

**WASHINGTON CITY, UTAH**

FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION  
with  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED June 30, 2007

# WASHINGTON CITY, UTAH

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Year Ended June 30, 2007

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## **FINANCIAL SECTION**

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

The Honorable City Council

Washington City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of and for the year ended June 30, 2007 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of Washington City, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Washington City, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
WILSON & COMPANY  
Certified Public Accountants

December 21, 2007  
Cedar City, Utah

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

This section of Washington City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007. Please read this discussion and analysis in conjunction with the City's financial statements.

### **PURPOSE OF REPORT**

This annual report consists of a series of financial statements, which follow uniform governmental accounting, financial and auditing standards. The Statement of Net Assets and the Statement of Activities on pages 15 and 16 through 17 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements show how the City is financed in the short term as well as what remains for future spending. The Statement of Revenues, Expenditures and Charges in Fund Balances reports the City's operations in more detail by providing information about the City's most significant funds. The remaining statement provides information about activities for which the City acts solely as an agent for the benefit of those outside the government.

### **FINANCIAL HIGHLIGHTS**

The City's total net assets at the close of the fiscal year totaled \$109,560,603 which represents an increase of 21.3% over the prior year. This is primarily due to contribution of infrastructure with the development of subdivisions.

The City's restricted and unrestricted assets decreased more than 7% from the prior year. This is due to expending funds to complete system infrastructure, road construction projects including Washington Dam road and Washington Fields road, the downtown waterline replacement project and construction of a community center.

Washington City's governmental funds reported a combined ending fund balance of \$13,960,589 at June 30, 2007, a \$4,441,435 decrease from the previous year.

At June 30, 2007, unrestricted fund balance of the general fund was \$1,751,544 or 12% percent of the total general fund expenditures for the year and may be used to meet the City's ongoing obligations.

The City's total long-term debt increased \$164,619 from \$34,030,028 to \$34,194,647. This change reflects debt service payments totaling \$1,201,033 plus the issuance of an additional \$1,365,652 in Water Revenue Bonds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Washington City's basic financial statements. The basic financial statements are comprised of the government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include a statement of net assets and a statement of activities that provide a City-wide perspective of the City's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

*Statement of Net Assets*- The statement of net assets presents information on all of Washington City's assets and liabilities. The difference between assets and liabilities represents the City's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

*Statement of Activities*- The statement of activities presents information reflecting how Washington City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Washington City include general government, public safety, streets and highways, parks cemetery and public property, culture and recreation, community and economic development, and interest and fiscal charges. The business-type activities include water, sewer, power, golf course, irrigation and storm drain funds.

The government-wide financial statements can be found on pages 15-17 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes three types of funds: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* – Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the City’s general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the City’s programs.

Reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on page 19 of this report.

The City has identified three of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements on 58-61 of this report.

*Proprietary funds*- Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its six business-type activities.

Four of the City’s enterprise funds qualify as major funds. The remaining three funds are classified as non-major funds and are included in the combining statements on page 62-64 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements.

The notes to the financial statements are on pages 25-56 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. The City's total net assets, assets in excess of liabilities, totaled \$109,560,603.

### WASHINGTON CITY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current & other assets	19,810,610	21,874,035	26,229,458	24,468,569	46,040,068	46,342,604
Capital assets	49,341,215	37,137,379	56,501,288	46,645,280	105,842,503	83,782,659
Total assets	<u>69,151,825</u>	<u>59,011,414</u>	<u>82,730,746</u>	<u>71,113,849</u>	<u>151,882,571</u>	<u>130,125,263</u>
Long-term Liabilities outstanding	15,458,000	15,918,000	18,736,646	18,112,028	34,194,646	34,030,028
Other liabilities	6,314,878	3,838,070	1,812,444	1,910,741	8,127,322	5,748,811
Total liabilities	<u>21,772,878</u>	<u>19,756,070</u>	<u>20,549,090</u>	<u>20,022,769</u>	<u>42,321,968</u>	<u>39,778,839</u>
Net assets:						
Invested in cap. assets, net of debt	33,883,215	21,219,379	37,407,539	28,417,704	71,290,754	49,637,083
Restricted	5,149,291	5,464,207	13,312,916	14,906,337	18,462,207	20,370,544
Unrestricted	8,346,441	12,571,758	11,461,201	7,767,040	19,807,642	20,338,798
Total net assets	<u>47,378,947</u>	<u>39,255,344</u>	<u>62,181,656</u>	<u>51,091,081</u>	<u>109,560,603</u>	<u>90,346,425</u>

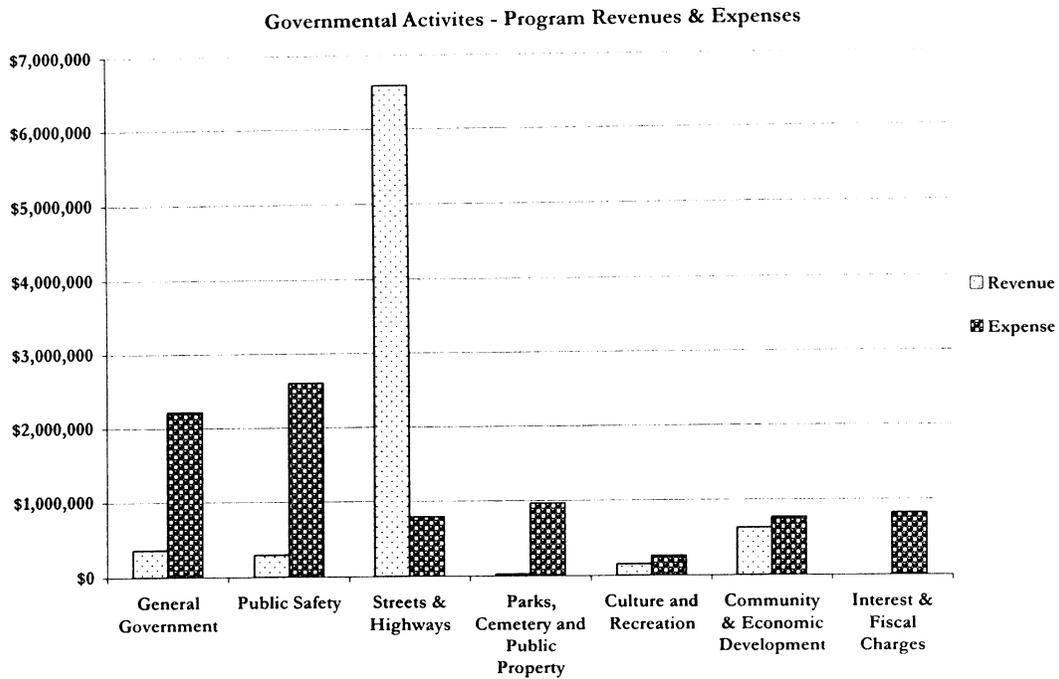
A portion of the City's net assets (17%) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance \$19,807,642 may be used to meet the ongoing obligations to citizens and creditors.

At the end of the current fiscal year the City was able to report positive balances in both categories of net assets for the government as a whole.

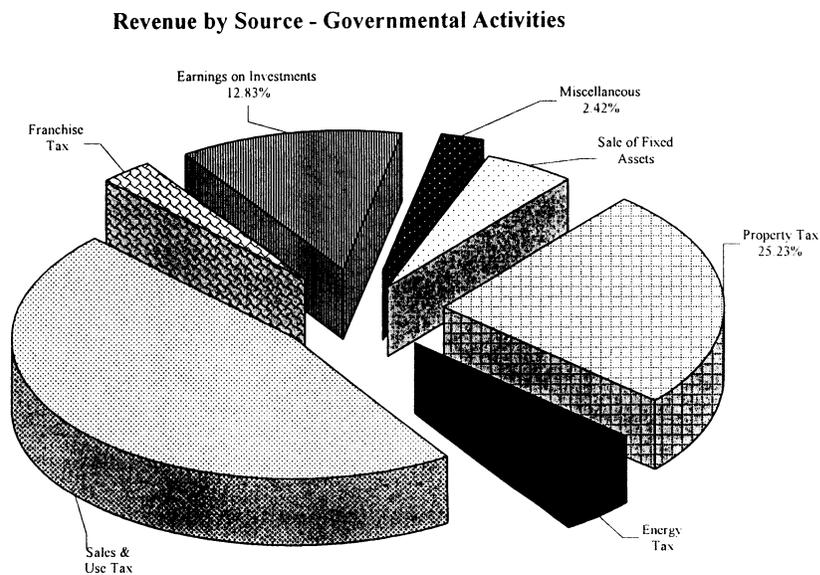
## CHANGES IN WASHINGTON CITY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues						
Charges for services	1,463,146	1,794,153	13,965,579	12,700,510	15,428,725	14,494,663
Operating grants and contributions	63,259	75,047		-	63,259	75,047
Capital grants and contributions	7,081,839	2,178,148	8,633,923	10,211,147	15,715,762	12,389,295
General revenues						
Property taxes	2,079,062	1,359,497			2,079,062	1,359,497
Other taxes	4,462,434	3,915,513			4,462,434	3,915,513
Earnings on investments	1,057,063	966,049	1,285,043	839,660	2,342,106	1,805,709
Other revenues	199,725	194,203			199,725	194,203
Gain (loss) on sale disposal of assets	(440,603)	12,233,603	(28,998)	16,474	(469,601)	12,250,077
<b>Total revenues</b>	<b>15,965,925</b>	<b>22,716,213</b>	<b>23,855,547</b>	<b>23,767,791</b>	<b>39,821,472</b>	<b>46,484,004</b>
<b>Expenses:</b>						
General government	2,212,746	1,634,397			2,212,746	1,634,397
Public Safety	2,601,514	1,917,238			2,601,514	1,917,238
Highways & streets	786,311	680,921			786,311	680,921
Parks, cemetery and public property	962,773	858,145			962,773	858,145
Culture & recreation	261,360	164,139			261,360	164,139
Community and economic development	765,688	713,085			765,688	713,085
Interest and fiscal charges	821,131	844,174			821,131	844,174
Water fund			3,053,646	2,146,324	3,053,646	2,146,324
Sewer fund			1,490,428	2,368,347	1,490,428	2,368,347
Electric utility system			5,929,706	5,566,268	5,929,706	5,566,268
Golf course			1,586,121	1,474,111	1,586,121	1,474,111
Irrigation			21,128	29,302	21,128	29,302
Storm drain			114,742	164,220	114,742	164,220
Internal debt service				-		-
<b>Total expenses</b>	<b>8,411,523</b>	<b>6,812,099</b>	<b>12,195,771</b>	<b>11,748,572</b>	<b>20,607,294</b>	<b>18,560,671</b>
Increase in net assets before transfers	7,554,402	15,904,114	11,659,776	12,019,219	19,214,178	27,923,333
Transfers	569,201	(6,288,821)	(569,201)	6,288,820		(1)
<b>Increase in net assets</b>	<b>8,123,603</b>	<b>9,615,293</b>	<b>11,390,575</b>	<b>18,308,039</b>	<b>19,214,178</b>	<b>27,923,332</b>

**Governmental Activities** -The following chart displays the governmental activities expenses compared to the program revenues attributed to the activity. Traditionally, governmental activities are funded by general revenue sources and not charges for direct services.

