



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
With Report of
Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2020, the City implemented the provisions of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of Washington City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington City's internal control over financial reporting and compliance.

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

HintonBurdick, PLLC
St. George, Utah
December 4, 2020

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Washington City, Utah
Management's Discussion and Analysis
For the Year Ended June 30, 2020

This section of Washington City's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$298,909,685 (net position). Of this amount, \$32,639,071 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$31,749,424. Of this amount, \$13,641,352 relates to capital contributions of capital assets (infrastructure, utility systems, etc.).
- As of the close of the current fiscal year, the governmental funds reported a combined ending fund balance of \$24,065,076, which is an increase of \$3,174,480 from the prior year. Approximately 25.7% (or \$6,179,112) of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,184,818 or approximately 33.7% of total general fund expenditures.
- For the current fiscal year, general fund revenues exceeded general fund expenditures by \$4,319,683 before interfund transfers and other financings sources and uses and by \$724,386 after interfund transfers and other financing sources and uses.
- Total long-term debt (excluding net pension liability and compensated absences) decreased by \$3,029,940 or 8.9% during the current fiscal year.
- The City early-adopted the provisions of GASB Statement No. 87, *Leases*, for the year ended June 30, 2020. See Notes 1, 5 and 6.
- The City had a bond refunding in the current fiscal year that resulted in an economic gain of \$389,544. See Note 17.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

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

The City has two types of funds:

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets (and deferred outflows of resources) exceed liabilities (and deferred inflows of resources) by \$298,909,685 at the close of the fiscal year. By far the largest portion of Washington City's net position, (85.86% for governmental activities and 75.34% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure, buildings, equipment) less any related debt used to acquire those assets that is still outstanding. Washington City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Washington City's Net Position

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------------|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 6/30/2020 | 6/30/2019 | 6/30/2020 | 6/30/2019 | 6/30/2020 | 6/30/2019 |
| Current and other assets | \$ 32,839,388 | \$ 27,938,157 | \$ 41,214,486 | \$ 36,782,847 | \$ 74,053,874 | \$ 64,721,004 |
| Capital assets | 142,649,639 | 132,211,250 | 129,793,574 | 117,602,357 | 272,443,213 | 249,813,607 |
| Total assets | 175,489,027 | 160,149,407 | 171,008,060 | 154,385,204 | 346,497,087 | 314,534,611 |
| Deferred outflows of resources | 1,329,079 | 2,014,449 | 611,133 | 1,080,639 | 1,940,212 | 3,095,088 |
| Long-term liabilities outstanding | 18,834,369 | 21,898,602 | 16,076,307 | 17,936,947 | 34,910,676 | 39,835,549 |
| Other liabilities | 5,140,386 | 3,715,632 | 4,081,685 | 2,987,113 | 9,222,071 | 6,702,745 |
| Total liabilities | 23,974,755 | 25,614,234 | 20,157,992 | 20,924,060 | 44,132,747 | 46,538,294 |
| Deferred inflows of resources | 4,924,283 | 3,827,676 | 470,584 | 103,468 | 5,394,867 | 3,931,144 |
| Net position: | | | | | | |
| Net investment in capital assets | 127,006,815 | 114,352,017 | 113,780,031 | 101,749,785 | 240,786,846 | 216,101,802 |
| Restricted | 16,730,770 | 14,357,512 | 8,752,998 | 8,552,637 | 25,483,768 | 22,910,149 |
| Unrestricted | 4,181,483 | 4,012,417 | 28,457,588 | 24,135,893 | 32,639,071 | 28,148,310 |
| Total net position | \$ 147,919,068 | \$ 132,721,946 | \$ 150,990,617 | \$ 134,438,315 | \$ 298,909,685 | \$ 267,160,261 |

Percentage of Net Position

| Net position type | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------|
| Net investment in capital assets | 85.86% | 75.34% | 80.55% |
| Restricted net position | 11.31% | 5.81% | 8.53% |
| Unrestricted net position | 2.83% | 18.85% | 10.92% |
| Total net position | 100.00% | 100.00% | 100.00% |

An additional portion of Washington City's governmental net position (11.31% and 5.81%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$32,639,071 (2.83% and 18.85%, respectively), may be used to meet the government's ongoing obligations to citizens and creditors.

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

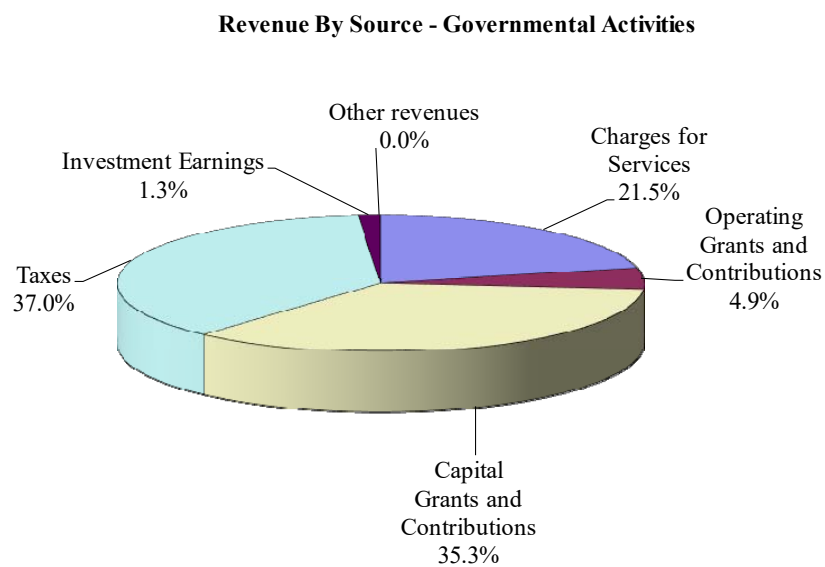
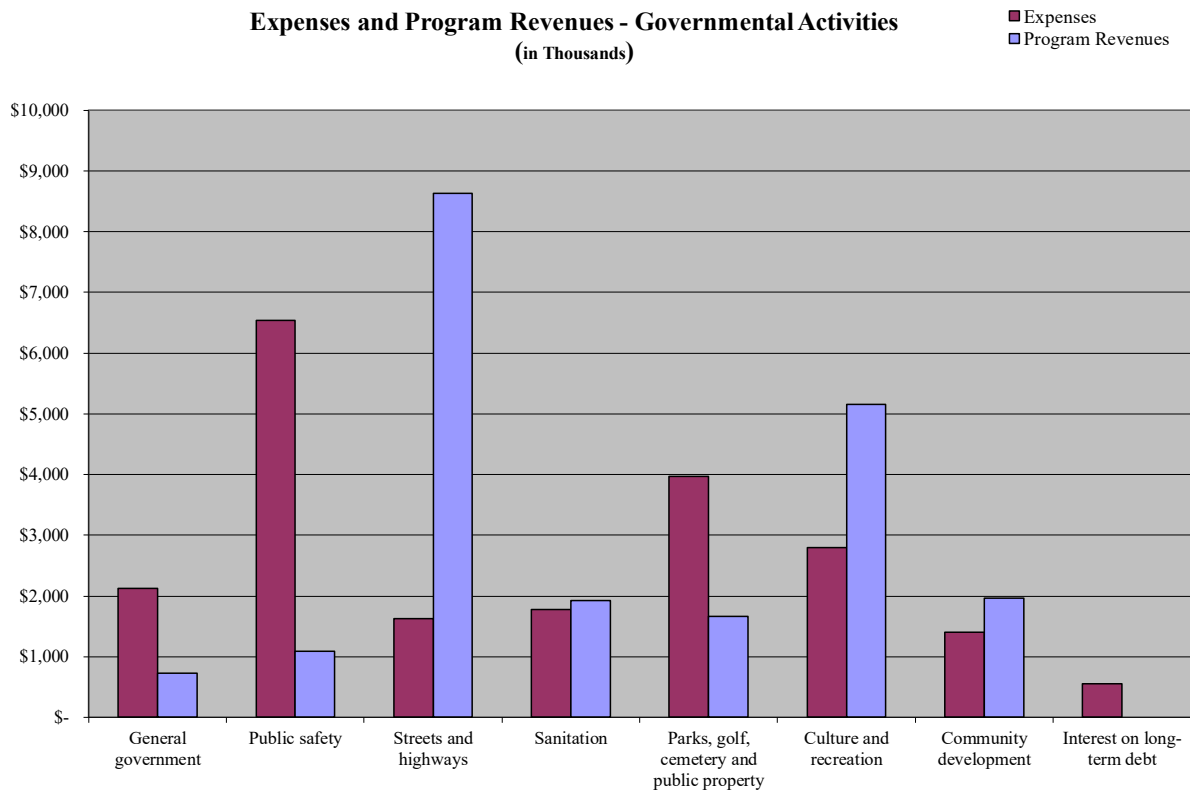
Governmental activities. Governmental activities increased Washington City's net position by \$15,197,122. See below table for details.

Business-type activities. Business-type activities increased Washington City's net position by \$16,552,302. See below table for details.

Washington City's Changes in Net Position

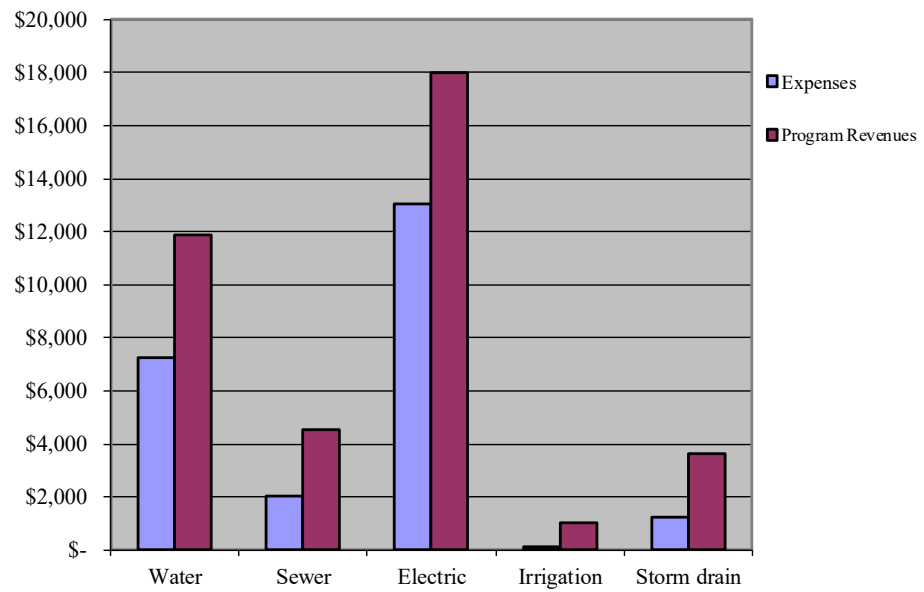
| | Governmental activities | | Business-type activities | | Total | |
|-------------------------------------------|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 6/30/2020 | 6/30/2019 | 6/30/2020 | 6/30/2019 | 6/30/2020 | 6/30/2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,392,823 | \$ 7,151,221 | \$ 25,321,242 | \$ 22,927,609 | \$ 32,714,065 | \$ 30,078,830 |
| Operating grants and contributions | 1,667,502 | 1,319,474 | - | - | 1,667,502 | 1,319,474 |
| Capital grants and contributions | 12,101,371 | 12,136,075 | 13,764,916 | 14,580,370 | 25,866,287 | 26,716,445 |
| General revenues: | | | | | | |
| Taxes | 14,422,095 | 12,429,340 | - | - | 14,422,095 | 12,429,340 |
| Unrestricted investment earnings | 447,908 | 509,044 | 880,336 | 808,062 | 1,328,244 | 1,317,106 |
| Other | 238,978 | 222,107 | - | - | 238,978 | 222,107 |
| Total revenues | 36,270,677 | 33,767,261 | 39,966,494 | 38,316,041 | 76,237,171 | 72,083,302 |
| Expenses: | | | | | | |
| General government | 2,127,830 | 2,143,229 | - | - | 2,127,830 | 2,143,229 |
| Public safety | 6,535,879 | 5,620,791 | - | - | 6,535,879 | 5,620,791 |
| Streets and highways | 1,628,472 | 1,770,739 | - | - | 1,628,472 | 1,770,739 |
| Sanitation | 1,771,229 | 1,623,081 | - | - | 1,771,229 | 1,623,081 |
| Parks, golf, cemetery and public property | 3,975,901 | 3,802,064 | - | - | 3,975,901 | 3,802,064 |
| Culture and recreation | 2,804,208 | 2,774,849 | - | - | 2,804,208 | 2,774,849 |
| Community development | 1,406,235 | 1,211,780 | - | - | 1,406,235 | 1,211,780 |
| Interest on long-term debt | 554,509 | 521,643 | - | - | 554,509 | 521,643 |
| Water | - | - | 7,224,967 | 6,649,428 | 7,224,967 | 6,649,428 |
| Sewer | - | - | 2,023,814 | 2,005,948 | 2,023,814 | 2,005,948 |
| Electric | - | - | 13,068,520 | 13,408,188 | 13,068,520 | 13,408,188 |
| Irrigation | - | - | 122,766 | 146,207 | 122,766 | 146,207 |
| Storm drain | - | - | 1,243,417 | 2,060,124 | 1,243,417 | 2,060,124 |
| Total expenses | 20,804,263 | 19,468,176 | 23,683,484 | 24,269,895 | 44,487,747 | 43,738,071 |
| Change in net position before transfers | 15,466,414 | 14,299,085 | 16,283,010 | 14,046,146 | 31,749,424 | 28,345,231 |
| Transfers | (269,292) | (61,503) | 269,292 | 61,503 | - | - |
| Change in net position | 15,197,122 | 14,237,582 | 16,552,302 | 14,107,649 | 31,749,424 | 28,345,231 |
| Net position, beginning | 132,721,946 | 118,484,364 | 134,438,315 | 120,330,666 | 267,160,261 | 238,815,030 |
| Net position, ending | \$ 147,919,068 | \$ 132,721,946 | \$ 150,990,617 | \$ 134,438,315 | \$ 298,909,685 | \$ 267,160,261 |

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



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

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



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$24,065,076, an increase of \$3,174,480 from the prior year; \$6,179,112 or approximately 25.7% of the fund balance constitutes *unassigned* fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is *restricted* (\$16,825,538), and *assigned* (\$1,060,426).

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$6,184,818 or approximately 81.0% of the total fund balance of \$7,638,001. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 33.7% of total general fund expenditures, while total fund balance represents approximately 41.7% of that same amount.

The MBA debt service fund has a fund balance of \$559,303, which is restricted for debt service. The recreation capital projects fund has a fund balance of \$4,512,536, of which \$4,061,347 is restricted for park impact fees. The streets capital projects fund has a fund balance of \$8,325,123, of which all is restricted for capital outlay, including \$4,777,573 for street impact fees.

All other governmental funds (capital projects funds, special revenue fund, and debt service funds) have a total fund balance of \$3,030,113, which is restricted for or assigned to various purposes.

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

The combined unrestricted net position for the enterprise funds total \$28,457,588 at the end of the fiscal year. All of the enterprise funds experienced increases in total net position for the current fiscal year.

General Fund Budgetary Highlights

The general fund budget was amended during the year. The general fund revenues were more than the final budget by \$1,095,861, primarily due to sales taxes being more than budget. The general fund expenditures were less than the final budget by \$744,154, primarily due to public safety, streets, parks/golf/cemetery and culture and recreation expenditures being under budget. The general fund transfers out were less than the final budget by \$121,014.

