



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**With Report of**

**Certified Public Accountants**

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**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Washington City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of Washington City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City's basic financial statements. The accompanying combining statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Washington City, Utah. The combining statements have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.



HINTON, BURDICK, HALL & SPILKER, PLLC  
March 31, 2009

## **Washington City, Utah Management's Discussion and 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 that ended on June 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

### **Financial Highlights**

- The assets of Washington City exceeded its liabilities at the close of the most recent fiscal year by \$132,233,811 (net assets). Of this amount, \$15,329,338 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$21,417,006 (excluding prior-period adjustments of \$1,256,203). Much of the increase is attributable to capital contributions of infrastructure and systems.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$5,633,795, a decrease of \$9,224,613 (excluding prior-period adjustments of \$897,818) in comparison with the prior year. Approximately 6.28% of this total amount, \$3,784,293, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,233,671 or 39.82% of total general fund expenditures.
- Washington City's total debt increased by \$9,277,618 or 27.01% during the current fiscal year. The key factors for this increase was the issuance of the 2008 Lease Revenue and Refunding Bonds issued by the Municipal Building Authority for the construction of the community center (\$8,321,000) and the issuance of additional 2006 Water Revenue Bonds (\$2,472,995), for the construction of water system improvements.
- For the current fiscal year, Washington City's general fund revenues exceed general fund expenditures by \$595,284.

### **Overview of Financial Statements**

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

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

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

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

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

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

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

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

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

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

The City has two kinds of funds:

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

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Washington City, assets exceed liabilities by \$132,233,811 at the close of the most recent fiscal year.

By far the largest portion of Washington City's net assets, (90.92% for governmental activities and 69.88% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Washington City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Washington City's Net Assets

	Governmental activities		Business-type activities		Total	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Current and other assets	\$ 7,265,796	\$ 19,810,610	\$ 25,794,567	\$ 26,229,458	\$ 33,060,363	\$ 46,040,068
Capital assets	73,718,052	49,341,215	74,494,998	56,501,288	148,213,050	105,842,503
Total assets	<u>80,983,848</u>	<u>69,151,825</u>	<u>100,289,565</u>	<u>82,730,746</u>	<u>181,273,413</u>	<u>151,882,571</u>
Long-term liabilities outstanding	22,828,559	15,458,000	21,446,347	18,736,646	44,274,906	34,194,646
Other liabilities	1,907,292	6,314,878	2,857,404	1,812,444	4,764,696	8,127,322
Total liabilities	<u>24,735,851</u>	<u>21,772,878</u>	<u>24,303,751</u>	<u>20,549,090</u>	<u>49,039,602</u>	<u>42,321,968</u>
Net assets:						
Invested in capital assets, net of related debt	51,142,052	33,883,215	53,099,840	37,407,539	104,241,892	71,290,754
Restricted	1,574,211	5,149,291	11,088,370	13,312,916	12,662,581	18,462,207
Unrestricted	3,531,734	8,346,441	11,797,604	11,461,201	15,329,338	19,807,642
Total net assets	<u>\$ 56,247,997</u>	<u>\$ 47,378,947</u>	<u>\$ 75,985,814</u>	<u>\$ 62,181,656</u>	<u>\$ 132,233,811</u>	<u>\$ 109,560,603</u>

#### Percentage of Net Assets

<u>Net asset type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Invested in capital assets, net of related debt	90.92%	69.88%	78.83%
Restricted net assets	2.80%	14.59%	9.58%
Unrestricted net assets	6.28%	15.53%	11.59%
Total net assets	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

An additional portion of Washington City's net assets (2.80% and 14.59% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$15,329,338 (6.28% and 15.53% respectfully) may be used to meet the government's ongoing obligations to citizens and creditors.

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



**Governmental activities.** Governmental activities increased Washington City's net assets by \$7,971,232 (see below table for details).

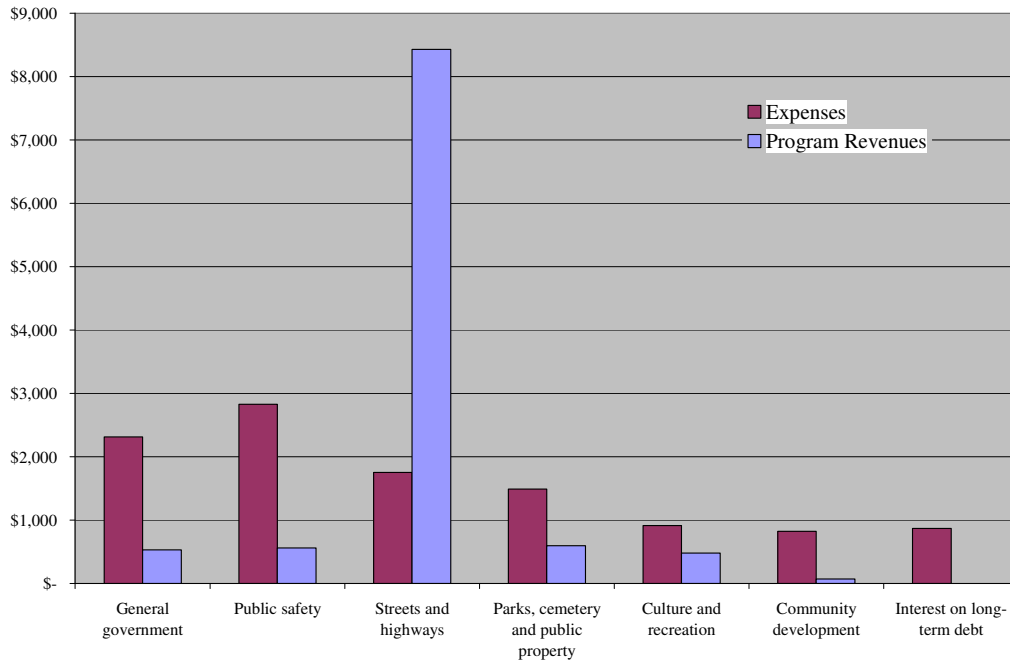
**Business-type activities.** Business-type activities increased Washington City's net assets by \$13,445,774 (see below table for details).

Washington City's Changes in Net Assets

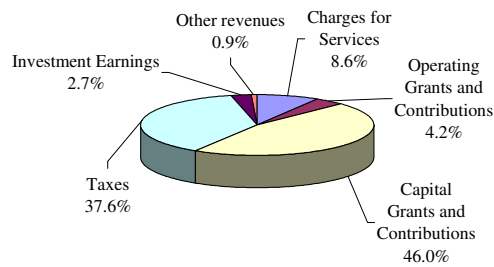
	Governmental activities		Business-type activities		Total	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,565,347	\$ 1,463,146	\$ 15,542,089	\$ 13,965,579	\$ 17,107,436	\$ 15,428,725
Operating grants and contributions	756,106	63,259	-	-	756,106	63,259
Capital grants and contributions	8,336,418	7,081,839	12,994,481	8,633,923	21,330,899	15,715,762
General revenues:						
Taxes	7,325,451	6,541,496	-	-	7,325,451	6,541,496
Unrestricted interest earnings	495,581	1,057,063	1,016,247	1,285,043	1,511,828	2,342,106
Loss on sale of capital assets	(161,912)	(440,603)	(122,888)	(28,998)	(284,800)	(469,601)
Other	107,680	199,725	-	-	107,680	199,725
Total revenues	<u>18,424,671</u>	<u>15,965,925</u>	<u>29,429,929</u>	<u>23,855,547</u>	<u>47,854,600</u>	<u>39,821,472</u>
Expenses:						
General government	2,312,567	2,212,746	-	-	2,312,567	2,212,746
Public safety	2,827,984	2,601,514	-	-	2,827,984	2,601,514
Streets and highways	1,752,600	786,311	-	-	1,752,600	786,311
Parks, cemetery and public property	1,489,670	962,773	-	-	1,489,670	962,773
Culture and recreation	914,446	261,360	-	-	914,446	261,360
Community development	822,868	765,688	-	-	822,868	765,688
Interest on long-term debt	867,894	821,131	-	-	867,894	821,131
Water	-	-	3,678,801	3,053,646	3,678,801	3,053,646
Sewer	-	-	1,675,756	1,490,428	1,675,756	1,490,428
Electric	-	-	8,548,984	5,929,706	8,548,984	5,929,706
Irrigation	-	-	22,054	21,128	22,054	21,128
Storm drain	-	-	131,218	114,742	131,218	114,742
Golf course	-	-	1,392,752	1,586,121	1,392,752	1,586,121
Total expenses	<u>10,988,029</u>	<u>8,411,523</u>	<u>15,449,565</u>	<u>12,195,771</u>	<u>26,437,594</u>	<u>20,607,294</u>
Increase in net assets before transfers	7,436,642	7,554,402	13,980,364	11,659,776	21,417,006	19,214,178
Transfers	534,590	569,201	(534,590)	(569,201)	-	-
Increase in net assets	7,971,232	8,123,603	13,445,774	11,090,575	21,417,006	19,214,178
Net assets, beginning	47,378,947	39,255,344	62,181,655	51,091,081	109,560,602	90,346,425
Prior-period adjustment	897,818	-	358,385	-	1,256,203	-
Net assets, ending	<u>\$ 56,247,997</u>	<u>\$ 47,378,947</u>	<u>\$ 75,985,814</u>	<u>\$ 62,181,656</u>	<u>\$ 132,233,811</u>	<u>\$ 109,560,603</u>

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

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

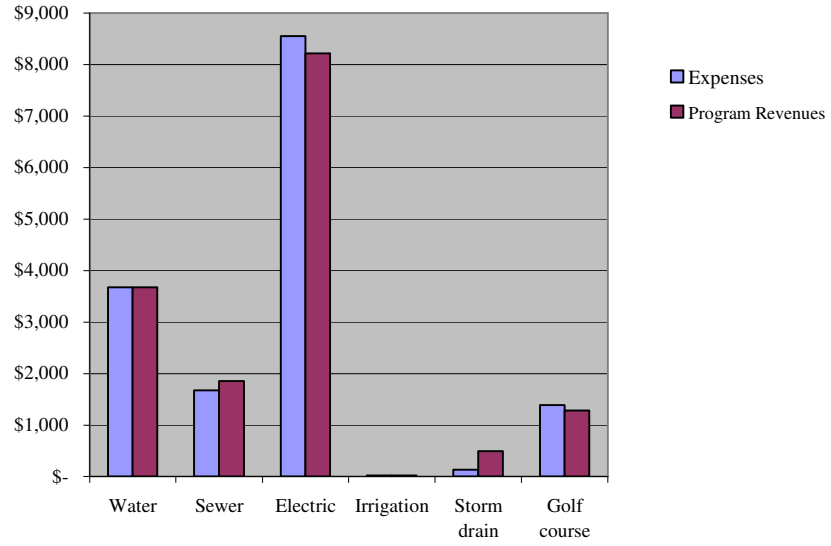


**Revenue By Source - Governmental Activities**



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

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



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$5,633,795, an decrease of \$9,224,613 (excluding prior-period adjustments of an increase of \$897,818) in comparison with the prior year; \$3,784,293 or (67.17%) of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* (\$1,849,502). The reserved fund balance indicates that the balance is not available for new spending because it has already been committed.

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$3,233,671 or 88.31% of the total fund balance of \$3,661,637. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39.82% of total general fund expenditures, while total fund balance represents 45.09% of that same amount.

Other governmental funds (capital projects funds, special revenue fund, MBA fund and Coral Canyon SSD fund) have a total fund balance of \$1,972,158. These combined fund balances experienced a net decrease of \$9,805,660 primarily due to the construction of the community center.

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

The combined unrestricted net assets for the water, sewer and electric funds along with the irrigation, storm drain, golf course and internal debt service funds, total \$11,797,604 at the end of the fiscal year. Aside from the golf course fund, all of these proprietary funds experienced increases in total net assets for the current fiscal year.

### General Fund Budgetary Highlights

The general fund was amended multiple times during the year. Between the original and final budget there a \$6,361,507 decrease in appropriations. The main components of the decrease relate to a \$4,811,013 decrease in transfers out for capital projects and a \$1,146,280 decrease in public safety expenditures, which were eliminated due to grants that were originally anticipated.

### Capital Asset and Debt Administration

**Capital assets.** Washington City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$148,213,050 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, infrastructure (i.e. roads, and sidewalks), autos and trucks and machinery and equipment.

