,790	-	25,790
Parks, cemetery and public property	1,300,506	49,193	-	2,215,279	963,966	-	963,966
Culture and recreation	2,888,343	1,337,125	-	-	(1,551,218)	-	(1,551,218)
Community development	603,458	23,780	-	-	(579,678)	-	(579,678)
Interest on long-term debt	1,040,006	-	-	-	(1,040,006)	-	(1,040,006)
Total governmental activities	<u>12,947,305</u>	<u>3,151,375</u>	<u>727,994</u>	<u>5,433,857</u>	<u>(3,634,079)</u>	<u>-</u>	<u>(3,634,079)</u>
Business-type activities:							
Water	3,900,396	3,655,452	-	2,086,496	-	1,841,552	1,841,552
Sewer	1,152,729	1,279,283	-	1,592,764	-	1,719,318	1,719,318
Electric	9,225,465	9,046,655	-	245,328	-	66,518	66,518
Irrigation	59,228	18,220	-	172,894	-	131,886	131,886
Storm drain	137,965	527,893	-	1,329,603	-	1,719,531	1,719,531
Golf course	1,353,687	997,499	-	-	-	(356,188)	(356,188)
Total business-type activities	<u>15,829,470</u>	<u>15,525,002</u>	<u>-</u>	<u>5,427,085</u>	<u>-</u>	<u>5,122,617</u>	<u>5,122,617</u>
Total primary government	<u>\$ 28,776,775</u>	<u>\$ 18,676,377</u>	<u>\$ 727,994</u>	<u>\$ 10,860,942</u>	<u>(3,634,079)</u>	<u>5,122,617</u>	<u>1,488,538</u>
General Revenues:							
Taxes:							
Property taxes					2,882,226	-	2,882,226
Sales taxes					3,216,921	-	3,216,921
Franchise taxes					393,390	-	393,390
Energy taxes					564,593	-	564,593
Unrestricted interest earnings					45,849	211,447	257,296
Other revenues not restricted to specific programs					239,882	-	239,882
Transfers					560,000	(560,000)	-
Total general revenues and transfers					<u>7,902,861</u>	<u>(348,553)</u>	<u>7,554,308</u>
Change in net assets					4,268,782	4,774,064	9,042,846
Net assets - beginning					57,752,068	77,421,451	135,173,519
Net assets - ending					<u>\$ 62,020,850</u>	<u>\$ 82,195,515</u>	<u>\$ 144,216,365</u>

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

WASHINGTON CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Capital Projects Recreation</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 59,928	\$ 765,497	\$ 825,425
Receivables	195,157	-	-	-	195,157
Due from other funds	627,936	-	-	-	627,936
Due from other governments	1,564,388	-	-	5,055	1,569,443
Inventory	26,101	-	-	-	26,101
Cash - restricted	577,653	2,539,220	-	1,923,997	5,040,870
Total assets	<u>\$ 2,991,235</u>	<u>\$ 2,539,220</u>	<u>\$ 59,928</u>	<u>\$ 2,694,549</u>	<u>\$ 8,284,932</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 276,145	\$ 30,052	\$ 13,243	\$ 60,168	\$ 379,608
Accrued wages and taxes	118,634	-	43,465	-	162,099
Other payables	10,181	138,251	3,220	-	151,652
Construction bonds payable	148,416	-	-	-	148,416
Due to other funds	-	5,000,000	-	136,473	5,136,473
Total liabilities	<u>553,376</u>	<u>5,168,303</u>	<u>59,928</u>	<u>196,641</u>	<u>5,978,248</u>
Fund balances:					
Reserved for:					
Debt service	422,799	-	-	342,768	765,567
Capital outlay	-	-	-	1,391,537	1,391,537
Unreserved, undesignated reported in:					
General fund	2,015,060	-	-	-	2,015,060
Capital project funds	-	(2,629,083)	-	763,603	(1,865,480)
Total fund balances (deficits)	<u>2,437,859</u>	<u>(2,629,083)</u>	<u>-</u>	<u>2,497,908</u>	<u>2,306,684</u>
Total liabilities and fund balances	<u>\$ 2,991,235</u>	<u>\$ 2,539,220</u>	<u>\$ 59,928</u>	<u>\$ 2,694,549</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

The cost of the assets is \$88,043,363 and the accumulated depreciation is \$6,409,725. 81,633,638

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (291,877)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. See the long-term debt footnote for the components of long-term debt. (21,627,595)

Net assets of governmental activities \$ 62,020,850

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, 2010

	<u>General</u>	<u>Capital Projects Recreation</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Current year property taxes	\$ 2,043,219	\$ -	\$ -	\$ 664,884	\$ 2,708,103
Prior year property taxes	128,478	-	-	-	128,478
General sales and use taxes	3,216,921	-	-	-	3,216,921
Energy taxes	564,593	-	-	-	564,593
Franchise taxes	393,390	-	-	-	393,390
Licenses and permits	479,285	-	-	-	479,285
Intergovernmental revenues	730,494	-	-	213,503	943,997
Charges for services	1,015,292	-	1,237,767	-	2,253,059
Impact fees	-	969,000	-	749,675	1,718,675
Fines and forfeitures	313,474	-	-	-	313,474
Interest earnings	22,982	14,918	-	13,981	51,881
Miscellaneous	232,841	249,915	51,316	52,685	586,757
Total revenues	<u>9,140,969</u>	<u>1,233,833</u>	<u>1,289,083</u>	<u>1,694,728</u>	<u>13,358,613</u>
Expenditures					
Current:					
General government	2,055,033	-	-	-	2,055,033
Public safety	2,852,082	-	-	-	2,852,082
Streets and highways	686,966	-	-	315,359	1,002,325
Sanitation	749,135	-	-	-	749,135
Parks, cemetery and public property	1,036,133	-	-	-	1,036,133
Culture and recreation	-	-	2,413,375	-	2,413,375
Community and economic development	564,708	-	-	-	564,708
Debt service:					
Principal	236,000	-	-	628,000	864,000
Interest	189,212	-	-	842,879	1,032,091
Capital outlay	-	246,494	-	1,215,985	1,462,479
Total expenditures	<u>8,369,269</u>	<u>246,494</u>	<u>2,413,375</u>	<u>3,002,223</u>	<u>14,031,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>771,700</u>	<u>987,339</u>	<u>(1,124,292)</u>	<u>(1,307,495)</u>	<u>(672,748)</u>
Other financing sources (uses)					
Debt proceeds	-	-	-	480,722	480,722
Transfers in	1,548,342	-	1,124,292	1,370,719	4,043,353
Transfers out	<u>(2,495,011)</u>	<u>(636,070)</u>	<u>-</u>	<u>(352,272)</u>	<u>(3,483,353)</u>
Total other financing sources and (uses)	<u>(946,669)</u>	<u>(636,070)</u>	<u>1,124,292</u>	<u>1,499,169</u>	<u>1,040,722</u>
Net change in fund balances	(174,969)	351,269	-	191,674	367,974
Fund balances - beginning	<u>2,612,828</u>	<u>(2,980,352)</u>	<u>-</u>	<u>2,306,234</u>	<u>1,938,710</u>
Fund balances (deficits) - ending	<u>\$ 2,437,859</u>	<u>\$ (2,629,083)</u>	<u>\$ -</u>	<u>\$ 2,497,908</u>	<u>\$ 2,306,684</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, 2010

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

Net change in fund balances-total governmental funds		\$ 367,974
<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	\$ 1,430,636	
Depreciation expense	<u>(1,099,734)</u>	330,902
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) is to decrease net assets</p>		
		(41,859)
<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>		
		3,249,432
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		864,000
<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 assets.</p>		
		(480,722)
<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>		
Accrued interest, net change	(7,915)	
Compensated absences, net change	<u>(13,030)</u>	(20,945)
Change in net assets of governmental activities		<u><u>\$ 4,268,782</u></u>