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, 2020, amounts to \$272,763,568 (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 | \$ 5,060,198 | \$ 2,315,313 | \$ 7,375,511 |
| Infrastructure | 100,781,707 | - | 100,781,707 |
| Construction in progress | 3,452,138 | 2,530,556 | 5,982,694 |
| Buildings and improvements | 30,266,557 | 5,227,322 | 35,493,879 |
| Improvements and systems | - | 117,207,140 | 117,207,140 |
| Machinery and equipment | 2,129,542 | 1,246,065 | 3,375,607 |
| Machinery and equipment (leased) | 320,355 | - | 320,355 |
| Automobiles and trucks | 959,497 | 1,267,178 | 2,226,675 |
| Total | <u>\$ 142,969,994</u> | <u>\$ 129,793,574</u> | <u>\$ 272,763,568</u> |

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 16.66 exceeds the City's minimum of 12.60.

Long-term debt. At fiscal year-end, the City had \$31,050,313 in outstanding debt (excluding net pension liability and compensated absences)—a decrease of 8.89% over the last fiscal year—as shown in the below table. More detailed information about the City's long-term debt (and other long-term liabilities) is presented in the notes to the financial statements.

Washington City's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | |
| General obligation bonds | \$ 5,535,000 | \$ 6,150,000 | \$ - | \$ - | \$ 5,535,000 | \$ 6,150,000 | -10.00% |
| Lease revenue bonds | 7,878,000 | 8,954,000 | - | - | 7,878,000 | 8,954,000 | -12.02% |
| Sales/Excise tax revenue bonds | 1,264,000 | 1,601,000 | - | - | 1,264,000 | 1,601,000 | -21.05% |
| Revenue bonds | - | - | 13,015,000 | 13,913,000 | 13,015,000 | 13,913,000 | -6.45% |
| Deferred issuance premium | 361,145 | 406,288 | 819,012 | 851,773 | 1,180,157 | 1,258,061 | -6.19% |
| Notes payable* | 895,858 | 1,116,393 | 933,094 | 1,087,799 | 1,828,952 | 2,204,192 | -17.02% |
| Leases payable* | 349,204 | - | - | - | 349,204 | - | N/A |
| Total | <u>\$ 16,283,207</u> | <u>\$ 18,227,681</u> | <u>\$ 14,767,106</u> | <u>\$ 15,852,572</u> | <u>\$ 31,050,313</u> | <u>\$ 34,080,253</u> | -8.89% |

*The City implemented GASB 87 in fiscal year 2020, which results in a beginning balance adjustment of \$400,443. Also, with the implementation, debt reported as capital leases in fiscal year 2019 are reported as notes payable in fiscal year 2020 (not leases under GASB 87).

Next Year's Budget and Economic Factors

Fiscal year 2020 was another residential boom year for Washington City. Our residential development expanded by another 11% as we welcomed an estimated 3,000 new friends and neighbors. Washington City's residential development was the highest it has been since the Great Recession. The City added 686 single-family homes and 588 apartment units.

The City has experienced residential growth averaging over 7% for the past five years which brings a number of challenges along with economic prosperity, as population growth outpaces commercial development in Washington City. Sales tax derived from commercial growth is an integral part of Washington City's tax base and a necessary component to keeping property taxes low. The City Council has included economic development and growth as one of the emphases of the Washington City Strategic Plan covering 2017-2022 which is used to guide policy decisions by the Council.

Washington City currently maintains the lowest area property tax rate when compared to St. George, Ivins, Hurricane, and Santa Clara. (Source: taxrates.utah.gov) The unemployment rate for the County (of which Washington City is the second-largest city) was 6.1% for the month ended September 2020 compared with a state unemployment rate of 5.0% and a national rate of 7.9%. This compares with the County unemployment rate of 2.5% in October of 2019 (Source: Utah Department of Workforce Services).

There were no major policy changes for the 2021 fiscal year that started July 1, 2020, and the budget was approved without a property tax rate increase. After careful consideration of all revenue sources and conservative forecasts for future revenues, the general fund budget was presented to the City Council as being funded within the scope of anticipated revenues. The budget as adopted will continue the significant work that has come to be expected by our citizens as we strive to meet their needs and fulfill our personal commitments to provide high-quality services to all those who live in or visit our community.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

WASHINGTON CITY, UTAH
Statement of Net Position
June 30, 2020

| | Primary Government | | |
|-------------------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 13,053,973 | \$ 13,129,814 | \$ 26,183,787 |
| Investments | 11,107,233 | 21,535,858 | 32,643,091 |
| Receivables, net | 6,620,684 | 3,388,413 | 10,009,097 |
| Lease receivable | 32,009 | - | 32,009 |
| Internal balances | (992,568) | 992,568 | - |
| Inventories | 17,621 | 1,138,733 | 1,156,354 |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents | 2,638,580 | 1,007,537 | 3,646,117 |
| Net pension asset | 41,501 | 21,563 | 63,064 |
| Capital assets not being depreciated: | | | |
| Land, easements and water rights | 5,060,198 | 2,315,313 | 7,375,511 |
| Infrastructure | 100,781,707 | - | 100,781,707 |
| Construction in progress | 3,452,138 | 2,530,556 | 5,982,694 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings and improvements | 30,266,557 | 5,227,322 | 35,493,879 |
| Improvements and systems | - | 117,207,140 | 117,207,140 |
| Machinery and equipment | 2,129,542 | 1,246,065 | 3,375,607 |
| Machinery and equipment (leased) | 320,355 | - | 320,355 |
| Automobiles and trucks | 959,497 | 1,267,178 | 2,226,675 |
| Total assets | <u>175,489,027</u> | <u>171,008,060</u> | <u>346,497,087</u> |
| Deferred Outflows of Resources | | | |
| Deferred charge on refunding | 320,028 | 86,904 | 406,932 |
| Deferred outflows related to pensions | 1,009,051 | 524,229 | 1,533,280 |
| Total deferred outflows of resources | <u>1,329,079</u> | <u>611,133</u> | <u>1,940,212</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 4,337,171 | 3,926,387 | 8,263,558 |
| Unearned revenue | 708,447 | 86,045 | 794,492 |
| Accrued interest payable | 94,768 | 69,253 | 164,021 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,791,432 | 1,330,670 | 4,122,102 |
| Due in more than one year | 14,217,378 | 13,797,211 | 28,014,589 |
| Net pension liability | 1,825,559 | 948,426 | 2,773,985 |
| Total liabilities | <u>23,974,755</u> | <u>20,157,992</u> | <u>44,132,747</u> |
| Deferred Inflows of Resources | | | |
| Deferred revenue - property taxes | 3,986,476 | - | 3,986,476 |
| Deferred inflows related to pensions | 905,798 | 470,584 | 1,376,382 |
| Deferred inflows related to leases | 32,009 | - | 32,009 |
| Total deferred inflows of resources | <u>4,924,283</u> | <u>470,584</u> | <u>5,394,867</u> |
| Net Position | | | |
| Net investment in capital assets | 127,006,815 | 113,780,031 | 240,786,846 |
| Restricted for: | | | |
| Debt service | 1,551,770 | 420,827 | 1,972,597 |
| Capital outlay | 13,236,884 | 8,332,171 | 21,569,055 |
| Other | 1,942,116 | - | 1,942,116 |
| Unrestricted | 4,181,483 | 28,457,588 | 32,639,071 |
| Total net position | <u>\$ 147,919,068</u> | <u>\$ 150,990,617</u> | <u>\$ 298,909,685</u> |

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

WASHINGTON CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,127,830 | \$ 594,880 | \$ - | \$ 135,988 | \$ (1,396,962) | \$ - | \$ (1,396,962) |
| Public safety | 6,535,879 | 200,966 | 411,676 | 473,707 | (5,449,530) | - | (5,449,530) |
| Streets and highways | 1,628,472 | - | 1,255,826 | 7,377,911 | 7,005,265 | - | 7,005,265 |
| Sanitation | 1,771,229 | 1,927,682 | - | - | 156,453 | - | 156,453 |
| Parks, golf, cemetery and public property | 3,975,901 | 1,337,037 | - | 328,190 | (2,310,674) | - | (2,310,674) |
| Culture and recreation | 2,804,208 | 1,371,015 | - | 3,785,575 | 2,352,382 | - | 2,352,382 |
| Community development | 1,406,235 | 1,961,243 | - | - | 555,008 | - | 555,008 |
| Interest on long-term debt | 554,509 | - | - | - | (554,509) | - | (554,509) |
| Total governmental activities | 20,804,263 | 7,392,823 | 1,667,502 | 12,101,371 | 357,433 | - | 357,433 |
| Business-type activities: | | | | | | | |
| Water | 7,224,967 | 7,499,637 | - | 4,378,467 | - | 4,653,137 | 4,653,137 |
| Sewer | 2,023,814 | 1,723,670 | - | 2,822,089 | - | 2,521,945 | 2,521,945 |
| Electric | 13,068,520 | 14,851,439 | - | 3,143,314 | - | 4,926,233 | 4,926,233 |
| Irrigation | 122,766 | 17,430 | - | 1,019,603 | - | 914,267 | 914,267 |
| Storm drain | 1,243,417 | 1,229,066 | - | 2,401,443 | - | 2,387,092 | 2,387,092 |
| Total business-type activities | 23,683,484 | 25,321,242 | - | 13,764,916 | - | 15,402,674 | 15,402,674 |
| Total primary government | \$ 44,487,747 | \$ 32,714,065 | \$ 1,667,502 | \$ 25,866,287 | 357,433 | 15,402,674 | 15,760,107 |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 4,275,742 | - | 4,275,742 |
| Sales taxes | | | | | 8,428,415 | - | 8,428,415 |
| Franchise and energy taxes | | | | | 1,717,938 | - | 1,717,938 |
| Unrestricted investment earnings | | | | | 447,908 | 880,336 | 1,328,244 |
| Other revenues not restricted to specific programs | | | | | 233,742 | - | 233,742 |
| Gain on sale of capital assets | | | | | 5,236 | - | 5,236 |
| Transfers | | | | | (269,292) | 269,292 | - |
| Total general revenues and transfers | | | | | 14,839,689 | 1,149,628 | 15,989,317 |
| Change in net position | | | | | 15,197,122 | 16,552,302 | 31,749,424 |
| Net position - beginning | | | | | 132,721,946 | 134,438,315 | 267,160,261 |
| Net position - ending | | | | | \$ 147,919,068 | \$ 150,990,617 | \$ 298,909,685 |

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

WASHINGTON CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2020

| | | Debt Service | Capital Projects | | Other | Total |
|---------------------------------------------------------------------|----------------------|--------------------|---------------------|---------------------|---------------------|----------------------|
| | | Municipal | | | Governmental | Governmental |
| | General Fund | Building Authority | Recreation | Streets | Funds | Funds |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 917,647 | \$ - | \$ 3,957,553 | \$ 6,440,582 | \$ 1,707,223 | \$ 13,023,005 |
| Investments | 6,541,513 | - | 966,163 | 3,398,062 | 201,495 | 11,107,233 |
| Receivables, net | 387,514 | - | 330 | 1,535 | 106 | 389,485 |
| Property taxes receivable | 3,262,502 | - | - | - | 723,974 | 3,986,476 |
| Due from other governments | 2,159,007 | - | - | - | 85,716 | 2,244,723 |
| Lease receivable | 32,009 | - | - | - | - | 32,009 |
| Restricted cash and cash equivalents | 996,821 | 559,303 | - | - | 1,082,456 | 2,638,580 |
| Total assets | <u>\$ 14,297,013</u> | <u>\$ 559,303</u> | <u>\$ 4,924,046</u> | <u>\$ 9,840,179</u> | <u>\$ 3,800,970</u> | <u>\$ 33,421,511</u> |
| Liabilities, deferred inflows, and fund balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 981,997 | \$ - | \$ 411,510 | \$ 1,515,056 | \$ 46,883 | \$ 2,955,446 |
| Accrued wages and taxes | 198,179 | - | - | - | - | 198,179 |
| Other payables | 56,818 | - | - | - | - | 56,818 |
| Construction bonds payable | 990,429 | - | - | - | - | 990,429 |
| Due to other funds | 428,631 | - | - | - | - | 428,631 |
| Unearned revenue | 708,447 | - | - | - | - | 708,447 |
| Total liabilities | <u>3,364,501</u> | <u>-</u> | <u>411,510</u> | <u>1,515,056</u> | <u>46,883</u> | <u>5,337,950</u> |
| Deferred inflow of resources: | | | | | | |
| Deferred revenue - property taxes | 3,262,502 | - | - | - | 723,974 | 3,986,476 |
| Deferred revenue - lease related | 32,009 | - | - | - | - | 32,009 |
| Total deferred inflows of resources | <u>3,294,511</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>723,974</u> | <u>4,018,485</u> |
| Fund balances: | | | | | | |
| Restricted for: | | | | | | |
| Debt service | - | 559,303 | - | - | 1,087,235 | 1,646,538 |
| Capital outlay - impact fees | - | - | 4,061,347 | 4,777,573 | 841,134 | 9,680,054 |
| Capital outlay - other | - | - | 9,280 | 3,547,550 | - | 3,556,830 |
| Class C roads and transit | 1,235,605 | - | - | - | - | 1,235,605 |
| Culture and recreation | - | - | - | - | 702,379 | 702,379 |
| Other purposes | - | - | - | - | 4,132 | 4,132 |
| Assigned to: | | | | | | |
| Cemetery | - | - | 150,000 | - | - | 150,000 |
| Capital outlay | - | - | 291,909 | - | 400,939 | 692,848 |
| Health premium rebate | 217,578 | - | - | - | - | 217,578 |
| Unassigned | 6,184,818 | - | - | - | (5,706) | 6,179,112 |
| Total fund balances | <u>7,638,001</u> | <u>559,303</u> | <u>4,512,536</u> | <u>8,325,123</u> | <u>3,030,113</u> | <u>24,065,076</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 14,297,013</u> | <u>\$ 559,303</u> | <u>\$ 4,924,046</u> | <u>\$ 9,840,179</u> | <u>\$ 3,800,970</u> | <u>\$ 33,421,511</u> |

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

WASHINGTON CITY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

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

Total fund balances - total governmental funds \$ 24,065,076

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

| | | |
|-----------------------------|---------------------|-------------|
| Governmental capital assets | \$ 165,374,277 | |
| Accumulated depreciation | <u>(22,404,283)</u> | 142,969,994 |

| | | |
|----------------------------------------------------------------------------------------------|--|--------|
| Net pension asset is not an available resource and, therefore, is not reported in the funds. | | 41,501 |
|----------------------------------------------------------------------------------------------|--|--------|

Some liabilities, including bonds payable, capital leases, and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|--------------------------|-----------------|--------------|
| Bonds payable | (14,677,000) | |
| Bond issuance premium | (361,145) | |
| Notes payable | (895,858) | |
| Leases payable | (349,204) | |
| Net pension liability | (1,825,559) | |
| Compensated absences | (725,603) | |
| Accrued interest payable | <u>(94,768)</u> | (18,929,137) |

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.

| | | |
|-----------------------------------------------------------------|------------------|---------|
| Deferred charge on refunding (amortized as interest expense) | 320,028 | |
| Deferred outflows related to pensions | 1,009,051 | |
| Deferred inflows related to pensions | <u>(905,798)</u> | 423,281 |