Washington City's Capital Assets  
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,438,767	\$ 1,705,438	\$ 3,144,205
Infrastructure	45,104,178	-	45,104,178
Construction in progress	15,795,036	15,325,265	31,120,301
Buildings and improvements	9,335,876	1,387,375	10,723,251
Improvements and systems	-	54,656,641	54,656,641
Machinery and equipment	885,553	763,893	1,649,446
Automobiles and trucks	1,158,642	656,386	1,815,028
Total	<u>\$ 73,718,052</u>	<u>\$ 74,494,998</u>	<u>\$ 148,213,050</u>

This fiscal year's major capital asset additions included:

- Construction of the community center
- Construction of various roads, parks and streets
- Construction of various utility system improvements
- Contributions of various roads and systems within new subdivision developments

The City uses the modified approach to account for infrastructure assets in the governmental funds; consequently, the City does not depreciate these assets. Instead, the City expends certain maintenance costs to maintain the condition of these assets at a certain level. As shown in the accompanying required supplementary information, based on the City's recent condition assessment, significant improvements were made during the current fiscal year and the City's average rating of 15.72 exceeds the City's minimum of 12.60.

**Long-term debt.** At year-end, the City had \$43,624,618 in outstanding debt—an increase of 27.01% over the last year—as shown in the below table. More detailed information about the City's long-term debt is presented in the notes to the financial statements.

Washington City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		% Change
	2008	2007	2008	2007	2008	2007	
General obligation bonds	\$ 9,800,000	\$ 9,900,000	\$ -	\$ -	\$ 9,800,000	\$ 9,900,000	-1.01%
Lease revenue bonds	8,431,000	992,000	-	-	8,431,000	992,000	749.90%
Sales tax revenue bonds	4,345,000	4,566,000	-	-	4,345,000	4,566,000	-4.84%
Revenue bonds	-	-	20,430,071	18,736,646	20,430,071	18,736,646	9.04%
Capital leases obligation	-	-	618,547	152,354	618,547	152,354	305.99%
Total	<u>\$ 22,576,000</u>	<u>\$ 15,458,000</u>	<u>\$ 21,048,618</u>	<u>\$ 18,889,000</u>	<u>\$ 43,624,618</u>	<u>\$ 34,347,000</u>	27.01%

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

In considering the City budget for fiscal year 2009, the City Council and management were cautious as to growth of revenues and expenditures. Overall general fund operating expenditures were budgeted so as to contain costs at approximately the same level (or slightly greater) as fiscal year 2008.

### **Requests for Information**

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

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**BASIC FINANCIAL STATEMENTS**



**WASHINGTON CITY, UTAH**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,732,083	\$ 6,512,743	\$ 10,244,826
Receivables, net	885,811	2,736,556	3,622,367
Internal balances	(4,412,117)	4,412,117	-
Inventories	-	808,811	808,811
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	7,060,019	11,324,340	18,384,359
Capital assets not being depreciated:			
Land	1,438,767	1,705,438	3,144,205
Infrastructure	45,104,178	-	45,104,178
Construction in progress	15,795,036	15,325,265	31,120,301
Capital assets net of accumulated depreciation:			
Buildings and improvements	9,335,876	1,387,375	10,723,251
Improvements and systems	-	54,656,641	54,656,641
Machinery and equipment	885,553	763,893	1,649,446
Automobiles and trucks	1,158,642	656,386	1,815,028
Total assets	<u>80,983,848</u>	<u>100,289,565</u>	<u>181,273,413</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,632,001	2,701,099	4,333,100
Deferred revenue	-	2,586	2,586
Accrued interest payable	275,291	153,719	429,010
Noncurrent liabilities:			
Due within one year	1,055,310	1,107,920	2,163,230
Due in more than one year	21,773,249	20,338,427	42,111,676
Total liabilities	<u>24,735,851</u>	<u>24,303,751</u>	<u>49,039,602</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	51,142,052	53,099,840	104,241,892
Restricted for:			
Debt service	549,975	2,221,955	2,771,930
Capital outlay	1,024,236	8,866,415	9,890,651
Unrestricted	3,531,734	11,797,604	15,329,338
Total net assets	<u>\$ 56,247,997</u>	<u>\$ 75,985,814</u>	<u>\$ 132,233,811</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,312,567	\$ 528,122	\$ -	\$ -	\$ (1,784,445)	\$ -	\$ (1,784,445)
Public safety	2,827,984	439,856	38,845	79,994	(2,269,289)	-	(2,269,289)
Streets and highways	1,752,600	-	717,261	7,710,243	6,674,904	-	6,674,904
Parks, cemetery and public property	1,489,670	47,165	-	546,181	(896,324)	-	(896,324)
Culture and recreation	914,446	480,341	-	-	(434,105)	-	(434,105)
Community development	822,868	69,863	-	-	(753,005)	-	(753,005)
Interest on long-term debt	867,894	-	-	-	(867,894)	-	(867,894)
Total governmental activities	<u>10,988,029</u>	<u>1,565,347</u>	<u>756,106</u>	<u>8,336,418</u>	<u>(330,158)</u>	<u>-</u>	<u>(330,158)</u>
Business-type activities:							
Water	3,678,801	3,675,381	-	4,130,333	-	4,126,913	4,126,913
Sewer	1,675,756	1,856,331	-	3,521,248	-	3,701,823	3,701,823
Electric	8,548,984	8,218,251	-	3,430,453	-	3,099,720	3,099,720
Irrigation	22,054	17,340	-	435,374	-	430,660	430,660
Storm drain	131,218	493,399	-	1,477,073	-	1,839,254	1,839,254
Golf course	1,392,752	1,281,387	-	-	-	(111,365)	(111,365)
Total business-type activities	<u>15,449,565</u>	<u>15,542,089</u>	<u>-</u>	<u>12,994,481</u>	<u>-</u>	<u>13,087,005</u>	<u>13,087,005</u>
Total primary government	<u>\$ 26,437,594</u>	<u>\$ 17,107,436</u>	<u>\$ 756,106</u>	<u>\$ 21,330,899</u>	<u>(330,158)</u>	<u>13,087,005</u>	<u>12,756,847</u>
General Revenues:							
Taxes:							
Property taxes					2,589,738	-	2,589,738
Sales taxes					3,866,221	-	3,866,221
Franchise taxes					364,457	-	364,457
Energy taxes					505,035	-	505,035
Unrestricted interest earnings					495,581	1,016,247	1,511,828
Other revenues not restricted to specific programs					107,680	-	107,680
Loss on sale of capital assets					(161,912)	(122,888)	(284,800)
Transfers					534,590	(534,590)	-
Total general revenues and transfers					<u>8,301,390</u>	<u>358,769</u>	<u>8,660,159</u>
Change in net assets					7,971,232	13,445,774	21,417,006
Net assets - beginning					47,378,947	62,181,655	109,560,602
Prior-period adjustments					897,818	358,385	1,256,203
Net assets - ending					<u>\$ 56,247,997</u>	<u>\$ 75,985,814</u>	<u>\$ 132,233,811</u>

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

**WASHINGTON CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	<u>General Fund</u>	<u>Capital Projects Funds</u>		<u>Municipal Building Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Streets</u>	<u>Recreation</u>			
<b>Assets</b>						
Cash and cash equivalents	\$ 2,137,799	\$ -	\$ -	\$ 73,805	\$ 1,520,479	\$ 3,732,083
Receivables	20,945	-	-	-	-	20,945
Due from other funds	888,117	-	-	-	-	888,117
Due from other governments	864,866	-	-	-	-	864,866
Cash - restricted	672,510	1,037,362	4,629,107	88,092	632,948	7,060,019
Total assets	<u>\$ 4,584,237</u>	<u>\$ 1,037,362</u>	<u>\$ 4,629,107</u>	<u>\$ 161,897</u>	<u>\$ 2,153,427</u>	<u>\$ 12,566,030</u>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable	\$ 575,417	\$ 268,951	\$ 55,473	\$ -	\$ 337,384	\$ 1,237,225
Accrued wages and taxes	86,585	-	-	-	35,290	121,875
Other payables	16,054	-	-	-	12,303	28,357
Construction bonds payable	244,544	-	-	-	-	244,544
Due to other funds	-	-	5,021,875	-	278,359	5,300,234
Total liabilities	<u>922,600</u>	<u>268,951</u>	<u>5,077,348</u>	<u>-</u>	<u>663,336</u>	<u>6,932,235</u>
Fund balances:						
Reserved for:						
Debt service	427,966	-	-	88,092	309,208	825,266
Capital outlay	-	768,411	-	-	255,825	1,024,236
Unreserved, undesignated reported in:						
General fund	3,233,671	-	-	-	-	3,233,671
Debt service funds	-	-	-	73,805	-	73,805
Capital project funds	-	-	(448,241)	-	1,233,235	784,994
Special revenue funds	-	-	-	-	(308,177)	(308,177)
Total fund balances (deficits)	<u>3,661,637</u>	<u>768,411</u>	<u>(448,241)</u>	<u>161,897</u>	<u>1,490,091</u>	<u>5,633,795</u>
Total liabilities and fund balances	<u>\$ 4,584,237</u>	<u>\$ 1,037,362</u>	<u>\$ 4,629,107</u>	<u>\$ 161,897</u>	<u>\$ 2,153,427</u>	

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

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

The cost of the assets is \$78,445,274 and the accumulated depreciation is \$4,727,222.

73,718,052

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

(275,291)

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

(22,828,559)

Net assets of governmental activities

\$ 56,247,997

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

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>Capital Projects Funds</u>			<u>Municipal Building Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Streets</u>	<u>Recreation</u>			
<b>Revenues</b>						
Current year property taxes	\$ 1,813,163	\$ -	\$ -	\$ -	\$ 684,614	\$ 2,497,777
Prior year property taxes	54,539	-	-	-	-	54,539
General sales and use taxes	3,866,221	-	-	-	-	3,866,221
Energy taxes	505,035	-	-	-	-	505,035
Franchise taxes	364,457	-	-	-	-	364,457
Licenses and permits	509,653	-	-	-	-	509,653
Intergovernmental revenues	765,513	-	-	-	-	765,513
Charges for services	234,518	-	-	-	472,962	707,480
Impact fees	-	820,361	418,170	-	53,200	1,291,731
Fines and forfeitures	326,854	-	-	-	-	326,854
Interest earnings	149,869	131,350	187,872	47,101	118,446	634,638
Miscellaneous	125,679	33,038	88,980	-	44,801	292,498
Total revenues	<u>8,715,501</u>	<u>984,749</u>	<u>695,022</u>	<u>47,101</u>	<u>1,374,023</u>	<u>11,816,396</u>
<b>Expenditures</b>						
Current:						
General government	2,269,118	-	-	-	-	2,269,118
Public safety	2,709,609	-	-	-	-	2,709,609
Streets and highways	738,743	666,015	-	-	-	1,404,758
Parks, cemetery and public property	1,140,816	-	-	-	-	1,140,816
Culture and recreation	-	-	-	-	788,518	788,518
Community and economic development	836,090	-	-	-	-	836,090
Debt service:						
Principal	221,000	-	-	882,000	100,000	1,203,000
Interest	204,841	-	-	120,970	549,008	874,819
Capital outlay	-	3,069,599	13,888,793	-	1,711,479	18,669,871
Total expenditures	<u>8,120,217</u>	<u>3,735,614</u>	<u>13,888,793</u>	<u>1,002,970</u>	<u>3,149,005</u>	<u>29,896,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>595,284</u>	<u>(2,750,865)</u>	<u>(13,193,771)</u>	<u>(955,869)</u>	<u>(1,774,982)</u>	<u>(18,080,203)</u>
<b>Other financing sources (uses)</b>						
Debt proceeds	-	-	-	8,321,000	-	8,321,000
Transfers in	952,841	862,934	7,500,000	-	103,734	9,419,509
Transfers out	(967,078)	(250,691)	(72,964)	(7,500,000)	(94,186)	(8,884,919)
Total other financing sources and (uses)	<u>(14,237)</u>	<u>612,243</u>	<u>7,427,036</u>	<u>821,000</u>	<u>9,548</u>	<u>8,855,590</u>
Net change in fund balances	581,047	(2,138,622)	(5,766,735)	(134,869)	(1,765,434)	(9,224,613)
Fund balances - beginning	2,182,772	2,907,033	5,318,494	296,766	3,255,525	13,960,590
Prior-period adjustments	897,818	-	-	-	-	897,818
Fund balances (deficits) - ending	<u>\$ 3,661,637</u>	<u>\$ 768,411</u>	<u>\$ (448,241)</u>	<u>\$ 161,897</u>	<u>\$ 1,490,091</u>	<u>\$ 5,633,795</u>

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

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2008**

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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** \$ (9,224,613)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period as shown below:

	\$ 18,369,583	
Capital outlays		
Depreciation expense	(601,021)	17,768,562

Sub divider capital contributions do not provide current financial resources in the governmental funds, however these contributions are recorded as revenue in the government-wide statement of activities. 6,788,187

Governmental funds report the gross proceeds from the sale of capital assets as revenue.