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Current year property taxes	\$ 2,022,500	\$ 2,048,500	\$ 2,043,219	\$ (5,281)
Prior-years property taxes	20,000	99,742	128,478	28,736
General sales and use taxes	3,520,000	3,213,357	3,216,921	3,564
Energy taxes	611,000	576,348	564,593	(11,755)
Franchise taxes	268,000	377,536	393,390	15,854
Licenses and permits	334,022	470,148	479,285	9,137
Intergovernmental revenues	501,285	741,387	730,494	(10,893)
Charges for services	868,828	978,578	1,015,292	36,714
Fines and forfeitures	300,000	310,000	313,474	3,474
Interest earnings	82,000	21,925	22,982	1,057
Miscellaneous	68,700	147,325	232,841	85,516
Total revenues	<u>8,596,335</u>	<u>8,984,846</u>	<u>9,140,969</u>	<u>156,123</u>
Expenditures				
Current:				
General government	2,354,151	2,136,776	2,055,033	81,743
Public safety	2,785,956	2,895,679	2,852,082	43,597
Streets and highways	775,564	748,264	686,966	61,298
Sanitation	676,331	763,754	749,135	14,619
Parks, cemetery and public property	1,133,563	1,162,467	1,036,133	126,334
Community and economic development	705,094	578,820	564,708	14,112
Debt service:				
Principal	241,000	236,000	236,000	-
Interest	186,450	189,214	189,212	2
Total debt service	<u>427,450</u>	<u>425,214</u>	<u>425,212</u>	<u>2</u>
Total expenditures	<u>8,858,109</u>	<u>8,710,974</u>	<u>8,369,269</u>	<u>341,705</u>
Excess of revenues over (under) expenditures	<u>(261,774)</u>	<u>273,872</u>	<u>771,700</u>	<u>497,828</u>
Other financing sources (uses)				
Transfers in	1,237,450	1,548,346	1,548,342	(4)
Transfers out	(1,494,174)	(2,511,169)	(2,495,011)	16,158
Total other financing sources and (uses)	<u>(256,724)</u>	<u>(962,823)</u>	<u>(946,669)</u>	<u>16,154</u>
Net change in fund balances	(518,498)	(688,951)	(174,969)	513,982
Fund balance - beginning	<u>2,612,828</u>	<u>2,612,828</u>	<u>2,612,828</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,094,330</u>	<u>\$ 1,923,877</u>	<u>\$ 2,437,859</u>	<u>\$ 513,982</u>

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

WASHINGTON CITY, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,763,764	\$ 2,818,531	\$ 2,892,973	\$ 2,474,546	\$ 11,949,814
Accounts receivable, net	648,123	248,036	1,624,146	50,276	2,570,581
Other receivables	-	-	79,555	-	79,555
Due from other funds	-	1,079,825	-	5,000,000	6,079,825
Inventory	-	-	575,417	-	575,417
Total current assets	<u>4,411,887</u>	<u>4,146,392</u>	<u>5,172,091</u>	<u>7,524,822</u>	<u>21,255,192</u>
Noncurrent assets:					
Cash - restricted	<u>2,126,908</u>	<u>1,834,986</u>	<u>645,847</u>	<u>657,072</u>	<u>5,264,813</u>
Bond issuance costs, net	<u>-</u>	<u>-</u>	<u>161,558</u>	<u>-</u>	<u>161,558</u>
Capital assets:					
Land	821,613	9,055	1,367,687	865,715	3,064,070
Buildings	1,185,494	1,475,932	382,667	374,360	3,418,453
Improvements and systems	41,422,412	17,057,695	22,640,985	10,202,310	91,323,402
Machinery and equipment	669,216	506,678	511,980	1,186,176	2,874,050
Automobiles and trucks	242,592	339,485	822,255	20,688	1,425,020
Construction in progress	22,594	20,493	160,122	469,562	672,771
Less accumulated depreciation	<u>(8,055,037)</u>	<u>(3,162,481)</u>	<u>(4,727,930)</u>	<u>(3,854,665)</u>	<u>(19,800,113)</u>
Total capital assets, net	<u>36,308,884</u>	<u>16,246,857</u>	<u>21,157,766</u>	<u>9,264,146</u>	<u>82,977,653</u>
Total noncurrent assets	<u>38,435,792</u>	<u>18,081,843</u>	<u>21,965,171</u>	<u>9,921,218</u>	<u>88,404,024</u>
Total assets	<u>42,847,679</u>	<u>22,228,235</u>	<u>27,137,262</u>	<u>17,446,040</u>	<u>109,659,216</u>
Liabilities					
Current liabilities:					
Accounts payable	168,379	25,932	1,369,983	86,788	1,651,082
Accrued wages and taxes	20,174	14,471	27,686	20,340	82,671
Sales tax payable	-	-	50,257	10,168	60,425
Other payables	2,831	334,714	2,112	-	339,657
Due to other funds	-	-	-	1,571,288	1,571,288
Accrued interest payable	30,930	16,542	99,289	2,271	149,032
Customer deposits payable	103,331	-	477,711	-	581,042
Compensated absences payable - current	51,483	33,791	81,161	37,877	204,312
Capital leases payable - current	-	-	19,989	116,842	136,831
Revenue bonds payable - current	438,403	180,000	310,000	-	928,403
Total current liabilities	<u>815,531</u>	<u>605,450</u>	<u>2,438,188</u>	<u>1,845,574</u>	<u>5,704,743</u>
Noncurrent liabilities:					
Compensated absences payable	21,023	8,333	-	26,682	56,038
Capital leases payable	-	-	20,982	185,330	206,312
Revenue bonds payable	13,422,803	1,804,840	6,100,000	-	21,327,643
Bond premium	-	-	168,965	-	168,965
Total noncurrent liabilities	<u>13,443,826</u>	<u>1,813,173</u>	<u>6,289,947</u>	<u>212,012</u>	<u>21,758,958</u>
Total liabilities	<u>14,259,357</u>	<u>2,418,623</u>	<u>8,728,135</u>	<u>2,057,586</u>	<u>27,463,701</u>
Net assets					
Invested in capital assets, net of related debt	22,447,678	14,262,017	14,537,830	8,961,974	60,209,499
Restricted for:					
Debt service	727,984	57,834	-	-	785,818
Capital outlay	1,295,593	1,777,152	168,136	657,072	3,897,953
Unrestricted	4,117,067	3,712,609	3,703,161	5,769,408	17,302,245
Total net assets	<u>\$ 28,588,322</u>	<u>\$ 19,809,612</u>	<u>\$ 18,409,127</u>	<u>\$ 15,388,454</u>	<u>\$ 82,195,515</u>

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

WASHINGTON CITY, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
Operating revenues:					
Charges for services	\$ 3,647,872	\$ 1,279,283	\$ 8,810,447	\$ 1,526,535	\$ 15,264,137
Miscellaneous	7,580	-	236,208	17,077	260,865
Total operating revenues	<u>3,655,452</u>	<u>1,279,283</u>	<u>9,046,655</u>	<u>1,543,612</u>	<u>15,525,002</u>
Operating expenses:					
Salaries and wages	553,151	385,774	704,401	551,467	2,194,793
Employee benefits	287,052	209,072	328,477	258,184	1,082,785
Utilities	351,298	14,240	28,920	100,514	494,972
Professional services	29,084	10,743	8,297	35,114	83,238
Repairs and maintenance	153,481	6,900	198,242	8,360	366,983
Sewer services	-	318	-	-	318
Water purchased	971,338	-	-	-	971,338
Power purchased	-	-	6,530,552	-	6,530,552
Transmission expense	-	-	364,043	-	364,043
Rent	-	-	-	98,414	98,414
Miscellaneous	4,468	2,309	147,642	20,873	175,292
Supplies	35,382	44,304	39,919	173,977	293,582
Depreciation/amortization	977,114	437,423	587,907	287,327	2,289,771
Total operating expenses	<u>3,362,368</u>	<u>1,111,083</u>	<u>8,938,400</u>	<u>1,534,230</u>	<u>14,946,081</u>
Operating income	<u>293,084</u>	<u>168,200</u>	<u>108,255</u>	<u>9,382</u>	<u>578,921</u>
Nonoperating revenues (expenses):					
Interest earnings	57,035	54,900	87,516	11,996	211,447
Impact fees	553,942	329,866	245,328	395,138	1,524,274
Interest and fiscal charges	(538,028)	(41,646)	(287,065)	(16,650)	(883,389)
Total nonoperating revenues (expenses)	<u>72,949</u>	<u>343,120</u>	<u>45,779</u>	<u>390,484</u>	<u>852,332</u>
Income before transfers and contributions	<u>366,033</u>	<u>511,320</u>	<u>154,034</u>	<u>399,866</u>	<u>1,431,253</u>
Transfers out	(200,000)	(150,000)	(55,000)	(155,000)	(560,000)
Capital contributions	1,532,554	1,262,898	-	1,107,359	3,902,811
Change in net assets	1,698,587	1,624,218	99,034	1,352,225	4,774,064
Total net assets - beginning	<u>26,889,735</u>	<u>18,185,394</u>	<u>18,310,093</u>	<u>14,036,229</u>	<u>77,421,451</u>
Total net assets - ending	<u>\$ 28,588,322</u>	<u>\$ 19,809,612</u>	<u>\$ 18,409,127</u>	<u>\$ 15,388,454</u>	<u>\$ 82,195,515</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, 2010