An internal service fund is used by management to charge the cost of fleet services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.

| | | |
|----------------------------------------------------|--------------|-----------|
| Net position of the internal service fund | 199,741 | |
| Plus (less) items included in balances above: | | |
| Capital assets, net | (905,639) | |
| Net pension asset, liability and related deferrals | 45,463 | |
| Compensated absences included above | <u>8,788</u> | (651,647) |

| | | |
|------------------------------------------------|--|------------------------------|
| Net position of governmental activities | | <u><u>\$ 147,919,068</u></u> |
|------------------------------------------------|--|------------------------------|

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

WASHINGTON CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | General Fund | Debt Service Municipal Building Authority | Capital Projects | | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------|---------------------|--------------------------------------------------------------|-------------------------|---------------------|-----------------------------------------|-----------------------------------------|
| | | | Recreation | Streets | | |
| Revenues | | | | | | |
| Current year property taxes | \$ 3,275,457 | \$ - | \$ - | \$ - | \$ 837,265 | \$ 4,112,722 |
| Prior year property taxes | 163,020 | - | - | - | - | 163,020 |
| Sales and use taxes | 7,950,033 | - | - | - | 478,382 | 8,428,415 |
| Energy taxes | 1,478,829 | - | - | - | - | 1,478,829 |
| Franchise taxes | 239,109 | - | - | - | - | 239,109 |
| Licenses and permits | 1,459,886 | - | - | - | - | 1,459,886 |
| Intergovernmental revenues | 1,667,502 | - | - | - | - | 1,667,502 |
| Charges for services | 5,577,412 | - | - | - | - | 5,577,412 |
| Impact fees | - | - | 3,723,500 | 2,634,971 | 458,723 | 6,817,194 |
| Fines and forfeitures | 340,431 | - | - | - | - | 340,431 |
| Investment earnings | 240,284 | 5,249 | 94,226 | 199,415 | 55,556 | 594,730 |
| Miscellaneous | 265,021 | - | - | - | 4,468 | 269,489 |
| Total revenues | <u>22,656,984</u> | <u>5,249</u> | <u>3,817,726</u> | <u>2,834,386</u> | <u>1,834,394</u> | <u>31,148,739</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 1,956,280 | - | - | - | 30,633 | 1,986,913 |
| Public safety | 6,079,878 | - | - | - | 41,021 | 6,120,899 |
| Streets and highways | 953,871 | - | - | 605,110 | - | 1,558,981 |
| Sanitation | 1,771,229 | - | - | - | - | 1,771,229 |
| Parks, golf, cemetery and public property | 3,617,951 | - | - | - | - | 3,617,951 |
| Culture and recreation | 2,227,183 | - | - | - | 122,600 | 2,349,783 |
| Community and economic development | 1,362,317 | - | - | - | - | 1,362,317 |
| Debt service: | | | | | | |
| Principal | 271,774 | 4,097,000 | - | - | 952,000 | 5,320,774 |
| Interest | 96,818 | 197,618 | - | - | 224,024 | 518,460 |
| Bond issuance costs | - | 47,175 | - | - | - | 47,175 |
| Capital outlay | - | - | 1,685,662 | 3,452,884 | 722,133 | 5,860,679 |
| Total expenditures | <u>18,337,301</u> | <u>4,341,793</u> | <u>1,685,662</u> | <u>4,057,994</u> | <u>2,092,411</u> | <u>30,515,161</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,319,683</u> | <u>(4,336,544)</u> | <u>2,132,064</u> | <u>(1,223,608)</u> | <u>(258,017)</u> | <u>633,578</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 118,172 | 1,265,367 | 434,700 | 2,169,355 | 819,532 | 4,807,126 |
| Transfers out | (3,713,469) | - | (1,052,218) | (274,285) | (247,252) | (5,287,224) |
| Refunding bonds issued | - | 3,021,000 | - | - | - | 3,021,000 |
| Total other financing sources and (uses) | <u>(3,595,297)</u> | <u>4,286,367</u> | <u>(617,518)</u> | <u>1,895,070</u> | <u>572,280</u> | <u>2,540,902</u> |
| Net change in fund balances | 724,386 | (50,177) | 1,514,546 | 671,462 | 314,263 | 3,174,480 |
| Fund balances - beginning | <u>6,913,615</u> | <u>609,480</u> | <u>2,997,990</u> | <u>7,653,661</u> | <u>2,715,850</u> | <u>20,890,596</u> |
| Fund balances - ending | <u>\$ 7,638,001</u> | <u>\$ 559,303</u> | <u>\$ 4,512,536</u> | <u>\$ 8,325,123</u> | <u>\$ 3,030,113</u> | <u>\$ 24,065,076</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, 2020

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

Net change in fund balances-total governmental funds **\$ 3,174,480**

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 expense in the current period as shown below:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 6,705,101 | |
| Depreciation expense | <u>(1,869,996)</u> | 4,835,105 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) changes net position. In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the carrying cost of the assets sold.

(30,514)

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.

5,137,357

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 position.

5,320,774

The issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.

| | | |
|-----------------------------------------------|--------------------|-------------|
| Debt issued or incurred, including refundings | <u>(3,021,000)</u> | (3,021,000) |
|-----------------------------------------------|--------------------|-------------|

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | | |
|----------------------------------|---------------|--------|
| Amortization of premium on bonds | <u>45,143</u> | 45,143 |
|----------------------------------|---------------|--------|

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:

| | | |
|----------------------------------------------|------------------|-----------|
| Amortization of deferred charge on refunding | (48,420) | |
| Accrued interest, net change | 14,403 | |
| Compensated absences, net change | <u>(121,955)</u> | (155,972) |

Pension contributions are reported as expenditures in the governmental funds when made.

However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

| | | |
|-----------------------|------------------|-----------|
| Pension contributions | 499,583 | |
| Pension expense | <u>(691,235)</u> | (191,652) |

The internal service fund is used by management to charge the costs of fleet services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

| | | |
|-----------------------------------------------------|---------------|--------|
| Change in net position of the internal service fund | (2,956) | |
| Net activity included in balances above | <u>86,357</u> | 83,401 |

| | | |
|----------------------------------------------------------|--|-----------------------------|
| Change in net position of governmental activities | | <u>\$ 15,197,122</u> |
|----------------------------------------------------------|--|-----------------------------|

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

WASHINGTON CITY, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2020

| | Business-type Activities | | | | | | Governmental Activities |
|---------------------------------------|--------------------------|--------------|--------------|--------------|----------------------|------------------------|-------------------------|
| | | | | | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| | Water | Sewer | Electric | Storm Drain | | | |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 5,283,837 | \$ 3,090,103 | \$ 3,370,279 | \$ 1,110,004 | \$ 275,591 | \$ 13,129,814 | \$ 30,968 |
| Investments | 6,292,975 | 7,246,469 | 4,819,378 | 3,177,036 | - | 21,535,858 | - |
| Accounts receivable, net | 1,066,259 | 134,953 | 2,084,295 | 97,948 | 4,958 | 3,388,413 | - |
| Due from other funds | 293,780 | 698,788 | - | - | - | 992,568 | - |
| Inventory | - | - | 1,138,733 | - | - | 1,138,733 | 17,621 |
| Total current assets | 12,936,851 | 11,170,313 | 11,412,685 | 4,384,988 | 280,549 | 40,185,386 | 48,589 |
| Noncurrent assets: | | | | | | | |
| Restricted cash and cash equivalents | 330,191 | - | 677,346 | - | - | 1,007,537 | - |
| Net pension asset | 6,294 | 4,301 | 9,277 | 1,571 | 120 | 21,563 | 1,122 |
| Capital assets: | | | | | | | |
| Land | 839,363 | 9,055 | 1,367,687 | 99,208 | - | 2,315,313 | - |
| Buildings | 1,216,922 | 1,953,176 | 3,300,239 | - | - | 6,470,337 | 324,370 |
| Improvements and systems | 62,158,249 | 29,119,338 | 37,614,664 | 21,250,752 | 6,375,034 | 156,518,037 | - |
| Machinery and equipment | 983,385 | 758,221 | 1,041,365 | 87,751 | 4,990 | 2,875,712 | 70,255 |
| Automobiles and trucks | 734,247 | 692,366 | 1,000,345 | 143,546 | - | 2,570,504 | 1,171,870 |
| Construction in progress | 704,247 | 938,856 | 349,657 | 194,181 | 343,615 | 2,530,556 | 114,558 |
| Less accumulated depreciation | (19,922,721) | (8,462,914) | (11,818,185) | (3,017,377) | (265,688) | (43,486,885) | (775,414) |
| Total capital assets, net | 46,713,692 | 25,008,098 | 32,855,772 | 18,758,061 | 6,457,951 | 129,793,574 | 905,639 |
| Total noncurrent assets | 47,050,177 | 25,012,399 | 33,542,395 | 18,759,632 | 6,458,071 | 130,822,674 | 906,761 |
| Total assets | 59,987,028 | 36,182,712 | 44,955,080 | 23,144,620 | 6,738,620 | 171,008,060 | 955,350 |
| Deferred outflow of resources | | | | | | | |
| Deferred charge on refunding | - | - | 86,904 | - | - | 86,904 | - |
| Deferred outflows related to pensions | 153,021 | 104,570 | 225,546 | 38,179 | 2,913 | 524,229 | 27,292 |
| Total deferred outflow of resources | 153,021 | 104,570 | 312,450 | 38,179 | 2,913 | 611,133 | 27,292 |

(Continued)

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

WASHINGTON CITY, UTAH
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2020

| | Business-type Activities | | | | | | Governmental Activities |
|----------------------------------------|--------------------------|---------------|---------------|---------------|----------------------|------------------------|-------------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| Liabilities | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 898,712 | \$ 959,524 | \$ 1,031,177 | \$ 167,124 | \$ 200,623 | \$ 3,257,160 | \$ 131,997 |
| Accrued wages and taxes | 24,562 | 16,530 | 33,556 | 7,423 | 446 | 82,517 | 4,302 |
| Due to other funds | - | - | - | - | - | - | 563,937 |
| Accrued interest payable | 24,891 | - | 44,362 | - | - | 69,253 | - |
| Customer deposits | 330,100 | - | 256,610 | - | - | 586,710 | - |
| Unearned revenue | 63,896 | 3,502 | 17,327 | 1,320 | - | 86,045 | - |
| Compensated absences payable - current | 88,823 | 49,886 | 106,537 | 18,130 | 709 | 264,085 | 8,788 |
| Notes payable - current | 2,387 | - | 159,198 | - | - | 161,585 | - |
| Revenue bonds payable - current | 395,000 | - | 510,000 | - | - | 905,000 | - |
| Total current liabilities | 1,828,371 | 1,029,442 | 2,158,767 | 193,997 | 201,778 | 5,412,355 | 709,024 |
| Noncurrent liabilities: | | | | | | | |
| Compensated absences payable | 15,838 | 22,276 | 49,062 | 9,514 | - | 96,690 | - |
| Notes payable | 17,311 | - | 754,198 | - | - | 771,509 | - |
| Revenue bonds payable | 8,384,012 | - | 4,545,000 | - | - | 12,929,012 | - |
| Net pension liability | 276,843 | 189,186 | 408,053 | 69,073 | 5,271 | 948,426 | 49,377 |
| Total noncurrent liabilities | 8,694,004 | 211,462 | 5,756,313 | 78,587 | 5,271 | 14,745,637 | 49,377 |
| Total liabilities | 10,522,375 | 1,240,904 | 7,915,080 | 272,584 | 207,049 | 20,157,992 | 758,401 |
| Deferred inflows of resources | | | | | | | |
| Deferred inflows related to pensions | 137,363 | 93,868 | 202,466 | 34,272 | 2,615 | 470,584 | 24,500 |
| Total deferred inflow of resources | 137,363 | 93,868 | 202,466 | 34,272 | 2,615 | 470,584 | 24,500 |
| Net position | | | | | | | |
| Net investment in capital assets | 37,580,300 | 24,289,955 | 26,974,280 | 18,651,031 | 6,284,465 | 113,780,031 | 905,639 |
| Restricted for: | | | | | | | |
| Debt service | 91 | - | 420,736 | - | - | 420,827 | - |
| Capital outlay | 3,585,615 | 3,215,395 | - | 1,531,161 | - | 8,332,171 | - |
| Unrestricted | 8,314,305 | 7,447,160 | 9,754,968 | 2,693,751 | 247,404 | 28,457,588 | (705,898) |
| Total net position | \$ 49,480,311 | \$ 34,952,510 | \$ 37,149,984 | \$ 22,875,943 | \$ 6,531,869 | \$ 150,990,617 | \$ 199,741 |

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

WASHINGTON CITY, UTAH
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

| | Business-type Activities | | | | | | Governmental Activities |
|----------------------------------------------------------|--------------------------|---------------|---------------|---------------|----------------------|------------------------|-------------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| Operating revenues: | | | | | | | |
| Charges for services | \$ 7,496,899 | \$ 1,720,545 | \$ 14,629,306 | \$ 1,164,268 | \$ 17,340 | \$ 25,028,358 | \$ 747,953 |
| Miscellaneous | 2,738 | 3,125 | 222,133 | 64,798 | 90 | 292,884 | 27,064 |
| Total operating revenues | 7,499,637 | 1,723,670 | 14,851,439 | 1,229,066 | 17,430 | 25,321,242 | 775,017 |
| Operating expenses: | | | | | | | |
| Salaries and wages | 911,768 | 613,547 | 1,321,278 | 225,381 | 17,025 | 3,088,999 | 162,469 |
| Employee benefits | 582,624 | 362,529 | 701,681 | 173,324 | 9,403 | 1,829,561 | 109,044 |
| Utilities | 480,412 | 40,596 | 64,677 | 5,497 | - | 591,182 | 14,113 |
| Professional services | 44,301 | 10,416 | 182,201 | 279,528 | 26,472 | 542,918 | 3,810 |
| Repairs and maintenance | 886,278 | 10,880 | 290,833 | 6,563 | 4,025 | 1,198,579 | 2,973 |
| Water purchased | 2,179,924 | - | - | - | - | 2,179,924 | - |
| Power purchased | - | - | 7,128,520 | - | - | 7,128,520 | - |
| Transmission expense | - | - | 1,314,994 | - | - | 1,314,994 | - |
| Miscellaneous | 58,235 | 28,889 | 152,616 | 45,590 | - | 285,330 | 25,696 |
| Administrative cost allocation | 304,322 | 108,647 | 608,644 | 43,459 | - | 1,065,072 | 21,840 |
| Supplies | 56,249 | 89,521 | 95,922 | 26,744 | 138 | 268,574 | 351,671 |
| Depreciation/amortization | 1,444,524 | 763,743 | 1,064,570 | 446,885 | 65,703 | 3,785,425 | 86,357 |
| Total operating expenses | 6,948,637 | 2,028,768 | 12,925,936 | 1,252,971 | 122,766 | 23,279,078 | 777,973 |
| Operating income (loss) | 551,000 | (305,098) | 1,925,503 | (23,905) | (105,336) | 2,042,164 | (2,956) |
| Nonoperating revenues (expenses): | | | | | | | |
| Intergovernmental | - | - | - | 271,970 | - | 271,970 | - |
| Investment earnings | 267,013 | 281,596 | 213,007 | 118,720 | - | 880,336 | - |
| Impact fees | 2,058,147 | 806,210 | 1,582,898 | 541,696 | - | 4,988,951 | - |
| Gain (loss) on disposal of capital assets | - | 5,060 | 4,609 | 9,554 | - | 19,223 | - |
| Interest and fiscal charges | (276,330) | (106) | (147,193) | - | - | (423,629) | - |
| Total nonoperating revenues (expenses) | 2,048,830 | 1,092,760 | 1,653,321 | 941,940 | - | 5,736,851 | - |
| Income (loss) before transfers and capital contributions | 2,599,830 | 787,662 | 3,578,824 | 918,035 | (105,336) | 7,779,015 | (2,956) |
| Transfers in | - | - | - | - | 480,098 | 480,098 | - |
| Transfers out | - | (210,806) | - | - | - | (210,806) | - |
| Capital contributions | 2,320,320 | 2,015,879 | 1,560,416 | 1,587,777 | 1,019,603 | 8,503,995 | - |
| Change in net position | 4,920,150 | 2,592,735 | 5,139,240 | 2,505,812 | 1,394,365 | 16,552,302 | (2,956) |
| Total net position - beginning | 44,560,161 | 32,359,775 | 32,010,744 | 20,370,131 | 5,137,504 | 134,438,315 | 202,697 |
| Total net position - ending | \$ 49,480,311 | \$ 34,952,510 | \$ 37,149,984 | \$ 22,875,943 | \$ 6,531,869 | \$ 150,990,617 | \$ 199,741 |