However, in the statement of activities, the revenue received from the sale of capital assets is reduced by the net book value of the assets at the time of the sale. (179,912)

Repayment of principal on long-term debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets. 1,203,000

The issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets. (8,321,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:

	6,925	
Accrued interest, net change		
Compensated absences, net change	(69,917)	(62,992)

**Change in net assets of governmental activities** \$ 7,971,232

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

**WASHINGTON CITY, UTAH**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Current year property taxes	\$ 1,956,330	\$ 1,900,000	\$ 1,813,163	\$ (86,837)
Prior year property taxes	20,000	36,000	54,539	18,539
General sales and use taxes	4,377,781	3,875,000	3,866,221	(8,779)
Energy taxes	388,000	515,000	505,035	(9,965)
Franchise taxes	255,000	310,000	364,457	54,457
Licenses and permits	732,666	478,712	509,653	30,941
Intergovernmental revenues	6,273,895	610,316	765,513	155,197
Charges for services	373,519	214,063	234,518	20,455
Fines and forfeitures	250,000	300,060	326,854	26,794
Interest earnings	71,500	133,000	149,869	16,869
Miscellaneous	125,212	158,124	125,679	(32,445)
Total revenues	<u>14,823,903</u>	<u>8,530,275</u>	<u>8,715,501</u>	<u>185,226</u>
<b>Expenditures</b>				
Current:				
General government	2,443,731	2,308,950	2,269,118	39,832
Public safety	3,915,536	2,769,256	2,709,609	59,647
Streets and highways	902,376	814,479	738,743	75,736
Parks, cemetery and public property	1,305,366	1,151,584	1,140,816	10,768
Community and economic development	881,885	854,131	836,090	18,041
Debt service:				
Principal	221,000	221,000	221,000	-
Interest	192,255	192,255	204,841	(12,586)
Total debt service	<u>413,255</u>	<u>413,255</u>	<u>425,841</u>	<u>(12,586)</u>
Total expenditures	<u>9,862,149</u>	<u>8,311,655</u>	<u>8,120,217</u>	<u>191,438</u>
Excess of revenues over expenditures	<u>4,961,754</u>	<u>218,620</u>	<u>595,284</u>	<u>376,664</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,065,550	1,065,550	952,841	(112,709)
Transfers out	(6,027,304)	(1,216,291)	(967,078)	249,213
Total other financing sources and (uses)	<u>(4,961,754)</u>	<u>(150,741)</u>	<u>(14,237)</u>	<u>136,504</u>
Net change in fund balances	-	67,879	581,047	513,168
Fund balance - beginning	2,182,772	2,182,772	2,182,772	-
Prior-period adjustments	-	-	897,818	897,818
Fund balance - ending	<u>\$ 2,182,772</u>	<u>\$ 2,250,651</u>	<u>\$ 3,661,637</u>	<u>\$ 1,410,986</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,583,833	\$ 2,108,179	\$ 1,193,433	\$ 1,627,298	\$ 6,512,743
Accounts receivable, net	623,439	309,633	1,753,335	50,149	2,736,556
Due from other funds	-	-	-	5,021,875	5,021,875
Inventory	-	-	808,811	-	808,811
Total current assets	<u>2,207,272</u>	<u>2,417,812</u>	<u>3,755,579</u>	<u>6,699,322</u>	<u>15,079,985</u>
Noncurrent assets:					
Cash - restricted	<u>4,781,384</u>	<u>3,580,269</u>	<u>2,635,778</u>	<u>326,909</u>	<u>11,324,340</u>
Capital assets:					
Land	821,613	9,055	9,055	865,715	1,705,438
Buildings	624,361	538,800	108,719	374,360	1,646,240
Improvements and systems	30,556,842	14,763,936	13,286,695	8,640,259	67,247,732
Machinery and equipment	532,080	506,678	511,980	1,143,691	2,694,429
Automobiles and trucks	256,972	351,533	725,181	25,086	1,358,772
Construction in progress	4,853,197	628,437	9,456,144	387,487	15,325,265
Less accumulated depreciation	<u>(6,175,800)</u>	<u>(2,349,537)</u>	<u>(3,676,027)</u>	<u>(3,281,514)</u>	<u>(15,482,878)</u>
Total capital assets, net	<u>31,469,265</u>	<u>14,448,902</u>	<u>20,421,747</u>	<u>8,155,084</u>	<u>74,494,998</u>
Total noncurrent assets	<u>36,250,649</u>	<u>18,029,171</u>	<u>23,057,525</u>	<u>8,481,993</u>	<u>85,819,338</u>
Total assets	<u>38,457,921</u>	<u>20,446,983</u>	<u>26,813,104</u>	<u>15,181,315</u>	<u>100,899,323</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	410,245	530,413	1,359,446	36,773	2,336,877
Accrued wages and taxes	12,920	8,364	14,662	13,986	49,932
Sales tax payable	-	-	48,046	11,950	59,996
Other payables	-	18,324	-	-	18,324
Due to other funds	-	-	-	609,758	609,758
Accrued interest payable	24,790	18,697	106,317	3,915	153,719
Customer deposits payable	45,607	-	190,363	-	235,970
Deferred revenue	2,586	-	-	-	2,586
Noncurrent liabilities - current portion	<u>391,838</u>	<u>209,047</u>	<u>372,268</u>	<u>134,767</u>	<u>1,107,920</u>
Total current liabilities	<u>887,986</u>	<u>784,845</u>	<u>2,091,102</u>	<u>811,149</u>	<u>4,575,082</u>
Noncurrent liabilities:					
Compensated absences payable	50,309	31,662	59,127	63,810	204,908
Capital leases payable	-	19,606	78,153	520,788	618,547
Revenue bonds payable	11,109,231	2,315,840	7,005,000	-	20,430,071
Bond premium	-	-	192,821	-	192,821
Less noncurrent liabilities - current portion	<u>(391,838)</u>	<u>(209,047)</u>	<u>(372,268)</u>	<u>(134,767)</u>	<u>(1,107,920)</u>
Total noncurrent liabilities	<u>10,767,702</u>	<u>2,158,061</u>	<u>6,962,833</u>	<u>449,831</u>	<u>20,338,427</u>
Total liabilities	<u>11,655,688</u>	<u>2,942,906</u>	<u>9,053,935</u>	<u>1,260,980</u>	<u>24,913,509</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	20,335,244	12,094,759	13,039,456	7,630,381	53,099,840
Restricted for:					
Debt service	573,657	56,277	1,592,021	-	2,221,955
Capital outlay	4,162,120	3,523,992	853,394	326,909	8,866,415
Unrestricted	<u>1,731,212</u>	<u>1,829,049</u>	<u>2,274,298</u>	<u>5,963,045</u>	<u>11,797,604</u>
Total net assets	<u>\$ 26,802,233</u>	<u>\$ 17,504,077</u>	<u>\$ 17,759,169</u>	<u>\$ 13,920,335</u>	<u>\$ 75,985,814</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
<b>Operating revenues:</b>					
Charges for services	\$ 3,602,094	\$ 1,851,418	\$ 7,970,956	\$ 1,782,054	\$ 15,206,522
Miscellaneous	73,287	4,913	247,295	10,072	335,567
Total operating revenues	<u>3,675,381</u>	<u>1,856,331</u>	<u>8,218,251</u>	<u>1,792,126</u>	<u>15,542,089</u>
<b>Operating expenses:</b>					
Salaries and wages	528,248	335,194	612,517	569,939	2,045,898
Employee benefits	256,032	171,390	255,407	235,982	918,811
Utilities	318,305	21,681	22,400	66,669	429,055
Professional services	36,508	13,887	52,106	21,780	124,281
Repairs and maintenance	463,587	9,542	1,187,583	38,122	1,698,834
Sewer services	-	675,616	-	-	675,616
Water purchased	940,091	-	-	-	940,091
Power purchased	-	-	4,965,867	-	4,965,867
Transmission expense	-	-	324,552	-	324,552
Rent	-	-	-	95,588	95,588
Miscellaneous	6,802	40,541	349,273	10,054	406,670
Supplies	71,983	23,958	40,178	240,744	376,863
Bad debt expense	15,659	11,160	118,422	2,471	147,712
Depreciation	654,448	323,763	305,881	242,082	1,526,174
Total operating expenses	<u>3,291,663</u>	<u>1,626,732</u>	<u>8,234,186</u>	<u>1,523,431</u>	<u>14,676,012</u>
Operating income (loss)	<u>383,718</u>	<u>229,599</u>	<u>(15,935)</u>	<u>268,695</u>	<u>866,077</u>
<b>Nonoperating revenues (expenses):</b>					
Interest earnings	309,171	231,452	301,222	174,402	1,016,247
Impact fees	575,256	295,080	631,847	270,331	1,772,514
Gain (loss) on sale of capital assets	(54,305)	12,425	(58,049)	(22,959)	(122,888)
Interest and fiscal charges	(387,138)	(49,024)	(314,798)	(22,593)	(773,553)
Total nonoperating revenues (expenses)	<u>442,984</u>	<u>489,933</u>	<u>560,222</u>	<u>399,181</u>	<u>1,892,320</u>
Income before transfers and contributions	<u>826,702</u>	<u>719,532</u>	<u>544,287</u>	<u>667,876</u>	<u>2,758,397</u>
Transfers in	-	-	-	410	410
Transfers out	(227,500)	(177,500)	(55,000)	(75,000)	(535,000)
Capital contributions	3,555,077	3,226,168	2,798,606	1,642,116	11,221,967
<b>Change in net assets</b>	<u>4,154,279</u>	<u>3,768,200</u>	<u>3,287,893</u>	<u>2,235,402</u>	<u>13,445,774</u>
Total net assets - beginning	22,385,699	13,754,858	14,356,165	11,684,933	62,181,655
Prior-period adjustments	262,255	(18,981)	115,111	-	358,385
<b>Total net assets - ending</b>	<u>\$ 26,802,233</u>	<u>\$ 17,504,077</u>	<u>\$ 17,759,169</u>	<u>\$ 13,920,335</u>	<u>\$ 75,985,814</u>

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



**WASHINGTON CITY, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ 3,719,493	\$ 1,853,980	\$ 8,016,535	\$ 1,788,550	\$ 15,378,558
Cash paid to suppliers	(1,442,690)	(265,972)	(6,247,360)	(438,655)	(8,394,677)
Cash paid to employees	(758,229)	(491,388)	(841,390)	(783,475)	(2,874,482)
Cash received (paid) from (to) other funds	-	-	-	(4,412,117)	(4,412,117)
Net cash flows from operating activities	<u>1,518,574</u>	<u>1,096,620</u>	<u>927,785</u>	<u>(3,845,697)</u>	<u>(302,718)</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	<u>(227,500)</u>	<u>(177,500)</u>	<u>(55,000)</u>	<u>(74,590)</u>	<u>(534,590)</u>
Net cash flows from noncapital financing activities	<u>(227,500)</u>	<u>(177,500)</u>	<u>(55,000)</u>	<u>(74,590)</u>	<u>(534,590)</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from capital debt	2,472,995	-	-	572,463	3,045,458
Principal paid on capital debt	(333,410)	(199,528)	(301,227)	(51,675)	(885,840)
Interest paid on capital debt	(389,395)	(50,969)	(327,311)	(18,678)	(786,353)
Purchase of capital assets	(5,245,869)	(1,093,261)	(2,307,342)	(640,386)	(9,286,858)
Proceeds from sales of capital assets	81,763	65,016	51,762	-	198,541
Impact fees	575,256	295,080	631,847	270,331	1,772,514
Net cash flows from capital and related financing activities:	<u>(2,838,660)</u>	<u>(983,662)</u>	<u>(2,252,271)</u>	<u>132,055</u>	<u>(5,942,538)</u>
<b>Cash flows from investing activities:</b>					
Interest received	<u>309,171</u>	<u>231,452</u>	<u>301,222</u>	<u>174,402</u>	<u>1,016,247</u>
Net cash flows from investing activities	<u>309,171</u>	<u>231,452</u>	<u>301,222</u>	<u>174,402</u>	<u>1,016,247</u>
Net change in cash and cash equivalents	(1,238,415)	166,910	(1,078,264)	(3,613,830)	(5,763,599)
Cash and cash equivalents, beginning of year	<u>7,603,632</u>	<u>5,521,538</u>	<u>4,907,475</u>	<u>5,568,037</u>	<u>23,600,682</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,365,217</u>	<u>\$ 5,688,448</u>	<u>\$ 3,829,211</u>	<u>\$ 1,954,207</u>	<u>\$ 17,837,083</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ 383,718	\$ 229,599	\$ (15,935)	\$ 268,695	\$ 866,077
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	654,448	323,763	305,881	242,082	1,526,174
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	58,102	(7,864)	(259,480)	(2,958)	(212,200)
(Increase) decrease in due from other funds	-	-	-	(5,021,875)	(5,021,875)
(Increase) decrease in inventory	-	-	-	-	-
(Increase) decrease in prepaid expenses	-	-	-	-	-
Increase (decrease) in accounts payable	410,245	530,413	813,021	36,773	1,790,452
Increase (decrease) in accrued payroll	12,920	8,364	14,662	13,985	49,931
Increase (decrease) in other accrued liabilities	-	5,513	6,709	(618)	11,604
Increase (decrease) in due to other funds	-	-	-	609,758	609,758
Increase (decrease) in customer deposits	(13,990)	-	51,055	-	37,065
Increase (decrease) in deferred revenues	-	-	-	-	-
Increase (decrease) in compensated absences	13,131	6,832	11,872	8,461	40,296
Net cash flows from operating activities	<u>\$ 1,518,574</u>	<u>\$ 1,096,620</u>	<u>\$ 927,785</u>	<u>\$ (3,845,697)</u>	<u>\$ (302,718)</u>
<b>Noncash investing, capital, and financing activities</b>					
Capital contributions from sub dividers	\$ 3,555,077	\$ 3,226,168	\$ 2,798,606	\$ 1,642,116	\$ 11,221,967