	Water	Sewer	Electric	Other Proprietary Funds	Totals
Cash flows from operating activities:					
Cash received from customers and users	\$ 3,635,536	\$ 1,666,161	\$ 9,536,707	\$ 1,553,110	\$ 16,391,514
Cash paid to suppliers	(1,692,402)	(245,337)	(7,320,201)	(389,608)	(9,647,548)
Cash paid to employees	(818,673)	(580,269)	(1,015,124)	(805,062)	(3,219,128)
Net cash flows from operating activities	<u>1,124,461</u>	<u>840,555</u>	<u>1,201,382</u>	<u>358,440</u>	<u>3,524,838</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(200,000)	(150,000)	(55,000)	(155,000)	(560,000)
Cash received (paid) from (to) other funds	-	(1,079,825)	-	463,266	(616,559)
Net cash flows from noncapital financing activities	<u>(200,000)</u>	<u>(1,229,825)</u>	<u>(55,000)</u>	<u>308,266</u>	<u>(1,176,559)</u>
Cash flows from capital and related financing activities:					
Proceeds from capital debt	704,635	-	-	-	704,635
Principal paid on capital debt	(429,236)	(167,000)	(319,042)	(111,745)	(1,027,023)
Interest paid on capital debt	(598,535)	(43,036)	(302,546)	(17,490)	(961,607)
Purchase and acquisition of capital assets	(918,678)	(181,217)	(153,647)	(273,340)	(1,526,882)
Impact fees	553,942	329,866	245,328	395,138	1,524,274
Net cash flows from capital and related financing activities:	<u>(687,872)</u>	<u>(61,387)</u>	<u>(529,907)</u>	<u>(7,437)</u>	<u>(1,286,603)</u>
Cash flows from investing activities:					
Interest received	57,035	54,900	87,516	11,996	211,447
Net cash flows from investing activities	<u>57,035</u>	<u>54,900</u>	<u>87,516</u>	<u>11,996</u>	<u>211,447</u>
Net change in cash and cash equivalents	293,624	(395,757)	703,991	671,265	1,273,123
Cash and cash equivalents, including restricted cash, beginning of year	<u>5,597,048</u>	<u>5,049,274</u>	<u>2,834,829</u>	<u>2,460,353</u>	<u>15,941,504</u>
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 5,890,672</u>	<u>\$ 4,653,517</u>	<u>\$ 3,538,820</u>	<u>\$ 3,131,618</u>	<u>\$ 17,214,627</u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income	\$ 293,084	\$ 168,200	\$ 108,255	\$ 9,382	\$ 578,921
Adjustments to reconcile net operating income to net cash flows from operating activities					
Depreciation/amortization	977,114	437,423	587,907	287,327	2,289,771
Other noncash items	-	-	(66,170)	-	(66,170)
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(13,851)	70,521	362,906	3,497	423,073
(Increase) decrease in inventory	-	-	54,852	-	54,852
Increase (decrease) in accounts payable	(147,351)	(166,523)	(49,974)	47,644	(316,204)
Increase (decrease) in accrued payroll	5,690	4,364	10,259	5,454	25,767
Increase (decrease) in other accrued liabilities	2,831	316,357	23,731	6,001	348,920
Increase (decrease) in customer deposits	(8,896)	-	162,121	-	153,225
Increase (decrease) in compensated absences	15,840	10,213	7,495	(865)	32,683
Net cash flows from operating activities	<u>\$ 1,124,461</u>	<u>\$ 840,555</u>	<u>\$ 1,201,382</u>	<u>\$ 358,440</u>	<u>\$ 3,524,838</u>
Noncash investing, capital, and financing activities					
Capital contributions from sub dividers	\$ 1,532,554	\$ 1,262,898	\$ -	\$ 1,107,359	\$ 3,902,811

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies

General

Washington City (the “City”) is organized as a Mayor/Council form of government. Washington City is located in Washington County, Utah.

The financial statements of Washington City, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City Council directly controls the operations of the City through the budgetary process.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based on these criteria, the City has two blended component units that are included in the financial statements of the City. The City has no discretely presented component units.

Blended component units. 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, Washington County, Utah (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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

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 City 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.

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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 Capital Projects Fund (Recreation) is used to account for capital improvement projects of the City that are not accounted for in other funds.

The Special Revenue Fund (Leisure services - community center) is used to account for the collection of various leisure service fees and the related expenditures.

The City reports the following major proprietary 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

When both restricted and unrestricted assets are available for use, it is the City's policy to use restricted assets first, then unrestricted assets as they are needed. The City does reserve the right to be selective in the use of such restricted assets that best fit the City's needs.

Deposits and Investments

Cash and cash equivalents include 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. The City's 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 interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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, no allowance for uncollectible accounts receivable is presented.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

Inventories and Prepaid Items

The costs of inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories of the business-type activities for the Electric fund are valued at cost (or market if lower) using the first-in/first-out (FIFO) method. Market is considered as replacement cost. Inventory for the other business-type activities consist of various parts and supplies and are not deemed material to the financial statements and have not been recorded on the statement of net assets.

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.

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 these 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

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 assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the 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.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs (if material) are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. 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.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted sources are used before unrestricted sources to fund budget appropriations.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the City 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.

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 for all real property located in the City. Taxable values are established by the County Assessor at 55 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments

Deposits and investments of the City at June 30, 2010 consist of the following:

Deposits:		
Cash in bank and on hand	\$	247,223
Investments:		
State Treasurer's Investment Pool:		
Washington City		21,040,594
With paying agent		936,614
Dreyfus Mututal Fund:		
With paying agent		856,491
Total deposits and investments	\$	<u><u>23,080,922</u></u>

A reconciliation of cash and investments as shown on the statement net assets is as follows:

Cash and cash equivalents	\$	12,775,239
Restricted cash and cash equivalents		<u>10,305,683</u>
Total	\$	<u><u>23,080,922</u></u>

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.

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 to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2010, \$60,719 of the City's bank balance of \$310,719 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments, Continued

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.

As of June 30, 2010 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$ 21,977,208	\$ 21,977,208	\$ -	\$ -	\$ -
Dreyfus Mutual Fund	856,491	856,491	-	-	-
Total Fair Value	\$ 22,833,699	\$ 22,833,699	\$ -	\$ -	\$ -

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 3. Deposits and Investments, Continued

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.

At June 30, 2010 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$21,977,208	\$ -	\$ -	\$ -	\$21,977,208
Dreyfus Mutual Fund	856,491	-	-	-	856,491
Total Fair Value	\$22,833,699	\$ -	\$ -	\$ -	\$22,833,699

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities:	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital assets, not being depreciated:				
Land	\$ 1,438,767	\$ -	\$ -	\$ 1,438,767
Construction in progress	369,734	1,135,651	(533,814)	971,571
Infrastructure	46,823,998	3,950,285	-	50,774,283
Total capital assets, not being depreciated:	<u>48,632,499</u>	<u>5,085,936</u>	<u>(533,814)</u>	<u>53,184,621</u>
Capital assets, being depreciated:				
Buildings and improvements	31,141,918	16,245	-	31,158,163
Machinery and equipment	1,436,523	28,134	(6,500)	1,458,157
Automobiles and trucks	2,241,699	83,567	(82,844)	2,242,422
Total capital assets, being depreciated:	<u>34,820,140</u>	<u>127,946</u>	<u>(89,344)</u>	<u>34,858,742</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,535,637)	(767,920)	-	(4,303,557)
Machinery and equipment	(665,387)	(147,113)	6,500	(806,000)
Automobiles and trucks	(1,156,452)	(184,701)	40,985	(1,300,168)
Total accumulated depreciation	<u>(5,357,476)</u>	<u>(1,099,734)</u>	<u>47,485</u>	<u>(6,409,725)</u>
Total capital assets, being depreciated, net	<u>29,462,664</u>	<u>(971,788)</u>	<u>(41,859)</u>	<u>28,449,017</u>
Governmental activities capital assets, net	<u>\$ 78,095,163</u>	<u>\$ 4,114,148</u>	<u>\$ (575,673)</u>	<u>\$ 81,633,638</u>

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

Governmental Activities:	
General government	\$ 103,527
Public safety	188,729
Streets and highways	93,718
Parks, cemetery and public property	268,930
Culture and recreation	425,520
Community and economic development	19,310
Total depreciation expense - governmental activities	<u>\$ 1,099,734</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 4. Capital Assets, Continued