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, 2020

| | Business-type Activities | | | | | | Governmental Activities |
|--------------------------------------------------------------------|--------------------------|--------------|---------------|--------------|----------------------|------------------------|-------------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| Cash flows from operating activities: | | | | | | | |
| Cash received from customers and users | \$ 7,456,628 | \$ 1,718,922 | \$ 14,964,311 | \$ 1,221,157 | \$ 17,252 | \$ 25,378,270 | \$ 6,512 |
| Cash received from interfund charges for fleet services | - | - | - | - | - | - | 741,441 |
| Cash received (paid) from (to) others | - | - | - | - | - | - | 27,672 |
| Cash collected (remitted) for pass through fees | - | 32,390 | - | - | - | 32,390 | - |
| Cash paid to suppliers | (3,756,505) | (308,026) | (10,542,971) | (381,847) | (25,536) | (15,014,885) | (409,208) |
| Cash paid to employees | (1,499,722) | (990,927) | (1,979,288) | (372,895) | (26,094) | (4,868,926) | (271,328) |
| Net cash flows from operating activities | 2,200,401 | 452,359 | 2,442,052 | 466,415 | (34,378) | 5,526,849 | 95,089 |
| Cash flows from noncapital financing activities: | | | | | | | |
| Transfers (to) from other funds | - | - | - | - | 480,098 | 480,098 | - |
| Cash received (paid) from (to) other funds | - | 198,760 | - | - | - | 198,760 | - |
| Net cash flows from noncapital financing activities | - | 198,760 | - | - | 480,098 | 678,858 | - |
| Cash flows from capital and related financing activities: | | | | | | | |
| Capital grants and contributions | - | - | - | 271,970 | - | 271,970 | - |
| Cash received (paid) from (to) other funds | 77,599 | (270,157) | - | - | - | (192,558) | 192,558 |
| Principal paid on capital debt | (402,231) | - | (650,474) | - | - | (1,052,705) | - |
| Interest paid on capital debt | (309,626) | (106) | (134,869) | - | - | (444,601) | - |
| Purchase and acquisition of capital assets | (731,238) | (791,459) | (3,231,709) | (1,529,408) | (170,129) | (6,453,943) | (388,758) |
| Proceeds from sales of capital assets | 1,270 | 34,061 | 37,553 | 50,170 | - | 123,054 | 61,517 |
| Impact fees | 2,058,147 | 806,210 | 1,582,898 | 541,696 | - | 4,988,951 | - |
| Net cash flows from capital and related financing activities | 693,921 | (221,451) | (2,396,601) | (665,572) | (170,129) | (2,759,832) | (134,683) |
| Cash flows from investing activities: | | | | | | | |
| Net change in investments | (168,695) | (196,459) | (128,428) | (87,169) | - | (580,751) | - |
| Interest and dividends received | 261,215 | 272,930 | 208,341 | 113,980 | - | 856,466 | - |
| Net cash flows from investing activities | 92,520 | 76,471 | 79,913 | 26,811 | - | 275,715 | - |
| Net change in cash and cash equivalents | 2,986,842 | 506,139 | 125,364 | (172,346) | 275,591 | 3,721,590 | (39,594) |
| Cash and cash equivalents, including restricted, beginning of year | 2,627,186 | 2,583,964 | 3,922,261 | 1,282,350 | - | 10,415,761 | 70,562 |
| Cash and cash equivalents, including restricted, end of year | \$ 5,614,028 | \$ 3,090,103 | \$ 4,047,625 | \$ 1,110,004 | \$ 275,591 | \$ 14,137,351 | \$ 30,968 |

(Continued)

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

WASHINGTON CITY, UTAH
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2020

| | Business-type Activities | | | | | | Governmental Activities |
|---------------------------------------------------------------------------------------------------|--------------------------|-------------------|---------------------|-------------------|------------------------|------------------------|-------------------------|
| | Water | Sewer | Electric | Storm Drain | Other Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | | | |
| Net operating income (loss) | \$ 551,000 | \$ (305,098) | \$ 1,925,503 | \$ (23,905) | \$ (105,336) | \$ 2,042,164 | \$ (2,956) |
| Adjustments to reconcile net operating income (loss) to net cash flows from operating activities: | | | | | | | |
| Depreciation/amortization | 1,444,524 | 763,743 | 1,064,570 | 446,885 | 65,703 | 3,785,425 | 86,357 |
| Pension expense | 55,883 | 29,179 | 139,092 | 37,379 | 1,741 | 263,274 | 10,378 |
| Employer pension contributions | (77,867) | (53,212) | (114,772) | (19,428) | (1,482) | (266,761) | (13,888) |
| Changes in operating assets and liabilities: | | | | | | | |
| (Increase) decrease in receivables | (44,075) | (9,188) | 93,001 | (8,262) | (178) | 31,298 | - |
| (Increase) decrease in inventory | - | - | (121,795) | - | - | (121,795) | (3,189) |
| (Increase) decrease in due from other governments | - | - | - | - | - | - | 608 |
| Increase (decrease) in accounts payable | 253,216 | 13,313 | (582,769) | 25,534 | 5,099 | (285,607) | 14,084 |
| Increase (decrease) in accrued payroll | 7,816 | 5,460 | 9,847 | 3,439 | 137 | 26,699 | 1,395 |
| Increase (decrease) in customer deposits | 30,250 | - | 25,497 | - | - | 55,747 | - |
| Increase (decrease) in unearned revenues | (29,184) | 4,440 | (5,626) | 353 | - | (30,017) | - |
| Increase (decrease) in compensated absences | 8,838 | 3,722 | 9,504 | 4,420 | (62) | 26,422 | 2,300 |
| Net cash flows from operating activities | <u>\$ 2,200,401</u> | <u>\$ 452,359</u> | <u>\$ 2,442,052</u> | <u>\$ 466,415</u> | <u>\$ (34,378)</u> | <u>\$ 5,526,849</u> | <u>\$ 95,089</u> |
| Noncash investing, capital, and financing activities | | | | | | | |
| Contributions of capital assets | \$ 2,320,320 | \$ 2,015,879 | \$ 1,560,416 | \$ 1,587,777 | \$ 1,019,603 | \$ 8,503,995 | \$ - |
| Increase (decrease) in fair value of investments | 5,798 | 8,666 | 4,666 | 4,740 | - | 23,870 | - |
| Purchase of capital assets on account | 334,682 | 718,143 | - | 107,030 | 173,486 | 1,333,341 | 89,112 |

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies

Description of Government-wide Financial Statements

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

Reporting Entity

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

The **Coral Canyon Special Service District** (the District) was created on June 14, 2000 for the purpose of providing various services within the boundaries of the District. Specifically, the District issued bonds to finance the construction of public infrastructure within the District.

The **Municipal Building Authority of Washington City** (the Authority) was incorporated in the State of Utah on October 20, 1995 for the purpose of accomplishing the public purposes for which the City exists by acquiring, improving or extending one or more projects and financing the cost of such projects on behalf of the City.

Both the District and the Authority are governed by boards of trustees comprised of the elected officials of the City and both are treated as governmental debt service funds in these financial statements.

The **Washington City Foundation** (the Foundation) was created on August 10, 2016 to account for various activities related to the award of grants and other qualified tax-exempt funding and donations made to the Foundation. The Foundation is a separate, nonprofit entity (501c3) that has the same governing body as the City. The Foundation is treated as a blended component unit in these financial statements as a special revenue fund.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of Presentation – Government-wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

The **Municipal Building Authority (blended component unit) Debt Service Fund** accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest of the Authority (MBA).

The **Capital Projects Fund—Recreation** accounts for the acquisition and construction of the City's major capital facilities relating to recreation. This fund includes, in addition to other items, the collection and expenditure of park impact fees.

The **Capital Projects Fund—Streets** accounts for the acquisition and construction of the City's major capital facilities relating to streets. This fund primarily includes the collection and expenditure of street impact fees and highway taxes.

The City reports the following major enterprise funds:

The **Water Fund** accounts 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

Additionally, the City reports the following fund type:

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

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

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

Measurement Focus and Basis of Accounting

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

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

Cash and cash equivalents

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

Investments

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Receivables

Management regularly reviews accounts receivable and writes off uncollectible amounts. Receivables are reported net of allowances for uncollectible amounts. The City's allowances for uncollectible amounts are currently established at four percent (seven percent for electric) of accounts receivable. The majority of accounts receivable in the general fund relates to garbage service revenues. The accounts receivable allowances at June 30, 2020 are as follows: general fund (garbage service) - \$9,973; water - \$34,191; sewer - \$5,373; electric - \$111,254; and storm drain - \$3,847.

Given the nature of the amounts due from other governments (e.g. property, sales, highway, energy and franchise taxes, Class C road funds and other intergovernmental revenues), an allowance for uncollectible amounts is not considered necessary.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), reported in the applicable governmental or business-type activity column 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 if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in the Leases section of Note 1). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life.

Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated (along with infrastructure – see below).

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

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

| | |
|--------------------------------------------|------------------|
| Buildings and improvements | 10-50 years |
| Improvements and systems | 10-100 years |
| Machinery and equipment (including leased) | 5-20 years |
| Automobiles and trucks | 3-20 years |
| Infrastructure | Not depreciated* |

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has two types of items that qualify for reporting in this category. The deferred charge on refunding reported in the proprietary funds statement of net position and government-wide statement of net position and pension related items (see Note 9). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this category. The first item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The second item (when applicable), *unavailable revenue – grants*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from grants. These unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third and fourth items are pension (see Note 9) and lease (see Note 7) related items.

Pensions

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for noncancellable leases of properties. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

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

Compensated Absences

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

New Pronouncement

For the year ended June 30, 2020, the City early-adopted the provisions of GASB Statement No. 87, *Leases*. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

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

NOTE 4. Deposits and Investments

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

| | |
|--------------------------------------|----------------------|
| Cash and cash equivalents | \$ 26,183,787 |
| Investments | 32,643,091 |
| Restricted cash and cash equivalents | <u>3,646,117</u> |
| | <u>\$ 62,472,995</u> |

Restricted cash and cash equivalents consist primarily of assets relating to required debt reserves. Restricted assets also include refundable deposits relating to construction bonds and other payables.

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

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned. The City does not have a formal policy for custodial credit risk. As of June 30, 2020, \$1,829,839 of the City's bank balance of \$2,079,839 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act (the 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.

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); 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; the Utah Public Treasurer's Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer's office.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 4. Deposits and Investments, Continued

As of June 30, 2020, the City's deposits and investments consist of the following:

| | Fair Value | Credit Ratings (1) | | Weighted Average Maturity (2) |
|--------------------------------------|----------------------|--------------------|-------------|----------------------------------|
| | | Moody's | S&P | |
| Cash on hand | \$ 2,000 | N/A | N/A | N/A |
| Cash deposits | 1,929,752 | N/A | N/A | N/A |
| Utah Public Treasurers' | | | | |
| Investment Fund | 27,898,153 | N/A | N/A | 39.84 |
| Moreton Capital Markets | | | | |
| US Govt MMF (RBC Reserve) | (36,091) | Aaa-mf | AAAm | 28 |
| Bonds - certificates of deposits (3) | 1,379,972 | N/A | N/A | 1,621 |
| Bonds - corporate | 31,299,210 | Aa2 to Baa1 | AA- to BBB+ | 614 |
| Total Fair Value | <u>\$ 62,472,995</u> | | | |

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

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

(3) FDIC insured to limits

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.

Fair value measurements

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the City's investments, as listed above, are valued using significant other observable inputs (Level 2 inputs).

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 5. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2020 was as follows:

| Governmental Activities: | Balance 6/30/19 | Additions | Deletions | Adjustments and Transfers* | Balance 6/30/20 |
|----------------------------------------------|----------------------------|------------------|------------------|---------------------------------------|----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land, easements and water rights | \$ 4,539,915 | \$ 422,283 | \$ - | \$ 98,000 | \$ 5,060,198 |
| Construction in progress | 489,159 | 5,136,468 | (2,173,489) | - | 3,452,138 |
| Infrastructure | 93,159,392 | 7,622,315 | - | - | 100,781,707 |
| Total capital assets, not being depreciated: | 98,188,466 | 13,181,066 | (2,173,489) | 98,000 | 109,294,043 |
| Capital assets, being depreciated: | | | | | |
| Buildings and other improvements | 47,812,944 | 16,927 | - | 117,513 | 47,947,384 |
| Machinery and equipment | 3,584,826 | 705,356 | (42,479) | - | 4,247,703 |
| Machinery and equipment (leased) | - | - | - | 400,443 | 400,443 |
| Automobiles and trucks | 3,208,420 | 379,660 | (121,327) | 17,951 | 3,484,704 |
| Total capital assets, being depreciated: | 54,606,190 | 1,101,943 | (163,806) | 535,907 | 56,080,234 |
| Less accumulated depreciation for: | | | | | |
| Buildings and other improvements | (16,332,249) | (1,343,871) | - | (4,707) | (17,680,827) |
| Machinery and equipment | (1,886,001) | (273,879) | 41,719 | - | (2,118,161) |
| Machinery and equipment (leased) | - | (80,088) | - | - | (80,088) |
| Automobiles and trucks | (2,365,156) | (172,158) | 30,058 | (17,951) | (2,525,207) |
| Total accumulated depreciation | (20,583,406) | (1,869,996) | 71,777 | (22,658) | (22,404,283) |
| Total capital assets, being depreciated, net | 34,022,784 | (768,053) | (92,029) | 513,249 | 33,675,951 |
| Governmental activities capital assets, net | \$ 132,211,250 | \$ 12,413,013 | \$ (2,265,518) | \$ 611,249 | \$ 142,969,994 |

*Transfers between governmental and business-type activities are made in these financial statements. Adjustments for leased assets (\$400,443) relate to the implementation of GASB 87.