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**General**

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

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

**Reporting Entity**

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

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

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

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, energy taxes, state road funds and unreimbursed, earned grant funds associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Capital Project Funds (Streets and Recreation) are used to account for capital improvement projects of the City that are not accounted for in other funds.

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

The City reports the following major proprietary funds:

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

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

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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

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

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

**Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

**Receivables and Payables**

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

Management regularly reviews accounts receivable and writes off any uncollectible accounts. Given the write offs and the nature of the accounts receivable in the governmental and business-type activities of the City, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**Inventories and prepaid items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

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

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

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

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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

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**Compensated Absences**

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

**Long-term Obligations**

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

**Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

**Encumbrances**

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

**Restricted Assets**

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 2. Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

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

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

**Taxes**

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at 55 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

**Nonmajor Fund Deficits**

At June 30, 2008 the leisure services (community center) fund had a fund deficit of \$308,177.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 3. Deposits and Investments**

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Deposits and investments of the City at June 30, 2008 consist of the following:

Deposits:	
Cash in bank and on hand	\$ 127,224
With paying agent	742,570
Investments:	
State Treasurer's Investment Pool:	
Washington City	21,897,800
With paying agent	<u>5,861,591</u>
Total deposits and investments	<u><u>\$ 28,629,185</u></u>

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

Cash and cash equivalents	\$ 10,244,826
Restricted cash and cash equivalents	<u>18,384,359</u>
Total	<u><u>\$ 28,629,185</u></u>

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

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

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2008 cash on hand and the carrying amount of the City's deposits was \$869,794. As of June 30, 2008, \$837,642 of the City's bank balance of \$1,037,642 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 3. Deposits and Investments, Continued**

**Investments**

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

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

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

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

As of June 30, 2008 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$27,759,391	\$27,759,391	\$ -	\$ -	\$ -
<b>Total Fair Value</b>	<b>\$27,759,391</b>	<b>\$27,759,391</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 3. Deposits and Investments, Continued**

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2008 the City had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$27,759,391	\$ -	\$ -	\$ -	\$27,759,391
<b>Total Fair Value</b>	<b>\$27,759,391</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$27,759,391</b>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 4. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2007</b>	<b>Adjustments*</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2008</b>
Capital assets, not being depreciated:					
Land	\$ 1,200,767	-	\$ 238,000	\$ -	\$ 1,438,767
Construction in progress	7,489,384	(1,272,151)	12,607,525	(3,029,722)	15,795,036
Infrastructure	33,214,072	-	11,890,106	-	45,104,178
Total capital assets, not being depreciated:	<u>41,904,223</u>	<u>(1,272,151)</u>	<u>24,735,631</u>	<u>(3,029,722)</u>	<u>62,337,981</u>
Capital assets, being depreciated:					
Buildings and improvements	8,654,347	1,272,151	2,748,107	(180,840)	12,493,765
Machinery and equipment	908,622	-	501,089	(8,475)	1,401,236
Automobiles and trucks	2,072,808	-	202,665	(63,181)	2,212,292
Total capital assets, being depreciated:	<u>11,635,777</u>	<u>1,272,151</u>	<u>3,451,861</u>	<u>(252,496)</u>	<u>16,107,293</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,918,144)	-	(301,207)	61,462	(3,157,889)
Machinery and equipment	(409,264)	-	(113,974)	7,555	(515,683)
Automobiles and trucks	(871,377)	-	(185,840)	3,567	(1,053,650)
Total accumulated depreciation	<u>(4,198,785)</u>	<u>-</u>	<u>(601,021)</u>	<u>72,584</u>	<u>(4,727,222)</u>
Total capital assets, being depreciated, net	<u>7,436,992</u>	<u>1,272,151</u>	<u>2,850,840</u>	<u>(179,912)</u>	<u>11,380,071</u>
Governmental activities capital assets, net	<u>\$ 49,341,215</u>	<u>\$ -</u>	<u>\$27,586,471</u>	<u>\$ (3,209,634)</u>	<u>\$ 73,718,052</u>

\*The items in the adjustments column relate to capital assets that should have been removed from construction in progress and added to buildings and improvements in fiscal year 2007.

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

<b>Governmental Activities:</b>	
General government	\$ 76,248
Public safety	184,596
Streets and highways	92,980
Parks, cemetery and public property	223,359
Culture and recreation	3,469
Community and economic development	20,369
Total depreciation expense - governmental activities	<u>\$ 601,021</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 4. Capital Assets, Continued**

<b>Business-type Activities:</b>	<b>Balance 6/30/2007</b>	<b>Adjustments*</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2008</b>
Capital assets not being depreciated:					
Land and water rights	\$ 1,463,638	-	\$ 241,800	\$ -	\$ 1,705,438
Construction in progress	10,954,575	-	4,603,307	(232,617)	15,325,265
Total capital assets, not being depreciated	<u>12,418,213</u>		<u>4,845,107</u>	<u>(232,617)</u>	<u>17,030,703</u>
Capital assets being depreciated:					
Buildings	646,169	-	1,000,071	-	1,646,240
Improvements and systems	53,865,761	(818,669)	14,200,640	-	67,247,732
Machinery and equipment	2,319,399	-	426,467	(51,437)	2,694,429
Automobiles and trucks	1,376,323	3,986	285,041	(306,578)	1,358,772
Total capital assets, being depreciated	<u>58,207,652</u>	<u>(814,683)</u>	<u>15,912,219</u>	<u>(358,015)</u>	<u>72,947,173</u>
Less accumulated depreciation for:					
Buildings	(231,390)	-	(27,475)	-	(258,865)
Improvements and systems	(11,441,183)	101,017	(1,250,925)	-	(12,591,091)
Machinery and equipment	(1,756,326)	(25,298)	(162,212)	13,300	(1,930,536)
Automobiles and trucks	(695,678)	2,330	(85,562)	76,524	(702,386)
Total accumulated depreciation	<u>(14,124,577)</u>	<u>78,049</u>	<u>(1,526,174)</u>	<u>89,824</u>	<u>(15,482,878)</u>
Total capital assets, being depreciated, net	<u>44,083,075</u>	<u>(736,634)</u>	<u>14,386,045</u>	<u>(268,191)</u>	<u>57,464,295</u>
Business-type activities capital assets, net	<u>\$ 56,501,288</u>	<u>\$ (736,634)</u>	<u>\$ 19,231,152</u>	<u>\$ (500,808)</u>	<u>\$ 74,494,998</u>

\*The items in the adjustments column relate to the prior-period adjustments noted in the prior-period adjustments footnote.

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

<b>Business-type Activities:</b>	
Water	\$ 654,448
Sewer	323,763
Electric	305,881
Irrigation	3,877
Storm drain	63,626
Golf	174,579
Total depreciation expense - business-type activities	<u>\$ 1,526,174</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 5. Long-term Liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2008:

**Governmental Activities:**

	Balance 6/30/2007	Additions	Retirements	Balance 6/30/2008	Current Portion
General obligation bonds (Coral Canyon)	\$ 9,900,000	\$ -	\$ 100,000	\$ 9,800,000	\$ 105,000
Lease revenue bonds (MBA)	992,000	8,321,000	882,000	8,431,000	512,000
Sales tax revenue bonds	4,566,000	-	221,000	4,345,000	229,000
Compensated absences	182,642	250,255	180,338	252,559	209,310
<b>Total governmental activities</b>	<b>15,640,642</b>	<b>8,571,255</b>	<b>1,383,338</b>	<b>22,828,559</b>	<b>1,055,310</b>

**Business-type Activities:**

	Balance 6/30/2007	Additions	Retirements	Balance 6/30/2008	Current Portion
Revenue bonds	18,736,646	2,472,995	779,570	20,430,071	818,272
Plus bond premiums	204,749	-	11,928	192,821	-
<b>Total revenue bonds</b>	<b>18,941,395</b>	<b>2,472,995</b>	<b>791,498</b>	<b>20,622,892</b>	<b>818,272</b>
Capital leases payable	152,354	572,463	106,270	618,547	144,622
Compensated absences	164,611	178,150	137,853	204,908	145,026
<b>Total business-type activities</b>	<b>19,258,360</b>	<b>3,223,608</b>	<b>1,035,621</b>	<b>21,446,347</b>	<b>1,107,920</b>
<b>Total long-term liabilities</b>	<b>\$ 34,899,002</b>	<b>\$ 11,794,863</b>	<b>\$ 2,418,959</b>	<b>\$ 44,274,906</b>	<b>\$ 2,163,230</b>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 5. Long-term Liabilities, Continued**

Long-term liabilities for the primary government at June 30, 2008 are comprised of the following:

**General Obligation Bonds:**

**Governmental Activities:**

Coral Canyon Special Service District:

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

General Obligation Bonds - Series 2001 were issued during the year ended June 30, 2002 in the amount of \$900,000. The bonds bear interest of 5.5% to 6.10% with payments due annually in July. Payments range from \$25,000 to \$75,000 with the final payment due July 15, 2025.	\$ 875,000
General Obligation Bonds - Series 2001A were issued during the year ended June 30, 2002 in the amount of \$2,025,000. The bonds bear interest of 4.7% to 6% with principal payments due annually of \$75,000 to \$205,000. Final payment is due July 15, 2026. Interest is paid semi-annually at a rate of 5% to 5.9%.	2,450,000
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
General Obligation Bonds - Series 2006 issued May 11, 2006 in the amount of \$3,295,000 payable in annual installments of \$40,000 to \$745,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 4.85% to 5.3%.	<u>3,295,000</u>
Total general obligation bonds, governmental activities	<u>9,800,000</u>

**Revenue Bonds:**

**Governmental Activities:**

Lease Revenue Series 1998 Park bonds issued by the Municipal Building Authority, payable in annual installments of \$70,000 to \$110,000 with final payment due December 1, 2008. The bonds bear interest of 4.45% to 4.9%. Interest is paid semi-annually.	110,000
Lease Revenue and Refunding Bonds Series 2008 issued by the Municipal Building Authority in the amount of \$8,321,000 payable in annual installments of \$305,000 to \$552,000 with final payment due December 15, 2027. The bond bears interest of 3.54% to 4.45%. Interest is paid semi-annually. Property located at Buena Vista Blvd and Main St is pledged toward these bonds.	8,321,000
Sales Tax Revenue Bonds - Series 2001 were issued in the amount of \$1,000,000. Payable in annual installments of \$33,000 to \$89,000 with final payment due November 15, 2016. The bonds bear interest of 2.7% to 4.5%.	685,000
Sales Tax Revenue Bonds Series 2003. Payable in annual installments of \$145,000 to \$320,000 with interest paid semi-annually. The bonds bear interest of 3 to 5.25% Final payment due November 15, 2023.	<u>3,660,000</u>
Total revenue bonds, governmental activities	<u>12,776,000</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 5. Long-term Liabilities, Continued**