Business-type Activities:	Balance 6/30/2009	Adjustments*	Additions	Deletions	Balance 6/30/2010
Capital assets not being depreciated:					
Land and water rights	\$ 3,064,070	-	\$ -	\$ -	\$ 3,064,070
Construction in progress	1,244,873	-	1,389,999	(1,962,101)	672,771
Total capital assets, not being depreciated	<u>4,308,943</u>	<u>-</u>	<u>1,389,999</u>	<u>(1,962,101)</u>	<u>3,736,841</u>
Capital assets being depreciated:					
Buildings	3,418,453	-	-	-	3,418,453
Improvements and systems	85,358,466	-	5,964,936	-	91,323,402
Machinery and equipment	2,837,194	-	36,856	-	2,874,050
Automobiles and trucks	1,327,946	116,521	-	(19,447)	1,425,020
Total capital assets, being depreciated	<u>92,942,059</u>	<u>116,521</u>	<u>6,001,792</u>	<u>(19,447)</u>	<u>99,040,925</u>
Less accumulated depreciation for:					
Buildings	(303,316)	-	(79,796)	-	(383,112)
Improvements and systems	(14,350,645)	-	(1,967,430)	-	(16,318,075)
Machinery and equipment	(2,041,808)	-	(113,979)	-	(2,155,787)
Automobiles and trucks	(796,098)	(39,935)	(116,139)	9,033	(943,139)
Total accumulated depreciation	<u>(17,491,867)</u>	<u>(39,935)</u>	<u>(2,277,344)</u>	<u>9,033</u>	<u>(19,800,113)</u>
Total capital assets, being depreciated, net	<u>75,450,192</u>	<u>76,586</u>	<u>3,724,448</u>	<u>(10,414)</u>	<u>79,240,812</u>
Business-type activities capital assets, net	<u>\$ 79,759,135</u>	<u>\$ 76,586</u>	<u>\$ 5,114,447</u>	<u>\$ (1,972,515)</u>	<u>\$ 82,977,653</u>

*The items in the adjustments column relate to transfers of assets from other funds and the addition of a capital asset that was acquired in a prior period.

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

Business-type Activities:	
Water	\$ 977,114
Sewer	437,423
Electric	575,480
Irrigation	25,595
Storm drain	92,205
Golf	169,527
Total depreciation expense - business-type activities	<u>\$ 2,277,344</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Long-term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

Governmental Activities:	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2010</u>	<u>Current Portion</u>
General obligation bonds (Coral Canyon)	\$ 9,695,000	\$ -	\$ 205,000	\$ 9,490,000	\$ 210,000
Lease revenue bonds (MBA)	7,919,000	-	423,000	7,496,000	443,000
Sales tax revenue bonds	4,116,000	-	236,000	3,880,000	245,000
Notes payable	-	480,722	-	480,722	137,349
Compensated absences	<u>267,843</u>	<u>245,155</u>	<u>232,125</u>	<u>280,873</u>	<u>237,637</u>
Total governmental activities	<u>21,997,843</u>	<u>725,877</u>	<u>1,096,125</u>	<u>21,627,595</u>	<u>1,272,986</u>
Business-type Activities:					
Revenue bonds	22,447,647	704,635	896,236	22,256,046	928,403
Plus bond premiums	<u>180,893</u>	<u>-</u>	<u>11,928</u>	<u>168,965</u>	<u>-</u>
Total revenue bonds	22,628,540	704,635	908,164	22,425,011	928,403
Capital leases payable	473,930	-	130,787	343,143	136,831
Compensated absences	<u>227,667</u>	<u>228,062</u>	<u>195,379</u>	<u>260,350</u>	<u>204,312</u>
Total business-type activities	<u>23,330,137</u>	<u>932,697</u>	<u>1,234,330</u>	<u>23,028,504</u>	<u>1,269,546</u>
Total long-term liabilities	<u>\$ 45,327,980</u>	<u>\$ 1,658,574</u>	<u>\$ 2,330,455</u>	<u>\$ 44,656,099</u>	<u>\$ 2,542,532</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Long-term Liabilities, Continued

Long-term liabilities for the primary government at June 30, 2010 are comprised of the following:

General Obligation Bonds:

Governmental Activities:

Coral Canyon Special Service District:

The Coral Canyon Special Service District issued general obligation road bonds during the fiscal years ending June 30, 2001 and June 30, 2002. Proceeds were used to construct roads and infrastructure within boundaries of the District.

General Obligation Bonds - Series 2001 were issued during the year ended June 30, 2002 in the amount of \$900,000. The bonds bear interest of 5.5% to 6.10% with payments due annually in July. Payments range from \$25,000 to \$75,000 with the final payment due July 15, 2025.	\$ 815,000
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General Obligation Bonds - Series 2001A were issued during the year ended June 30, 2002 in the amount of \$2,025,000. The bonds bear interest of 4.7% to 6% with principal payments due annually of \$75,000 to \$205,000. Final payment is due July 15, 2026. Interest is paid semi-annually at a rate of 5% to 5.9%.	3,295,000
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General Obligation Bonds - Series 2003 issued October 15, 2003 in the amount of \$3,180,000 payable in annual installments of \$95,000 to \$245,000 with the final payment due July 15, 2028. Interest is paid semi-annually at a rate of 5% to 5.9%.	3,085,000
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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%.	<u>3,295,000</u>
--	------------------

Total general obligation bonds, governmental activities	<u>9,490,000</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 3.54% to 4.45%. Interest is paid semi-annually. Property located at Buena Vista Blvd and Main St is pledged toward these bonds.	<u>7,496,000</u>
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Total lease revenue bonds (MBA), governmental activities	<u>7,496,000</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%.	555,000
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Sales Tax Revenue Bonds Series 2003. Payable in annual installments of \$145,000 to \$320,000 with interest paid semi-annually. The bonds bear interest of 3 to 5.25%. Final payment due November 15, 2023.	<u>3,325,000</u>
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Total sales tax revenue bonds, governmental activities	<u>3,880,000</u>
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WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Long-term Liabilities, Continued

Business-type Activities:

Water System Water Revenue Bonds Series 1993A payable in annual installments of \$67,000 to \$80,000 with a final payment of \$160,000 due January 1, 2013. The bonds bear no interest.	\$ 320,000
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	818,472
Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest.	410,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	308,239
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.	1,430,027
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.	687,000
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%.	2,218,372
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.	484,000
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%.	3,877,283
Water Revenue Bonds Series 2008 payable in monthly principal and interest installments of \$17,240 with the final payment due July 2037. The bond bears interest of 4.125%. As of June 30, 2010, \$3,378,395 in bond principal has been advanced.	3,307,813
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%.	1,984,840
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%.	<u>6,410,000</u>
Total revenue bonds, business-type activities	<u>22,256,046</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Long-term Liabilities, Continued

Leases Payable:

Business-type Activities:

Electric department bucket truck lease purchase issued September 6, 2006 in the amount of \$94,380. Principal payable in annual installments of \$16,226 to \$19,998 with final payment due December 1, 2011. The lease bears an interest rate of 4.97%. \$ 40,971

Golf course equipment lease purchase issued November 1, 2007 in the amount of \$572,463. Principal payable in semi-annual installments of \$51,677 to \$63,159 with final payment due November 1, 2012. The lease bears an interest rate of 4.51%. 302,172

Total leases payable, business-type activities 343,143

Notes Payable:

Governmental Activities:

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. 480,722

Accrued Compensated Absences 541,223

Bond Premiums 168,965

Total long-term liabilities \$ 44,656,099

Due within one year \$ 2,542,532

Due in more than one year 42,113,567

Total long-term liabilities \$ 44,656,099

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Long-term Liabilities, Continued

The annual requirements to amortize bonds and notes payable at June 30, 2010 are as follows:

Governmental Activities

Year Ending June 30,	Coral Canyon SSD GO Bonds		MBA Lease Revenue Bonds		Sales Tax Revenue Bonds		SITLA Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 210,000	\$ 523,048	\$ 443,000	\$ 285,207	\$ 245,000	\$ 203,660	\$ 137,349	\$ 33,234
2012	265,000	511,018	355,000	270,138	253,000	195,258	68,675	17,169
2013	280,000	497,124	305,000	257,807	261,000	186,034	68,675	13,735
2014	295,000	482,044	317,000	246,031	274,000	175,943	68,675	10,301
2015	310,000	465,569	330,000	233,296	287,000	164,989	68,675	6,867
2016-2020	1,815,000	2,043,839	1,872,000	942,818	1,370,000	835,620	68,673	3,434
2021-2025	2,395,000	1,445,653	2,280,000	534,417	1,190,000	122,750	-	-
2026-2030	3,175,000	649,814	1,594,000	93,875	-	-	-	-
2031	745,000	19,740	-	-	-	-	-	-
Totals	\$ 9,490,000	\$ 6,637,849	\$ 7,496,000	\$ 2,863,589	\$ 3,880,000	\$ 1,884,254	\$ 480,722	\$ 84,740