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

| | |
|-------------------------------------------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 257,284 |
| Public safety | 286,221 |
| Streets and highways | 85,361 |
| Parks, golf, cemetery and public property | 800,923 |
| Culture and recreation | 435,434 |
| Community and economic development | 4,773 |
| Total depreciation/amortization expense - governmental activities | <u>\$ 1,869,996</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 5. Capital Assets, Continued

Capital asset activity for business-type activities for the year ended June 30, 2020 was as follows:

| Business-type Activities: | Balance 6/30/19 | Additions | Deletions | Transfers* | Balance 6/30/20 |
|----------------------------------------------|----------------------------|----------------------|-----------------------|---------------------|----------------------------|
| Capital assets not being depreciated: | | | | | |
| Land, easements and water rights | \$ 2,413,313 | \$ - | \$ - | \$ (98,000) | \$ 2,315,313 |
| Construction in progress | 363,236 | 5,110,375 | (2,943,055) | - | 2,530,556 |
| Total capital assets, not being depreciated | 2,776,549 | 5,110,375 | (2,943,055) | (98,000) | 4,845,869 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 6,587,850 | - | - | (117,513) | 6,470,337 |
| Improvements and systems | 143,274,327 | 13,277,147 | (33,437) | - | 156,518,037 |
| Machinery and equipment | 2,901,931 | 87,836 | (114,055) | - | 2,875,712 |
| Automobiles and trucks | 1,948,640 | 761,976 | (122,161) | (17,951) | 2,570,504 |
| Total capital assets, being depreciated | 154,712,748 | 14,126,959 | (269,653) | (135,464) | 168,434,590 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,109,255) | (138,467) | - | 4,707 | (1,243,015) |
| Improvements and systems | (36,068,264) | (3,274,800) | 32,167 | - | (39,310,897) |
| Machinery and equipment | (1,536,186) | (207,516) | 114,055 | - | (1,629,647) |
| Automobiles and trucks | (1,173,235) | (164,642) | 16,600 | 17,951 | (1,303,326) |
| Total accumulated depreciation | (39,886,940) | (3,785,425) | 162,822 | 22,658 | (43,486,885) |
| Total capital assets, being depreciated, net | 114,825,808 | 10,341,534 | (106,831) | (112,806) | 124,947,705 |
| Business-type activities capital assets, net | <u>\$ 117,602,357</u> | <u>\$ 15,451,909</u> | <u>\$ (3,049,886)</u> | <u>\$ (210,806)</u> | <u>\$ 129,793,574</u> |

*Transfers between governmental and business-type activities are made in these financial statements.

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

| | |
|-------------------------------------------------------|---------------------|
| Business-type Activities: | |
| Water | \$ 1,444,524 |
| Sewer | 763,743 |
| Electric | 1,064,570 |
| Storm drain | 446,885 |
| Irrigation | 65,703 |
| Total depreciation expense - business-type activities | <u>\$ 3,785,425</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 6. Long-term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

| Governmental Activities: | Balance 6/30/19 | Additions | Retirements | Adjustments* | Balance 6/30/20 | Current Portion |
|-----------------------------------------|--------------------|--------------|--------------|--------------|--------------------|--------------------|
| General obligation bonds (Coral Canyon) | \$ 6,150,000 | \$ - | \$ 615,000 | \$ - | \$ 5,535,000 | \$ 630,000 |
| Direct placements: | | | | | | |
| Lease revenue bonds (MBA) | 8,954,000 | 3,021,000 | 4,097,000 | - | 7,878,000 | 1,085,000 |
| Sales and excise tax road revenue bonds | 1,601,000 | - | 337,000 | - | 1,264,000 | 343,000 |
| Total direct placements | 10,555,000 | 3,021,000 | 4,434,000 | | 9,142,000 | 1,428,000 |
| Deferred amounts: | | | | | | |
| For issuance premium | 406,288 | - | 45,143 | - | 361,145 | - |
| Notes payable* | 1,116,393 | - | 220,535 | - | 895,858 | 183,898 |
| Leases payable* | - | - | 51,239 | 400,443 | 349,204 | 55,533 |
| Net pension liability | 3,069,573 | - | 1,244,014 | - | 1,825,559 | - |
| Compensated absences | 601,348 | 533,661 | 409,406 | - | 725,603 | 494,001 |
| Total governmental activities | 21,898,602 | 3,554,661 | 7,019,337 | 400,443 | 18,834,369 | 2,791,432 |
| Business-type Activities: | | | | | | |
| Revenue bonds | 8,360,000 | - | 400,000 | - | 7,960,000 | 395,000 |
| Revenue bonds - direct placements | 5,553,000 | - | 498,000 | - | 5,055,000 | 510,000 |
| Total revenue bonds | 13,913,000 | - | 898,000 | - | 13,015,000 | 905,000 |
| Deferred amounts: | | | | | | |
| For issuance premium | 851,773 | - | 32,761 | - | 819,012 | - |
| Notes payable* | 1,087,799 | - | 154,705 | - | 933,094 | 161,585 |
| Net pension liability | 1,750,022 | - | 801,596 | - | 948,426 | - |
| Compensated absences | 334,353 | 282,237 | 255,815 | - | 360,775 | 264,085 |
| Total business-type activities | 17,936,947 | 282,237 | 2,142,877 | - | 16,076,307 | 1,330,670 |
| Total long-term liabilities | \$39,835,549 | \$ 3,836,898 | \$ 9,162,214 | \$ 400,443 | \$ 34,910,676 | \$ 4,122,102 |

*The City implemented GASB 87 in fiscal year 2020, which results in a beginning balance adjustment of \$400,443. Also, with the implementation, debt reported as capital leases in fiscal year 2019 are reported as notes payable in fiscal year 2020 (not leases under GASB 87).

The City's outstanding bonds from direct placements related to governmental activities of \$9,142,000 and business-type activities of \$5,055,000 contain a provision that in an event of default (i.e. failure to pay principal or interest payments when due or failure to remedy after notice given of failure to perform or observe covenants, agreements, or conditions contained in the indenture or bonds), principal of all outstanding bonds and the interest accrued thereon become immediately due and payable. The lease revenue bonds are secured by lease revenue and with collateral of five developed lots zoned for administrative professional use (city hall, Veterans Park, city museum and community center), four parcels of land zoned RA-2 (Sullivan Virgin River Soccer Park), and one developed lot zoned R2 (police station). The sales tax revenue and excise tax road revenue bonds are secured by sales tax and excise tax revenues, respectively. The electric revenue bonds are secured by electric fund revenues.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 6. Long-term Liabilities, Continued

The City's other outstanding bonds related to governmental activities of \$5,535,000 are secured by property tax revenues related to Coral Canyon Special Service District (a blended component unit of the City). The City's other outstanding bonds related to business-type activities of \$7,960,000 also contain a provision that in an event of default (i.e. failure to pay principal or interest payments when due or failure to remedy after notice given of failure to perform or observe covenants, agreements, or conditions contained in the indenture or bonds), principal of all outstanding bonds and the interest accrued thereon become immediately due and payable. The water revenue bonds are secured by water fund revenues.

The City has a credit account with a financial institution with a maximum limit of \$575,000 and an unused amount of \$454,346 as of June 30, 2020.

Long-term liabilities for the City at June 30, 2020 consist of the following:

General Obligation Bonds:

Governmental Activities:

Coral Canyon Special Service District:

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| General Obligation Refunding Bonds Series 2016 issued October 6, 2016 in the amount of \$7,370,000 payable in annual principal installments of \$595,000 to \$755,000 with final payment due July 15, 2027. Interest is paid semi-annually at a rate of 3.00%. | <u>\$ 5,535,000</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|

| | |
|---------------------------------------------------------|------------------|
| Total general obligation bonds, governmental activities | <u>5,535,000</u> |
|---------------------------------------------------------|------------------|

Revenue Bonds:

Governmental Activities:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Lease Revenue and Refunding Bonds Series 2008 issued by the Municipal Building Authority in the amount of \$8,321,000 payable in annual installments of \$305,000 to \$552,000 with final payment due December 15, 2027. The bond bears interest of 1.053% to 4.45%. Interest is paid semi-annually. | 3,874,000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Lease Revenue Bonds Series 2014 issued by the Municipal Building Authority in the amount of \$3,297,000 payable in annual installments of \$452,000 to \$497,000 with final payment due December 15, 2021. The bond bears interest of 0.90% to 2.40%. Interest is paid semi-annually. | 983,000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Lease Revenue Refunding Bonds Series 2020 issued by the Municipal Building Authority in the amount of \$3,021,000 payable in annual installments of \$177,000 to \$233,000 with final payment due June 15, 2035. The bond bears interest of 1.97%. Interest is paid semi-annually. | <u>3,021,000</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|

| | |
|----------------------------------------------------------|------------------|
| Total lease revenue bonds (MBA), governmental activities | <u>7,878,000</u> |
|----------------------------------------------------------|------------------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Sales Tax Revenue Refunding Bonds Series 2011. Payable in annual principal installments of \$160,000 to \$287,000 with interest due semi-annually. The bonds bear interest of 2.93%. Final payment is due November 15, 2023. | 1,099,000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Excise Tax Road Revenue Bonds Series 2011. Payable in annual principal installments of \$68,000 to \$84,000 with interest due semi-annually. The bonds bear interest of 1.50% to 3.75%. Final payment is due July 15, 2021. | <u>165,000</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|

| | |
|----------------------------------------------------------------------------|------------------|
| Total sales tax and excise tax road revenue bonds, governmental activities | <u>1,264,000</u> |
|----------------------------------------------------------------------------|------------------|

(Continued)

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 6. Long-term Liabilities, Continued

Business-type Activities:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Water Revenue Refunding Bonds - Series 2016 B payable in annual principal installments of \$0 to \$495,000 with a final payment due June 1, 2046. The bond bears interest of 3.00% to 4.00%. Interest is paid semi-annually. | \$ 7,960,000 |
| Electric Revenue Bonds - Series 2013 issued May 1, 2013 in the amount of \$7,621,000. Principal payable in annual installments of \$80,000 to \$617,000 with final payment due March 1, 2028. The bonds bear interest of 2.38%. | <u>5,055,000</u> |
| Total revenue bonds, business-type activities | <u>13,015,000</u> |

Notes Payable:

Governmental Activities:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 3.34% note payable due in monthly principal and interest installments, maturing June 12, 2027. Allocated among three funds of the City as follows: general - 36%; water fund - 2%; electric fund - 62%. | 354,557 |
| 3.60% note payable due in annual principal and interest installments, maturing December 1, 2023. Allocated between two funds of the City as follows: general - 53%; electric fund - 47%. | 172,713 |
| 2.23% note payable due in monthly principal and interest installments, maturing September 1, 2020. | 14,246 |
| 2.05% note payable due in annual principal and interest installments, maturing December 1, 2023. | <u>354,342</u> |
| Total notes payable, governmental activities | <u>895,858</u> |

Business-type Activities:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 3.34% note payable due in monthly principal and interest installments, maturing June 12, 2027. Allocated among three funds of the City as follows: general fund - 36%; water fund - 2%; electric fund - 62%. | 630,323 |
| 3.60% note payable due in annual principal and interest installments, maturing December 1, 2023. Allocated between two funds of the City as follows: general - 53%; electric fund - 47% | 152,022 |
| 2.46% note payable due in annual principal and interest installments, maturing October 4, 2022. | <u>150,749</u> |
| Total notes payable, business-type activities | <u>933,094</u> |

Leases Payable

349,204

Net Pension Liability

2,773,985

Accrued Compensated Absences

1,086,378

Bond Premiums

1,180,157

| | |
|-----------------------------|----------------------|
| Total long-term liabilities | <u>\$ 34,910,676</u> |
| Due within one year | \$ 4,122,102 |
| Due in more than one year | <u>30,788,574</u> |
| Total long-term liabilities | <u>\$ 34,910,676</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 6. Long-term Liabilities, Continued

The annual requirements to amortize bonds and notes payable at June 30, 2020 are as follows:

Governmental Activities

| Year Ending June 30, | CCSSD GO Bonds | | MBA Lease Revenue Bonds | | Sales Tax and Excise Tax Road Revenue Bonds | | Notes Payable | |
|-------------------------|---------------------|-------------------|-------------------------|-------------------|------------------------------------------------|------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 630,000 | \$ 156,600 | \$1,085,000 | 113,616 | \$ 343,000 | \$ 32,930 | \$ 183,898 | \$ 23,967 |
| 2022 | 650,000 | 137,400 | 1,112,000 | 94,291 | 355,000 | 22,129 | 175,846 | 19,179 |
| 2023 | 670,000 | 117,600 | 635,000 | 80,109 | 279,000 | 12,496 | 182,273 | 14,252 |
| 2024 | 690,000 | 97,200 | 657,000 | 71,637 | 287,000 | 4,205 | 189,542 | 9,127 |
| 2025 | 710,000 | 76,200 | 2,273,000 | 62,902 | - | - | 55,716 | 4,640 |
| 2026-2030 | 2,185,000 | 97,425 | 1,001,000 | 185,563 | - | - | 108,583 | 3,621 |
| 2031-2035 | - | - | 1,115,000 | 55,840 | - | - | - | - |
| 2036 | - | - | - | - | - | - | - | - |
| Totals | <u>\$ 5,535,000</u> | <u>\$ 682,425</u> | <u>\$7,878,000</u> | <u>\$ 663,958</u> | <u>\$1,264,000</u> | <u>\$ 71,760</u> | <u>\$ 895,858</u> | <u>\$ 74,786</u> |

Business-type Activities

| Year Ending June 30, | Electric Revenue Bonds | | Water Revenue Bonds | | Notes Payable | |
|-------------------------|------------------------|-------------------|---------------------|---------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 510,000 | \$ 114,240 | \$ 395,000 | \$ 298,294 | \$ 161,585 | \$ 28,442 |
| 2022 | 523,000 | 101,947 | 340,000 | 282,494 | 169,364 | 23,280 |
| 2023 | 535,000 | 89,357 | 355,000 | 268,894 | 177,474 | 17,859 |
| 2024 | 548,000 | 76,469 | 325,000 | 254,694 | 132,583 | 11,566 |
| 2025 | 561,000 | 63,272 | 75,000 | 241,694 | 99,051 | 8,249 |
| 2026-2030 | 2,378,000 | 107,422 | 1,555,000 | 1,103,469 | 193,037 | 6,437 |
| 2031-2035 | - | - | 2,315,000 | 703,869 | - | - |
| 2035-2039 | - | - | 1,610,000 | 290,519 | - | - |
| 2040-2044 | - | - | 950,000 | 88,350 | - | - |
| 2045-2047 | - | - | 40,000 | 1,248 | - | - |
| Totals | <u>\$ 5,055,000</u> | <u>\$ 552,707</u> | <u>\$7,960,000</u> | <u>\$ 3,533,525</u> | <u>\$ 933,094</u> | <u>\$ 95,833</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 7. Leases

Lease Receivable

The City leases certain city property to third parties. As of June 30, 2020, the City's receivable for lease payments is shown on the governmental funds balance sheet and the government-wide statement of financial position. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term (see the same aforementioned statements). This lease activity is not material to the City's financial statements.

Lease Payable

During fiscal year 2019, the City entered into a seven-year lease agreement (expires December 31, 2024) as lessee for the acquisition and use of 70 golf carts. An initial lease liability was recorded in the amount of \$400,443 during the current fiscal year. See Note 6 for the value of the lease liability as of the end of the current fiscal year. The City is required to make monthly principal and interest payments of \$8,739 to be adjusted each year by the annual percentage change in the consumer price index (increase not to exceed 1.5% per year). The lease has an interest rate of approximately 15.69%. The equipment has a seven-year estimated useful life. See Note 5 for the value of the right-to-use asset (leased) and related accumulated amortization as of the end of the current fiscal year.