**Business-type Activities:**

Water System Water Revenue Bonds Series 1993A payable in annual installments of \$67,000 to \$80,000 with a final payment of \$160,000 due January 1, 2013. The bonds bear no interest.	\$ 480,000
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	851,250
Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest.	546,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	320,388
Water Revenue Bonds - Series 2000 A were issued in the amount of \$1,639,900. The bonds are held by USDA - RD and bear interest of 3.25%. Payments of \$6,117 are paid monthly with final payment due May 15, 2041.	1,482,097
Water Revenue Bonds - Series 2000 B dated January 17, 2001 were issued in the amount of \$1,150,000. The bonds are held by the State of Utah - Drinking Water Board and bear interest at 1.95%. Payments are made yearly in January and range from \$48,000 to \$69,000 with final payment due January 1, 2021.	798,000
Water Revenue Bonds - Series 2002 A payable in monthly installments of \$10,416 with a final payment due August, 2043. The bonds bear interest of 4.25%.	2,276,974
Water Revenue Bonds Series 2002 B payable in yearly installments of \$27,000 to \$44,000 bearing interest of 2.59% with a final payment due January 1, 2023.	545,000
Water Revenue Bonds Series 2006 payable in variable monthly installments from \$3,727 to \$17,446 with the final payment due March 22, 2043. The bond bears interest of 4.25%. Bond principal has been advanced as requested up to \$4,000,000.	3,809,522
Sewer Revenue Bonds, Series 1999 approved May 27, 1999 in the total amount of \$3,356, 000. Payable in annual installments of \$115,000 to \$219,000 with a final payment due February 1, 2020. The bonds bear interest of 2%.	2,315,840
Electric Revenue Bonds - Series 2004 issued October 2, 2004 in the amount of \$7,845,000. Principal payable in annual installments of \$275,000 to \$585,000 with final payment due September 1, 2024. The bonds bear interest of 1.65% to 5%.	<u>7,005,000</u>
Total revenue bonds, business-type activities	<u>20,430,071</u>



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 5. Long-term Liabilities, Continued**

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**Leases Payable:**

**Business-type Activities:**

Sewer cleaner lease purchase issued February 4, 2004 in the amount of \$185,840 for a sewer vacuum truck. Principal payable in semi-annual installments of \$17,441.99 to \$19,609.59 with final payment due September 15, 2008. The lease bears an interest rate of 2.95%	\$ 19,606
Electric department bucket truck lease purchase issued September 6, 2006 in the amount of \$94,380. Principal payable in annual installments of \$16,226 to \$19,998 with final payment due December 1, 2011. The lease bears an interest rate of 4.97%.	78,153
Golf course equipment lease purchase issued November 1, 2007 in the amount of \$572,463. Principal payable in semi-annual installments of \$51,677 to \$63,159.32 with final payment due November 1, 2012. The lease bears an interest rate of 4.51%.	<u>520,788</u>
Total leases payable, business-type activities	<u>618,547</u>
<b>Accrued Compensated Absences</b>	<u>457,467</u>
<b>Bond Premiums</b>	<u>192,821</u>
Total long-term debt	<u>\$ 44,274,906</u>
Due within one year	\$ 2,163,230
Due in more than one year	<u>42,111,676</u>
Total long-term debt	<u>\$ 44,274,906</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 5. Long-term Liabilities, Continued**

The annual requirements to amortize bonds payable at June 30, 2008 are as follows:

**Governmental Activities**

Year Ending June 30,	Coral Canyon SSD GO Bonds		MBA Lease Revenue Bonds		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 105,000	\$ 541,395	\$ 512,000	\$ 318,556	\$ 229,000	\$ 218,110
2010	205,000	533,553	423,000	301,174	236,000	211,223
2011	210,000	523,048	443,000	285,207	245,000	203,660
2012	265,000	511,018	355,000	270,138	253,000	195,258
2013	280,000	497,124	305,000	257,807	261,000	186,034
2014-2018	1,635,000	2,235,051	1,723,000	1,092,037	1,416,000	706,514
2019-2023	2,140,000	1,708,120	2,111,000	703,852	1,705,000	267,875
2024-2028	2,840,000	990,345	2,559,000	254,548	-	-
2029-2033	2,120,000	173,144	-	-	-	-
Totals	<u>\$ 9,800,000</u>	<u>\$ 7,712,798</u>	<u>\$ 8,431,000</u>	<u>\$ 3,483,319</u>	<u>\$ 4,345,000</u>	<u>\$ 1,988,674</u>

**Business-type Activities**

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 295,000	\$ 307,730	\$ 359,272	\$ 386,297	\$ 164,000	\$ 46,320	\$ 818,272
2010	300,000	298,805	366,538	379,181	167,000	43,040	833,538
2011	310,000	289,345	374,026	371,798	180,000	39,700	864,026
2012	325,000	278,860	381,321	364,563	183,000	36,100	889,321
2013	335,000	267,305	389,690	356,208	187,000	32,440	911,690
2014-2018	1,890,000	1,117,913	1,697,629	1,651,875	1,002,000	104,460	4,589,629
2019-2023	2,405,000	598,875	1,441,268	1,405,446	432,840	13,040	4,279,108
2024-2028	1,145,000	57,875	1,268,829	1,145,631	-	-	2,413,829
2029-2033	-	-	1,559,484	854,976	-	-	1,559,484
2034-2038	-	-	1,666,288	514,816	-	-	1,666,288
2039-2043	-	-	1,585,209	169,790	-	-	1,585,209
2044-2048	-	-	19,677	103	-	-	19,677
Totals	<u>\$ 7,005,000</u>	<u>\$ 3,216,708</u>	<u>\$ 11,109,231</u>	<u>\$ 7,600,684</u>	<u>\$ 2,315,840</u>	<u>\$ 315,100</u>	<u>\$ 20,430,071</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 6. Capital Leases**

The City has entered into lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board statement number 13. The following is an annual schedule of future minimum lease payments with interest rates ranging from 2.95% to 4.97%, together with the present value of the net minimum lease payments:

Year Ending June 30,	Sewer Truck	Electric Bucket Truck	Golf Equip. and Improv.	Total
2009	\$ 19,895	\$ 22,025	\$ 129,167	\$ 171,087
2010	-	22,025	129,167	151,192
2011	-	22,025	129,167	151,192
2012	-	22,025	129,167	151,192
2013	-	-	64,584	64,584
Total remaining lease payments:	19,895	88,100	581,252	689,247
Less amount representing interest:	(289)	(9,947)	(60,464)	(70,700)
Present value of net remaining minimum lease payments:	<u>\$ 19,606</u>	<u>\$ 78,153</u>	<u>\$ 520,788</u>	<u>\$ 618,547</u>

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

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	\$ 217,560	\$ 25,928	\$ 25,928
Autos and trucks	280,900	18,400	178,194
Construction in progress	153,047	-	-
	<u>\$ 498,460</u>	<u>\$ 44,328</u>	<u>\$ 204,122</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 7. Equity Classifications**

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

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

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 7. Equity Classifications, Continued**

At June 30, 2008 the City's reserved fund balances are as follows:

<b>Governmental funds</b>	
General fund:	
Debt service - sales tax revenue bonds	\$ 427,966
Capital projects fund - streets:	
Impact fees	764,254
Other capital projects	4,157
Total	<u>768,411</u>
Capital projects fund - recreation:	
Impact fees	459,270
Underfunded	(459,270)
Total	<u>-</u>
Municipal building authority fund:	
Debt service - park bonds	<u>88,092</u>
Nonmajor governmental funds	
Debt service:	
Coral Canyon SSD fund - bonds	<u>309,208</u>
Capital projects:	
Fire Station fund - impact fees	254,842
Mile post 13 fund	983
Total capital projects	<u>255,825</u>
Total nonmajor governmental funds	<u>565,033</u>
Total governmental funds	<u>1,849,502</u>
<b>Proprietary funds</b>	
Water fund:	
Impact fees	4,162,120
Debt service - revenue bonds	573,657
Total	<u>4,735,777</u>
Sewer fund:	
Impact fees	3,523,992
Debt service - revenue bonds	56,277
Total	<u>3,580,269</u>
Electric fund:	
Impact fees	853,394
Debt service - revenue bonds	1,592,021
Total	<u>2,445,415</u>
Nonmajor proprietary funds	
Capital projects:	
Strom drain fund impact fees	<u>326,909</u>
Total proprietary funds	<u>11,088,369</u>
<b>Total governmental and proprietary funds</b>	<u><u>\$ 12,937,871</u></u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 8. Interfund Transfers and Balances**

Interfund transfers for the fiscal year ended June 30, 2008 are as follows:

		<b>Transfers In</b>					
		General	CPF	CPF	Nonmajor	Nonmajor	Total
		Fund	Streets	Recreation	Governmental	Business-type	
<b>Transfers Out</b>	General Fund	\$ -	\$ 862,934	\$ -	\$ 103,734	\$ 410	\$ 967,078
	CPF Streets	250,691	-	-	-	-	250,691
	CPF Recreation	72,964	-	-	-	-	72,964
	MBA Fund	-	-	7,500,000	-	-	7,500,000
	Nonmajor governmental	94,186	-	-	-	-	94,186
	Water Fund	227,500	-	-	-	-	227,500
	Sewer Fund	177,500	-	-	-	-	177,500
	Electric Fund	55,000	-	-	-	-	55,000
	Nonmajor business-type	75,000	-	-	-	-	75,000
	Total	<u>\$ 952,841</u>	<u>\$ 862,934</u>	<u>\$ 7,500,000</u>	<u>\$ 103,734</u>	<u>\$ 410</u>	<u>\$ 9,419,919</u>

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

The \$7,500,000 transfer to the capital projects fund – recreation from the MBA fund was made to use bond proceeds to finance a portion of the new community center.

Interfund balances at June 30, 2008 are as follows:

		<b>Due From</b>			
		CPF	Nonmajor	Nonmajor	Total
		Recreation	Governmental	Business-type	
<b>Due To</b>	General Fund	\$ -	\$ 278,359	\$ 609,758	\$ 888,117
	Nonmajor Business-type	5,021,875	-	-	5,021,875
	Total	<u>\$ 5,021,875</u>	<u>\$ 278,359</u>	<u>\$ 609,758</u>	<u>\$ 5,909,992</u>

The amount payable to the nonmajor business-type funds is a loan between the internal debt service fund and the capital projects fund – recreation in connection with the new community center. The loan will likely be forgiven in fiscal year 2009. The amounts payable to the general fund relate to working capital loans. Of the \$609,758 amount, \$594,409 is due from the golf course fund to the general fund, which is not expected to be repaid within the next fiscal year.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 9. Retirement Plans**

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**Defined Benefit Plans**

Plan Description

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members are required to contribute a percent of their covered salary (all of which is currently paid by the City for the employees) to the respective systems to which they belong, 12.29% to the Public Safety Contributory and 12.76% to the Firefighters Retirement Systems. The City is required to contribute a percent of covered salary to the respective systems, 11.62% to the Noncontributory and 11.22% to the Public Safety Contributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**Defined Contribution Plan**

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 9. Retirement Plans, Continued**

The required contributions and amounts received for the 2008 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
<b>Noncontributory System:</b>				
Local Governmental Division				
2008	\$ -	\$ -	\$ 428,353	\$ 3,686,352
2007	-	-	355,360	3,066,079
2006	-	-	294,284	2,653,595
Public Safety System				
Other Division A Contributory				
2008	-	71,766	65,518	583,935
2007	-	61,206	54,831	498,012
2006	-	21,091	13,643	171,608
Firefighters System				
Division A				
2008	-	20,418	-	160,013
2007	-	9,560	-	88,195
2006	-	2,897	-	33,652
<b>Defined Contribution System:</b>				
401(k) Plan				
2008	130,964	227,279	N/A	N/A
2007	117,342	196,112	N/A	N/A
2006	55,131	142,393	N/A	N/A

**457 Plan**

No contributions were made during the three fiscal years.

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



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 10. Risk Management**

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

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

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**NOTE 11. Municipal Building Authority Lease Agreement**

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

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

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

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

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 12. Commitments**

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

The City of St. George for the purpose of transportation and treatment of wastewater entered into April 1, 1987 for 25 years (2012). The City collects these fees from wastewater users and remits the fees to the City of St. George. These collections and remittances are not reported as revenue and expenses in the sewer fund; rather, they are recorded in a liability account, other payables. During fiscal year 2008, the City collected \$2,460,139 and remitted \$2,454,626. The liability balance at June 30, 2008 was \$18,324.