Business-type Activities

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 310,000	\$ 289,345	\$ 438,403	\$ 514,302	\$ 180,000	\$ 39,700	\$ 928,403
2012	325,000	278,860	448,007	504,757	183,000	36,100	956,007
2013	335,000	267,305	459,555	493,223	187,000	32,440	981,555
2014	345,000	254,806	469,695	482,078	190,000	28,700	1,004,695
2015	360,000	241,138	470,219	470,503	194,000	24,900	1,024,219
2016-2020	2,075,000	932,969	1,855,061	2,164,144	1,050,840	63,900	4,980,901
2021-2025	2,660,000	345,750	1,844,782	1,808,080	-	-	4,504,782
2026-2030	-	-	2,025,120	1,423,740	-	-	2,025,120
2031-2035	-	-	2,454,805	961,023	-	-	2,454,805
2036-2040	-	-	1,806,197	507,305	-	-	1,806,197
2041-2045	-	-	1,332,308	179,488	-	-	1,332,308
2046-2047	-	-	257,054	6,705	-	-	257,054
Totals	\$ 6,410,000	\$ 2,610,173	\$13,861,206	\$ 9,515,348	\$ 1,984,840	\$ 225,740	\$22,256,046

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 6. Capital Leases

The City has entered into lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board statement number 13. The following is an annual schedule of future minimum lease payments with interest rates ranging from 4.51% to 4.97%, together with the present value of the net minimum lease payments:

Year Ending June 30,	Electric Bucket Truck	Golf Equip. and Improv.	Total
2011	\$ 22,025	\$ 129,167	\$ 151,192
2012	22,025	129,167	151,192
2013	-	64,584	64,584
<hr/>			
Total remaining lease payments:	44,050	322,918	366,968
Less amount representing interest:	(3,079)	(20,746)	(23,825)
<hr/>			
Present value of net remaining minimum lease payments:	<u>\$ 40,971</u>	<u>\$ 302,172</u>	<u>\$ 343,143</u>

A summary of the assets acquired through capital leases is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	\$ 254,417	\$ 27,200	\$ 80,323
Autos and trucks	96,500	-	96,500
Improvements and systems	326,068	22	22
	<u>\$ 350,917</u>	<u>\$ 27,222</u>	<u>\$ 176,845</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 7. Equity Classifications

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

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

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 7. Equity Classifications, Continued

At June 30, 2010 the City's reserved fund balances are as follows:

Governmental funds	
General fund:	
Debt service - sales tax revenue bonds	\$ 422,799
Capital projects fund - recreation:	
Impact fees	573,463
Underfunded	(573,463)
Total	<u>-</u>
Nonmajor governmental funds	
Debt service:	
Coral Canyon SSD fund - bonds	<u>342,768</u>
Capital projects:	
Streets fund:	
Impact fees	692,698
Other capital projects	<u>533,709</u>
Total streets	<u>1,226,407</u>
Fire Station fund - impact fees	<u>165,130</u>
Total	<u>1,391,537</u>
Total nonmajor governmental funds	<u>1,734,305</u>
Total governmental funds	<u>2,157,104</u>
Proprietary funds	
Water fund:	
Impact fees	1,295,593
Debt service - revenue bonds	<u>727,984</u>
Total	<u>2,023,577</u>
Sewer fund:	
Impact fees	1,777,152
Debt service - revenue bonds	<u>57,834</u>
Total	<u>1,834,986</u>
Electric fund:	
Impact fees	-
Other capital projects - revenue bonds	<u>168,136</u>
Total	<u>168,136</u>
Nonmajor proprietary funds	
Capital projects:	
Strom drain fund impact fees	<u>657,072</u>
Total proprietary funds	<u>4,683,771</u>
Total governmental and proprietary funds	<u>\$ 6,840,875</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 8. Interfund Transfers and Balances

Interfund transfers for the fiscal year ended June 30, 2010 are as follows:

		Transfers In			Total
		General Fund	SRF Leisure Services	Nonmajor Governmental	
Transfers Out	General Fund	\$ -	\$ 1,124,292	\$ 1,370,719	\$ 2,495,011
	CPF Recreation	636,070	-	-	636,070
	Nonmajor governmental	352,272	-	-	352,272
	Water Fund	200,000	-	-	200,000
	Sewer Fund	150,000	-	-	150,000
	Electric Fund	55,000	-	-	55,000
	Nonmajor business-type	155,000	-	-	155,000
	Total	\$ 1,548,342	\$ 1,124,292	\$ 1,370,719	\$ 4,043,353

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 expand 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, 2010 are as follows:

		Due From			Total
		CPF Recreation	Nonmajor Governmental	Nonmajor Business-type	
Due To	General Fund	\$ -	\$ 136,473	\$ 491,463	\$ 627,936
	Sewer Fund	-	-	1,079,825	1,079,825
	Nonmajor business-type	5,000,000	-	-	5,000,000
	Total	\$ 5,000,000	\$ 136,473	\$ 1,571,288	\$ 6,707,761

The amount payable to the nonmajor business-type funds is a loan between the internal debt service fund and the capital projects fund – recreation in connection with the community center. This loan is not expected to be repaid within the next fiscal year. The amounts payable to the general fund and sewer fund relate to working capital loans. Of the \$1,571,288 amount, \$1,496,386 is due from the golf course fund to the general fund and sewer fund, which is not expected to be repaid within the next fiscal year.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 9. Retirement Plans

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 13.49% to the Firefighters Retirement Systems. The City is required to contribute a percent of covered salary to the respective systems, 11.66% to the Noncontributory and 12.47% to the Public Safety Contributory Systems. 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, 2010

NOTE 9. Retirement Plans, Continued

The required contributions and amounts received for the 2010 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>
Noncontributory System:				
Local Governmental Division				
2010	\$ -	\$ -	\$ 465,196	\$ 3,989,674
2009	-	-	471,076	4,054,009
2008	-	-	428,353	3,686,352
Public Safety System				
Other Division A Contributory				
2010	-	81,649	82,845	664,352
2009	-	77,056	70,346	626,977
2008	-	71,766	65,518	583,935
Firefighters System				
Division A				
2010	-	24,283	-	180,006
2009	-	23,420	-	178,236
2008	-	20,418	-	160,013
Defined Contribution System:				
457 Plan				
2010	2,044	-	N/A	N/A
2009	-	-	N/A	N/A
2008	-	-	N/A	N/A
401(k) Plan				
2010	95,770	268,807	N/A	N/A
2009	113,187	264,553	N/A	N/A
2008	130,964	227,279	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, 2010

NOTE 10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

NOTE 11. Municipal Building Authority Lease Agreement

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 footnote for annual requirements to amortize the MBA Lease Revenue Bonds.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 12. Commitments

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 entered into April 1, 1987 for 25 years (2012). 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, other payables. During fiscal year 2010, the City collected \$1,334,128 and the liability balance at June 30, 2010 was \$331,759.

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.

NOTE 13. Jointly Governed Organization

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 totaling \$5,041,675 during the fiscal year ended June 30, 2010.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 14. Contingencies

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

NOTE 15. Leisure Services Trade Sales

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 2010 was \$48,042.

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,498,500	\$ 1,241,893	\$ 1,237,767	\$ (4,126)
Miscellaneous	64,500	63,479	51,316	(12,163)
Total revenues	<u>1,563,000</u>	<u>1,305,372</u>	<u>1,289,083</u>	<u>(16,289)</u>
Expenditures				
Current:				
Culture and recreation	<u>2,659,291</u>	<u>2,450,939</u>	<u>2,413,375</u>	<u>37,564</u>
Total expenditures	<u>2,659,291</u>	<u>2,450,939</u>	<u>2,413,375</u>	<u>37,564</u>
Excess of revenues over (under) expenditures	<u>(1,096,291)</u>	<u>(1,145,567)</u>	<u>(1,124,292)</u>	<u>21,275</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>1,145,567</u>	<u>1,124,292</u>	<u>(21,275)</u>
Total other financing sources and (uses)	<u>-</u>	<u>1,145,567</u>	<u>1,124,292</u>	<u>(21,275)</u>
Net change in fund balance	(1,096,291)	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ (1,096,291)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2010

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, 2010, showed that the City had overall average condition ratings of 16.42 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	2.60
1-2	0.09
3-4	0.56
5-6	3.04
7-8	2.18
9-10	3.39
11-12	5.32
13-14	6.65
15-16	12.15
17-18	46.28
19-20	17.74
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 16.92 (June 2009) and 15.72 (May 2008).