The future principal and interest lease payments as of June 30, 2020 were as follows:

| Year Ending June 30, | Leases Payable | |
|-------------------------|-------------------|-------------------|
| | Principal | Interest |
| 2021 | \$ 55,533 | \$ 50,910 |
| 2022 | 66,619 | 41,420 |
| 2023 | 79,597 | 30,063 |
| 2024 | 94,794 | 16,511 |
| 2025 | 52,661 | 2,306 |
| Totals | <u>\$ 349,204</u> | <u>\$ 141,210</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 8. Interfund Transfers and Balances

Interfund transfers for the fiscal year ended June 30, 2020 are as follows:

| | Transfers In | | | | | | |
|-----------------------|--------------|---------------|------------------|------------------------------|-----------------------|------------------------|--------------|
| | General Fund | CPF - Streets | CPF - Recreation | Municipal Building Authority | Nonmajor Governmental | Nonmajor Business-type | Total |
| General Fund | \$ - | \$ 2,169,355 | \$ 434,700 | \$ 148,745 | \$ 480,571 | \$ 480,098 | \$ 3,713,469 |
| CPF - Streets | - | - | - | - | 274,285 | - | 274,285 |
| CPF - Recreation | - | - | - | 987,542 | 64,676 | - | 1,052,218 |
| Sewer Fund* | 210,806 | - | - | - | - | - | 210,806 |
| Nonmajor Governmental | 118,172 | - | - | 129,080 | - | - | 247,252 |
| Total | \$ 328,978 | \$ 2,169,355 | \$ 434,700 | \$ 1,265,367 | \$ 819,532 | \$ 480,098 | \$ 5,498,030 |
| Asset transfers* | (210,806) | | | | | | |
| | \$ 118,172 | | | | | | |

* The \$210,806 transfer from the sewer fund to the general fund relates to transfers of capital assets so there is no corresponding transfer in the general fund (fund financial statements). See Note 5.

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

Interfund balances at June 30, 2020 are as follows:

| | Due From | | |
|------------|--------------|-------------------------------|------------|
| | General Fund | Internal Service Fund - Fleet | Total |
| Water Fund | \$ - | \$ 293,780 | \$ 293,780 |
| Sewer Fund | 428,631 | 270,157 | 698,788 |
| Total | \$ 428,631 | \$ 563,937 | \$ 992,568 |

In May 2015 the City authorized a \$1,000,000 loan from the sewer fund to the general fund for a term not to exceed 10 years beginning June 30, 2015. The purpose of this loan relates to the accumulated operating losses of the City's golf course. The interest rate is a fixed rate of 2.38%. Principal and interest is paid back monthly on the last day of each month beginning July 2015.

The remainder of the interfund balances relate to loans from the water and sewer funds to the internal service fund – fleet for terms not to exceed five years. The purpose of these loans relate to fund the City's rolling fleet replacement model. The interest rates are a fixed rate ranging from 2.00% to 3.00% and principal and interest is paid back semi-annually.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan, Continued

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

Summary of Benefits by System

| System | Final average salary | Years of service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|---------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------|
| Noncontributory System | Highest 3 years | 30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65 | 2.0% per year all years | Up to 4% |
| Public Safety System | Highest 3 years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 2.5% or 4% depending on the employer |
| Firefighters System | Highest 3 years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 4% |
| Tier 2 Public Employees System | Highest 5 years | 35 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |
| Tier 2 Public Safety and Firefighter System | Highest 5 years | 25 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |

* Actuarial reductions are applied.

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan, Continued

Contribution rates as of June 30, 2020 are as follows:

Utah Retirement Systems

| | Employee | Employer | Employer 401(k) Plan |
|--------------------------------------------|-----------------|-----------------|-------------------------------------|
| Contributory System | | | |
| 111 – Local Governmental Div Tier 2 | N/A | 15.66 % | 1.03 % |
| Noncontributory System | | | |
| 15 – Local Governmental Div Tier 1 | N/A | 18.47 % | N/A |
| Public Safety System (Contributory) | | | |
| 23 – Other Div A with 2.5% COLA | 12.29 % | 22.79 % | N/A |
| 122 – Tier 2 DB Hybrid Public Safety | N/A | N/A | N/A |
| Firefighters Retirement System | | | |
| 31 – Other Division A | 15.05 % | 4.61 % | N/A |
| 132 – Tier 2 DB Hybrid Firefighters | N/A | 11.38 % | 0.70 % |
| Tier 2 DC Only | | | |
| 211 – Local Government | N/A | 6.69 % | 10.00 % |
| 222 – Public Safety | N/A | 11.85 % | 12.00 % |
| 232 – Firefighters | N/A | 0.08 % | 12.00 % |

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

For fiscal year ended June 30, 2020 the employer and employee contributions to the Systems were as follows:

| System | Employer Contributions | Employee Contributions |
|------------------------------------------------|-----------------------------------|-----------------------------------|
| Noncontributory System | \$ 783,326 | N/A |
| Public Safety System | 200,510 | 108,130 |
| Firefighters System | 9,684 | 31,617 |
| Tier 2 Public Employees System | 283,174 | - |
| Tier 2 Public Safety and Firefighter System | 222,230 | - |
| Tier 2 DC Only System | 15,179 | N/A |
| Tier 2 DC Public Safety and Firefighter System | 9,943 | N/A |
| Total Contributions | <u>\$ 1,524,046</u> | <u>\$ 139,747</u> |

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan, Continued

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

At June 30, 2020, the City reported a net pension asset of \$63,064 and a net pension liability of \$2,773,985.

| | (Measurement Date): December 31, 2019 | | | Proportionate Share December 31, 2018 | Change (Decrease) |
|--------------------------------------|----------------------------------------------|------------------------------|----------------------------|----------------------------------------------|--------------------------|
| | Net Pension Asset | Net Pension Liability | Proportionate Share | | |
| Noncontributory System | \$ - | \$ 1,891,701 | 0.5019280% | 0.4948566% | 0.0070714% |
| Public Safety System | - | 797,109 | 0.4964500% | 0.4107826% | 0.0856674% |
| Firefighters System | 63,064 | - | 0.5084910% | 0.4544895% | 0.0540015% |
| Tier 2 Public Employees System | - | 26,044 | 0.1157980% | 0.1103358% | 0.0054622% |
| Tier 2 Public Safety and Firefighter | - | 59,131 | 0.6286230% | 0.5015148% | 0.1271082% |
| | <u>\$ 63,064</u> | <u>\$ 2,773,985</u> | | | |

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contribution so the System during the plan year.

For the year ended June 30, 2020, the City recognized pension expense of \$1,713,267.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ 223,152 | \$ 61,970 |
| Changes in assumptions | 279,606 | 6,383 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,304,690 |
| Changes in proportion and differences between contributions and proportional share of contributions | 250,289 | 3,339 |
| Contributions subsequent to the measurement date | 780,233 | - |
| Total | <u>\$ 1,533,280</u> | <u>\$ 1,376,382</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan, Continued

\$780,233 was reported as deferred outflows of resources related to pension results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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

| <u>Year Ended December 31,</u> | <u>Deferred Outflows (Inflows) of Resources</u> |
|------------------------------------|-------------------------------------------------------------|
| 2020 | \$ (21,273) |
| 2021 | (211,727) |
| 2022 | 48,191 |
| 2023 | (486,188) |
| 2024 | 6,222 |
| Thereafter | 41,440 |

Actuarial assumptions: The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------------------------------------------------|
| Inflation | 2.50 Percent |
| Salary increases | 3.25- 9.75 percent, average, including inflation |
| Investment rate of return | 6.95 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2016.

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Expected Return Arithmetic Basis | | |
|---------------------------|------------------------------------|------------------------------|--------------------------------------------------|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities | 40% | 6.15% | 2.46% |
| Debt securities | 20% | 0.40% | 0.08% |
| Real assets | 15% | 5.75% | 0.86% |
| Private equity | 9% | 9.95% | 0.90% |
| Absolute return | 16% | 2.85% | 0.46% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 4.75% |
| | Inflation | | 2.50% |
| | Expected arithmetic nominal return | | 7.25% |

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 9. Defined Benefit Pension Plan, Continued

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

| System | 1% Decrease (5.95%) | Discount Rate (6.95%) | 1% Increase (7.95%) |
|---------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System | \$ 5,908,438 | \$ 1,891,700 | \$ (1,458,217) |
| Public Safety System | 2,064,821 | 797,109 | (233,152) |
| Firefighters System | 128,965 | (63,063) | (218,838) |
| Tier 2 Public Employees System | 224,586 | 26,044 | (127,393) |
| Tier 2 Public Safety and Firefighter System | 208,887 | 59,131 | (52,038) |
| Total | <u>\$ 8,535,697</u> | <u>\$ 2,710,921</u> | <u>\$ (2,089,638)</u> |

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

NOTE 10. Defined Contribution Plan

Defined Contribution Plan

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

The City participates in the 401(k), 457(b), Traditional IRA and Roth IRA defined contribution plans. The City contributes 4.5% of the salaries of full-time employees and 11.66% of elected officials. However employees in the Public Safety and Firefighters Retirement Systems are ineligible for this benefit.

All full-time employees and elected officials can make additional contributions to the 401(k) plan, the 457 plan, the Traditional IRA plan and/or the Roth IRA plan up to specified limits. These plan funds are fully vested to participants at the time of deposit.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 10. Defined Contribution Plan, Continued

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for the current fiscal year and the two previous years are as follows:

| | <u>Year</u> | <u>Employee contributions</u> | <u>Employer contributions</u> |
|------------------------------|-------------|-----------------------------------|-----------------------------------|
| Defined Contribution System: | | | |
| 457 Plan | | | |
| | 2020 | \$ 45,768 | \$ - |
| | 2019 | 35,640 | - |
| | 2018 | 33,036 | - |
| 401(k) Plan | | | |
| | 2020 | 191,870 | 352,697 |
| | 2019 | 132,018 | 325,217 |
| | 2018 | 101,320 | 305,923 |
| Roth IRA Plan | | | |
| | 2020 | 24,095 | N/A |
| | 2019 | 8,615 | N/A |
| | 2018 | 5,870 | N/A |
| Traditional IRA Plan | | | |
| | 2020 | 1,450 | N/A |
| | 2019 | 1,300 | N/A |
| | 2018 | 300 | N/A |

NOTE 11. 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 12. 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. Furthermore, in fiscal year 2015, the Authority issued Lease Revenue Bonds, Series 2014 in the amount of \$3,297,000 and Lease Revenue Bonds, Series 2016 in the amount of \$3,700,000 (Series 2020 in the amount of \$3,021,000 refunding in fiscal year 2020) to finance additional city facilities.

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

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

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

NOTE 13. 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 initially entered into April 1, 1987 for 25 years (extended). The City collects these fees from wastewater users and remits the fees to the City of St. George. These collections and remittances are not reported as revenue and expenses in the sewer fund; rather, they are recorded in a liability account. During fiscal year 2020, the City collected \$1,382,115.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 13. Commitments, Continued

The Washington County Solid Waste District for the collection and disposal of solid waste and curbside residential recycling collection services. The current agreement for the collection and disposal of solid waste is effective from January 1, 2020 and expires on December 31, 2030. The agreement for curbside residential recycling collection services is effective from January 1, 2016 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.

Effective July 1, 2018, the City entered into a 30 year shared facilities agreement with Hurricane Valley Fire Special Service District (HVFSSD) for the Coral Canyon fire station. The City makes 50% of the annual total debt service payments (50% is approximately \$39,000 annually) to HVFSSD through March 2048. Since HVFSSD recognizes the full fire station asset (and related obligation), the City does not recognize a portion in these financial statements.

The Flood Control Authority and interlocal cooperation agreement includes the City of St. George, Washington City, Santa Clara City, Ivins City and Hurricane City. The purpose of the Flood Control Authority is to administer, acquire, construct, operate, inspect, repair and maintain flood control facilities and to perform all other related activities necessary for regional flood control. Flood control refers to the management and conveyance of flows above baseline conditions. The Flood Control board is made up of elected officials of the primary members and Washington City has two representatives on the board. Each primary member pays a monthly amount based upon the number of water connections as set by the board. The term of the agreement is 50 years (beginning fiscal year 2014) with automatic extensions of 50 year terms unless terminated as set forth in the agreement.

NOTE 14. 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 for the purpose of acquiring reliable and economic supplies of power and energy—the agreement terminates on December 31, 2049. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power with transmission delivery totaling \$8,458,672 during the fiscal year ended June 30, 2020.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2020

NOTE 15. Contingencies

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

NOTE 16. 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 2020 was \$15,095.

NOTE 17. Current Bond Refunding

In the year ended June 30, 2020, the City issued \$3,021,000 of lease revenue refunding bonds (MBA Series 2020) in connection with refunding lease revenue bonds (MBA Series 2015). Additional city funds of \$82,470 were transferred to complete the refunding. As a result, the refunded bonds are considered to be defeased as of June 30, 2020. The reacquisition price exceeded the net carrying amount of the old debt by \$34,163. Since this amount is not material to the financial statements, this amount is not being amortized over the life of the new debt and is not recorded as a deferred outflow of resources on the statement of net position. Rather, the full amount is expensed in the current fiscal year. The current refunding reduced the total debt service payments by \$545,664 and results in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$389,544. See also Note 6 regarding the debt.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with |
|----------------------------------------------|-------------------------|--------------|----------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Revenues | | | | |
| Current year property taxes | \$ 3,100,110 | \$ 3,240,461 | \$ 3,275,457 | \$ 34,996 |
| Prior-years property taxes | 95,000 | 155,000 | 163,020 | 8,020 |
| General sales and use taxes | 7,003,685 | 7,191,337 | 7,950,033 | 758,696 |
| Energy taxes | 1,102,004 | 1,480,261 | 1,478,829 | (1,432) |
| Franchise taxes | 455,000 | 212,363 | 239,109 | 26,746 |
| Licenses and permits | 1,053,350 | 1,441,317 | 1,459,886 | 18,569 |
| Intergovernmental revenues | 1,196,600 | 1,533,449 | 1,667,502 | 134,053 |
| Charges for services | 5,401,196 | 5,530,726 | 5,577,412 | 46,686 |
| Fines and forfeitures | 272,000 | 331,000 | 340,431 | 9,431 |
| Investment earnings | 227,921 | 232,121 | 240,284 | 8,163 |
| Miscellaneous | 158,846 | 213,088 | 265,021 | 51,933 |
| Total revenues | 20,065,712 | 21,561,123 | 22,656,984 | 1,095,861 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,059,729 | 1,981,344 | 1,956,280 | 25,064 |
| Public safety | 5,988,170 | 6,316,652 | 6,079,878 | 236,774 |
| Streets and highways | 1,102,849 | 1,146,331 | 953,871 | 192,460 |
| Sanitation | 1,600,725 | 1,774,153 | 1,771,229 | 2,924 |
| Parks, golf, cemetery and public property | 3,324,509 | 3,787,557 | 3,617,951 | 169,606 |
| Culture and recreation | 2,273,538 | 2,410,035 | 2,227,183 | 182,852 |
| Community and economic development | 1,169,953 | 1,401,022 | 1,362,317 | 38,705 |
| Debt service: | | | | |
| Principal | 292,857 | 218,431 | 271,774 | (53,343) |
| Interest | 16,010 | 45,930 | 96,818 | (50,888) |
| Total debt service | 308,867 | 264,361 | 368,592 | (104,231) |
| Total expenditures | 17,828,340 | 19,081,455 | 18,337,301 | 744,154 |
| Excess of revenues over (under) expenditures | 2,237,372 | 2,479,668 | 4,319,683 | 1,840,015 |
| Other financing sources (uses) | | | | |
| Transfers in | 93,172 | 118,172 | 118,172 | - |
| Transfers out | (2,166,661) | (3,834,483) | (3,713,469) | 121,014 |
| Total other financing sources and (uses) | (2,073,489) | (3,716,311) | (3,595,297) | 121,014 |
| Net change in fund balance | 163,883 | (1,236,643) | 724,386 | 1,961,029 |
| Fund balance - beginning | 6,913,615 | 6,913,615 | 6,913,615 | - |
| Fund balance - ending | \$ 7,077,498 | \$ 5,676,972 | \$ 7,638,001 | \$ 1,961,029 |

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2020

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, 2020, showed that the City had overall average condition ratings of 16.66 years as shown below:

| Remaining Service Life (Years) | Percent of Streets |
|--------------------------------------|-----------------------|
| 0-5 | 0.00 |
| 6-7 | 0.04 |
| 7-8 | 0.54 |
| 8-9 | 0.14 |
| 9-10 | 0.46 |
| 10-11 | 0.54 |
| 11-12 | 1.35 |
| 12-13 | 0.74 |
| 13-14 | 7.38 |
| 14-15 | 0.33 |
| 15-16 | 27.55 |
| 16-17 | 30.37 |
| 17-18 | 0.18 |
| 18-19 | 27.81 |
| 19-20 | 2.56 |
| Total | 100.00 |

The two most recent, previous condition assessments had overall average condition ratings of 17.55 (June 2019) and 14.71 (June 2018).