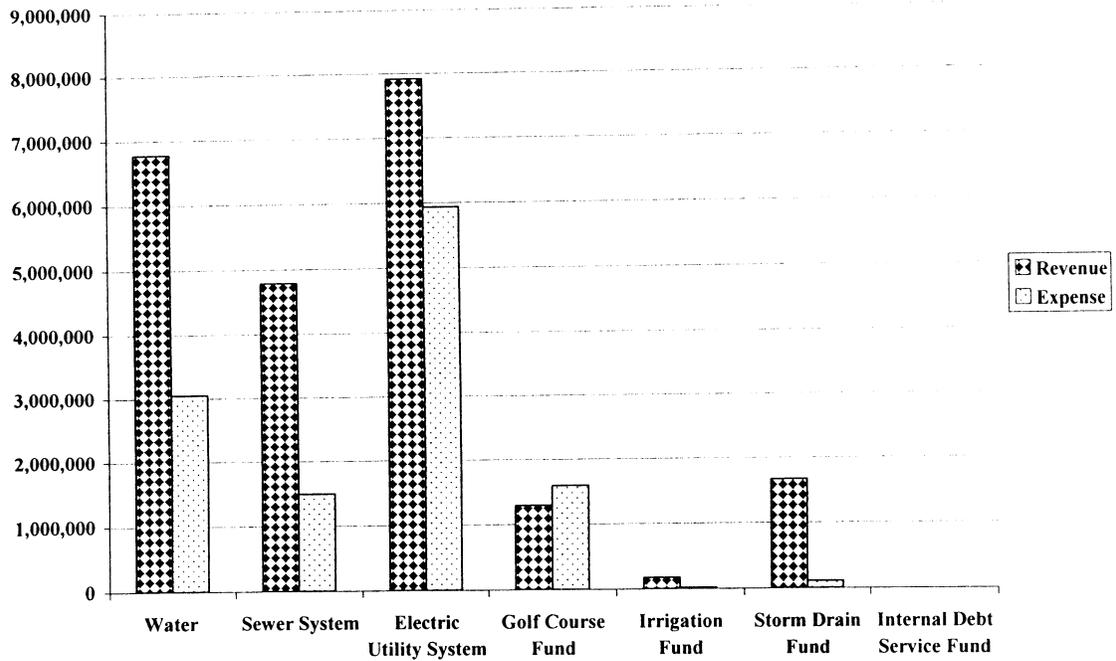


The following chart displays the major sources of governmental activity revenue. Taxes account for 92% of revenue that funds governmental activities.



**Business-type Activities** –The following chart displays business-type activities compared to program expenses attributed to the activity. Traditionally business-type activities are self supporting and are generally funded by charges for services.

**Business-type Activities - Program Revenues & Expenses**



## **GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

As was previously noted, the City's governmental funds provide a short-term perspective of the City's general government operations and the financial resources available in the near future to finance the City's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

As of June 30, 2007, the City's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$13,960,589. This combined balance represents a decrease of \$4,441,435 over last year's ending fund balances.

The general fund is the main operating fund of the City. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the City may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes.

The fund balance of the general fund increased \$858,156 from \$1,324,616 to \$2,182,772 during the fiscal year ending June 30, 2007. The \$2,182,772 fund balance represents approximately 16 percent of budgeted revenues for the fiscal year ending June 30, 2007. State law requires municipalities maintain a fund balance between 5 and 18 percent of the subsequent year's budgeted revenue.

Taxes are the largest source of revenues to the general fund representing approximately 71 percent of general fund revenues. Sales tax revenues account for approximately 63 percent of all of the tax revenues generated in the general fund. Property taxes generated about 26 percent of the tax revenues.

## **PROPRIETARY FUNDS FINANCIAL ANALYSIS**

Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its seven business-type activities. The major proprietary funds are comprised of the Water fund, Sewer fund, Electric fund and Internal Service fund. The three funds that make up the non-major proprietary funds are the Irrigation fund, Storm Drain fund and Golf Course fund.

During the 2006 fiscal year, the City took \$5,000,000 from the proceeds of the sale of surplus land and created a new proprietary fund called the Internal Service fund. The fund was created for the purpose of using internal funds to loan to City departments for projects within the City. The existence of this fund will allow us to internally loan money without the cost of outside institutional funding.

Water Fund

As of June 30, 2007, the City's Water fund had a total of \$22,385,699 in net assets. This represents an increase of \$3,823,475 over last year's ending net assets.

Sewer Fund

As of June 30, 2007, the City's Sewer fund had a total of \$13,754,858 in net assets. This represents an increase of \$3,329,370 over last year's ending net assets.

Electric Fund

As of June 30, 2007, the City's Electric fund had a total of \$14,356,165 in net assets. This represents an increase of \$2,285,188 over last year's ending net assets.

Internal Debt Service Fund

As of June 30, 2007, the City's Internal Debt Service fund had a total of \$5,341,627 in net assets. This represents an increase of \$ 295,277 over last year's ending net assets.

Non-major Proprietary Funds

As of June 30, 2007, the City's non-major proprietary funds, which include the Irrigation fund, Storm Drain fund and Golf Course fund, report combined net assets of \$6,343,307. This combined balance represents an increase of \$1,357,267 over last year's ending net asset totals.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The fiscal year 2007 originally adopted budget for the general fund totaled \$15,889,453. The City Council authorized a budget opening in July 2007 to decrease the General Fund budget to more accurately reflect the property tax revenue projections. This budget opening also made an adjustment to the expenditures of the Internal Service fund and an increase in the revenue and expenditures of the Leisure Services Capital projects of \$5,000,000 for the purpose of building the Community Center.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2007, the City had invested \$105,842,503 net of accumulated depreciation, in capital assets for its governmental and business-type activities.

#### WASHINGTON CITY'S CAPITAL ASSETS (net of depreciation)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land and water rights	\$ 1,200,767	\$ 1,463,638	\$ 2,664,405
Buildings & Structures	5,736,203	414,778	6,150,981
Improvements		42,424,579	42,424,579
Infrastructure	33,214,072		33,214,072
Machinery & equipment	499,359	563,074	1,062,433
Automobiles & trucks	1,201,430	680,644	1,882,074
Construction in progress	<u>7,489,384</u>	<u>10,954,575</u>	<u>18,443,959</u>
Total	<u>\$49,341,215</u>	<u>\$56,501,288</u>	<u>\$105,842,503</u>

Capital asset acquisitions and projects costing \$50,000 or more during the current fiscal year included:

- \$8,675,084 in new street infrastructure; \$5,372,985 by private development of subdivisions and \$3,302,099 funded by department expenditures.
- \$1,305,295 for the construction of infrastructure in the Power department; 100% funded by department expenditures.
- \$2,546,458 for the construction of infrastructure in the Sewer department; \$2,503,107 was funded by private development of subdivisions and \$43,351 funded by department expenditures.
- \$540,703 for the construction of infrastructure in the Storm Drain department; 100% funded by private development of subdivisions.
- \$2,097,107 for the construction of infrastructure in the Water department; \$2,084,398 funded by private development of subdivisions and \$12,709 funded by department expenditures.
- \$167,949 in new irrigation infrastructure: 100% funded by private development of subdivisions.
- \$154,492 for improvements to the Water Treatment Plant.
- \$68,475 for improvements to the Sullivan Well.
- \$50,277 for improvements to the Golf Course.
- 50,758 for improvements to the city yard.
- \$271,179 for water right acquisition.
- \$80,351 in improvements to the baseball fields.
- \$211,767 for Millcreek Trail phase I.

Additional information regarding the City's capital assets can be found in the footnotes to the financial statements.

**Long-term debt**

At June 30, 2007, the City had total debt outstanding of \$34,194,646. Of this amount, \$9,900,000 is considered general obligation debt related to the Coral Canyon Special Service District. The remaining debt of \$24,294,646 is secured by future cash flows from specific revenue sources.

WASHINGTON CITY'S OUTSTANDING DEBT  
2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General obligation bonds	\$ 9,900,000	
Sales tax revenue bonds	4,566,000	
Municipal Building Authority:		
Lease revenue bonds	992,000	
Revenue bonds		<u>\$ 18,736,646</u>
Total	<u>\$ 15,458,000</u>	<u>\$ 18,736,646</u>

During the fiscal year, the City issued the following bonds totaling \$1,365,652:

- \$1,365,652 Water Revenue Bond

State statute limits the amount of debt a city may issue to four percent of the fair market value of the taxable property within the city's jurisdiction. An additional eight percent of indebtedness may be issued for water, sewer or electricity when such public works are owned and controlled by the city. The current limitation for the City is approximately \$179,614,575 comprised of \$59,871,525 for the four percent and \$119,743,050 for the additional eight percent. In any case, the City's outstanding debt is significantly below the statutory debt limits.

Additional information on the outstanding debt of the City is located in the footnotes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Washington City is the second largest city, in Washington County and has experienced an estimated residential growth rate of 6.29% during the fiscal year ending June 30, 2007. This city has experience an average residential growth rate of 14.46% over the past 5 years. Despite the recent changes to the residential market, with the amount of available land for residential and commercial development and with improvements to the city infrastructure, Washington City expects to continue a positive level of growth over the next few years.

The table below gives a good illustration of the growth in residential and commercial culinary water connections from July 2003 to July 2007.

MONTH	RESIDENTIAL			COMMERCIAL		
	TOTAL NO. CONNECTIONS	ANNUAL GROWTH RATE		TOTAL NO. CONNECTIONS	ANNUAL GROWTH RATE	
July-03	3437	2002-2003	9.3%	204	2002-2003	38.3%
July-04	4256	2003-2004	23.83%	215	2003-2004	5.40%
July-05	5192	2004-2005	22.0%	214	2004-2005	-0.46%
July-06	5755	2005-2006	10.85%	218	2005-2006	1.87%
July-07	6117	2006-2007	6.29%	216	2005-2006	-0.92%

## REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the City's finances and demonstrate accountability for the sources and uses of City funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Budget Officer, Washington City, 111 North 100 East, Washington, Utah, 84780.

## **BASIC FINANCIAL STATEMENTS**

**WASHINGTON CITY, UTAH**

**Statement of Net Assets**

June 30, 2007

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash & cash equivalents	\$ 17,506,301	\$ 24,481,425	\$ 41,987,726
Accounts receivable	-	1,562,437	1,562,437
Pre-paid expenses		185,596	185,596
Property tax receivable	2,304,309		2,304,309
Construction in progress	7,489,384	10,954,575	18,443,959
Capital assets, net of accumulated depreciation	41,851,831	45,546,713	87,398,544
Total assets	69,151,825	82,730,746	151,882,571
<b>Liabilities and Net Assets</b>			
<b>Liabilities :</b>			
Cash with negative balances	-	880,743	880,743
Accounts payable	3,148,896	-	3,148,896
Wages payable	146,515		146,515
Payroll taxes payable	31,332		31,332
Sales tax payable		53,905	53,905
Compensated absences payable	182,642	164,611	347,253
Deposits payable		198,905	198,905
Accrued interest payable	282,216	154,591	436,807
Other payables	218,969		218,969
Capital lease obligations payable - current	-	35,271	35,271
Capital lease obligations payable - long term	-	117,083	117,083
Deferred revenue	2,304,309	2,586	2,306,895
Bond premium		204,749	204,749
Bonds payable (net of discount)			
Portion due within one year	578,000	750,276	1,328,276
Portion due after one year	14,880,000	17,986,370	32,866,370
Total liabilities	21,772,878	20,549,090	42,321,968
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	33,883,215	37,407,539	71,290,754
Restricted for:			
Debt service	729,164	2,638,762	3,367,926
Other purposes	4,420,127	10,674,154	15,094,281
Unrestricted	8,346,441	11,461,201	19,807,642
Total net assets	\$ 47,378,947	\$ 62,181,656	\$ 109,560,603

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

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2007

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 2,212,746	\$ 363,238	\$ -	\$ -	\$ (1,849,508)
Public safety	2,601,514	295,478	63,259	82,958	(2,159,819)
Streets & highways	786,311			6,589,335	5,803,024
Parks, cemetery, and public property	962,773	24,650	-	339,120	(599,003)
Culture & recreation	261,360	150,343		70,426	(40,591)
Community & economic development	765,688	629,437			(136,251)
Interest and fiscal charges	821,131				(821,131)
Total governmental activities	<u>8,411,523</u>	<u>1,463,146</u>	<u>63,259</u>	<u>7,081,839</u>	<u>196,721</u>
<b>Business-type activities:</b>					
Water	3,053,646	3,501,225		3,269,541	3,717,120
Sewer system	1,490,428	1,714,528		3,073,409	3,297,510
Electric utility system	5,929,706	6,982,052		933,470	1,985,816
Golf course fund	1,586,121	1,288,167		-	(297,955)
Irrigation fund	21,128	9,370		167,949	156,191
Storm drain fund	114,742	470,237		1,189,554	1,545,049
Total business-type activities	<u>12,195,771</u>	<u>13,965,579</u>	<u>-</u>	<u>8,633,923</u>	<u>10,403,731</u>
Total government	<u>\$ 20,607,295</u>	<u>\$ 15,428,725</u>	<u>\$ 63,259</u>	<u>\$ 15,715,762</u>	<u>\$ 10,600,452</u>

(Continued on page 17)