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2010

The City’s administrative policy is to maintain its streets at an average remaining service life of 12.6 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
2010	\$ 700,000	\$ 315,359
2009	700,000	521,230
2008	700,000	666,015

In fiscal year 2009 13.59% of roads had an RLS of 10 years or less. With the improvements made in fiscal year 2010, the percent of roads with an RLS of 10 years or less was reduced to just 11.86%, which reflects the commitment the City makes 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.

Streets Fund – This fund is used to account for street capital improvement projects of the City that are not accounted for in other funds.

Debt Service Funds (Blended Component Unit)

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, 2010

	<u>Capital Projects</u>				<u>Debt Service</u>		Total Nonmajor Governmental Funds
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Streets</u>	<u>Municipal Building Authority</u>	<u>Coral Canyon Special Service District</u>	
Assets							
Cash and cash equivalents	\$ 83,734	\$ -	\$ 681,763	\$ -	\$ -	\$ -	\$ 765,497
Due from other governments	-	-	-	-	-	5,055	5,055
Cash - restricted	-	165,130	-	1,284,681	-	474,186	1,923,997
Total assets	<u>\$ 83,734</u>	<u>\$ 165,130</u>	<u>\$ 681,763</u>	<u>\$ 1,284,681</u>	<u>\$ -</u>	<u>\$ 479,241</u>	<u>\$ 2,694,549</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 1,894	\$ 58,274	\$ -	\$ -	\$ 60,168
Due to other funds	-	-	-	-	-	136,473	136,473
Total liabilities	<u>-</u>	<u>-</u>	<u>1,894</u>	<u>58,274</u>	<u>-</u>	<u>136,473</u>	<u>196,641</u>
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	342,768	342,768
Capital outlay	-	165,130	-	1,226,407	-	-	1,391,537
Unreserved, undesignated	83,734	-	679,869	-	-	-	763,603
Total fund balances	<u>83,734</u>	<u>165,130</u>	<u>679,869</u>	<u>1,226,407</u>	<u>-</u>	<u>342,768</u>	<u>2,497,908</u>
Total liabilities and fund balances	<u>\$ 83,734</u>	<u>\$ 165,130</u>	<u>\$ 681,763</u>	<u>\$ 1,284,681</u>	<u>\$ -</u>	<u>\$ 479,241</u>	<u>\$ 2,694,549</u>

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	<u>Capital Projects</u>				<u>Debt Service</u>		Total Nonmajor Governmental Funds
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Streets</u>	<u>Municipal Building Authority</u>	<u>Coral Canyon Special Service District</u>	
Revenues							
Property taxes	\$ -	-	\$ -	\$ -	\$ -	\$ 664,884	\$ 664,884
Intergovernmental revenues	-	-	-	213,503	-	-	213,503
Impact fees	-	53,822	-	695,853	-	-	749,675
Interest earnings	565	1,819	5,467	3,162	301	2,667	13,981
Miscellaneous	-	-	-	7,040	-	45,645	52,685
Total revenues	<u>565</u>	<u>55,641</u>	<u>5,467</u>	<u>919,558</u>	<u>301</u>	<u>713,196</u>	<u>1,694,728</u>
Expenditures							
Current:							
Streets and highways	-	-	-	315,359	-	-	315,359
Debt service:							
Principal	-	-	-	-	423,000	205,000	628,000
Interest and fiscal charges	-	-	-	-	303,686	539,193	842,879
Capital outlay	6,000	-	157,433	1,052,552	-	-	1,215,985
Total expenditures	<u>6,000</u>	<u>-</u>	<u>157,433</u>	<u>1,367,911</u>	<u>726,686</u>	<u>744,193</u>	<u>3,002,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,435)</u>	<u>55,641</u>	<u>(151,966)</u>	<u>(448,353)</u>	<u>(726,385)</u>	<u>(30,997)</u>	<u>(1,307,495)</u>
Other financing sources (uses)							
Debt proceeds	-	-	-	480,722	-	-	480,722
Transfers in	-	-	-	644,338	726,381	-	1,370,719
Transfers out	-	(93,669)	-	(258,603)	-	-	(352,272)
Total other financing sources and (uses)	<u>-</u>	<u>(93,669)</u>	<u>-</u>	<u>866,457</u>	<u>726,381</u>	<u>-</u>	<u>1,499,169</u>
Net change in fund balances	(5,435)	(38,028)	(151,966)	418,104	(4)	(30,997)	191,674
Fund balances - beginning	89,169	203,158	831,835	808,303	4	373,765	2,306,234
Fund balances - ending	<u>\$ 83,734</u>	<u>\$ 165,130</u>	<u>\$ 679,869</u>	<u>\$ 1,226,407</u>	<u>\$ -</u>	<u>\$ 342,768</u>	<u>\$ 2,497,908</u>

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.

Storm Drain Fund – This fund accounts for the activities of the City’s storm drain system, which provides services to residential and commercial users within the City.

Golf Course Fund – This fund accounts for the activities of the City’s golf course.

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 Assets
Nonmajor Proprietary Funds
June 30, 2010

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,964,298	\$ -	\$ 510,248	\$ 2,474,546
Accounts receivable, net	1,413	48,863	-	-	50,276
Due from other funds	-	-	-	5,000,000	5,000,000
Total current assets	<u>1,413</u>	<u>2,013,161</u>	<u>-</u>	<u>5,510,248</u>	<u>7,524,822</u>
Noncurrent assets:					
Cash - restricted	-	657,072	-	-	657,072
Capital assets					
Land	-	-	865,715	-	865,715
Buildings and structures	-	-	374,360	-	374,360
Improvements other than buildings	794,534	5,408,514	3,999,262	-	10,202,310
Machinery and equipment	-	-	1,186,176	-	1,186,176
Automobiles and trucks	-	-	20,688	-	20,688
Construction in progress	7,000	453,564	8,998	-	469,562
Less accumulated depreciation	(64,789)	(318,126)	(3,471,750)	-	(3,854,665)
Total capital assets, net	<u>736,745</u>	<u>5,543,952</u>	<u>2,983,449</u>	<u>-</u>	<u>9,264,146</u>
Total noncurrent assets	<u>736,745</u>	<u>6,201,024</u>	<u>2,983,449</u>	<u>-</u>	<u>9,921,218</u>
Total assets	<u>738,158</u>	<u>8,214,185</u>	<u>2,983,449</u>	<u>5,510,248</u>	<u>17,446,040</u>
Liabilities					
Current liabilities:					
Accounts payable	-	38,377	48,411	-	86,788
Accrued wages and taxes	469	-	19,871	-	20,340
Sales tax payable	-	-	10,168	-	10,168
Due to other funds	74,902	-	1,496,386	-	1,571,288
Accrued interest payable	-	-	2,271	-	2,271
Compensated absences payable - current	847	-	37,030	-	37,877
Capital leases payable - current	-	-	116,842	-	116,842
Total current liabilities	<u>76,218</u>	<u>38,377</u>	<u>1,730,979</u>	<u>-</u>	<u>1,845,574</u>
Noncurrent liabilities:					
Compensated absences payable	1,318	-	25,364	-	26,682
Capital leases payable	-	-	185,330	-	185,330
Total noncurrent liabilities	<u>1,318</u>	<u>-</u>	<u>210,694</u>	<u>-</u>	<u>212,012</u>
Total liabilities	<u>77,536</u>	<u>38,377</u>	<u>1,941,673</u>	<u>-</u>	<u>2,057,586</u>
Net assets					
Invested in capital assets, net of related debt	736,745	5,543,952	2,681,277	-	8,961,974
Restricted for:					
Capital outlay	-	657,072	-	-	657,072
Unrestricted	(76,123)	1,974,784	(1,639,501)	5,510,248	5,769,408
Total net assets	<u>\$ 660,622</u>	<u>\$ 8,175,808</u>	<u>\$ 1,041,776</u>	<u>\$ 5,510,248</u>	<u>\$ 15,388,454</u>