The Washington County Solid Waste District for the collection and disposal of solid waste. The current agreement expires December 31, 2009; however, the City entered into a new contract on November 15, 2008 to continue services for 10 additional years (January 1, 2010 – December 31, 2020).

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

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

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**NOTE 13. Jointly Governed Organization**

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The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$4,965,867 during the fiscal year ended June 30, 2008.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

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**NOTE 14. Contingencies**

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2008**

**NOTE 15. Prior-period Adjustments**

Prior-period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, even though they are reported in the current period. Instead, such adjustments are properly reported as a direct adjustment to equity—beginning of the fiscal year to restate that amount to what it would have been had the error not occurred.

The prior-period adjustments as shown on the statement of revenues, expenditures, and changes in fund balance—governmental funds (governmental activities) and on the statement of revenues, expenses, and changes in fund net assets—proprietary funds (business-type activities) consist of the following:

**Governmental Activities**

General Fund:

Accrue revenues for:

General sales and use taxes	\$ 680,563
Energy taxes	26,106
Franchise taxes	52,600
Intergovernmental revenues (class C roads)	138,549
Total net general fund	897,818

Total net governmental activities	897,818
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**Business-type Activities**

Water Fund:

Accrue service fee revenues	262,255
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Sewer Fund:

Correct capital asset related balances	(18,981)
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Electric Fund:

Accrue service fee revenues	686,853
Accrue UAMPS expenses	(546,425)
Correct balance of prepaid expenses	(185,596)
Expense UAMPS items previously capitalized	(1,375,316)
Record capital contributions	1,359,066
Record inventory	176,529
Total net electric fund	115,111

Total net business-type activities	358,385
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Total net prior-period adjustments	\$ 1,256,203
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**REQUIRED SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2008**

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

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

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

The most recent condition assessment completed in May 2008 showed that the City had overall average condition ratings of 15.72 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	4.55
1-2	0.81
3-4	2.73
5-6	3.72
7-8	2.18
9-10	1.57
11-12	6.07
13-14	9.01
15-16	7.10
17-18	40.23
19-20	22.03
Total	100.00

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2008**

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The City's administrative policy is to maintain its streets at an average remaining service life of 12.6 years. This rating allows for minor cracking and revealing of pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended \$666,015 (originally budgeted for \$700,000) for street preservation for fiscal year 2008.

In fiscal year 2007 49.17% of roads had an RLS of 10 years or less. With the improvements made in fiscal year 2008, the percent of roads with an RLS of 10 years or less was reduced to just 15.56%, which reflects the commitment the City makes to maintain its infrastructure assets at required conditions.



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## **COMBINING STATEMENTS**

## NONMAJOR GOVERNMENTAL FUNDS

### Capital Projects Funds

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

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

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

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

**Mile Post 13 Fund** – This fund is used to account for the construction of the mile post 13 project.

### Special Revenue Funds

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

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

### Debt Service Funds (Blended Component Unit)

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

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

**WASHINGTON CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**

	<u>Capital Projects</u>				<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Mile Post 13</u>	<u>Leisure Services</u>	<u>Coral Canyon Special Service District</u>	
<b>Assets</b>							
Cash and cash equivalents	\$ 87,345	\$ -	\$ 1,433,134	\$ -	\$ -	\$ -	\$ 1,520,479
Cash - restricted	-	254,842	-	983	-	377,123	632,948
Total assets	<u>\$ 87,345</u>	<u>\$ 254,842</u>	<u>\$ 1,433,134</u>	<u>\$ 983</u>	<u>\$ -</u>	<u>\$ 377,123</u>	<u>\$ 2,153,427</u>
<b>Liabilities and fund balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 287,244	\$ -	\$ 50,140	\$ -	\$ 337,384
Accrued wages and taxes	-	-	-	-	35,290	-	35,290
Other payables	-	-	-	-	12,303	-	12,303
Due to other funds	-	-	-	-	210,444	67,915	278,359
Total liabilities	<u>-</u>	<u>-</u>	<u>287,244</u>	<u>-</u>	<u>308,177</u>	<u>67,915</u>	<u>663,336</u>
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	309,208	309,208
Capital outlay	-	254,842	-	983	-	-	255,825
Unreserved, undesignated	87,345	-	1,145,890	-	(308,177)	-	925,058
Total fund balances (deficits)	<u>87,345</u>	<u>254,842</u>	<u>1,145,890</u>	<u>983</u>	<u>(308,177)</u>	<u>309,208</u>	<u>1,490,091</u>
Total liabilities and fund balances	<u>\$ 87,345</u>	<u>\$ 254,842</u>	<u>\$ 1,433,134</u>	<u>\$ 983</u>	<u>\$ -</u>	<u>\$ 377,123</u>	<u>\$ 2,153,427</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>Capital Projects</u>				<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Mile Post 13</u>	<u>Leisure Services</u>	<u>Coral Canyon Special Service District</u>	
<b>Revenues</b>							
Property taxes	\$ -	-	\$ -	\$ -	\$ -	\$ 684,614	\$ 684,614
Charges for services	-	-	-	-	472,962	-	472,962
Impact fees	-	53,200	-	-	-	-	53,200
Interest earnings	21,901	17,388	58,563	15	-	20,579	118,446
Miscellaneous	-	-	-	-	7,379	37,422	44,801
Total revenues	<u>21,901</u>	<u>70,588</u>	<u>58,563</u>	<u>15</u>	<u>480,341</u>	<u>742,615</u>	<u>1,374,023</u>
<b>Expenditures</b>							
Current:							
Culture and recreation	-	-	-	-	788,518	-	788,518
Debt service:							
Principal	-	-	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	-	-	549,008	549,008
Capital outlay	825,274	63,000	823,205	-	-	-	1,711,479
Total expenditures	<u>825,274</u>	<u>63,000</u>	<u>823,205</u>	<u>-</u>	<u>788,518</u>	<u>649,008</u>	<u>3,149,005</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(803,373)</u>	<u>7,588</u>	<u>(764,642)</u>	<u>15</u>	<u>(308,177)</u>	<u>93,607</u>	<u>(1,774,982)</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	103,734	-	-	-	-	103,734
Transfers out	-	(94,186)	-	-	-	-	(94,186)
Total other financing sources and (uses)	<u>-</u>	<u>9,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,548</u>
Net change in fund balances	(803,373)	17,136	(764,642)	15	(308,177)	93,607	(1,765,434)
Fund balances - beginning	890,718	237,706	1,910,532	968	-	215,601	3,255,525
Fund balances (deficits) - ending	<u>\$ 87,345</u>	<u>\$ 254,842</u>	<u>\$ 1,145,890</u>	<u>\$ 983</u>	<u>\$ (308,177)</u>	<u>\$ 309,208</u>	<u>\$ 1,490,091</u>

## NONMAJOR PROPRIETARY FUNDS

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

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

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

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

**WASHINGTON CITY, UTAH**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
**June 30, 2008**

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,145,866	\$ -	\$ 481,432	\$ 1,627,298
Accounts receivable, net	-	50,149	-	-	50,149
Due from other funds	-	-	-	5,021,875	5,021,875
Total current assets	<u>-</u>	<u>1,196,015</u>	<u>-</u>	<u>5,503,307</u>	<u>6,699,322</u>
Noncurrent assets:					
Cash - restricted	-	326,909	-	-	326,909
Capital assets					
Land	-	-	865,715	-	865,715
Buildings and structures	-	-	374,360	-	374,360
Improvements other than buildings	621,640	4,345,425	3,673,194	-	8,640,259
Machinery and equipment	-	-	1,143,691	-	1,143,691
Automobiles and trucks	-	-	25,086	-	25,086
Construction in progress	-	234,440	153,047	-	387,487
Less accumulated depreciation	(13,608)	(135,863)	(3,132,043)	-	(3,281,514)
Total capital assets, net	<u>608,032</u>	<u>4,444,002</u>	<u>3,103,050</u>	<u>-</u>	<u>8,155,084</u>
Total noncurrent assets	<u>608,032</u>	<u>4,770,911</u>	<u>3,103,050</u>	<u>-</u>	<u>8,481,993</u>
Total assets	<u>608,032</u>	<u>5,966,926</u>	<u>3,103,050</u>	<u>5,503,307</u>	<u>15,181,315</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	-	521	36,252	-	36,773
Accrued wages and taxes	247	820	12,919	-	13,986
Sales tax payable	-	-	11,950	-	11,950
Due to other funds	15,349	-	594,409	-	609,758
Accrued interest payable	-	-	3,915	-	3,915
Noncurrent liabilities - current portion	1,260	1,458	132,049	-	134,767
Total current liabilities	<u>16,856</u>	<u>2,799</u>	<u>791,494</u>	<u>-</u>	<u>811,149</u>
Noncurrent liabilities:					
Compensated absences payable	1,855	1,458	60,497	-	63,810
Capital leases payable	-	-	520,788	-	520,788
Less noncurrent liabilities - current portion	(1,260)	(1,458)	(132,049)	-	(134,767)
Total noncurrent liabilities	<u>595</u>	<u>-</u>	<u>449,236</u>	<u>-</u>	<u>449,831</u>
Total liabilities	<u>17,451</u>	<u>2,799</u>	<u>1,240,730</u>	<u>-</u>	<u>1,260,980</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	608,032	4,444,002	2,578,347	-	7,630,381
Restricted for:					
Capital outlay	-	326,909	-	-	326,909
Unrestricted	(17,451)	1,193,216	(716,027)	5,503,307	5,963,045
Total net assets	<u>\$ 590,581</u>	<u>\$ 5,964,127</u>	<u>\$ 1,862,320</u>	<u>\$ 5,503,307</u>	<u>\$ 13,920,335</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Operating revenues:</b>					
Charges for services	\$ 17,145	\$ 485,142	\$ 1,279,767	\$ -	\$ 1,782,054
Miscellaneous	195	8,257	1,620	-	10,072
Total operating revenues	<u>17,340</u>	<u>493,399</u>	<u>1,281,387</u>	<u>-</u>	<u>1,792,126</u>
<b>Operating expenses:</b>					
Salaries and wages	11,659	35,259	523,021	-	569,939
Employee benefits	6,233	20,660	209,089	-	235,982
Utilities	-	1,392	65,277	-	66,669
Professional services	-	5,992	15,788	-	21,780
Repairs and maintenance	-	402	37,720	-	38,122
Rent	-	-	95,588	-	95,588
Miscellaneous	-	151	9,903	-	10,054
Supplies	255	2,655	237,834	-	240,744
Bad debt expense	30	1,081	1,360	-	2,471
Depreciation	3,877	63,626	174,579	-	242,082
Total operating expenses	<u>22,054</u>	<u>131,218</u>	<u>1,370,159</u>	<u>-</u>	<u>1,523,431</u>
Operating income (loss)	<u>(4,714)</u>	<u>362,181</u>	<u>(88,772)</u>	<u>-</u>	<u>268,695</u>
<b>Nonoperating revenues (expenses):</b>					
Interest earnings	-	10,949	1,773	161,680	174,402
Impact fees	-	270,331	-	-	270,331
Gain (loss) on sale of assets	-	-	(22,959)	-	(22,959)
Interest and fiscal charges	-	-	(22,593)	-	(22,593)
Total nonoperating revenues (expenses)	<u>-</u>	<u>281,280</u>	<u>(43,779)</u>	<u>161,680</u>	<u>399,181</u>
Income (loss) before transfers and contributions	<u>(4,714)</u>	<u>643,461</u>	<u>(132,551)</u>	<u>161,680</u>	<u>667,876</u>
Transfer in	410	-	-	-	410
Transfer out	-	-	(75,000)	-	(75,000)
Capital contributions	<u>435,374</u>	<u>1,206,742</u>	<u>-</u>	<u>-</u>	<u>1,642,116</u>
<b>Change in net assets</b>	<u>431,070</u>	<u>1,850,203</u>	<u>(207,551)</u>	<u>161,680</u>	<u>2,235,402</u>
Net assets - beginning	<u>159,511</u>	<u>4,113,924</u>	<u>2,069,871</u>	<u>5,341,627</u>	<u>11,684,933</u>
<b>Net assets - ending</b>	<u>\$ 590,581</u>	<u>\$ 5,964,127</u>	<u>\$ 1,862,320</u>	<u>\$ 5,503,307</u>	<u>\$ 13,920,335</u>