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
<b>Net (expense) revenue from previous page</b>	\$ 196,721	\$ 10,403,731	\$ 10,600,452
<b>General revenues:</b>			
Taxes:			
Property taxes, levied for general purposes	2,079,062		2,079,062
General sales and use taxes	3,841,954		3,841,954
Energy sales tax	362,428		362,428
Franchise tax	258,052		258,052
Earnings on investments	1,057,063	1,285,043	2,342,106
Miscellaneous	199,725		199,725
Gain (loss) on sale/disposal of assets	(440,603)	(28,998)	(469,601)
Operating transfers	569,201	(569,201)	-
Total general revenues and transfers	<u>7,926,882</u>	<u>686,844</u>	<u>8,613,726</u>
Increase in net assets	8,123,603	11,090,575	19,214,178
<b>Net assets - beginning</b>	<u>39,255,345</u>	<u>51,091,081</u>	<u>90,346,426</u>
<b>Net assets - ending</b>	<u>\$ 47,378,947</u>	<u>\$ 62,181,656</u>	<u>\$ 109,560,603</u>

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

## **FUND FINANCIAL STATEMENTS**

**WASHINGTON CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2007

	<u>General</u>	<u>Street Improvement</u>	<u>Park Property</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash & cash equivalents	\$ 5,728,483	\$ 2,907,033	\$ 5,318,494	\$ 3,552,290	\$ 17,506,301
Special assessments receivable					-
Other receivables	-				-
Total assets	<u>\$ 5,728,483</u>	<u>\$ 2,907,033</u>	<u>\$ 5,318,494</u>	<u>\$ 3,552,290</u>	<u>\$ 17,506,300</u>
<b>Liabilities:</b>					
Cash with negative balances	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	3,148,896				3,148,896
Payroll taxes payable	31,332				31,332
Wages payable	146,515				146,515
Other payables	218,969				218,969
Deferred revenue					-
Total liabilities	<u>3,545,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,545,711</u>
<b>Fund balances:</b>					
Reserved	431,228	2,069,121	2,113,503	535,439	5,149,291
Unreserved, undesignated	1,751,544	837,912	3,204,991	3,016,851	8,811,298
Total fund balances	<u>2,182,772</u>	<u>2,907,033</u>	<u>5,318,494</u>	<u>3,552,290</u>	<u>13,960,589</u>
Total liabilities and fund balances	<u>\$ 5,728,483</u>	<u>\$ 2,907,033</u>	<u>\$ 5,318,494</u>	<u>\$ 3,552,290</u>	<u>\$ 17,506,300</u>

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

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2007

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

<b>Total fund balance - governmental funds</b>	\$ 13,960,589
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$46,050,616 and the accumulated depreciation is \$4,198,785.	41,851,831
Construction in progress of long-term assets	7,489,384
Long-term Obligations	(15,922,857)
<b>Total net assets - governmental activities</b>	<u><u>\$ 47,378,947</u></u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2007**

	<u>General</u>	<u>Street Improvement</u>	<u>Park Property</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property taxes, levied for general purposes	\$ 1,595,904	\$ -	\$ -	\$ 483,159	\$ 2,079,062
General sales & use	3,841,954				3,841,954
Energy sales tax	362,428				362,428
Franchise tax	258,052				258,052
Earnings on investments	138,551	256,604	482,443	179,466	1,057,064
Licenses and permits	713,260				713,260
Intergovernmental revenues	619,246				619,246
Charges for services	442,763				442,763
Fines and forfeitures	270,505				270,505
Miscellaneous	303,691	657,679	313,100	184,505	1,458,975
Total revenues	<u>8,546,354</u>	<u>914,283</u>	<u>795,543</u>	<u>847,130</u>	<u>11,103,309</u>
<b>EXPENDITURES:</b>					
General government	2,116,679				2,116,679
Public safety	2,419,695				2,419,695
Streets & highways	716,746				716,746
Parks, cemetery, and public property	800,923				800,923
Culture & recreation	241,891				241,891
Community & economic development	740,384				740,384
Capital outlay		3,534,776	4,303,786	11,850	7,850,413
Debt service:					
Principal retirements	214,000			246,000	460,000
Interest and fiscal charges	210,476			556,738	767,214
Total expenditures	<u>7,460,795</u>	<u>3,534,776</u>	<u>4,303,786</u>	<u>814,588</u>	<u>16,113,945</u>
Excess of revenues over (under) expenditures	<u>1,085,559</u>	<u>(2,620,493)</u>	<u>(3,508,243)</u>	<u>32,542</u>	<u>(5,010,636)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Debt proceeds					-
Operating transfers in	1,161,088	4,032,533	2,706,636	111,109	8,011,366
Operating transfers out	(1,388,491)	(258,996)	(180,498)	(5,614,179)	(7,442,165)
Sale of fixed assets					
Total other financing sources (uses)	<u>(227,404)</u>	<u>3,773,537</u>	<u>2,526,138</u>	<u>(5,503,071)</u>	<u>569,201</u>
Excess of revenues and other sources over (under) expenditures and other uses	858,156	1,153,044	(982,105)	(5,470,529)	(4,441,435)
FUND BALANCES JULY 1	1,324,616	1,753,989	6,300,600	9,022,819	18,402,024
FUND BALANCES JUNE 30	<u>\$ 2,182,772</u>	<u>\$ 2,907,033</u>	<u>\$ 5,318,494</u>	<u>\$ 3,552,290</u>	<u>\$ 13,960,589</u>

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

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
Year Ended June 30, 2007

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

**Net change in fund balances-total governmental funds** \$ (4,441,435)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Capital outlays	12,713,031	
	Depreciation expense	<u>(509,194)</u>	
			12,203,837

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

	Repayment of bond principal	460,000	
	Accrued Interest expense (net)	<u>(53,917)</u>	
			406,083

Net increase in compensated absences payable (44,882)

**Change in net assets of governmental activities** \$ 8,123,603

**WASHINGTON CITY, UTAH**  
**Statement of Net Assets**  
**Major Proprietary Funds**  
June 30, 2007

	Water Utility Fund	Sewer Collection Fund	Electric Utility Fund	Internal Debt Service	Non-major Proprietary Funds	Total
<b>Assets</b>						
Current assets:						
Cash & cash equivalents	\$ 7,603,632	\$ 5,521,538	\$ 4,907,475	\$ 5,341,627	\$ 1,107,154	\$ 24,481,425
Accounts receivable (net of allowance)	419,286	288,958	807,002		47,191	1,562,437
Receivable from other funds					-	-
Pre-paid expenses			185,596			185,596
Total current assets	<u>8,022,919</u>	<u>5,810,495</u>	<u>5,900,073</u>	<u>5,341,627</u>	<u>1,154,344</u>	<u>26,229,458</u>
Long-term assets:						
Deferred charge					-	-
Construction in progress	1,338,946	798,065	8,583,125		234,440	10,954,575
Capital assets, net of accumulated depreciation	22,119,889	9,726,744	7,796,897		5,903,182	45,546,713
Total long-term assets	<u>23,458,835</u>	<u>10,524,809</u>	<u>16,380,022</u>		<u>6,137,622</u>	<u>56,501,288</u>
Total assets	<u>31,481,754</u>	<u>16,335,304</u>	<u>22,280,095</u>	<u>5,341,627</u>	<u>7,291,966</u>	<u>82,730,746</u>
<b>Liabilities and Net Assets</b>						
Liabilities :						
Current liabilities:						
Negative cash balance	-	-	-		880,743	880,743
Accounts payable					-	-
Sales tax payable			41,337		12,568	53,905
Accrued interest	27,047	20,642	106,902		-	154,591
Payable to other funds					-	-
Deposits payable	59,597		139,308			198,905
Compensated absences payable	37,178	24,830	47,255		55,348	164,611
Deferred revenue	2,586				-	2,586
Capital leases payable within one year		19,044	16,227		-	35,271
Bonds payable within one year	304,276	161,000	285,000		-	750,276
Total current liabilities	<u>430,684</u>	<u>225,516</u>	<u>636,029</u>	<u>-</u>	<u>948,659</u>	<u>2,240,888</u>
Non-current liabilities						
Bond premium			204,749			204,749
Capital leases payable within one year		38,930	78,153		-	117,083
Bonds payable after one year	8,665,370	2,316,000	7,005,000		-	17,986,370
Total non-current liabilities	<u>8,665,370</u>	<u>2,354,930</u>	<u>7,287,902</u>	<u>-</u>	<u>-</u>	<u>18,308,202</u>
Total liabilities	<u>9,096,054</u>	<u>2,580,446</u>	<u>7,923,930</u>	<u>-</u>	<u>948,659</u>	<u>20,549,090</u>
Net assets:						
Invested in capital assets, net of related debt	14,489,189	7,989,835	8,790,893		6,137,622	37,407,539
Restricted for:						
Debt service	797,070	58,803	1,782,889		-	2,638,762
Other purposes	4,903,081	4,107,990	1,663,083		-	10,674,154
Unrestricted	2,196,360	1,598,230	2,119,299	5,341,627	205,685	11,461,201
Total net assets	<u>\$ 22,385,699</u>	<u>\$ 13,754,858</u>	<u>\$ 14,356,165</u>	<u>\$ 5,341,627</u>	<u>\$ 6,343,307</u>	<u>\$ 62,181,656</u>

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

WASHINGTON CITY, UTAH  
Statement of Revenues, Expenses and Changes in Net Assets  
Major Proprietary Funds  
Year Ended June 30, 2007

	Water Utility Fund	Sewer Collection Fund	Electric Utility Fund	Internal Debt Service	Non-major Proprietary Funds	Total
<b>Operating revenues:</b>						
Charges for services	\$ 3,496,263	\$ 1,015,025	\$ 6,488,617	\$ -	\$ 1,744,782	\$ 12,744,687
Solid waste collection		667,414				667,414
Miscellaneous	4,963	32,089	493,435		22,992	553,478
Total operating revenues	<u>3,501,225</u>	<u>1,714,528</u>	<u>6,982,052</u>	<u>-</u>	<u>1,767,774</u>	<u>13,965,579</u>
<b>Operating expenses:</b>						
Salaries	466,485	293,201	510,356		601,170	1,871,212
Employees benefits	242,832	155,795	230,183		155,489	784,298
Utilities	346,041	18,584	21,703		63,268	449,597
Professional services	52,551	5,627	6,294		20,763	85,236
Repairs and maintenance	375,478	2,275	686,959		347,424	1,412,136
Outfall line		637,733			87,001	724,734
Regional sewer plant						
Water purchased	614,380					614,380
Power purchased			3,252,699			3,252,699
Transmission expense			271,651			271,651
Lease expense						
Insurance					22,314	22,314
Miscellaneous	7,283	3,456	273,975		214,128	498,843
Supplies	47,976	50,226	37,960		160	136,322
Bad debt expense	137	1,511	8,187			9,835
Depreciation	635,230	268,100	303,690		209,974	1,416,993
Total operating expenses	<u>2,788,392</u>	<u>1,436,508</u>	<u>5,603,658</u>	<u>-</u>	<u>1,721,692</u>	<u>11,550,250</u>
Operating income (loss)	712,834	278,020	1,378,394		46,082	2,415,329
<b>Nonoperating income:</b>						
Interest earnings	345,283	271,633	368,878	295,277	3,972	1,285,043
Impact fees	1,082,129	506,402	711,632		648,851	2,949,014
Connection Fees	103,014	63,900	221,839			388,752
Contributions	2,084,398	2,503,107			708,652	5,296,157
Gain (Loss) on sale of assets	16,071	(34,773)	(14,507)		4,210	(28,998)
Interest & fiscal charges	(265,254)	(53,920)	(326,048)		(300)	(645,522)
Total nonoperating income	<u>3,365,641</u>	<u>3,256,349</u>	<u>961,794</u>	<u>295,277</u>	<u>1,365,386</u>	<u>9,244,447</u>
Net income (loss) before transfers	<u>4,078,475</u>	<u>3,534,370</u>	<u>2,340,188</u>	<u>295,277</u>	<u>1,411,468</u>	<u>11,659,776</u>
Transfer in					20,799	20,799
Transfer out	(255,000)	(205,000)	(55,000)		(75,000)	(590,000)
Change in net assets	3,823,475	3,329,370	2,285,188	295,277	1,357,267	11,090,575
Transfer in						
Net assets - beginning	18,562,225	10,425,489	12,070,977	5,046,350	4,986,040	51,091,081
Net assets - ending	<u>\$ 22,385,699</u>	<u>\$ 13,754,858</u>	<u>\$ 14,356,165</u>	<u>\$ 5,341,627</u>	<u>\$ 6,343,307</u>	<u>\$ 62,181,656</u>

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

WASHINGTON CITY, UTAH  
Statement of Cash Flows  
Major Proprietary Funds  
Year Ended June 30, 2007