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2010

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:					
Charges for services	\$ 18,115	\$ 524,248	\$ 984,172	\$ -	\$ 1,526,535
Miscellaneous	105	3,645	13,327	-	17,077
Total operating revenues	<u>18,220</u>	<u>527,893</u>	<u>997,499</u>	<u>-</u>	<u>1,543,612</u>
Operating expenses:					
Salaries and wages	19,582	3,894	527,991	-	551,467
Employee benefits	12,108	3,848	242,228	-	258,184
Utilities	-	4,174	96,340	-	100,514
Professional services	472	25,952	8,690	-	35,114
Repairs and maintenance	-	56	8,304	-	8,360
Rent	-	-	98,414	-	98,414
Miscellaneous	-	320	20,553	-	20,873
Supplies	1,471	7,516	164,990	-	173,977
Depreciation	25,595	92,205	169,527	-	287,327
Total operating expenses	<u>59,228</u>	<u>137,965</u>	<u>1,337,037</u>	<u>-</u>	<u>1,534,230</u>
Operating income (loss)	<u>(41,008)</u>	<u>389,928</u>	<u>(339,538)</u>	<u>-</u>	<u>9,382</u>
Nonoperating revenues (expenses):					
Interest earnings	-	9,655	442	1,899	11,996
Impact fees	-	395,138	-	-	395,138
Interest and fiscal charges	-	-	(16,650)	-	(16,650)
Total nonoperating revenues (expenses)	<u>-</u>	<u>404,793</u>	<u>(16,208)</u>	<u>1,899</u>	<u>390,484</u>
Income (loss) before transfers and contributions	<u>(41,008)</u>	<u>794,721</u>	<u>(355,746)</u>	<u>1,899</u>	<u>399,866</u>
Transfer out	(5,000)	(75,000)	(75,000)	-	(155,000)
Capital contributions	172,894	934,465	-	-	1,107,359
Change in net assets	<u>126,886</u>	<u>1,654,186</u>	<u>(430,746)</u>	<u>1,899</u>	<u>1,352,225</u>
Net assets - beginning	<u>533,736</u>	<u>6,521,622</u>	<u>1,472,522</u>	<u>5,508,349</u>	<u>14,036,229</u>
Net assets - ending	<u>\$ 660,622</u>	<u>\$ 8,175,808</u>	<u>\$ 1,041,776</u>	<u>\$ 5,510,248</u>	<u>\$ 15,388,454</u>

WASHINGTON CITY, UTAH
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2010

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
Cash flows from operating activities:					
Cash received from customers and users	\$ 16,807	\$ 532,803	\$ 1,003,500	\$ -	\$ 1,553,110
Cash paid to suppliers	(2,188)	(1,034)	(386,386)	-	(389,608)
Cash paid to employees	(33,498)	(10,168)	(761,396)	-	(805,062)
Net cash flows from operating activities	<u>(18,879)</u>	<u>521,601</u>	<u>(144,282)</u>	<u>-</u>	<u>358,440</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(5,000)	(75,000)	(75,000)	-	(155,000)
Cash received (paid) from (to) other funds	30,879	-	432,387	-	463,266
Net cash flows from noncapital financing activities	<u>25,879</u>	<u>(75,000)</u>	<u>357,387</u>	<u>-</u>	<u>308,266</u>
Cash flows from capital and related financing activities:					
Principal paid on capital debt	-	-	(111,745)	-	(111,745)
Interest paid on capital debt	-	-	(17,490)	-	(17,490)
Purchase and acquisition of capital assets	(7,000)	(182,028)	(84,312)	-	(273,340)
Impact fees	-	395,138	-	-	395,138
Net cash flows from capital and related financing activities	<u>(7,000)</u>	<u>213,110</u>	<u>(213,547)</u>	<u>-</u>	<u>(7,437)</u>
Cash flows from investing activities:					
Interest received	-	9,655	442	1,899	11,996
Net cash flows from investing activities	<u>-</u>	<u>9,655</u>	<u>442</u>	<u>1,899</u>	<u>11,996</u>
Net change in cash and cash equivalents	-	669,366	-	1,899	671,265
Cash and cash equivalents, including restricted cash, beginning of year	-	1,952,004	-	508,349	2,460,353
Cash and cash equivalents, including restricted cash, end of year	<u>\$ -</u>	<u>\$ 2,621,370</u>	<u>\$ -</u>	<u>\$ 510,248</u>	<u>\$ 3,131,618</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ (41,008)	\$ 389,928	\$ (339,538)	\$ -	\$ 9,382
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	25,595	92,205	169,527	-	287,327
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(1,413)	4,910	-	-	3,497
Increase (decrease) in accounts payable	(245)	36,984	10,905	-	47,644
Increase (decrease) in accrued payroll	(756)	(1,106)	7,316	-	5,454
Increase (decrease) in other accrued liabilities	-	-	6,001	-	6,001
Increase (decrease) in compensated absences	(1,052)	(1,320)	1,507	-	(865)
Net cash flows from operating activities	<u>\$ (18,879)</u>	<u>\$ 521,601</u>	<u>\$ (144,282)</u>	<u>\$ -</u>	<u>\$ 358,440</u>
Noncash investing, capital, and financing activities					
Capital contributions from sub dividers	\$ 172,894	\$ 934,465	\$ -	\$ -	\$ 1,107,359

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2010

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:

Rate Schedule	<u>Residential</u>	<u>Commercial</u>
Water:		
Minimum Monthly Charge	\$17.50	\$17.50/ERU
Usage in increments of 5,000 gallons to 40,000 gallons and over	.90 - 1.85	.90 - 1.85
Late Payment Penalty	5%	5%
Impact Fee - 3/4" line	2,121	2,121
1 in. line	3,499	3,499
1 1/2" line	7,911	7,911
2" line	13,893	13,893
3" line	31,242	31,242
4" line	55,507	55,507
6" line	124,884	124,884
Connection Fee - 3/4" meter	225	225
1" meter	275	275
1 1/2" meter	521	521
2" meter	661	661
3" meter	1,983	1,983
4" meter	1,983	1,983
Larger meter connection fees are based on estimates of costs to connect.		
Sewer:		
Monthly Charge:		
North of Virgin River through February 28, 2010	25.50	25.50/ERU
South of Virgin River through February 28, 2010	27.50	27.50/ERU
Ridge Pointe/Subdivision through February 28, 2010	36.18	
Coral Canyon/Subdivision through February 28, 2010	30.10	
North of Virgin River beginning March 1, 2010	26.95	26.95/ERU
South of Virgin River beginning March 1, 2010	26.95	26.95/ERU
Ridge Pointe/Subdivision beginning March 1, 2010	37.63	
Coral Canyon/Subdivision beginning March 1, 2010	31.55	
Impact Fee:		
North of Virgin River through February 28, 2010	650	650/ERU
South of Virgin River through February 28, 2010	2,150	2,150/ERU
Single Rate Sewer Impact Fee beginning March 1, 2010	1,159	1,159/ERU
Inspection Fee	150	150/ERU
Sewer System Statistics:		
North of Virgin River:		
Residential Equivalents connected to the system at June 30, 2010	4,962	
Applications in process	None	
Average monthly billing per customer	25.50	
South of Virgin River:		
Residential Equivalents connected to the system at June 30, 2010	1,769	
Applications in process	None	
Average monthly billing per customer	27.50	

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures, Continued
For the Year Ended June 30, 2010

Insurance coverage in effect at June 30, 2010:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2009	07/01/09	06/30/10	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2009	07/01/09	06/30/10	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2009	07/01/09	06/30/10	50,000
Utah Local Government Trust	Auto - uninsured	14680-GL2009	07/01/09	06/30/10	65,000
Utah Local Government Trust	General liability	14680-GL2009	07/01/09	06/30/10	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2009	07/01/09	06/30/10	45,128,917

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

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditors’ Report on Internal Control over
 Financial Reporting and on Compliance and other Matters
 Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards***

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

We have audited 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, 2010, which collectively comprise Washington City’s basic financial statements, and have issued our report thereon dated April 15, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiency described in the accompanying schedule of findings and recommendations to be a material weakness.

08-01 Material Misstatement Adjustments

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. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies.

- 09-01 Accounts Receivable—Utility Funds
- 08-02 Electric Fund Inventory
- 08-04 Segregation of Duties
- 08-06 Fraud Risk Management Program

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*.

We noted certain other items that we reported to management of the City in a separate letter dated April 15, 2011.

The City's responses to the findings identified in our audit are described in the accompanying responses to the findings and recommendations. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, Mayor, and the Utah State Auditor 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.