**WASHINGTON CITY, UTAH**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ 17,340	\$ 490,441	\$ 1,280,769	\$ -	\$ 1,788,550
Cash paid to suppliers	(285)	(11,152)	(427,218)	-	(438,655)
Cash paid to employees	(17,054)	(55,278)	(711,143)	-	(783,475)
Cash received (paid) from (to) other funds	15,349	-	594,409	(5,021,875)	(4,412,117)
Net cash flows from operating activities	<u>15,350</u>	<u>424,011</u>	<u>736,817</u>	<u>(5,021,875)</u>	<u>(3,845,697)</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	410	-	(75,000)	-	(74,590)
Net cash flows from noncapital financing activities	<u>410</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>(74,590)</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from capital debt	-	-	572,463	-	572,463
Principal paid on capital debt	-	-	(51,675)	-	(51,675)
Interest paid on capital debt	-	-	(18,678)	-	(18,678)
Purchase of capital assets	-	(244,692)	(395,694)	-	(640,386)
Proceeds from sales of capital assets	-	-	-	-	-
Impact fees	-	270,331	-	-	270,331
Net cash flows from capital and related financing activities	<u>-</u>	<u>25,639</u>	<u>106,416</u>	<u>-</u>	<u>132,055</u>
<b>Cash flows from investing activities:</b>					
Interest received	-	10,949	1,773	161,680	174,402
Net cash flows from investing activities	<u>-</u>	<u>10,949</u>	<u>1,773</u>	<u>161,680</u>	<u>174,402</u>
Net change in cash and cash equivalents	15,760	460,599	770,006	(4,860,195)	(3,613,830)
Cash and cash equivalents, beginning of year	(15,760)	1,012,176	(770,006)	5,341,627	5,568,037
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 1,472,775</u>	<u>\$ -</u>	<u>\$ 481,432</u>	<u>\$ 1,954,207</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ (4,714)	\$ 362,181	\$ (88,772)	\$ -	\$ 268,695
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	3,877	63,626	174,579	-	242,082
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	-	(2,958)	-	-	(2,958)
(Increase) decrease in due from other funds	-	-	-	(5,021,875)	(5,021,875)
Increase (decrease) in accounts payable	-	521	36,252	-	36,773
Increase (decrease) in accrued payroll	247	819	12,919	-	13,985
Increase (decrease) in other accrued liabilities	-	-	(618)	-	(618)
Increase (decrease) in due to other funds	15,349	-	594,409	-	609,758
Increase (decrease) in compensated absences	591	(178)	8,048	-	8,461
Net cash flows from operating activities	<u>\$ 15,350</u>	<u>\$ 424,011</u>	<u>\$ 736,817</u>	<u>\$ (5,021,875)</u>	<u>\$ (3,845,697)</u>
<b>Noncash investing, capital, and financing activities</b>					
Capital contributions from sub dividers	\$ 435,374	\$ 1,206,742	\$ -	\$ -	\$ 1,642,116

**OTHER SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2008**

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

Rate Schedule	Residential	Commercial
Water:		
Minimum Monthly Charge	\$ 17.50	\$17.50/ERU
Usage in increments of 5,000 gallons to 40,000 gallons and over	.90 - 1.85	.90 - 1.85
Late Payment Penalty	5%	5%
Impact Fee - 3/4" line	2,121	2,121
1 in. line	3,499	3,499
1 1/2" line	7,911	7,911
2" line	13,893	13,893
3" line	31,242	31,242
4" line	55,507	55,507
6" line	124,884	124,884
Connection Fee - 3/4" meter	225	225
1" meter	275	275
1 1/2" mter	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	22.50	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, 2008	4,546
Applications in process	None
Average monthly billing per customer	22.50

South of Virgin River:	
Residential Equivalents connected to the system at June 30, 2008	1,558
Applications in process	None
Average monthly billing per customer	27.50

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2008**

Insurance coverage in effect at June 30, 2008:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2007	07/01/07	06/30/08	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2007	07/01/07	06/30/08	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2007	07/01/07	06/30/08	50,000
Utah Local Government Trust	Auto - uninsured	14680-GL2007	07/01/07	06/30/08	65,000
Utah Local Government Trust	General liability	14680-GL2007	07/01/07	06/30/08	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2007	07/01/07	06/30/08	31,556,947

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

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedules**  
**For the Year Ended June 30, 2008**

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During the 2006 legislative session, the Utah Legislature modified UC 10-5-29 and UC 17A-1-4 requiring governments who collect impact fees to provide additional reporting in their financial statements. The schedules on the following pages present the required information.

See Washington City's capital improvement plans for future impact fee projects, which will be budgeted in future years as impact fee funds permit. These plans can be obtained from Washington City's finance supervisor.

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Streets**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>	\$ 542,160	\$ 864,801	\$ 1,309,097	\$ 881,575	\$ 1,937,308	\$ 2,775,430	\$ 2,182,754
<b>Inflows:</b>							
Impact fees collected	354,477	424,097	962,404	1,679,883	991,814	657,650	835,929
Interest Earned	18,164	20,199	18,360	32,733	104,453	156,479	68,642
<b>Outflows:</b>							
Various	(50,000)						
Nichols Peak Project			(826,578)	(209,671)		(2,019)	(1,387)
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)	(1,773)
North Frontage						(32,937)	(157,914)
200 North						(87,945)	(382,931)
300 East						(4,800)	
Industrial Rd						(1,300)	(1,091,497)
South Frontage						(11,719)	(4,276)
3090 South						(40,642)	(1,527)
Washington Fields Rd						(391,403)	(7,094)
Misc. Engineering						(3,275)	
Washington Dam Rd						(546,226)	(584,799)
Green Spring Interchange							(40,898)
Downtown Vision Project							(2,732)
Impact Fee Refund							(2,983)
City Yard Project							(43,260)
<b>Ending Cash Balance</b>	<u>\$ 864,801</u>	<u>\$ 1,309,097</u>	<u>\$ 881,575</u>	<u>\$ 1,937,308</u>	<u>\$ 2,775,430</u>	<u>\$ 2,182,754</u>	<u>\$ 764,254</u>

**Projects included in the fiscal year 2009 budget:**

300 East/Virgin River Bridge	\$ 500,000
Debt Service	258,789
20 East Widening	150,000
	<u>\$ 908,789</u>

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Parks**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>	\$ 297,261	\$ 542,274	\$ 878,907	\$ 858,051	\$ 1,152,882	\$ 1,342,273	\$ 845,044
<b>Inflows:</b>							
Impact fees collected	266,000	334,000	495,000	744,000	384,000	308,000	419,170
Interest Earned	10,047	11,870	12,280	23,515	54,692	75,578	53,011
<b>Outflows:</b>							
Various	(31,034)	(9,237)					
Millcreek Trail			(200,000)				
Pineview Park			(328,136)	(322,684)	(249,301)	(180,498)	
Virgin River Trail				(150,000)			
Green Spring Park						(700,309)	(608,695)
Public Works Yard							(648)
Fuel Station							(39,542)
Maintenance Shop/Yard							(160,076)
Parks Warehouse							(48,994)
<b>Ending Cash Balance</b>	<u>\$ 542,274</u>	<u>\$ 878,907</u>	<u>\$ 858,051</u>	<u>\$ 1,152,882</u>	<u>\$ 1,342,273</u>	<u>\$ 845,044</u>	<u>\$ 459,270</u>

**Projects included in the fiscal year 2009 budget:**

Virgin River Park	\$ 300,000
Parks Shop	150,000
Debt Service	72,964
Virgin River Trail	289,119
	<u>\$ 812,083</u>

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Fire Station**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>	\$ 81,743	\$ 152,352	\$ 170,909	\$ 218,182	\$ 336,210	\$ 378,865	\$ 390,498
<b>Inflows:</b>							
Impact fees collected	71,800	84,400	135,750	201,420	117,700	82,958	53,600
Interest Earned	3,964	2,467	2,595	7,406	15,745	20,206	17,388
<b>Outflows:</b>							
Station 61/62	(5,155)	(68,310)	(91,072)	(90,798)	(90,790)	(91,531)	(94,186)
Land Acquisition Station61							(63,000)
Misc. prior-year adjustments							(49,458)
<b>Ending Cash Balance</b>	<u>\$ 152,352</u>	<u>\$ 170,909</u>	<u>\$ 218,182</u>	<u>\$ 336,210</u>	<u>\$ 378,865</u>	<u>\$ 390,498</u>	<u>\$ 254,842</u>
<b>Projects included in the fiscal year 2009 budget:</b>							
Debt Service	<u>\$ 91,382</u>						
	<u>\$ 91,382</u>						



**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Water**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>	\$ 706,580	\$ 1,100,814	\$ 2,094,922	\$ 1,224,160	\$ 3,426,473	\$ 4,349,938	\$ 5,657,010
<b>Inflows:</b>							
Impact fees collected	381,680	969,965	2,256,169	3,249,304	2,225,255	1,082,129	577,377
Interest Earned	22,477	24,844	22,113	59,257	194,986	271,108	237,747
<b>Outflows:</b>							
2003 Water Project	(9,923)	(701)	(3,149,044)	(790,108)			
3090 South Upsizing				(58,680)			
Washington Parkway Master Plan				(239,552)	(157,951)		
Treatment Plant					(154,493)	(18,310)	(455,458)
Quail Lake Pipeline					(1,037,249)	(2,952)	(119,797)
Virgin River Line					(128,220)		
2006 Water Project					(8,396)		(510,163)
Meadow View Estates					(10,467)		
Sand Hill Water Tap						(17,091)	
Washington Dam Rd 2						(5,600)	(14,311)
Redcliffs Tank						(2,212)	(53,167)
Land - Tank/Well Sites							(241,800)
Town Center Connection							(59,873)
Industrial Rd							(180,097)
Community Center Dr. Line							(43,070)
Misc. Engineering							(14,128)
City Yard Project							(618,150)
<b>Ending Cash Balance</b>	<u>\$ 1,100,814</u>	<u>\$ 2,094,922</u>	<u>\$ 1,224,160</u>	<u>\$ 3,426,473</u>	<u>\$ 4,349,938</u>	<u>\$ 5,657,010</u>	<u>\$ 4,162,120</u>

**Projects included in the fiscal year 2009 budget:**

City Yard Project	\$ 500,000
300 E./Virgin River Bridge	250,000
Sandhollow Booster	750,000
Old Town Reconstruct	750,000
Frontage Rd North	280,000
Green Spring Tank	1,000,000
Green Spring Northern Corr.	750,000
Line Upsizing	50,000
	<u>\$ 4,330,000</u>

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Sewer North**  
**For the Year Ended June 30, 2008**

	2002	2003	2004	2005	2006	2007	2008
<b>Beginning Cash Balance</b>	\$ 349,224	\$ 522,864	\$ 737,619	\$ 1,008,181	\$ 1,371,962	\$ 1,596,893	\$ 1,221,570
<b>Inflows:</b>							
Impact fees collected	160,530	201,943	277,362	350,073	273,374	175,033	139,685
Interest Earned	13,110	12,812	12,252	27,050	62,853	90,948	54,243
<b>Outflows:</b>							
Trunkline Project			(19,052)				
Sewer Master Plan				(13,342)			
Industrial RD					(12,534)	(27,205)	(207,417)
Washington Parkway					(98,762)		
Sewerline to Station 61						(24,300)	
Washington Dam Rd							(133,554)
Public Works building							(265,255)
Community Center Drive							(48,520)
City Yard						(589,799)	(10,486)
<b>Ending Cash Balance</b>	<u>\$ 522,864</u>	<u>\$ 737,619</u>	<u>\$ 1,008,181</u>	<u>\$ 1,371,962</u>	<u>\$ 1,596,893</u>	<u>\$ 1,221,570</u>	<u>\$ 750,266</u>

**Projects included in the fiscal year 2009 budget:**

New City Yard	\$ 250,000
Industrial Outfall	225,000
North Frontage/Buena Vista	500,000
300 East Upsizing	250,000
	<u>\$ 1,225,000</u>

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Sewer South**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>	\$ 283,228	\$ 584,764	\$ 516,429	\$ 1,042,695	\$ 1,883,755	\$ 2,492,241	\$ 2,783,652
<b>Inflows:</b>							
Impact fees collected	291,734	291,846	640,157	1,012,970	543,370	331,370	156,045
Interest Earned	9,802	10,119	8,460	28,090	86,610	137,664	131,421
<b>Outflows:</b>							
Fields Sewer Project		(370,300)	(122,351)				
Fields Sewer Outfall				(200,000)			
Meadow View Estates					(21,494)		
Dam Rd Ph 2 Swrline						(177,623)	
Public Works Office							(265,255)
New City Yard							(10,131)
Restrooms at Yard							(20,550)
General Conditions Yard							(1,456)
<b>Ending Cash Balance</b>	<u>\$ 584,764</u>	<u>\$ 516,429</u>	<u>\$ 1,042,695</u>	<u>\$ 1,883,755</u>	<u>\$ 2,492,241</u>	<u>\$ 2,783,652</u>	<u>\$ 2,773,726</u>