	Water Utility Fund	Sewer Collection Fund	Electric Utility Fund	Internal Debt Service	Non-major Proprietary Funds	Total
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 3,442,609	\$ 1,698,754	\$ 6,560,736	\$ -	\$ 1,745,111	\$ 13,447,210
Cash payments to suppliers for goods and services	(1,443,846)	(719,412)	(4,559,428)		(755,059)	(7,477,745)
Cash payments to employees for services	(699,317)	(446,570)	(736,865)		(747,664)	(2,630,416)
Net cash provided (used) by operating activities	<u>1,299,446</u>	<u>532,772</u>	<u>1,264,443</u>	<u>-</u>	<u>242,388</u>	<u>3,339,049</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating transfers (to) from other funds	(255,000)	(205,000)	(55,000)		(54,201)	(569,201)
Net cash (used) by noncapital financing activities	<u>(255,000)</u>	<u>(205,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>(54,201)</u>	<u>(569,201)</u>
<b>Cash flows from capital and related financing activities:</b>						
Cash received from impact and connection fees	1,185,143	570,302	933,471		648,851	3,337,767
Other receipts (payments)	16,071	(34,773)	(14,507)		5,903	(27,306)
Acquisition of capital assets	(1,227,293)	(846,081)	(3,905,165)		-	(5,978,539)
Interest paid on capital debt	(254,830)	(55,236)	(339,843)		(300)	(650,209)
Amounts to other funds	-	-	-		-	-
Proceeds from long-term obligations	1,365,651		94,380		-	1,460,031
Principal paid on capital lease obligations	-	(37,262)	-		(20,311)	(57,573)
Principal paid on capital debt	(303,033)	(158,000)	(280,000)		-	(741,033)
Net cash (used) by capital and related activities	<u>781,709</u>	<u>(561,050)</u>	<u>(3,511,664)</u>	<u>-</u>	<u>634,143</u>	<u>(2,656,862)</u>
<b>Cash flows from investing activities</b>						
Interest received	345,283	271,633	368,878	295,277	3,972	1,285,043
Net cash (used) by investing activities	<u>345,283</u>	<u>271,633</u>	<u>368,878</u>	<u>295,277</u>	<u>3,972</u>	<u>1,285,043</u>
Net increase in cash and cash equivalents	<u>2,171,438</u>	<u>38,355</u>	<u>(1,933,343)</u>	<u>295,277</u>	<u>826,302</u>	<u>1,398,029</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>5,432,194</u>	<u>5,483,183</u>	<u>6,840,818</u>	<u>5,046,350</u>	<u>(599,892)</u>	<u>22,202,653</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 7,603,632</u>	<u>\$ 5,521,538</u>	<u>\$ 4,907,475</u>	<u>\$ 5,341,627</u>	<u>\$ 226,411</u>	<u>\$ 23,600,682</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 712,834	\$ 278,020	\$ 1,378,394	\$ -	\$ 46,082	\$ 2,415,329
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						-
Depreciation expense	635,230	268,100	303,690		209,974	1,416,993
Increase decrease accounts receivable	(82,814)	(15,774)	(98,975)		(30,108)	(227,671)
Increase decrease in deferred revenue	2,361		(350,820)		7,444	(341,015)
Increase decrease in accounts payable			18,545			18,545
Increase decrease in deposits payable	21,835		9,936			31,771
Increase decrease in compensated absences	10,000	2,426	3,674		8,997	25,097
Total adjustments	<u>586,612</u>	<u>254,752</u>	<u>(113,950)</u>	<u>-</u>	<u>196,306</u>	<u>923,720</u>
Net cash provided (used) by operating activities	<u>\$ 1,299,446</u>	<u>\$ 532,772</u>	<u>\$ 1,264,443</u>	<u>\$ -</u>	<u>\$ 242,388</u>	<u>\$ 3,339,049</u>

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

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Washington City, Utah have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

**Reporting Entity** - As required by GAAP, these financial statements present the City and its component units, The Coral Canyon Special Service District and the Municipal Building Authority of Washington City, Washington County, Utah, for which the City is considered to be financially accountable. The City is not a component unit of any other primary government. A blended component unit, although a legally separate entity, is, in substance, part of the City's operations.

Blended Component Units:

The Coral Canyon Special Service District was created by Resolution Number 2000-14 on June 14, 2000. The District was created for the purpose of providing water, sewer, drainage, flood control, health care, transportation, recreation, fire protection, street lighting, and snow removal services within the boundaries of the District through the construction, purchase, gift, condemnation or any combination thereof of the facilities or systems necessary to provide said services.

Further information concerning the District is presented in footnote 13 to the financial statements.

Municipal Building Authority of Washington City, Washington County, Utah

The Municipal Building Authority of Washington City, Washington County, Utah (the Authority) was formally recognized by the State of Utah as an incorporated entity on October 20, 1995. The Authority was formed for the purpose of accomplishing the public purposes for which Washington City exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of Washington City. The Authority is governed by a board of trustees comprised of the elected officials of Washington City. Transactions of the Authority are blended into the audit report issued by Washington City. No separate audit report is issued.

There are no discretely presented component units.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- General Fund
- Park Property Capital Project Fund
- Street Improvement Capital Project Fund

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

The Park Property Capital Project Fund accounts for resources accumulated to construct city parks.

The Street Improvement Capital Project Fund accounts for resources accumulated to construct and repair streets within the City.

The City reports the following major proprietary funds:

- Water Utility Fund
- Sewer Collection Fund
- Electric Utility Fund
- Internal Debt Service Fund

The Water Utility Fund accounts for the activities of the City's water production, treatment, and distribution operations.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Sewer Collection Fund accounts for the operation and maintenance of the City's sewer collection system.

The Electric Utility Fund accounts for the operation and maintenance of the City owned electric system.

The Internal Debt Service Fund accounts for funds used to provide internal financing for various city projects.

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 all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes 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.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation of all exhaustible fixed assets used is charged as an expense against operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water, sewer and electric system improvements	40-50 years
Buildings	20-30 years
Machinery and Equipment	5-10 years
Roads and infrastructure	15 years
Improvements other than buildings	20 years

Property Tax

Washington County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore, all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capitalized Interest

The City capitalizes interest costs and interest earned as part of the cost of constructing various buildings and water and sewer projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Issue Costs

If material, bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. If material, issuance costs are reported as deferred charges.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reported period. Actual results could differ from those estimates.

Compensated Balances

City employees accumulate 3.69 hours of sick leave each pay period. There is no limit on sick leave accrual. Upon leaving City employment, the employee will be paid for one-half of sick leave accumulated not to exceed 360 hours.

City employees accrue vacation leave in varying amounts depending on the amount of service. An employee may carry no more than 80 hours of vacation leave to the next year. Any accumulated vacation leave in excess of 80 hours will be lost as of the anniversary date of the employee's hiring.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 46,050,616
Accumulated depreciation	(4,198,785)
Construction in Progress	<u>7,489,384</u>
Total difference	<u>\$ 49,341,215</u>

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds	\$ (15,458,000)
Bond interest accrual	(282,216)
Compensated Absences Payable	<u>(182,642)</u>
Total Difference	<u>\$ (15,922,858)</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$12,713,031
Depreciation expense	<u>( 509,194)</u>
New difference as reported	<u><u>\$12,203,837</u></u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and related items is as follows:

Repayment of bond principal	\$ 460,000
Accrued interest expense	(53,917)
Net increase in compensated absences	<u>(44,882)</u>
Net Difference	<u><u>\$ 361,201</u></u>

**NOTE 2. LEGAL COMPLIANCE - BUDGETS/STATUTORY**

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's budget officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 2. LEGAL COMPLIANCE - BUDGETS/STATUTORY - CONTINUED

reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmation vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly. State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

NOTE 3. CASH AND INVESTMENTS:

The City maintains a cash and investment pool, which includes the cash account and several investments. The City also has deposits held by the Trust Department of Zions Bank as fiscal agent for bonds issued. The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2007, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit and on hand	\$ 4,495,917
State Treasurer's investment pool	33,301,134
Cash with Fiscal Agent	<u>3,309,932</u>
	<u>\$ 41,106,983</u>

The following paragraphs discuss the City's exposure to various risks related to its cash management activities.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 3. CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2007, \$4,395,917 of the City's bank balances were uninsured or uncollateralized.

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

Credit Risk

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

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. 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 participants' average daily balances.

Following are the City's investments at June 30, 2007.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$33,301,134	less than 1 year	not rated

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 3. CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the City's portfolio at the time of purchase.

As of year end, the City had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

Components of cash and investments (including interest earning deposits) at June 30, 2007, are as follows:

Cash on hand and on deposit:	
Cash on deposit and on hand	\$ 4,495,917
Utah State Treasurer's investment pool account	33,301,134
Cash with fiscal agent	<u>3,309,932</u>
Total cash and investments	<u>\$ 41,106,983</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 41,987,726
Cash with negative balances	<u>( 880,743)</u>
Total cash and investments	<u>\$ 41,106,983</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 4. LONG-TERM DEBT:**

The following is a summary of Long-Term Debt transactions of the City for the fiscal year ending June 30, 2007.

	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2006	Matured During Year	Outstanding June 30, 2007
Revenue Bonds						
Sales Tax Rev. Bond-2003	9/10/03	3%-5.25%	\$ 4,270,000	\$ 3,975,000	\$ 155,000	\$ 3,820,000
Electric Revenue Bonds	10/6/04	1.65%-5%	7,845,000	7,570,000	280,000	7,290,000
Water Revenue Bonds - 1993C	3/1/95	0%	1,362,000	682,000	68,000	614,000
Water Revenue Bonds - 1993A	3/20/96	0%	1,362,000	640,000	80,000	560,000
Water Revenue Bonds - 1993B	4/10/96	4.5%	1,000,000	881,230	14,657	866,573
Water Revenue Bonds - 1996	6/7/96	4.5%	375,000	332,850	6,784	326,066
Lease Revenue Bond - 1995	12/8/95	5.39%	1,600,000	740,000	120,000	620,000
Lease Revenue Bond - 1996	6/19/96	6.12%	400,000	193,000	31,000	162,000
Lease Revenue Bond - 1998	12/08/98	4.45%-4.9%	875,000	305,000	95,000	210,000
Sewer Revenue Bond - 1999	5/27/99	2%	3,356,000	2,635,000	158,000	2,477,000
Water Revenue Bonds - 2000B	1/14/01	0%	1,150,000	904,000	52,000	852,000
Water Revenue Bonds - 2000A	6/15/01	3.25%	1,639,900	1,530,894	24,000	1,506,894
Sales Tax Revenue Bond - 2001	1/2/02	2.7%-4.5%	1,000,000	805,000	59,000	746,000
Water Revenue Bonds - 2002B	11/1/02	2.59%	685,000	603,000	29,000	574,000
Water Revenue Bonds - 2002A	9/26/03	4.25%	2,400,000	2,333,054	28,592	2,304,462
Water Revenue Bond - 2006	12/22/06	4.25%	1,365,652			1,365,652
Total Revenue Bonds			<u>\$ 30,685,552</u>	<u>\$ 24,130,028</u>	<u>\$ 1,201,033</u>	<u>\$ 24,294,647</u>
Coral Canyon SSD:						
G.O. Bonds - 2001	5/1/01	5.5%-6.10%	\$ 900,000	\$ 900,000	\$	\$ 900,000
G.O. Bonds - 2001A	11/27/01	4.7%-6%	2,525,000	2,525,000		2,525,000
G.O. Bonds - 2003	10/15/03	5%-5.9%	3,180,000	3,180,000		3,180,000
G.O. Bonds - 2006	5/11/06	4.85%-5.3%	3,295,000	3,295,000		3,295,000
Total Revenue Bonds			<u>\$ 9,900,000</u>	<u>\$ 9,900,000</u>	<u>\$</u>	<u>\$ 9,900,000</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED**

Revenue Bonds Payable at June 30, 2007, is comprised of the following individual issues:

Electric Revenue Bonds - Series 2004 issued October 2, 2004 in the amount of \$7,845,000. Principal payable in annual installments of \$275,000 to \$585,000. The bonds bear interest of 1.65% to 5%.	\$ 7,290,000
Water System Water Revenue Bonds, series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2005 bearing no interest.	614,000
Water System Water Revenue Bonds Series 1993 A payable in annual installments of \$67,000 to \$80,000 with a final payment of \$160,000 due January 1, 2013. The bonds bear no interest.	560,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%.	326,066
Lease Revenue Bonds, Series 1995 issued by the Municipal Building Authority of Washington City, Washington County, Utah. Bonds are secured by a lease agreement with Washington City, Utah payable in semi-annual installments of \$35,000 to \$75,000 on June 1 and December 1 of each year. Principal payments begin June 1, 1997 with interest payments beginning June 1, 1997 with interest payments beginning June 1, 1996. The bonds bear a net interest cost of 5.39%.	620,000
Lease Revenue Bonds, Series 1996 issued by the Municipal Building Authority of Washington City, Washington County, Utah. Bonds are secured by a lease agreement with Washington City, Utah payable in semi-annual installments of \$9,000 to \$20,000 on June 1 and December 1 of each year. Principal payments begin December 1, 1997 with interest payments beginning December 1, 1996. The bonds bear a net interest cost of 6.12%	162,000
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through January 10, 2036 bearing interest at 4.50%.	866,573

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED**

<p>Lease Revenue Series 1998 Park bonds issued by the Municipal Building Authority, payable in annual installments of \$70,000 to \$110,000 beginning December 1, 1999. The bonds bear interest of 4.45% to 4.9%. Interest is paid semi-annually.</p>	210,000
<p>Sewer Revenue Bonds, Series 1999 approved May 27, 1999 in the total amount of \$3,356,000. Payable in annual installments of \$119,000 to \$219,000. The bonds bear interest of 2%.</p>	2,477,000
<p>Water Revenue Bonds - Series 2000B January 17, 2001 dated were issued in the amount of \$1,150,000. The bonds are held by the State of Utah - Drinking Water Board and bear 0% interest. Payments are made yearly in January and range from \$48,000 to \$69,000.</p>	852,000
<p>Water Revenue Bonds - Series 2000 A were issued in the amount of \$1,639,900. The bonds are held by USDA - RD bear interest of 3.25%. Payments of \$6,117 are made monthly.</p>	1,506,894
<p>Sales Tax Revenue Bonds - Series 2001 were issued in the amount of \$1,000,000. Payable in annual installments of \$33,000 to \$89,000 beginning November 15, 2002. The bonds bear interest of 2.7% to 4.5%</p>	746,000
<p>Water Revenue Bonds Series 2002B payable in yearly installments of \$27,000 to \$44,000 bearing interest of 2.59%</p>	574,000
<p>Water Revenue Bonds, Series 2002A. Payable in monthly installments of \$10,416 with a final payment due August, 2043. The bonds bear interest of 4.25%</p>	2,304,462
<p>Sales Tax Revenue Bonds Series 2003. Payable in annual installments of \$145,000 to \$320,000 with interest paid semi-annually. The bonds bear interest of 3% to 5.25%.</p>	3,820,000
<p>Water Revenue Bonds Series 2006 bearing interest of 4.25%. Bond principal is being advanced as requested up to \$4,000,000.</p>	<u>1,365,652</u>
<p>Revenue Bonds payable at June 30, 2007</p>	<u>\$24,294,647</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED

Coral Canyon Special Service District:

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

Bonds outstanding as of June 30, 2007, is comprised of the following issues:

General Obligation Road Bonds - Series 2001 were issued during the year ended June 30, 2002 in the amount of \$900,000. The bonds bear interest of 5.5% to 6.10% with payments due annually in July beginning July 15, 2007. Payments range from \$25,000 to \$75,000.	\$ 900,000
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General Obligation Bonds - Series 2001A were issued during the year ended June 30, 2002 in the amount of \$2,525.00. The bonds bear interest of 4.7% to 6% with principal payments due annually of \$75,000 to \$205,000 beginning July of 2007. Interest is paid semi-annually beginning July, 2002.	2,525,000
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General Obligation Bonds - Series 2003 issued October 15, 2003 in the amount of \$3,180,000 payable in annual installments of \$95,000 to \$245,000 with the final payment due July 15, 2028. Interest is paid semi-annually at a rate of 5% to 5.9%.	3,180,000
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General Obligation Bonds - Series 2006 issued May 11, 2006 in the amount of \$3,295,000 payable in annual installments of \$40,000 to \$745,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 4.85% to 5.3%.	<u>3,295,000</u>
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General Obligation Bonds Payable at June 30, 2007	<u>\$ 9,900,000</u>
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Water, Sewer, Electric, and Golf Course Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water, sewer, electric, and golf course funds.

The revenue bonds are collateralized by the revenue of the above funds and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year sufficient to pay the annual debt service requirements.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 4. CHANGES IN LONG-TERM DEBT - CONTINUED

The City's total future bonded debt service including interest of \$18,645,230 as of June 30, 2007 is as follows. \$1,365,652 representing principal draws as of June 30, 2007 of the Water Revenue Bonds - Series 2006 has not been included since the repayment schedule has not been finalized. Interest is calculated on outstanding principal at 4.25%

Year Ending	Annual
2008	\$ 2,722,497
2009	2,727,368
2010	2,705,579
2011	2,712,613
2012	2,653,523
2013	2,633,527
2014	2,471,394
2015	2,541,568
2016	2,406,348
2017	2,407,857
2018	2,315,854
2019	2,311,067
2020	2,314,385
2021	2,085,647
2022	2,016,359
2023	2,019,730
2024	1,973,190
2025	1,641,193
2026	1,039,498
2027	1,038,425
2028	1,038,736
2029	1,037,886
2030	1,035,820
2031	1,037,395
2032	272,652
2033	272,652
2034	272,652
2035	272,653
2036	241,978
2037	198,396
2038	198,396
2039	198,396
2040	198,396
2041	190,832
2042	124,992
2043	124,992
2044	19,779
	\$ 51,474,225

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 5. COMPONENTS OF RESERVED FUND EQUITY:

General Fund:	
Debt Service - Sales Tax Bonds	\$431,228
Street Improvement Capital Project Fund	2,069,121
Park Property Capital Project Fund	2,113,503
Other Governmental Funds:	
Mile Post 13	968
Fire Station Impact Fee	237,706
Municipal Building Authority	<u>296,765</u>
Total Other Governmental Funds	<u>535,439</u>
Total Governmental Funds	<u><u>\$5,149,291</u></u>

Enterprise Funds:

Water Fund:	
Debt Service	\$ 797,070
Impact Fees	<u>4,903,081</u>
Total Water Fund	5,700,151
Sewer Fund:	
Debt Service	58,803
Impact Fees	<u>4,107,990</u>
Total Sewer Fund	4,166,793
Electric Fund:	
Debt Service	1,782,889
Impact Fees	<u>1,663,083</u>
Total Electric Fund	3,445,972
Total Enterprise Fund	<u><u>\$13,312,916</u></u>

NOTE 6. LITIGATION:

Washington City is presently involved in matters of litigation in which individuals request significant damages from the City. Several cases have been forwarded to the City's insurer for review. The outcome of these cases is uncertain.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
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damages from the City. Several cases have been forwarded to the City's insurer for review. The outcome of these cases is uncertain.

NOTE 7. RESTRICTED ACCOUNTS - BOND COVENANTS:

Washington City maintains the following cash balances in compliance with various bond agreements:

Sales, lease revenue and general obligation bonds	\$ 729,164
Water fund bonds	797,070
Sewer fund bonds	53,803
Electric bonds	<u>1,782,889</u>
 Total	 <u>\$ 3,362,926</u>

The above amounts represent reserve, emergency repair, construction, and sinking funds restricted for payment of bond principal, interest and construction costs as they come due.

NOTE 8. DEFINED BENEFIT PENSION PLAN:

Plan Description. Washington City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, Washington City is required to contribute 11.59% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage contributory division members are required to contribute 12.29% of their salary (all or part may be paid by the employer for the employee) and Washington City is required to contribute 11.01% of their annual salary. In the Firefighters Retirement System for employers with (without) Social Security coverage plan members are required to contribute 10.84% of their annual covered salary (all or part may be paid by the employer for the employee) and Washington City is required to contribute 0% of their annual covered salary. The contribution rates are the actuarially determined rates.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 8. DEFINED BENEFIT PENSION PLAN - CONTINUED

Washington City's contributions to the Local Governmental Noncontributory Retirement System for June 30, 2007, 2006, and 2005 were \$355,360, \$294,284 and \$262,329 respectively and for the Public Safety Retirement System the contributions for June 30, 2007, 2006 and 2005 were \$54,831, \$34,734 and none respectively, and for the Firefighters Retirement System the contributions for June 30, 2007, 2006 and 2005 were \$9,560, \$2,897 and none respectively. The contributions were equal to the required contributions for each year.

NOTE 9. BONDS ISSUED:

During the fiscal year the City issued the following bonds:

Water Revenue Bond - Series 2006 in the amount of \$4,000,000. The principal is being advanced as requested by the City. As of June 30, 2007 the City had been advanced \$1,365,652. The bonds bear interest of 4.25% and will be repaid by monthly payments over a term of 40 years. The bond was issued for the purpose of financing the cost of improvements to the culinary water system.

NOTE 10. RISK MANAGEMENT:

Washington City is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The City has procured commercial insurance coverage, which in the City's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE:

On December 1, 1995, the Municipal Building Authority of Washington City, Washington County (the Authority) entered into a lease arrangement with Washington City. The lease was later amended to reflect a change in the project being constructed by the Authority. The amendment to the lease is dated June 1, 1996.

Pursuant to the lease arrangement, the Authority is to demolish the existing two-story City office building and acquire and construct a new office facility. In order to construct the new office facility, the Authority issued two separate lease revenue bond issues dated 1995 and 1996 in the amount of \$1,600,000 and \$400,000 respectively. Proceeds of the bond issues have been deposited with the trust department of Zions First National Bank as fiscal agent for the bonds.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE - CONTINUED:

The initial term of the lease commences as of the date of delivery of the Series 1995 Lease Revenue Bonds and terminates on June 30, 1996. The lease term may be continued, solely at the option of Washington City, beyond the termination of the original term for an additional year, the first "renewal term", and for 14 consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term will commence July 1, 2011 and end on December 1, 2011. 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 due during the next following renewal term. The City renewed the lease for the next 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 XIV 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 base rentals which approximate the principal and interest due on the lease revenue bonds issued by the Authority. The following table summarizes the base rental payments.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE - CONTINUED:**

Schedule of Base Rental Payments

<u>Payment Date</u>	<u>Base Rentals Attributable to Series 1995 Bonds</u>	<u>Base Rentals Attributable to Series 1996 Bonds</u>	<u>Total Base Rental Payment</u>
May 15, 1996	\$ 41,451.52	\$	\$ 41,451.52
Nov 15, 1996	43,128.75	10,693.58	53,822.33
May 15, 1997	78,128.75	11,881.75	90,010.50
Nov 15, 1997	77,227.50	20,881.75	98,109.25
May 15, 1998	76,326.25	20,638.75	96,965.00
Nov 15, 1998	80,416.25	20,395.75	100,812.00
May 15, 1999	79,376.25	21,143.75	100,520.00
Nov 15, 1999	78,306.25	20,863.75	99,170.00
May 15, 2000	77,236.25	20,573.75	97,810.00
Nov 15, 2000	81,166.25	21,283.75	102,450.00
May 15, 2001	79,962.50	20,959.25	100,921.75
Nov 15, 2001	78,736.25	20,634.75	99,371.00
May 15, 2002	77,510.00	20,304.75	97,814.75
Nov 15, 2002	76,272.50	20,974.75	97,247.25
May 15, 2003	80,035.00	20,608.75	100,643.75
Nov 15, 2003	78,647.50	21,242.75	99,890.25
May 15, 2004	77,260.00	20,839.75	98,099.75
Nov 15, 2004	80,872.50	20,436.75	101,309.25
May 15, 2005	79,346.25	21,033.75	100,380.00
Nov 15, 2005	77,806.25	20,599.75	98,406.00
May 15, 2006	76,266.25	21,162.25	97,428.50
Nov 15, 2006	79,795.00	20,693.50	100,488.50
May 15, 2007	78,190.00	21,251.00	99,441.00
Nov 15, 2007	76,585.00	20,779.00	97,364.00
May 15, 2008	79,980.00	20,307.00	100,287.00
Nov 15, 2008	78,241.25	20,835.00	99,076.25
May 15, 2009	76,502.50	20,333.50	96,836.00
Nov 15, 2009	79,763.75	20,832.00	100,595.75
May 15, 2010	77,891.25	21,301.00	99,192.25
Nov 15, 2010	81,018.75	20,740.50	101,759.25
May 15, 2011	79,012.50	21,180.00	100,192.50
Nov 15, 2011	<u>77,006.25</u>	<u>20,590.00</u>	<u>97,596.25</u>
TOTALS	\$ <u>2,439,465.27</u>	\$ <u>625,996.33</u>	\$ <u>3,065,461.60</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 11. MUNICIPAL BUILDING AUTHORITY LEASE - CONTINUED:

In addition to the base rentals, the lease requires the City to pay additional rentals which are defined as any costs of the Trustee, Zions First National Bank, associated with the administration of the bond trust accounts as well as the costs of maintenance, operation, and repair of the leased property.