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2020

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

| <u>For the Year Ended June 30,</u> | <u>Originally Budgeted</u> | <u>Actually Expensed</u> |
|--------------------------------------------|--------------------------------|------------------------------|
| 2020 | \$ 700,000 | \$ 605,110 |
| 2019 | 840,000 | 810,312 |
| 2018 | 700,000 | 444,203 |
| 2017 | 700,000 | 472,374 |
| 2016 | 700,000 | 544,188 |

In fiscal year 2019, 1.22% of roads had an RLS of 10 years or less. In fiscal year 2020, the percent of roads with an RLS of 10 years or less decreased to 1.18%. The City is committed to maintain its infrastructure assets at required conditions.

WASHINGTON CITY, UTAH
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Utah Retirement Systems
June 30, 2020
Last 10 Fiscal Years

| As of fiscal year ended June 30, | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|----------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Noncontributory System | | | | | |
| 2015 | 0.4627242% | \$ 2,009,257 | \$ 3,879,945 | 51.79% | 90.2% |
| 2016 | 0.4504741% | \$ 2,549,002 | \$ 3,801,938 | 67.04% | 87.8% |
| 2017 | 0.4423665% | \$ 2,840,534 | \$ 3,883,579 | 73.14% | 87.3% |
| 2018 | 0.4778517% | \$ 2,093,612 | \$ 4,166,344 | 50.25% | 91.9% |
| 2019 | 0.4948566% | \$ 3,643,987 | \$ 4,320,979 | 84.33% | 87.0% |
| 2020 | 0.5019278% | \$ 1,891,700 | \$ 4,350,226 | 43.49% | 93.7% |
| Public Safety System | | | | | |
| 2015 | 0.3780941% | \$ 475,485 | \$ 963,677 | 49.34% | 90.5% |
| 2016 | 0.3865187% | \$ 692,352 | \$ 949,123 | 72.95% | 87.1% |
| 2017 | 0.3748773% | \$ 760,730 | \$ 918,515 | 82.82% | 86.5% |
| 2018 | 0.3928491% | \$ 616,246 | \$ 943,784 | 65.30% | 90.2% |
| 2019 | 0.4107826% | \$ 1,056,773 | \$ 883,175 | 119.66% | 84.7% |
| 2020 | 0.4964500% | \$ 797,109 | \$ 889,278 | 89.64% | 90.9% |
| Firefighters System | | | | | |
| 2015 | 0.8676603% | \$ (49,512) | \$ 299,332 | -16.54% | 103.5% |
| 2016 | 0.8735054% | \$ (15,821) | \$ 306,772 | -5.16% | 101.0% |
| 2017 | 0.6584776% | \$ (5,191) | \$ 256,713 | -2.02% | 100.4% |
| 2018 | 0.5815955% | \$ (36,324) | \$ 215,171 | -16.88% | 103.0% |
| 2019 | 0.4544895% | \$ 59,014 | \$ 147,553 | 40.00% | 94.3% |
| 2020 | 0.5084910% | \$ (63,063) | \$ 162,808 | -38.73% | 105.0% |
| Tier 2 Public Employees System | | | | | |
| 2015 | 0.1058581% | \$ (3,207) | \$ 519,405 | -0.62% | 103.5% |
| 2016 | 0.0966741% | \$ (211) | \$ 624,550 | -0.03% | 100.2% |
| 2017 | 0.0908929% | \$ 10,139 | \$ 745,388 | 1.36% | 95.1% |
| 2018 | 0.0994700% | \$ 8,770 | \$ 974,001 | 0.90% | 97.4% |
| 2019 | 0.1103358% | \$ 47,254 | \$ 1,286,528 | 3.67% | 90.8% |
| 2020 | 0.1157975% | \$ 26,044 | \$ 1,609,524 | 1.62% | 96.5% |
| Tier 2 Public Safety and Firefighter System | | | | | |
| 2015 | 0.6825520% | \$ (10,097) | \$ 282,173 | -3.58% | 120.5% |
| 2016 | 0.5349819% | \$ (7,816) | \$ 318,257 | -2.46% | 110.7% |
| 2017 | 0.4862928% | \$ (4,221) | \$ 401,790 | -1.05% | 103.6% |
| 2018 | 0.4394074% | \$ (5,084) | \$ 463,814 | -1.10% | 103.0% |
| 2019 | 0.5015148% | \$ 12,566 | \$ 669,690 | 1.88% | 95.6% |
| 2020 | 0.6286231% | \$ 59,131 | \$ 1,036,063 | 5.71% | 89.6% |

Note: The City implemented GASB 68 in fiscal year 2015. Some prior year information is not available.

WASHINGTON CITY, UTAH
Required Supplementary Information
Schedule of Contributions
Utah Retirement Systems
June 30, 2020
Last 10 Fiscal Years

| As of fiscal year ended June 30, | Actuarial determined contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|-------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------|--------------------|-----------------------------------------------------------|
| Noncontributory System | | | | | |
| 2014 | \$ 654,253 | \$ 654,253 | \$ - | \$ 3,777,437 | 17.32% |
| 2015 | 707,382 | 707,382 | - | 3,838,061 | 18.43% |
| 2016 | 699,225 | 699,225 | - | 3,872,307 | 18.06% |
| 2017 | 720,360 | 720,360 | - | 3,974,438 | 18.12% |
| 2018 | 766,043 | 766,043 | - | 4,272,026 | 17.93% |
| 2019 | 780,163 | 780,163 | - | 4,331,412 | 18.01% |
| 2020 | 783,326 | 783,326 | - | 4,321,671 | 18.13% |
| Public Safety System | | | | | |
| 2014 | \$ 146,732 | \$ 146,732 | \$ - | \$ 914,914 | 16.04% |
| 2015 | 170,915 | 170,915 | - | 962,327 | 17.76% |
| 2016 | 166,136 | 166,136 | - | 936,188 | 17.75% |
| 2017 | 166,232 | 166,232 | - | 937,710 | 17.73% |
| 2018 | 164,387 | 164,387 | - | 891,635 | 18.44% |
| 2019 | 173,735 | 173,735 | - | 899,727 | 19.31% |
| 2020 | 200,510 | 200,510 | - | 910,272 | 22.03% |
| Firefighters System | | | | | |
| 2014 | \$ 6,312 | \$ 6,312 | \$ - | \$ 285,078 | 2.21% |
| 2015 | 9,101 | 9,101 | - | 310,410 | 2.93% |
| 2016 | 8,193 | 8,193 | - | 279,844 | 2.93% |
| 2017 | 7,536 | 7,536 | - | 257,878 | 2.92% |
| 2018 | 5,589 | 5,589 | - | 169,334 | 3.30% |
| 2019 | 6,861 | 6,861 | - | 147,567 | 4.65% |
| 2020 | 9,684 | 9,684 | - | 210,079 | 4.61% |
| Tier 2 Public Employees System* | | | | | |
| 2014 | \$ 55,550 | \$ 55,550 | \$ - | \$ 390,516 | 14.22% |
| 2015 | 86,666 | 86,666 | - | 580,568 | 14.93% |
| 2016 | 102,574 | 102,574 | - | 685,240 | 14.97% |
| 2017 | 128,353 | 128,353 | - | 860,851 | 14.91% |
| 2018 | 160,346 | 160,346 | - | 1,061,195 | 15.11% |
| 2019 | 227,477 | 227,477 | - | 1,497,089 | 15.19% |
| 2020 | 283,174 | 283,174 | - | 1,808,263 | 15.66% |
| Tier 2 Public Safety and Firefighter System* | | | | | |
| 2014 | \$ 33,612 | \$ 33,612 | \$ - | \$ 210,831 | 15.94% |
| 2015 | 55,935 | 55,935 | - | 319,625 | 17.50% |
| 2016 | 56,399 | 56,399 | - | 331,324 | 17.02% |
| 2017 | 77,646 | 77,646 | - | 437,033 | 17.77% |
| 2018 | 95,828 | 95,828 | - | 536,016 | 17.88% |
| 2019 | 160,930 | 160,930 | - | 856,360 | 18.79% |
| 2020 | 222,230 | 222,230 | - | 1,185,715 | 18.74% |
| Tier 2 Public Employees DC Only System* | | | | | |
| 2014 | 3,400 | \$ 3,400 | \$ - | 58,808 | 5.78% |
| 2015 | 5,075 | 5,075 | - | 58,629 | 8.66% |
| 2016 | 3,878 | 3,878 | - | 56,621 | 6.85% |
| 2017 | 5,244 | 5,244 | - | 78,391 | 6.69% |
| 2018 | 8,000 | 8,000 | - | 112,456 | 7.11% |
| 2019 | 6,713 | 6,713 | - | 105,019 | 6.39% |
| 2020 | 15,179 | 15,179 | - | 226,888 | 6.69% |
| Tier 2 Public Safety and Firefighter DC Only System* | | | | | |
| 2014 | \$ 3,999 | \$ 3,999 | \$ - | \$ 40,235 | 9.94% |
| 2015 | 7,343 | 7,343 | - | 60,965 | 12.04% |
| 2016 | 8,323 | 8,323 | - | 69,016 | 12.06% |
| 2017 | 6,205 | 6,205 | - | 47,870 | 12.96% |
| 2018 | 5,582 | 5,582 | - | 47,570 | 11.73% |
| 2019 | 6,836 | 6,836 | - | 58,748 | 11.64% |
| 2020 | 9,943 | 9,943 | - | 84,874 | 11.72% |

Note: The City implemented GASB 68 in fiscal year 2015. Some prior year information is not available.

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

WASHINGTON CITY, UTAH
Notes to Required Supplementary Information
June 30, 2020

NOTE 1. Changes in Assumptions

As a result of the passage of SB 129, the retirement rate for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unrecorded retirement prior to age 65.

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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 proprietary funds and trust funds.

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

Public Safety Fund – This fund is used to account for the collection of public safety 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.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

RAP Tax Fund – This fund is used to account for the collection of RAP taxes and the expenditure of these funds on recreation, arts, and parks.

Washington City Foundation Fund (Blended component unit) – This fund is used to account for various activities related to the award of grants and other qualified tax-exempt funding and donations made to the Washington City Foundation.

Debt Service Funds

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

Coral Canyon Special Service District (Blended Component Unit)– 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 (CCSSD).

Debt Service Fund – 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 City.

WASHINGTON CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Capital Projects | | | Special Revenue | | Debt Service | | Total |
|------------------------------------------------------------------------|---------------------------------|--------------------------|-----------------------------|------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------------------|
| | Property Acquisition | Public Safety | General Projects | RAP Tax | Washington City Foundation | Coral Canyon SSD | Debt Service | Nonmajor Governmental Funds |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 39,134 | \$ 1,024,440 | \$ 10,204 | \$ 622,333 | \$ 11,112 | \$ - | \$ - | \$ 1,707,223 |
| Investments | - | - | 201,495 | - | - | - | - | 201,495 |
| Receivables, net | - | - | 106 | - | - | - | - | 106 |
| Property taxes receivable | - | - | - | - | - | 723,974 | - | 723,974 |
| Due from other governments | - | - | - | 80,937 | - | 4,779 | - | 85,716 |
| Restricted cash and cash equivalents | - | - | - | - | - | 1,081,735 | 721 | 1,082,456 |
| Total assets | <u>\$ 39,134</u> | <u>\$ 1,024,440</u> | <u>\$ 211,805</u> | <u>\$ 703,270</u> | <u>\$ 11,112</u> | <u>\$ 1,810,488</u> | <u>\$ 721</u> | <u>\$ 3,800,970</u> |
| Liabilities, deferred inflows, and fund balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ 39,012 | \$ - | \$ 891 | \$ 6,980 | \$ - | \$ - | \$ 46,883 |
| Total liabilities | <u>-</u> | <u>39,012</u> | <u>-</u> | <u>891</u> | <u>6,980</u> | <u>-</u> | <u>-</u> | <u>46,883</u> |
| Deferred inflow of resources: | | | | | | | | |
| Deferred revenue - property tax | - | - | - | - | - | 723,974 | - | 723,974 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>723,974</u> | <u>-</u> | <u>723,974</u> |
| Fund balances: | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | - | - | - | - | - | 1,086,514 | 721 | 1,087,235 |
| Capital outlay - impact fees | - | 841,134 | - | - | - | - | - | 841,134 |
| Culture and recreation | - | - | - | 702,379 | - | - | - | 702,379 |
| Other purposes | - | - | - | - | 4,132 | - | - | 4,132 |
| Assigned to: | | | | | | | | |
| Capital outlay | 39,134 | 150,000 | 211,805 | - | - | - | - | 400,939 |
| Unassigned | - | (5,706) | - | - | - | - | - | (5,706) |
| Total fund balances | <u>39,134</u> | <u>985,428</u> | <u>211,805</u> | <u>702,379</u> | <u>4,132</u> | <u>1,086,514</u> | <u>721</u> | <u>3,030,113</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 39,134</u> | <u>\$ 1,024,440</u> | <u>\$ 211,805</u> | <u>\$ 703,270</u> | <u>\$ 11,112</u> | <u>\$ 1,810,488</u> | <u>\$ 721</u> | <u>\$ 3,800,970</u> |