**Projects included in the fiscal year 2009 budget:**

New City Yard	\$ 250,000
South Mountain Tnkline	250,000
Washington Dam Rd Swr	
	<u>\$ 500,000</u>

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Electric**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>	\$ 234,757	\$ 167,937	\$ 204,456	\$ 1,072,355	\$ 2,115,926	\$ 1,448,181	\$ 1,509,806
<b>Inflows:</b>							
Impact fees collected	96,367	199,562	867,389	1,093,377	956,875	711,632	634,279
Interest Earned	5,748	2,977	4,675	32,493	83,110	67,607	59,965
<b>Outflows:</b>							
100 East Project	(168,935)	(166,020)					
2004 Power Project			(4,165)	(82,299)	(1,707,730)		(66,851)
Buena Vista Substation						(189,906)	
Sienna Hills Substation						(359,364)	(1,283,805)
Community Center						(85,077)	
Phase 3 Transformers						(4,000)	
Buena Vista Line						(17,384)	
Capacitor Study						(3,040)	
Coral Canyon Substation						(560)	
Transmission Line						(58,283)	
<b>Ending Cash Balance</b>	<u>\$ 167,937</u>	<u>\$ 204,456</u>	<u>\$ 1,072,355</u>	<u>\$ 2,115,926</u>	<u>\$ 1,448,181</u>	<u>\$ 1,509,806</u>	<u>\$ 853,394</u>
<b>Projects included in the fiscal year 2009 budget:</b>							
1100 East Transmission	\$ 700,000						
Generation Plant Study	<u>50,000</u>						
	<u>\$ 750,000</u>						

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Impact Fee Schedule – Storm Drain**  
**For the Year Ended June 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Beginning Cash Balance</b>					\$ -	\$ (356,484)	\$ 292,367
<b>Inflows:</b>							
Impact fees collected					203,824	644,748	270,281
Interest Earned					316	4,103	8,950
<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)		
Washington Dam Rd phase 2							(231,784)
Storm Drain -Com Cntr Dr							(12,905)
<b>Ending Cash Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (356,484)</u>	<u>\$ 292,367</u>	<u>\$ 326,909</u>

**Projects included in the fiscal year 2009 budget:**

Washington Fields Project	\$ 300,000
Generation Plant Study	<u>50,000</u>
	<u>\$ 350,000</u>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2008, which collectively comprise Washington City's basic financial statements, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting.

- |       |                                   |       |                               |
|-------|-----------------------------------|-------|-------------------------------|
| 08-01 | Material Misstatement Adjustments | 08-04 | Segregation of Duties         |
| 08-02 | Electric Fund Inventory           | 08-05 | Capital Asset Accounting      |
| 08-03 | Accounts Payable Issues           | 08-06 | Fraud Risk Management Program |



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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the following deficiencies described in the accompanying schedule of findings and recommendations to be material weaknesses in internal control over financial reporting.

- 08-01 Material Misstatement Adjustments
- 08-02 Electric Fund Inventory
- 08-03 Accounts Payable Issues

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 that are also considered to be material weaknesses.

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 31, 2009.

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

This report is intended solely for the information and use of management, the City Council, Mayor, and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



HINTON, BURDICK, HALL & SPILKER, PLLC  
March 31, 2009



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

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

We have audited the basic financial statements of Washington City, Utah, for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. As part of our audit, we have audited Washington City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2008. The City received the following major State assistance programs from the State of Utah:

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

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

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

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

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

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

In our opinion, Washington City, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2008.



HINTON, BURDICK, HALL & SPILKER, PLLC  
March 31, 2009



**WASHINGTON CITY**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2008**

Honorable Mayor and City Council  
 Washington City, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Washington City for the fiscal year ended June 30, 2008, we noted a number of areas needing corrective action for the City to be in compliance with laws and regulations and we found a number of circumstances that, if improved, would strengthen the City’s accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

08-01 Material Misstatement Adjustments

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

Recommendation

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

#### 08-02 Electric Fund Inventory

We noted that material inventories (i.e. electric fund) have not be recorded in prior years; consequently, inventory, capital assets, accumulated depreciation and net asset balances in the electric fund were all misstated. We also noted that the City typically does not perform a physical count of material inventories on hand and reconcile the count to the accounting records.

##### Recommendation

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

#### 08-03 Accounts Payable Issues

During our audit we noted the following deficiencies relating to accounts payable:

1. A number of July 2008 checks were inadvertently, incorrectly posted to the 06/08 period in Caselle causing both accounts payable and cash to be understated by nearly \$2 million at June 30, 2008.
2. We noted that transfers between bank accounts are run through the accounts payable system; consequently, we noted that a material amount was in accounts payable at year end instead of reducing a cash balance as an outstanding item.
3. During our search for unrecorded liabilities, we noted that material items relating to the current fiscal year had not been accrued.
4. We noted that accounts payable wasn't allocated across the funds (entire balance included in the general fund) causing several funds to be materially misstated.

##### Recommendation

We recommend the City consider the following (the numbers correlate with above):

1. We recommend that the City establish controls, which will allow the City to identify such misstatements—particularly on fiscal year end balances.
2. If the City continues to run transfers between bank accounts through accounts payable, the City should establish procedures to ensure that cash and accounts payable balances are accurate for various financial statement reports—particularly at fiscal year end.
3. The City should establish procedures to ensure that all significant expenses are recorded in the correct period.
4. The City should allocate accounts payable across funds at least at fiscal year end.

## **Significant Deficiencies:**

### 08-04 Segregation of Duties

As we were obtaining an understanding of the City's internal controls over cash receipting we noted a lack of segregation of duties within the accounting functions. As we understand, all of the utility clerks receipt cash and have the ability to make billing or payment adjustments. Furthermore, the treasurer and the utility clerk supervisor have the authority to adjust for bad debts with little or no oversight. Consequently, those in utility cash receipting all have both custody and recording duties and some also have authorization duties.

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

#### Recommendation

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

### 08-05 Capital Asset Accounting

We noted during our audit that for the most part, City personnel are properly tracking and accounting for capital assets. However, we noted the following areas relating to capital assets that, if improved, would strengthen the City's controls and reporting over capital assets:

1. As we understand, the City does not have an asset tagging system. Asset serial numbers are put in the asset management system, and the City performs a physical inventory once a year at the department level; however, the City does not have the resources to verify/audit the counts or monitor personal use of assets.
2. We identified several current year assets that were not initially, correctly accounted for in the capital asset system. We realize at the time we began our audit, the accounting for capital assets was not completely done, which appears to have contributed to the capital asset misstatements. We also noted some differences in the capital asset reports and the corresponding general ledger accounts.

3. We noted some inconsistencies in the depreciation lives of various classifications of capital assets.

Recommendation

We recommend the City consider the following (the numbers correlate with above):

1. The City should continue to have the various departments conduct a fiscal year-end physical asset inventory. Where feasible, management should verify the year-end physical asset inventories. Management may consider selecting one or more of the counts to verify each year. At a minimum, management should review the counts for reasonableness and follow up with any inconsistencies. The City should continue to reconcile the year-end physical inventory of capital assets to the general ledger control accounts. Management should consider setting up a tagging system with an inventory tag/identification number to allow for greater control over all assets.
2. The City should plan to allow for capital assets to be accounted for in a timely manner. The City should also ensure that controls are properly designed and functioning to identify and properly account for all capital asset additions and disposals, including items relating to construction in progress, capital leases and contributed capital.
3. The City should establish policies and guidelines to ensure that assigned depreciation lives are consistent and reasonable.

08-06 Fraud Risk Management Program

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

Recommendation

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

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

08-07 Budgetary Compliance

Utah law states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any fund. We noted that total fund expenditures exceeded the final appropriations for the year ended June 30, 2008 in the following funds:

- Capital projects fund – streets
- Capital projects fund – fire station impact fees
- Capital projects fund – general projects
- Coral Canyon special service district fund
- Special revenue fund – leisure services (community center)

Recommendation

We recommend that the City closely monitor the expenditures for each fund (department level in the general fund) to ensure that budget overruns do not occur in future fiscal periods. We also recommend that the City adequately amend its budget when additional revenues or expenditures are anticipated which were not included in the original budget.

08-08 Fund Deficits

Utah law states that appropriations in the final budgets may not be made for any funds in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. For the year ended June 30, 2008, we noted that the following funds had fund deficits:

- Capital projects fund – recreation
- Special revenue fund – leisure services (community center)

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

Recommendation

We recommend that the City consider appropriations or other alternatives to eliminate the current fund deficits. The City should closely monitor fund balances, particularly at times when the budget is created or amended, to avoid future fund deficits.

08-09 Fund Balance Limitations

Utah law states that the maximum unreserved fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund (based on the subsequent fiscal years budgeted revenue). We noted that the unreserved fund balance in the general fund exceeded the limit by over \$1 million.

Recommendation

The City should establish procedures to ensure that the fund balance in the general fund is within the state limits.

08-10 Form TC-693

We noted that the budgeted revenue amount on the Form TC-693 did not match the associated revenue amount in the City’s adopted budget (there was also a difference between the same amounts for the Coral Canyon Special Service District).



Recommendation

The City should establish controls to ensure that these two amounts agree each year.

08-11 Audit Report

Due to several unique circumstances, the City failed to submit its audit report to the State Auditor before the deadline.

Recommendation

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

**Other Matters:**

None noted

Responses

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

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

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

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

Sincerely,



HINTON, BURDICK, HALL & SPILKER, PLLC  
March 31, 2009



Terrill Clove  
Mayor

Roger Carter  
City Manager

Jodie Smith  
City Treasurer

111 North 100 East  
Washington, Utah 84780

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April 17, 2009

Hinton, Burdick, Hall & Spilker

To Whom It May Concern:

We have received and carefully reviewed the "Findings and Recommendations For the Year Ending June 30, 2008" and provide the following response.

Material Misstatement Adjustments

It appears the adjustments noted here are associated with the posting of revenues and expenditures during the June and July periods and pertains to the way the city has handled the accrual of expenses and revenues during this time period. This item has been noted and we will work with the auditor to determine a more appropriate way to handle these adjustments than we have traditionally done.

Electric Fund Inventory

Washington City is in the process of securing new financial software that will include an inventory component. We have no concerns complying with this note and have not been made aware of this concern by the auditing firm prior to this year.

Accounts Payable Issues

There was a clerical error regarding the posting of payroll checks and this has since been corrected and will continue to be monitored. We do continue to run transfers between accounts through our payable system and will work with the auditor to determine a more appropriate process for this. We did have one medical bill, which was not recorded to the liability account because the bill was not received, by the city. We have traditionally held these accounts payable in the General Fund but we will ensure that they have been properly allocated to other funds by June 30 of each year.

Segregation of Duties

Washington City will establish a sign-off policy for billing adjustments. Management and Council do review annual write-offs, but management will provide more "look back" throughout the year on this

issue. We have no concerns complying with this note and have not been made aware of this concern by the auditing firm prior to this year.

Capital Assets

We do agree that the City needs a better asset-tagging program and are currently looking at new software to assist us in this process. We continue to improve on our compliance with all aspects of GASB 34, particularly with physical assets and will continue to improve in this area.

Fraud Risk Management Program

This appears to be a heightened compliance issue and the City will prepare a policy.

Budgetary Compliance

We will monitor all funds to ensure that they are not overspent in excess of appropriated funds.

Fund Balance Limitations

We fully anticipated that the City would exceed the fund balance limitation in anticipation of the community center bond payment this year. This will be brought into compliance in future years.

Form TC-693

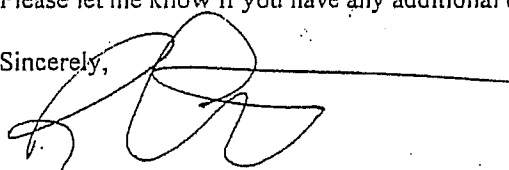
We will monitor this closely to make sure that the forms do match in the future. We are currently working with the auditor to determine the variance of these reports regarding Coral Canyon.

Audit Report

Our original audit schedule was based upon our previous time needed with Jim Wilson to complete the audit. This proved to be insufficient due to the fact that Hinton, Burdick, Hall & Spilker did the actual audit. We will work with our future auditing firm more closely to determine an appropriate time period needed to fully complete the audit.

Please let me know if you have any additional questions.

Sincerely,



Roger Carter  
City Manager