The City, at its option, may exercise a purchase option for the purpose of terminating the payment obligation of the City under this lease and purchasing the Authority's interest in the project.

The purchase option shall be an amount, when added to amounts being held by the Trustee for payment of bonds, sufficient to pay, defease, retire and/or redeem all the outstanding bonds, as appropriate, in accordance with the provisions of the indenture.

NOTE 12. CAPITAL LEASES:

Washington City has entered into capital lease agreements which require the following scheduled payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 35,271	\$ 6,653	\$ 41,924
2009	57,071	4,748	61,819
2010	19,042	2,983	22,025
2011	19,989	2,036	22,025
2012	<u>20,981</u>	<u>1,043</u>	<u>22,024</u>
Total	<u>\$152,354</u>	<u>\$ 17,463</u>	<u>\$ 169,817</u>
Enterprise Fund	<u>\$152,354</u>	<u>\$ 17,463</u>	<u>\$ 169,817</u>

Capitalized leases in the enterprise funds are depreciated over the useful life of the asset (see Note 1). Depreciation on capitalized leases is included with depreciation expense in the various enterprise funds.

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT:

On June 14, 2000, the City adopted Resolution Number 2000-14 creating the Coral Canyon Special Service District pursuant to Section 17A-2-1312 of the Utah Special Services District Act, Utah Code Annotated 1953.

The City Council of Washington City, Utah acts as the supervisory authority over all activities of the District. The District has issued bonds to finance construction of public infrastructure. The bonds issued are general obligation bonds and are the responsibility of the Coral Canyon Special Service District. The remaining debt service of these bonds at year end is as follows:

Coral Canyon SSD General Obligation Bonds - Series 2001

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$25,000	\$53,530	\$78,530
2009	30,000	52,155	82,155
2010	30,000	50,505	80,505
2011	30,000	48,855	78,855
2012	35,000	47,205	82,205
2013	35,000	45,280	80,280
2014	40,000	43,180	83,180
2015	40,000	40,780	80,780
2016	40,000	38,380	78,380
2017	45,000	35,980	80,980
2018	50,000	33,280	83,280
2019	50,000	30,280	80,280
2020	55,000	27,280	82,280
2021	55,000	23,980	78,980
2022	60,000	20,680	80,680
2023	65,000	17,080	82,080
2024	70,000	13,115	83,115
2025	70,000	8,845	78,845
2026	75,000	4,575	79,575
	<u>\$900,000</u>	<u>\$634,965</u>	<u>\$1,534,965</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT - CONTINUED:

Coral Canyon SSD General Obligation Bonds - Series 2001A

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$75,000	\$142,063	\$217,063
2009	75,000	138,463	213,463
2010	80,000	134,645	214,645
2011	85,000	130,540	215,540
2012	90,000	126,143	216,143
2013	95,000	121,448	216,448
2014	100,000	116,195	216,195
2015	105,000	110,333	215,333
2016	110,000	104,205	214,205
2017	115,000	97,793	212,793
2018	120,000	91,095	211,095
2019	130,000	83,970	213,970
2020	135,000	76,463	211,463
2021	145,000	68,023	213,023
2022	155,000	59,173	214,173
2023	160,000	49,800	209,800
2024	170,000	39,900	209,900
2025	180,000	29,400	209,400
2026	195,000	18,150	213,150
2027	<u>205,000</u>	<u>6,150</u>	<u>211,150</u>
	<u>\$2,525,000</u>	<u>\$1,743,952</u>	<u>\$4,268,952</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT - CONTINUED:

Coral Canyon SSD General Obligation Bonds - Series 2003

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$	\$179,560	\$179,560
2009		179,560	179,560
2010	95,000	177,185	272,185
2011	95,000	172,435	267,435
2012	100,000	167,560	267,560
2013	105,000	162,435	267,435
2014	110,000	157,060	267,060
2015	120,000	151,010	271,010
2016	125,000	144,273	269,273
2017	130,000	137,260	267,260
2018	140,000	129,765	269,765
2019	145,000	121,998	266,998
2020	155,000	113,515	268,515
2021	165,000	104,235	269,235
2022	175,000	94,375	269,375
2023	185,000	83,935	268,935
2024	195,000	72,915	267,915
2025	205,000	61,213	266,213
2026	215,000	48,823	263,823
2027	230,000	35,695	265,695
2028	245,000	21,683	266,683
2029	<u>245,000</u>	<u>7,228</u>	<u>252,228</u>
	<u>\$3,180,000</u>	<u>\$2,523,718</u>	<u>\$5,703,718</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 13. CORAL CANYON SPECIAL SERVICE DISTRICT - CONTINUED:

Coral Canyon SSD General Obligation Bonds - Series 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$	\$172,042	\$172,042
2009		172,042	172,042
2010		172,042	172,042
2011		172,042	172,042
2012	40,000	172,042	212,042
2013	45,000	169,011	214,011
2014	45,000	166,829	211,829
2015	45,000	164,647	209,647
2016	50,000	162,343	212,343
2017	55,000	159,796	214,796
2018	50,000	157,250	207,250
2019	55,000	154,608	209,608
2020	60,000	151,618	211,618
2021	60,000	148,498	208,498
2022	60,000	145,378	205,378
2023	70,000	141,998	211,998
2024	70,000	138,358	208,358
2025	80,000	134,458	214,458
2026	80,000	130,298	210,298
2027	165,000	123,928	288,928
2028	390,000	109,400	499,400
2029	425,000	88,006	513,006
2030	705,000	58,168	763,168
2031	<u>745,000</u>	<u>19,743</u>	<u>764,743</u>
	<u>\$3,295,000</u>	<u>\$3,384,545</u>	<u>\$6,679,545</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 14. UTILITY RATES AND STATISTICS**

Rate Schedule	<u>Residential</u>	<u>Commercial</u>
Water:		
Minimum Monthly Charge	\$ 17.50	\$ 17.50/ERU
Usage in increments of 5,000 gallons to 40,000 gallons and over	\$ .90 - 1.85	\$ .90 - 1.85
Late Payment Penalty	5%	5%
Impact Fee - 3/4 in. line	\$ 2,121	\$ 2,121
- 1 in. line	3,499	3,499
- 1 1/2 in. line	7,911	7,911
- 2 in. line	13,893	13,893
- 3 in. line	31,242	31,242
- 4 in. line	55,507	55,507
- 6 in. line	124,884	124,884
Connection Fee - 3/4" meter	225	225
-1" meter	275	275
-1 1/2" meter	521	521
-2" meter	661	661
-3" meter	1,983	1,983
-4" meter	1,983	1,983

Larger meter connection fees are based on estimates of costs to connect.

Sewer:		
Monthly Charge		
North of Virgin River	\$ 25.50	\$ 25.50/ERU
South of Virgin River	27.50	27.50/ERU
Ridge Pointe /Subdivision	25.50 + 10.68	
Coral Canyon/Subdivision	25.50 + 4.60	
Impact Fee:		
North of Virgin River	650	650/ERU
South of Virgin River	2,150	2,150/ERU
Inspection Fee	150	150/ERU

Sewer System Statistics:

North of Virgin River:	
Residential Equivalents connected to the system at June 30, 2007	4,528
Applications in process	None
Average monthly billing per customer	\$ 27.50
South of Virgin River:	
Residential Equivalents Connected to the system at June 30, 2007	1,508

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 15. INSURANCE COVERAGE:

<u>Description</u>	<u>Coverage</u>	<u>Amount</u>
Automobile	Bodily injury liability: Combined Limit	\$2,000,000
	Property damage liability: Combined Limit	2,000,000
	Underinsured - Per Occurrence	50,000
	Uninsured - Person: Per occurrence	65,000
General Liability	Combined Limit	2,000,000
Property Coverage	All Risk Policy	31,518,972

Faithful Performance Bonds:

City Treasurer	\$ 1,500,000
City Recorder	50,000
City Bail Clerk	50,000
Blanket Bond (All employees except Treasurer)	50,000

NOTE 16. INFRASTRUCTURE

The City maintains its streets using a pavement management system. The condition of the pavements 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 ranging from 0 years to 20 years.

The weighted average pavement condition for the City's street pavement for the most recent year is as follows:

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 16. INFRASTRUCTURE - CONTINUED

Table of pavement condition

Remaining Service Life (Years)	Percent of Streets
0	.73
1-2	.90
3-4	3.84
5-6	8.07
7-8	18.32
9-10	17.31
11-12	.72
13-14	5.35
15-16	1.63
17-18	.16
19-20	42.97
Total	<u>100.00</u>

Average remaining service life as of June 30, 2007 is 12.31 years

The City’s administrative policy is to maintain 100% of its streets at an average remaining service life (RSL) of 12.6 years. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$243,255 for street preservation for fiscal 2007.

Under the “modified approach,” the City recorded infrastructure assets at estimated original cost, but did not record accumulated depreciation against these assets. Instead of recording depreciation, the City is committed to incur the maintenance expenses necessary to preserve its paved roadway lane miles at a weighted average condition of 12.6 years on a scale of 0 to 20 years. 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.”

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 16. INFRASTRUCTURE - CONTINUED

The City conducts periodic physical condition assessments and theoretical deterioration modeling to determine whether infrastructure assets are being maintained at the levels required. The most recent condition assessment performed in May 2001 showed that the City had overall average condition ratings of 10.37 years. During the fiscal year 2005, the street department spent \$239,794, versus a budget of \$400,000, on the maintenance of the City's infrastructure assets, which indicates the relative level of expenditures that the City makes to maintain its infrastructure assets at required conditions.

NOTE 17. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,200,767	\$	\$	\$ 1,200,767
Construction in progress	3,931,809	5,039,966	(1,482,391)	7,489,384
Infrastructure assets	24,538,988	8,675,084		33,214,072
Total capital assets, not being depreciated	29,671,564	13,715,050	(1,482,391)	41,904,223
Capital assets, being depreciated:				
Building & structures	8,521,098	133,249		8,654,347
Machinery & Equipment	770,858	169,244	(31,480)	908,622
Automobiles & Trucks	2,001,700	237,684	(166,576)	2,072,808
Total capital assets, being depreciated	11,293,656	540,177	(198,056)	11,635,777
Accumulated depreciation for:				
Building & Structures	2,670,601	247,543		2,918,144
Machinery & Equipment	331,026	95,582	(17,344)	409,264
Automobiles & Trucks	826,213	166,070	(120,906)	871,377
Total accumulated depreciation	3,827,840	509,195	(138,250)	4,198,785
Total capital assets, being depreciated, net	7,465,816	30,982	(59,806)	7,436,992
Governmental activities capital assets, net	<u>\$37,137,380</u>	<u>\$ 13,746,032</u>	<u>\$1,542,197</u>	<u>\$ 49,341,215</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 17. CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business type activities:</b>				
Capital assets, not being depreciated				
Land & Water Rights	\$ 1,463,638	\$	\$	\$ 1,463,638
Construction in progress	6,503,171	4,470,456	(19,052)	10,954,575
Total capital assets, not being depreciated	<u>7,966,809</u>	<u>4,470,456</u>	<u>(19,052)</u>	<u>12,418,213</u>
Capital assets, being depreciated:				
Building & Structures	646,169			646,169
Improvement other than buildings	47,200,354	6,665,407		53,865,761
Machinery & Equipment	2,282,925	47,462	(10,988)	2,319,399
Automobiles & Trucks	1,345,858	324,217	(293,752)	1,376,323
Total capital assets, being depreciated	<u>51,475,306</u>	<u>7,037,086</u>	<u>(304,740)</u>	<u>58,207,652</u>
Accumulated depreciation for:				
Building & Structures	207,040	24,350		231,390
Improvements other than buildings	10,258,840	1,182,343		11,441,183
Machinery & Equipment	1,654,765	103,403	(1,842)	1,756,326
Automobiles & Trucks	676,191	106,147	(86,660)	695,678
Total accumulated depreciation	<u>12,796,836</u>	<u>1,416,243</u>	<u>(88,502)</u>	<u>14,124,577</u>
Total capital assets, being depreciated, net	<u>38,678,470</u>	<u>5,620,843</u>	<u>(216,238)</u>	<u>44,083,075</u>
Business type activities capital assets, net	<u>\$46,645,279</u>	<u>\$10,091,299</u>	<u>\$ (235,290)</u>	<u>\$ 56,501,288</u>