HINTON, BURDICK, HALL & SPILKER, PLLC
April 15, 2011



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
BRENT R. HALL, CPA

TODD R. HESS, CPA
KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

**Independent Auditors' Report on
State Legal Compliance**

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

We have audited the basic financial statements of Washington City, Utah, for the year ended June 30, 2010, and have issued our report thereon dated April 15, 2011. As part of our audit, we have audited Washington City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Court
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees & Other Development Fees
Asset Forfeitures
Utah Retirement System Compliance
Fund Balance

The management of Washington City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the City's compliance with these requirements.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Washington City, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2010.

The City's responses to the findings identified in our audit are described in the accompanying responses to the findings and recommendations. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the City 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.



HINTON, BURDICK, HALL & SPILKER, PLLC
April 15, 2011



WASHINGTON CITY
Findings and Recommendations
For the Year Ended June 30, 2010

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, 2010, we noted a number of areas needing corrective action for the City to be in compliance with laws and regulations and we found a number of 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:

08-01 Material Misstatement Adjustments

Throughout our audit we noted a number of misstatements (and we proposed related journal entries or informed accounting personnel so they could investigate further) that were not initially identified by the City’s internal controls. Current audit standards require that we report such audit adjustments as a deficiency when the City’s controls do not eliminate such misstatements. Given the magnitude of some of the misstatements (some of which relate to the other specific deficiencies), we believe a material weakness is warranted.

The primary areas affected include capital asset accounting, community center cash clearing and unrecorded or incorrect receivables and liabilities. In working with city personnel to address the various misstatements, it seems that the underlying issue is that key accounting personnel haven not been able to spend adequate time monitoring, reconciling and adjusting fiscal year end balances before we begin our audit. As we work thorough the audit and discuss various issues, balances and adjustments with accounting personnel, it appears that they understand the misstatement. In fact, they typically prepare an adjustment, as opposed to us, to correct the issue.

Recommendation

We recommend that management continue to review the journal entries and discuss them with us to ensure you agree with the entries and understand the purpose and the underlying accounting principles. We also recommend that the City continue to develop a plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place. The City should continue to improve its internal controls to a level where they will at least identify material misstatements in a timely manner. If accounting personnel are aware of additional adjustments needed as the audit begins, they should let the auditors know at that time.

Significant Deficiencies:

09-01 Accounts Receivable—Utility Funds

As part of our audit we noted differences between the subsidiary schedules (Accounts Receivable by Service report) and the applicable general ledger control accounts. This problem was in part due to the accounting system conversion for utility billings from Caselle to Springbrook. The reconciliation between the Springbrook subsidiary schedules and the applicable general ledger accounts were completed but not in a timely manner. Monthly reconciliations of the subsidiary schedules to the general ledger control accounts provide control over financial reporting and safeguarding the City's assets.

In addition, as part of our audit we noted significant balances in accounts receivable that were for customers who had either not paid in one year, had gone through bankruptcy with no assets left or were deceased. According to the City's existing write-off policy, these accounts should be written off.

Recommendation

We recommend that the City address the existing discrepancies and establish policies and procedures that will provide timely reconciliations on a monthly basis. In addition the City should ensure that its current write-off policies and procedures are adequately designed and functioning. The City should consider the effects of establishing an allowance for uncollectible accounts.

08-02 Electric Fund Inventory

We commend the City's efforts to improve its controls relating to the electric fund inventory and for conducting a year-end inventory count. The City continues to make improvements in the tracking and reporting of inventory (and related balances); however, we noted that the City could strengthen controls over tracking work orders and how the physical inventory count is reconciled to the general ledger accounts for inventory, capital assets and construction in progress.

Recommendation

We recommend that the City continue to perform a physical count of all material inventories at least annually. The count at fiscal year should be reconciled to the City's accounting records including the following accounts: inventory, capital assets and construction in progress. We also recommend that the City consider using a work order

system or some other means to properly track inventory, capital assets and construction in progress.

08-04 Segregation of Duties

We noted significant improvements, which were implemented throughout fiscal year 2010, in the segregation of duties within the accounting functions and internal controls over cash receipting. However, the utility clerk supervisor still has the authority to adjust for bad debts with little or no oversight. Consequently, the utility clerk supervisor has custody duties (occasionally), recording duties and authorization duties.

For a complete and proper segregation of duties within the accounting function, no one person should have duties in more than one of the following areas: custody of assets, recording functions and authorization abilities. Management has implemented some mitigating controls such as daily reconciliations between payment registers and receipts registers and monthly bank reconciliations, which are performed by someone who doesn't handle receipts and thus, this is not deemed to be a material weakness; however, proper segregation of duties provide important safeguards and controls to ensure the proper recording, deposit and disposition of the City's funds.

We also noted that controls over golf course cash receipting appear to be lacking as those handling cash also have recording duties. We realize, due to the circumstances, it may be difficult to achieve a complete segregation of duties in remote areas, such as the golf course, particularly when transactions are manually recorded.

Recommendation

We recommend that management consider ways that a further segregation of duties can be achieved within its accounting and administrative functions—particularly in utility and golf course cash receipting. If it's not practical to segregate the duties so that all employees only have duties in one of the three areas, the City should ensure that other mitigating controls, such as independent reviews and approvals, are in place and properly functioning. It's our understanding, in light of the recent changes in this area, that the City does plan to add some additional mitigating controls in the near future. We would be happy to assist the City in the design and/or implementation of job descriptions and duties to properly achieve this segregation.

08-06 Fraud Risk Management Program

The City has apparently not formally developed a fraud risk management program that is appropriate for the size and complexity of the City, including identifying fraud risks and taking appropriate action to reduce or eliminate risks.

Recommendation

We recommend that the City formally develop and adopt a fraud risk management program that is appropriate for the size and complexity of the City, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks.

COMPLIANCE AND OTHER MATTERS:

Compliance:

08-08 Fund Deficits

Utah law states that appropriations in the final budgets may not be made for any funds in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. For the year ended June 30, 2010, we noted that the following fund had fund had a deficit:

- Capital projects fund – recreation

The deficit in the capital project fund – recreation also caused a deficiency in the reserved fund balance for unspent park impact fees.

Recommendation

We recommend that the City consider appropriations or other alternatives to eliminate the current fund deficit. The City may consider modifying the terms of the \$5 million interfund loan so that the funds may be reported as a transfer between the two funds, which would eliminate the existing fund deficit. The City should closely monitor fund balances, particularly at times when the budget is created or amended, to avoid future fund deficits.

08-11 Audit Report Submission

Due to several circumstances, including the partial conversion to the new accounting system in fiscal year 2010, the City failed to submit its audit report to the State Auditor before the deadline.

Recommendation

We recommend that the City plan so that the audit may be completed and submitted in a timely manner.

Other Matters:

None noted

Responses

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

Washington 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 the mayor, city council, management 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-Hall & Spilker PLLC".

HINTON, BURDICK, HALL & SPILKER, PLLC
April 15, 2011

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April 25, 2011

Hinton, Burdick, Hall & Spilker, PLLC
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, 2010" and provide the following response.

Material Misstatement Adjustments

It appears the concerns noted involved key accounting personnel not able to spend adequate time monitoring, reconciling and adjusting fiscal year end balances before the audit begins. In December 2010 the City made adjustments within the finance department which should rectify this concern.

Accounts Receivable-Utility Funds

The City has taken the necessary steps to ensure that the subsidiary schedules are reconciled prior to closing out the General Ledger account each month. In addition a review is currently being made of the City's uncollectible utility accounts in accordance to the City's existing write-off policy. Further review of the collection and write-off policies will be made to ensure they are adequately designed and functioning.

Electric Fund Inventory

This process should be improved upon implementing the Work Order and Inventory Control modules within our new accounting software during fiscal year 2012. In the meantime we will continue to work with auditors in determining proper counting and processing of inventory.

Segregation of Duties

The growth of the City has allowed us to continue to segregate, in much greater detail, the duties and responsibilities of staff. It is the desire of the City to continue to segregate as many financial duties as is possible.

Fraud Risk Management

We will work with our auditors to develop and adopt a fraud risk management program that is appropriate for the size and complexity of the City, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks.

Fund Deficits

This note involves our Capital projects fund-recreation, and an inter-fund loan that was authorized by the Council for the construction of the Community Center. The loan is scheduled to be paid back by July 2012 with proceeds from the sale of certain real property that the City is in the process of marketing.

Audit Report

All efforts will be made to complete, report, and accept the audit report in future years by December 31 of each year as required.

Please let me know if you have any additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roger Carter', with a long horizontal line extending to the right.

Roger Carter
City Manager