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

| | <u>Capital Projects</u> | | | <u>Special Revenue</u> | | <u>Debt Service</u> | | Total |
|-----------------------------------------------------------|-----------------------------|----------------------|-------------------------|------------------------|-----------------------------------|-------------------------|---------------------|------------------------------------|
| | <u>Property Acquisition</u> | <u>Public Safety</u> | <u>General Projects</u> | <u>RAP Tax</u> | <u>Washington City Foundation</u> | <u>Coral Canyon SSD</u> | <u>Debt Service</u> | Nonmajor Governmental Funds |
| Revenues | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 837,265 | \$ - | \$ 837,265 |
| Sales and use taxes | - | - | - | 478,382 | - | - | - | 478,382 |
| Impact fees | - | 458,723 | - | - | - | - | - | 458,723 |
| Investment earnings | 561 | 15,509 | 6,005 | 14,692 | - | 18,488 | 301 | 55,556 |
| Miscellaneous | - | - | - | - | 4,468 | - | - | 4,468 |
| Total revenues | <u>561</u> | <u>474,232</u> | <u>6,005</u> | <u>493,074</u> | <u>4,468</u> | <u>855,753</u> | <u>301</u> | <u>1,834,394</u> |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | 8,904 | 21,729 | - | 30,633 |
| Public Safety | - | 40,619 | - | - | 402 | - | - | 41,021 |
| Culture and recreation | - | - | - | 122,600 | - | - | - | 122,600 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | 615,000 | 337,000 | 952,000 |
| Interest and fiscal charges | - | - | - | - | - | 177,775 | 46,249 | 224,024 |
| Capital outlay | 286,283 | - | - | 435,850 | - | - | - | 722,133 |
| Total expenditures | <u>286,283</u> | <u>40,619</u> | <u>-</u> | <u>558,450</u> | <u>9,306</u> | <u>814,504</u> | <u>383,249</u> | <u>2,092,411</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(285,722)</u> | <u>433,613</u> | <u>6,005</u> | <u>(65,376)</u> | <u>(4,838)</u> | <u>41,249</u> | <u>(382,948)</u> | <u>(258,017)</u> |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | 286,283 | 150,000 | - | - | - | - | 383,249 | 819,532 |
| Transfers out | - | (180,964) | (41,288) | (25,000) | - | - | - | (247,252) |
| Total other financing sources and (uses) | <u>286,283</u> | <u>(30,964)</u> | <u>(41,288)</u> | <u>(25,000)</u> | <u>-</u> | <u>-</u> | <u>383,249</u> | <u>572,280</u> |
| Net change in fund balances | 561 | 402,649 | (35,283) | (90,376) | (4,838) | 41,249 | 301 | 314,263 |
| Fund balances - beginning | 38,573 | 582,779 | 247,088 | 792,755 | 8,970 | 1,045,265 | 420 | 2,715,850 |
| Fund balances - ending | <u>\$ 39,134</u> | <u>\$ 985,428</u> | <u>\$ 211,805</u> | <u>\$ 702,379</u> | <u>\$ 4,132</u> | <u>\$ 1,086,514</u> | <u>\$ 721</u> | <u>\$ 3,030,113</u> |

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2020

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

WATER RATES

| Meter Size | Monthly Base Rate | Tier | Threshold Gallons | | Washington City | WCWCD | Rate per 1,000 Gallons |
|------------|----------------------|------|-------------------|-----------|--------------------|--------|---------------------------|
| 5/8" | \$18.17 | 1 | 0 | 5,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 5,001 | 10,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 10,001 | 15,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 15,001 | 20,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 20,001 | 25,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 25,001 | 30,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 30,001 | 35,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 35,001 | 40,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 40,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |
| 3/4" | \$18.17 | 1 | 0 | 5,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 5,001 | 10,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 10,001 | 15,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 15,001 | 20,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 20,001 | 25,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 25,001 | 30,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 30,001 | 35,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 35,001 | 40,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 40,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |
| 1" | \$33 | 1 | 0 | 9,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 9,001 | 18,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 18,001 | 27,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 27,001 | 36,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 36,001 | 45,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 45,001 | 54,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 54,001 | 63,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 63,001 | 72,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 72,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |
| 1 1/2" | \$73 | 1 | 0 | 20,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 20,001 | 40,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 40,001 | 60,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 60,001 | 80,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 80,001 | 100,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 100,001 | 120,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 120,001 | 140,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 140,001 | 160,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 160,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |
| 2" | \$130 | 1 | 0 | 36,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 36,001 | 71,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 71,001 | 107,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 107,001 | 142,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 142,001 | 178,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 178,001 | 213,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 213,001 | 249,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 249,001 | 284,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 284,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |
| 3" | \$291 | 1 | 0 | 80,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 80,001 | 160,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 160,001 | 240,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 240,001 | 320,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 320,001 | 400,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 400,001 | 480,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 480,001 | 560,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 560,001 | 640,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 640,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures, Continued
For the Year Ended June 30, 2020

WATER RATES (Continued)

| Meter Size | Monthly Base Rate | Tier | Threshold Gallons | | Washington City | WCWCD | Rate per 1,000 Gallons |
|------------|----------------------|------|-------------------|-----------|--------------------|--------|---------------------------|
| 4" | \$517 | 1 | 0 | 142,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 142,001 | 284,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 284,001 | 426,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 426,001 | 568,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 568,001 | 710,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 710,001 | 852,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 852,001 | 994,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 994,001 | 1,136,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 1,136,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |
| 6" | \$1,163 | 1 | 0 | 320,000 | \$0.74 | \$0.66 | \$1.40 |
| | | 2 | 320,001 | 640,000 | \$0.86 | \$0.66 | \$1.52 |
| | | 3 | 640,001 | 960,000 | \$0.98 | \$0.66 | \$1.64 |
| | | 4 | 960,001 | 1,280,000 | \$1.10 | \$0.66 | \$1.76 |
| | | 5 | 1,280,001 | 1,600,000 | \$1.22 | \$0.66 | \$1.88 |
| | | 6 | 1,600,001 | 1,920,000 | \$1.34 | \$0.66 | \$2.00 |
| | | 7 | 1,920,001 | 2,240,000 | \$1.51 | \$0.66 | \$2.17 |
| | | 8 | 2,240,001 | 2,560,000 | \$1.68 | \$0.66 | \$2.34 |
| | | 9 | 2,560,001 | Unlimited | \$1.85 | \$0.66 | \$2.51 |

| | | |
|--------------------------|---------------|-------------------------|
| ADMINISTRATIVE FE | Amount | |
| Late Fee | 5% | Of Unpaid Balance |
| Collection Fees | 100% | Of Collection Agent Fee |

| | | |
|------------------|-------------------|--------------|
| Water | Meter Size | |
| Water Connection | 5/8 x 3/4 & 3/4" | \$277.00 |
| | 1" | \$352.00 |
| | 1 1/2" | \$629.00 |
| | 2" | \$822.00 |
| | 3" | \$2,060.00 |
| | 4" | \$2,501.00 |
| | 6" | \$4,687.00 |
| Water Impact: | Meter Size | ERU's |
| | 5/8 x 3/4 & 3/4" | 1 |
| | 1" | 1.65 |
| | 1 1/2" | 3.73 |
| | 2" | 6.55 |
| | 3" | 14.73 |
| | 4" | 26.17 |
| | 6" | 58.88 |

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures, Continued
For the Year Ended June 30, 2020

Insurance coverage in effect at June 30, 2020:

| Provider | Type | Policy Number | Effective | Expires | Limits |
|-----------------------------|------------------------------------|------------------|-----------|----------|-------------|
| Utah Local Government Trust | Auto - bodily injury liability | 14680-GL2018 | 07/01/19 | 06/30/20 | \$5,000,000 |
| Utah Local Government Trust | Auto - property damage liability | 14680-GL2018 | 07/01/19 | 06/30/20 | 5,000,000 |
| Utah Local Government Trust | Auto - underinsured | 14680-GL2018 | 07/01/19 | 06/30/20 | 100,000 |
| Utah Local Government Trust | Auto - uninsured | 14680-GL2018 | 07/01/19 | 06/30/20 | 100,000 |
| Utah Local Government Trust | No fault sewer cleanup (per claim) | 14680-GL2018 | 07/01/19 | 06/30/20 | 5,000 |
| Utah Local Government Trust | General liability | 14680-GL2018 | 07/01/19 | 06/30/20 | 5,000,000 |
| Utah Local Government Trust | Property coverage - all risk | 14680-GL2018 | 07/01/19 | 06/30/20 | 68,905,977 |

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Washington City's basic financial statements and have issued our report thereon dated December 4, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
December 4, 2020



**Independent Auditor's Report on Compliance and
Report on Internal Control over Compliance
As Required by the *State Compliance Audit Guide***

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

Report on Compliance

We have audited Washington City, Utah's compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Restricted Taxes and Related Restricted Revenue
- Open and Public Meetings Act
- Fraud Risk Assessment
- Cash Management
- Impact Fees

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Washington City's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about Washington City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, Washington City, Utah, complied, in all material aspects, with the state compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2020-001, 2020-002, 2019-001, 2019-002 and 2019-003.

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

Report on Internal Control Over Compliance

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

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

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

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

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

HintonBurdick, PLLC

St. George, Utah

December 4, 2020

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**WASHINGTON CITY
Findings and Recommendations
For the Year Ended June 30, 2020**

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 year ended June 30, 2020, we noted several areas needing corrective action for the City to be in compliance with laws and regulations. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses or Significant Deficiencies:

None noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

2020-001 Open and Public Meetings Act

Criteria: Utah Code requires the presiding officer of the governing body to ensure that members of the governing body are provided with annual training on the requirements of open and public meetings.

Utah Code requires the meeting minutes and any public material distributed at the meeting be posted to the Utah Public Notice Website within three days of the minutes being approved.

Condition: It's our understanding that not all of the members of the governing body obtained the required training for fiscal year 2020.

We noted an instance where meeting minutes were not posted within three days of being approved.

Cause: The controls over the requirements of the Open and Public Meetings Act may need to be improved.

Effect: The City is not in compliance with state requirements. Without the annual training on the requirements of open and public meetings, the risk of noncompliance is increased.

Recommendation: We recommend the City ensure that all members of the governing body obtain the required training each year. The City should document the annual training for each member of the governing body.

The City should ensure that the meeting minutes and any other required information is posted to the Utah Public Notice Website in a timely manner.

2020-002

Cash Management—Deposit and Investment Report

Criteria: Utah Code requires entities to file the “Deposit and Investment Report Form,” with the Money Management Council (Council) on or before January 31 and July 31 of each year. This report contains information about the deposits and investments of the entity during the preceding six months ending December 31 and June 30, respectively. The amounts reported on the Form should be the bank balances, not book balances.

Condition: The June 30, 2020 Deposit and Investment Report Form was submitted containing some incorrect balances. Some book balances were listed instead of the required bank balances. Also, it appears that some investment balances were inadvertently included twice on the report.

Cause: It appears the City was unaware or forgot that bank balances should be used rather than books balances. Furthermore, the City’s controls over the report could be strengthened to ensure it is accurately prepared.

Effect: The City is not in compliance with the state requirements.

Recommendation: We recommend that the City ensure the bank balances of the deposit and investment accounts are accurately reported on the form. We recommend that someone independent of preparation review the form for accuracy before it is submitted.

2019-001

Budgetary Compliance—Financial Reports

Criteria: Utah Code indicates that the governing body of the City should review financial reports at least quarterly. The reports should be detailed enough for the governing body to make adequate decisions regarding financial matters and should include all funds.

Condition: Quarterly financial reports were not consistently provided to and formally reviewed by the governing body for fiscal year 2020.

Cause: All financial data is readily available to the governing body and the public on a monthly basis through the City’s financial dashboard that can be accessed on the City’s website. In focusing on the dashboard, the City has not consistently formally presented and reviewed the financial reports in the city council meetings.

Effect: The City is not in compliance with state requirements. Although it appears the financial information is available, a quarterly formal review may help ensure the governing body is informed to make adequate decisions regarding financial matters.

Recommendation: We recommend that the appropriate financial reports are prepared and provided to the governing body for review at least quarterly. The review of financial reports should be documented in the minutes of the city council meetings.

2019-002 Budgetary Compliance—Appropriations

Criteria: Utah Code indicates that total expenditures by fund (or department, as applicable) may not exceed the amounts appropriated in the final adopted budget.

Condition: The capital projects—recreation fund was over budget by \$60,662 for fiscal year 2020.

Cause: Expenditures relating to impact fee expense (capital outlay) were over budget.

Effect: The City is not in compliance with state requirements.

Recommendation: We recommend the City operate within the confines of state law by limiting expenditures or follow proper procedures to adjust the budget for changes as necessary during the year.

2019-003 Fund Balance—General Fund Maximum

Criteria: Utah Code indicates that the maximum fund balance (including committed, assigned and unassigned fund balance) in the general fund may not exceed 25% of the total current fiscal year revenue (excluding transfers in and other financing sources) of the general fund.

Condition: Based on the above criteria and the City's fiscal year 2020 revenues, the City's unrestricted fund balance in the general fund is over the state maximum as of June 30, 2020 by approximately \$738,151.

Cause: The City strives to be well positioned to respond to changes in the economy without having to reduce services or raise taxes. Sometimes taking this position causes the City to be over the fund balance limit.

Effect: The City is not in compliance with state requirements.

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

Other Matters:

None noted

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

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

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

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

Sincerely,

A handwritten signature in dark ink, appearing to read "HintonBurdick, PLLC". The signature is fluid and cursive, with the letters "H", "B", and "P" being particularly prominent.

HintonBurdick, PLLC
December 4, 2020



December 7, 2020

HintonBurdick, 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, 2020" and provide the following response.

Open and Public Meetings Act

The City will develop procedures to better meet Utah Public Notice Website requirements to ensure that minutes and any other required information is posted to the website in a timely manner. The City will also ensure that the members of the governing body will receive the required yearly open meetings act training.

Cash Management--Deposit and Investment Report

Some investment balances on the report were reported twice in error. The City sent a corrected report to the Utah Office of State Treasurer in December. Management will review the reports before they are submitted.

Budgetary Compliance - Financial Reports

All financial data is readily available to the City Council and the public on a monthly basis through the City's financial dashboard that can be accessed from the City website. However, going forward in addition to the financial dashboard, a review of the financial reports will be formally presented to the City Council at least quarterly and documented in the minutes of the city council meetings. The reports were presented in the first and second quarter of 2020, but due to staff turnover were not presented during the final two quarters of the year. Beginning in 2021, the finance department will schedule the reviews for the first City Council meeting in the months of February, May, August, and November.

Budgetary Compliance - Appropriations

The Capital Project Leisure Service fund was over budget as a result of two change orders for the Boilers Park Project that were not included in the budget. To prevent this oversight in the future, the City will make additional efforts to identify budgetary overages and further educate departments on the appropriate procedures to prevent and address over expended accounts.

Fund Balance - General Fund Maximum

Current state law allows an approximate 20% (25% max, 5% minimum) fund balance range to be carried over from year to year. This makes it extremely difficult for communities to respond to even the slightest changes in the marketplace, without reducing services or raising taxes. This year with the uncertainty regarding the COVID-19 pandemic, and the related income uncertainty, we find ourselves in the City having a slightly higher than allowed fund balance. This is a more fortunate situation than responding to a lower than allowed fund balance, and is the best-case scenario related to the pandemic. Washington City anticipates that the fund balance within the General Fund will be brought into compliance during the current 2021 fiscal year.

Please let me know if you have any additional questions.

Sincerely,

A handwritten signature in black ink that reads "Jeremy Redd". The signature is written in a cursive, flowing style.

Jeremy Redd
City Manager