**WASHINGTON CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

NOTE 18. CAPITAL ASSETS - CONTINUED

	<u>Beginning Balance</u>
Depreciation was charged to functions as follows:	
General government	\$ 88,586
Public safety	174,340
Streets & Highways	62,085
Parks, cemetery, and public property	154,370
Culture & Recreation	11,989
Community & Economic development	17,824
Total	<u>\$ 509,194</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**(Unaudited)**

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,324,616	\$ 1,324,616	\$ 1,324,616	\$ -
Resources (inflows):				
Property taxes, levied for general purposes	1,517,721	1,542,000	1,595,904	53,904
General sales & use	3,441,810	3,550,000	3,841,954	291,954
Energy sales tax	368,000	350,000	362,428	12,428
Franchise tax	270,000	280,000	258,052	(21,948)
Earnings on investments	75,000	115,000	138,551	23,551
Licenses and permits	1,090,130	710,468	713,260	2,792
Intergovernmental revenues	865,850	575,395	619,246	43,851
Charges for services	1,174,904	557,305	442,763	(114,542)
Fines and forfeitures	250,000	250,000	270,505	20,505
Miscellaneous	205,370	294,827	303,691	8,864
Debt proceeds				-
Operating transfers in	530,505	1,124,805	1,161,088	36,283
Amounts available for appropriation	<u>11,113,906</u>	<u>10,674,416</u>	<u>11,032,058</u>	<u>357,642</u>
Charges to appropriations (outflows):				
General Government				
Administrative services	1,098,638	816,750	794,172	22,578
City manager	174,994	157,136	156,817	319
City recorder	160,521	159,779	146,942	12,837
City treasurer	162,074	196,102	190,077	6,025
Finance	178,186	126,774	124,153	2,621
Human resources	228,170	222,053	224,073	(2,020)
Judicial	125,803	129,939	125,380	4,559
Legislative council	113,338	136,299	150,372	(14,073)
Information technology	239,806	200,111	204,694	(4,583)
Public safety				
Public safety	1,839,761	1,748,742	1,738,736	10,006
Fire protection	512,995	516,902	461,166	55,736
Animal welfare	227,918	219,714	219,793	(79)
Streets & highways				
Streets & Highways	891,057	636,187	716,746	(80,559)
Parks, cemetery, and public property				
City shop	125,573	125,253	122,953	2,300
Park services	679,458	622,050	598,235	23,815
Cemetery	93,042	81,592	79,735	1,857
Culture & recreation				
Recreation services	154,762	154,684	157,629	(2,945)
Swimming pool	111,142	84,038	84,262	(224)
Community & economic development				
Community development	762,913	804,067	740,384	63,683
Debt service				
Principal retirements	283,695	225,800	214,000	11,800
Interest and fiscal charges	139,218	196,617	210,476	(13,859)
Transfers out to other funds				
Operating transfers out	1,390,799	1,610,943	1,388,491	222,452
Total charges to appropriations	<u>9,693,863</u>	<u>9,171,532</u>	<u>8,849,286</u>	<u>322,246</u>
Budgetary fund balance, June 30	<u>\$ 1,420,043</u>	<u>\$ 1,502,884</u>	<u>\$ 2,182,772</u>	<u>\$ 679,888</u>

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**WASHINGTON CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
 June 30, 2007

	Telegraph Road	Street Impact	Parks/Recreation Impact	Fire Station Impact	Trail System	Mile Post - 13 -
<b>Assets:</b>						
Cash & cash equivalents	\$ -	\$ -	\$ -	\$ 237,706	\$ -	\$ 968
Special assessments receivable						
Other receivables						
Total assets	\$ -	\$ -	\$ -	\$ 237,706	\$ -	\$ 968
<b>Liabilities:</b>						
Cash with negative balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue						
Total liabilities						
<b>Fund balances:</b>						
Reserved				237,706		968
Unreserved, undesignated						
Total fund balances				237,706		968
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 237,706	\$ -	\$ 968

**WASHINGTON CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2007

	Property Acquisition	Cemetery Capital Projects	General Capital Projects	Municipal Building Authority	Coral Canyon Special Service District	Total Nonmajor Governmental Funds
<b>Assets:</b>						
Cash & cash equivalents	\$ 890,718	\$ -	\$ 1,910,532	\$ 296,766	\$ 215,601	\$ 3,552,290
Special assessments receivable						
Other receivables						
Total assets	<u>\$ 890,718</u>	<u>\$ -</u>	<u>\$ 1,910,532</u>	<u>\$ 296,766</u>	<u>\$ 215,601</u>	<u>\$ 3,552,290</u>
<b>Liabilities:</b>						
Cash with negative balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue						
Total liabilities						
<b>Fund balances:</b>						
Reserved	890,718		1,910,532	296,766	215,601	535,439
Unreserved, undesignated						3,016,851
Total fund balances	<u>890,718</u>		<u>1,910,532</u>	<u>296,766</u>	<u>215,601</u>	<u>3,552,290</u>
Total liabilities and fund balances	<u>\$ 890,718</u>	<u>\$ -</u>	<u>\$ 1,910,532</u>	<u>\$ 296,766</u>	<u>\$ 215,601</u>	<u>\$ 3,552,290</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2007

	Telegraph Road	Street Impact	Parks Recreation Impact	Fire Station Impact	Trail System	Mile Post - 13 -	Property Acquisition	Cemetery Capital Projects	General Capital Projects
<b>REVENUES:</b>									
Property taxes, levied for general purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	-	-	-	20,206	-	968	43,863	-	92,142
Miscellaneous	-	-	-	82,958	-	70,426	-	-	-
Total Revenues				103,164		71,394	43,863		92,142
<b>EXPENDITURES:</b>									
Capital outlay									11,850
Debt service:									
Principal retirements									11,850
Interest and fiscal charges									80,292
Total Expenditures				103,164		71,394	43,863		
Excess of Revenues over (under) Expenditures									
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating transfers in	520								
Operating transfers out		(2,775,430)	(1,342,274)	(91,531)	(415,772)	(40,583)		(542,024)	(406,566)
Total Other Financing Sources (Uses)	520	(2,775,430)	(1,342,274)	(91,531)	(415,772)	(40,583)		(542,024)	(406,566)
Excess of revenues and other sources over (under) expenditures and other uses	520	(2,775,430)	(1,342,274)	11,633	(415,772)	30,811	43,863	(542,024)	(326,274)
FUND BALANCES JULY 1	(520)	2,775,430	1,342,274	226,073	415,772	(29,843)	846,855	542,024	2,236,806
FUND BALANCES JUNE 30	\$ -	\$ -	\$ -	\$ 237,706	\$ -	\$ 968	\$ 890,718	\$ -	\$ 1,910,532

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2007

	Municipal Building Authority	Coral Canyon Special Service District	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Property taxes, levied for general purposes	\$ -	\$ 483,159	\$ 483,159
Interest earnings	(4,722)	27,009	179,466
Miscellaneous		31,120	184,505
Total Revenues	(4,722)	541,288	847,130
<b>EXPENDITURES:</b>			
Capital outlay			11,850
Debt service:			
Principal retirements	246,000		246,000
Interest and fiscal charges	60,716	496,022	556,738
Total Expenditures	306,716	496,022	814,588
Excess of Revenues over (under) Expenditures	(311,438)	45,266	32,542
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	110,589		111,109
Operating transfers out	-		(5,614,179)
Total Other Financing Sources (Uses)	110,589		(5,503,071)
Excess of revenues and other sources over (under) expenditures and other uses	(200,849)	45,266	(5,470,529)
FUND BALANCES JULY 1	497,614	170,334	9,022,819
FUND BALANCES JUNE 30	\$ 296,766	\$ 215,601	\$ 3,552,290

**WASHINGTON CITY, UTAH**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
June 30, 2007

	<u>Irrigation Fund</u>	<u>Storm Drain Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash & cash equivalents	\$ -	\$ 1,012,176	\$ 94,978	\$ 1,107,154
Accounts receivable (net of allowance)		47,191		47,191
Receivable from other governmental entities				-
Total current assets		<u>1,059,367</u>	<u>94,978</u>	<u>1,154,344</u>
Long-term assets:				
Deferred charge				-
Construction in progress		234,440		234,440
Capital assets, net of accumulated depreciation	176,534	2,821,754	2,904,894	5,903,182
Total long-term assets	<u>176,534</u>	<u>3,056,194</u>	<u>2,904,894</u>	<u>6,137,622</u>
Total assets	<u>176,534</u>	<u>4,115,560</u>	<u>2,999,872</u>	<u>7,291,966</u>
<b>Liabilities and Net Assets</b>				
Liabilities :				
Current liabilities:				
Negative cash balance	15,760	-	864,984	880,743
Accounts payable				-
Sales tax payable			12,568	12,568
Accrued interest				-
Payable to other funds				-
Deposits payable				-
Compensated absences payable	1,263	1,636	52,449	55,348
Deferred revenue				-
Capital leases payable within one year				-
Bonds payable within one year				-
Total current liabilities	<u>17,023</u>	<u>1,636</u>	<u>930,000</u>	<u>948,659</u>
Non-current liabilities:				
Capital leases payable within one year				-
Bonds payable after one year				-
Total non-current liabilities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>17,023</u>	<u>1,636</u>	<u>930,000</u>	<u>948,659</u>
Net assets:				
Invested in capital assets, net of related debt	176,534	3,056,194	2,904,894	6,137,622
Restricted for:				
Debt service				-
Other purposes				-
Unrestricted	(17,023)	1,057,731	(835,023)	205,685
Total net assets	<u>\$ 159,511</u>	<u>\$ 4,113,924</u>	<u>\$ 2,069,871</u>	<u>\$ 6,343,307</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Nonmajor Proprietary Funds**  
Year Ended June 30, 2007

	<b>Irrigation Fund</b>	<b>Storm Drain Fund</b>	<b>Golf Course Fund</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services	\$ 9,220	\$ 455,858	\$ 1,279,704	\$ 1,744,782
Miscellaneous	150	14,378	8,463	22,992
Total operating revenues	<u>9,370</u>	<u>470,237</u>	<u>1,288,167</u>	<u>1,767,774</u>
<b>Operating expenses:</b>				
Salaries	10,297	33,734	557,140	601,170
Employees benefits	6,245	20,539	128,704	155,489
Utilities		194	63,074	63,268
Professional services	521	3,154	17,088	20,763
Repairs and maintenance		54	347,370	347,424
Lease expense			87,001	87,001
Miscellaneous			22,314	22,314
Supplies	2,915	2,202	209,012	214,128
Bad debt expense		160		160
Depreciation	1,150	54,706	154,118	209,974
Total operating expenses	<u>21,128</u>	<u>114,742</u>	<u>1,585,821</u>	<u>1,721,692</u>
Operating income (loss)	(11,758)	355,494	(297,655)	46,082
<b>Nonoperating income:</b>				
Interest earnings		2,232	1,740	3,972
Impact fees		648,851		648,851
Connection Fees				
Contributions	167,949	540,703		708,652
Gain (Loss) on sale of assets			4,210	4,210
Interest & fiscal charges			(300)	(300)
Total nonoperating income	<u>167,949</u>	<u>1,191,786</u>	<u>5,651</u>	<u>1,365,386</u>
Net income (loss) before transfers	156,191	1,547,281	(292,004)	1,411,468
Transfer in	20,799			20,799
Transfer out			(75,000)	(75,000)
Change in net assets	<u>176,990</u>	<u>1,547,281</u>	<u>(367,004)</u>	<u>1,357,267</u>
<b>Net assets - beginning</b>	<u>(17,478)</u>	<u>2,566,644</u>	<u>2,436,875</u>	<u>4,986,040</u>
<b>Net assets - ending</b>	<u>\$ 159,511</u>	<u>\$ 4,113,924</u>	<u>\$ 2,069,871</u>	<u>\$ 6,343,307</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
Year Ended June 30, 2007

	Irrigation Fund	Storm Drain Fund	Golf Course Fund	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 9,370	\$ 440,129	\$ 1,295,612	\$ 1,745,111
Cash payments to suppliers for goods and services	(3,436)	(5,764)	(745,859)	(755,059)
Cash payments to employees for services	(16,342)	(54,058)	(677,264)	(747,664)
Net cash provided (used) by operating activities	<u>(10,408)</u>	<u>380,307</u>	<u>(127,511)</u>	<u>242,388</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers (to) from other funds	20,799		(75,000)	(54,201)
Net cash (used) by noncapital financing activities	<u>20,799</u>	<u>-</u>	<u>(75,000)</u>	<u>(54,201)</u>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from impact and connection fees		648,851		648,851
Other receipts (payments)			5,903	5,903
Acquisition of capital assets			-	-
Interest paid on capital debt			(300)	(300)
Amounts to other funds			-	-
Proceeds from long-term obligations			-	-
Principal paid on capital lease obligations			(20,311)	(20,311)
Principal paid on capital debt			-	-
Net cash (used) by capital and related activities	<u>-</u>	<u>648,851</u>	<u>(14,708)</u>	<u>634,143</u>
<b>Cash flows from investing activities</b>				
Interest received		2,232	1,740	3,972
Net cash (used) by investing activities	<u>-</u>	<u>2,232</u>	<u>1,740</u>	<u>3,972</u>
Net increase in cash and cash equivalents	<u>10,391</u>	<u>1,031,390</u>	<u>(215,479)</u>	<u>826,302</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>(26,151)</u>	<u>(19,214)</u>	<u>(554,527)</u>	<u>(599,892)</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ (15,760)</u>	<u>\$ 1,012,176</u>	<u>\$ (770,006)</u>	<u>\$ 226,411</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (11,758)	\$ 355,494	\$ (297,655)	\$ 46,082
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,150	54,706	154,118	209,974
Increase decrease accounts receivable		(30,108)		(30,108)
Increase decrease in accounts payable			7,444	7,444
Increase decrease in compensated absences	200	215	8,582	8,997
Total adjustments	<u>1,350</u>	<u>24,813</u>	<u>170,144</u>	<u>196,306</u>
Net cash provided (used) by operating activities	<u>\$ (10,408)</u>	<u>\$ 380,307</u>	<u>\$ (127,511)</u>	<u>\$ 242,388</u>

Washington City Corporation  
Stormwater Impact Fees

Fiscal year ended June 30, 2007

	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>						0	(356,485)
<b>Inflows:</b>							
Impact fees collected						203,824	644,748
Interest Earned						316	4,103
<b>Outflows:</b>							
Sky View Estates						(226,252)	
2000 South Project						(99,933)	
240 West Project						(82,656)	
3090 South Project						(31,406)	
Merrill Road Project						(120,377)	
<b>Ending Cash Balance</b>	0	0	0	0	0	(356,485)	292,367

**Beginning Cash Balance**

**Inflows:**

    Impact fees collected  
    Interest Earned

**Outflows:**

    Sky View Estates  
    2000 South Project  
    240 West Project  
    3090 South Project  
    Merrill Road Project

**Ending Cash Balance**

**Projects included in the fiscal year 2008 budget:**

Washington Dam Rd Phase 2  
529,067  
529,067

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Power Impact Fees

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	345,972	234,757	167,937	204,456	1,072,355	2,115,926	1,448,181
<b>Inflows:</b>							
Impact fees collected	102,281	96,367	199,562	867,389	1,093,377	956,875	711,632
Interest Earned	18,564	5,748	2,977	4,675	32,493	83,110	67,607
<b>Outflows:</b>							
100 East Project	(232,060)	(168,935)	(166,020)	(4,165)	(82,299)	(1,707,730)	(189,906)
2004 Power Project							(359,364)
Buena Vista Substation							(85,077)
Sienna Hills Substation							(4,000)
Community Center							(17,384)
Phase 3 Transformers							(3,040)
Buena Vista Line							(560)
Capacitor Study							(58,283)
Coral Canyon Substation							
Transmission Line							
<b>Ending Cash Balance</b>	<u>234,757</u>	<u>167,937</u>	<u>204,456</u>	<u>1,072,355</u>	<u>2,115,926</u>	<u>1,448,181</u>	<u>1,509,807</u>

**Projects included in the fiscal year 2008 budget:**

Sienna Hills South	2,000,000
	<u><u>2,000,000</u></u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Sewer Impact Fees-North

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	213,286	349,224	522,863	737,617	1,008,180	1,371,960	1,596,892
<b>Inflows:</b>							
Impact fees collected	115,738	160,530	201,943	277,362	350,073	273,374	175,033
Interest Earned	20,200	13,110	12,812	12,252	27,050	62,853	90,948
<b>Outflows:</b>							
Trunkline Project				(19,052)			
Sewer Master Plan					(13,342)		
Industrial RD						(12,534)	(27,205)
Washington Parkway						(98,762)	
Sewerline to Station 61							(24,300)
City Yard							(589,799)
<b>Ending Cash Balance</b>	<u>349,224</u>	<u>522,863</u>	<u>737,617</u>	<u>1,008,180</u>	<u>1,371,960</u>	<u>1,596,892</u>	<u>1,221,568</u>

**Projects included in the fiscal year 2008 budget:**

Sewerline Extensions	100,000
Sewerline Upsizing	100,000
New City Yard	500,000
Industrial Outfall	500,000
Industrial Rd Sewer Lines	200,000
300 East Upsizing	225,000
	<u>1,625,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Sewer Impact Fees-South

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	90,268	283,228	584,764	516,429	1,042,694	1,883,754	2,492,240
<b>Inflows:</b>							
Impact fees collected	309,600	291,734	291,846	640,157	1,012,970	543,370	331,370
Interest Earned	7,155	9,802	10,119	8,460	28,090	86,610	137,664
<b>Outflows:</b>							
Fields Sewer Project		(123,795)					
Fields Sewer Outfall			(370,300)	(122,351)	(200,000)	(21,494)	
Meadow View Estates Dam Rd Ph 2 Swrline							(177,623)
<b>Ending Cash Balance</b>	<u>283,228</u>	<u>584,764</u>	<u>516,429</u>	<u>1,042,694</u>	<u>1,883,754</u>	<u>2,492,240</u>	<u>2,783,651</u>

**Projects included in the fiscal year 2008 budget:**

Sewerline Extensions	100,000
Sewerline Upsizing	100,000
New City Yard	500,000
South Mountain Tncline	250,000
Washington Dam Rd Swr	500,000
	<u>1,450,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Water Impact Fees

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	353,637	706,580	1,100,814	2,094,922	1,224,160	3,426,474	4,349,939
<b>Inflows:</b>							
Impact fees collected	328,684	381,680	969,965	2,256,169	3,249,304	2,225,255	1,082,129
Interest Earned	25,731	22,477	24,844	22,113	59,257	194,986	271,108
<b>Outflows:</b>							
2003 Water Project	(1,471)	(9,923)	(701)	(3,149,044)	(790,108)		
3090 South Upsizing					(58,680)		
Washington Parkway					(239,552)	(157,951)	
Master Plan					(17,908)		
Treatment Plant						(154,493)	(18,310)
Quail Lake Pipeline						(1,037,249)	(2,952)
Virign River Line						(128,220)	
2006 Water Project						(8,396)	
Meadow View Estates						(10,467)	
Sand Hill Water Tap							(17,091)
Washington Dam Rd 2							(5,600)
Water System Improvements							(2,212)
<b>Ending Cash Balance</b>	<u>706,580</u>	<u>1,100,814</u>	<u>2,094,922</u>	<u>1,224,160</u>	<u>3,426,474</u>	<u>4,349,939</u>	<u>5,657,011</u>

**Projects included in the fiscal year 2008 budget:**

300 East Water Lines	75,000
Green Spring Tank	1,000,000
Sandhollow Booster	230,000
Old Town Reconstruct	750,000
Frontage Rd North	20,000
Line Upsizing	50,000
	<u>2,125,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Park & Recreation Impact Fees

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	92,790	297,261	542,274	878,907	858,051	1,152,882	1,342,273
<b>Inflows:</b>							
Impact fees collected	225,000	266,000	334,000	495,000	744,000	384,000	308,000
Interest Earned	7,916	10,047	11,870	12,280	23,515	54,692	75,578
<b>Outflows:</b>							
	(28,445)	(31,034)	(9,237)				
Millcreek Trail				(200,000)			
Pineview Park				(328,136)			
Virgin River Trail					(322,684)	(249,301)	(180,498)
Green Spring Park					(150,000)		(700,309)
<b>Ending Cash Balance</b>	<u>297,261</u>	<u>542,274</u>	<u>878,907</u>	<u>858,051</u>	<u>1,152,882</u>	<u>1,342,273</u>	<u>845,045</u>

**Projects included in the fiscal year 2008 budget:**

Pine View Park Bond Pmt	180,804
Parks Shop	165,000
Virgin River Park	<u>300,000</u>
	<u>645,804</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Street Impact Fees

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	199,693	542,160	864,801	1,309,097	881,575	1,937,308	2,775,430
<b>Inflows:</b>							
Impact fees collected	327,446	354,477	424,097	962,404	1,679,883	991,814	657,650
Interest Earned	19,156	18,164	20,199	18,360	32,733	104,453	156,479
<b>Outflows:</b>							
Nichols Peak Project	(4,135)	(50,000)	0	(826,578)	(209,671)		(2,019)
Washington Parkway				(99,755)	(295,928)	(258,145)	(258,476)
Fields Storm Drain Proj.				(481,953)	(100,000)		
Telegraph					(51,284)		
20 East							(26,063)
North Frontage							(32,937)
200 North							(87,945)
300 East							(4,800)
Industrial Rd							(1,300)
South Frontage							(11,719)
3090 South							(40,642)
Washington Fields Rd							(391,403)
Misc. Engineering							(3,275)
Washington Dam Rd							(546,226)
<b>Ending Cash Balance</b>	<u>542,160</u>	<u>864,801</u>	<u>1,309,097</u>	<u>881,575</u>	<u>1,937,308</u>	<u>2,775,430</u>	<u>2,182,753</u>

**Projects included in the fiscal year 2008 budget:**

Washington Parkway Bond	258,691
North Frontage Rd	800,000
Industrial Rd	1,200,000

2,258,691

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

Washington City Corporation  
Fire Impact Fees

	Fiscal year ended June 30, 2007						
	2001	2002	2003	2004	2005	2006	2007
<b>Beginning Cash Balance</b>	26,862	81,743	152,352	170,909	218,182	336,210	378,865
<b>Inflows:</b>							
Impact fees collected	64,900	71,800	84,400	135,750	201,420	117,700	82,958
Interest Earned	1,981	3,964	2,467	2,595	7,406	15,745	20,206
<b>Outflows:</b>							
Station 61/62	(12,000)	(5,155)	(68,310)	(91,072)	(90,798)	(90,790)	(91,531)
<b>Ending Cash Balance</b>	<u>81,743</u>	<u>152,352</u>	<u>170,909</u>	<u>218,182</u>	<u>336,210</u>	<u>378,865</u>	<u>390,497</u>

**Projects included in the fiscal year 2008 budget:**

Fire Station #63	75,000
	<u>75,000</u>

See Washington City's Capital Improvement Plan for future impact fee projects, which will be budgeted in future years as impact fee funds permit. This plan can be obtained from Washington City's Finance Supervisor.

## **COMPLIANCE SECTION**

# Wilson & Company

Certified Public Accountants / A Professional Corporation

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

Honorable City Council

Washington City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of and for the year ended June 30, 2007, which collectively comprise Washington City, Utah's basic financial statements and have issued our report thereon dated December 21, 2007. 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.

### **Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

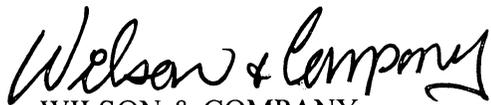
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washington City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we have reported to management of Washington City, Utah in a separate letter dated December 21, 2007.

This report is intended solely for the information of Washington City, Utah and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these intended parties.

  
WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
December 21, 2007

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## WASHINGTON CITY, UTAH AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS FOR THE YEAR ENDED June 30, 2007

The Honorable City Council  
Washington City, Utah

We have audited the general purpose financial statements of Washington City, Utah, for the year ended June 30, 2007 and have issued our report thereon dated December 21, 2007. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt	Truth in Taxation
Cash Management	Impact Fees
Purchasing Requirements	B&C Road Funds
Budgetary Compliance	Uniform Building Code Standards
Liquor Law Enforcement	
Other Compliance Requirements	

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

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the City's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Washington City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.



WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
December 21, 2007