



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

With Report of

Certified Public Accountants

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

Independent Auditors' Report

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

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

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, 2009, 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, 2009, 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 January 22, 2010, 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
January 22, 2010

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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of Washington City exceeded its liabilities at June 30, 2009 by \$135,173,519 (net assets). Of this amount, \$15,904,416 (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 \$2,656,834 (excluding net prior-period adjustments of \$282,874).
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$1,938,710, a decrease of \$2,053,135 (excluding a prior-period adjustment of \$1,641,950) in comparison with the prior year. Approximately 7% (or \$126,255) of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,185,599 or 27% of total general fund expenditures.
- Washington City's total long-term debt increased by \$1,026,960 or 2.35% during the current fiscal year.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$280,397.

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 \$135,173,519 at the close of the most recent fiscal year.

By far the largest portion of Washington City's net assets, (97.60% for governmental activities and 73.18% 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	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Current and other assets	\$ 2,522,579	\$ 7,265,796	\$ 23,710,944	\$ 25,794,567	\$ 26,233,523	\$ 33,060,363
Capital assets	78,095,163	73,718,052	79,759,135	74,494,998	157,854,298	148,213,050
Total assets	<u>80,617,742</u>	<u>80,983,848</u>	<u>103,470,079</u>	<u>100,289,565</u>	<u>184,087,821</u>	<u>181,273,413</u>
Long-term liabilities outstanding	21,997,843	22,828,559	23,330,137	21,446,347	45,327,980	44,274,906
Other liabilities	867,831	1,907,292	2,718,491	2,857,404	3,586,322	4,764,696
Total liabilities	<u>22,865,674</u>	<u>24,735,851</u>	<u>26,048,628</u>	<u>24,303,751</u>	<u>48,914,302</u>	<u>49,039,602</u>
Net assets:						
Invested in capital assets, net of related debt	56,365,163	51,142,052	56,656,665	53,099,840	113,021,828	104,241,892
Restricted	1,528,493	1,574,211	4,718,782	11,088,370	6,247,275	12,662,581
Unrestricted	(141,588)	3,531,734	16,046,004	11,797,604	15,904,416	15,329,338
Total net assets	<u>\$ 57,752,068</u>	<u>\$ 56,247,997</u>	<u>\$ 77,421,451</u>	<u>\$ 75,985,814</u>	<u>\$ 135,173,519</u>	<u>\$ 132,233,811</u>

Percentage of Net Assets

<u>Net asset type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Invested in capital assets, net of related debt	97.60%	73.18%	83.61%
Restricted net assets	2.65%	6.09%	4.62%
Unrestricted net assets	-0.25%	20.73%	11.77%
Total net assets	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

An additional portion of Washington City's net assets (2.65% and 6.09% respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$15,904,416 (-0.25% and 20.73% respectively) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased Washington City's net assets by \$893,929 (see below table for details).

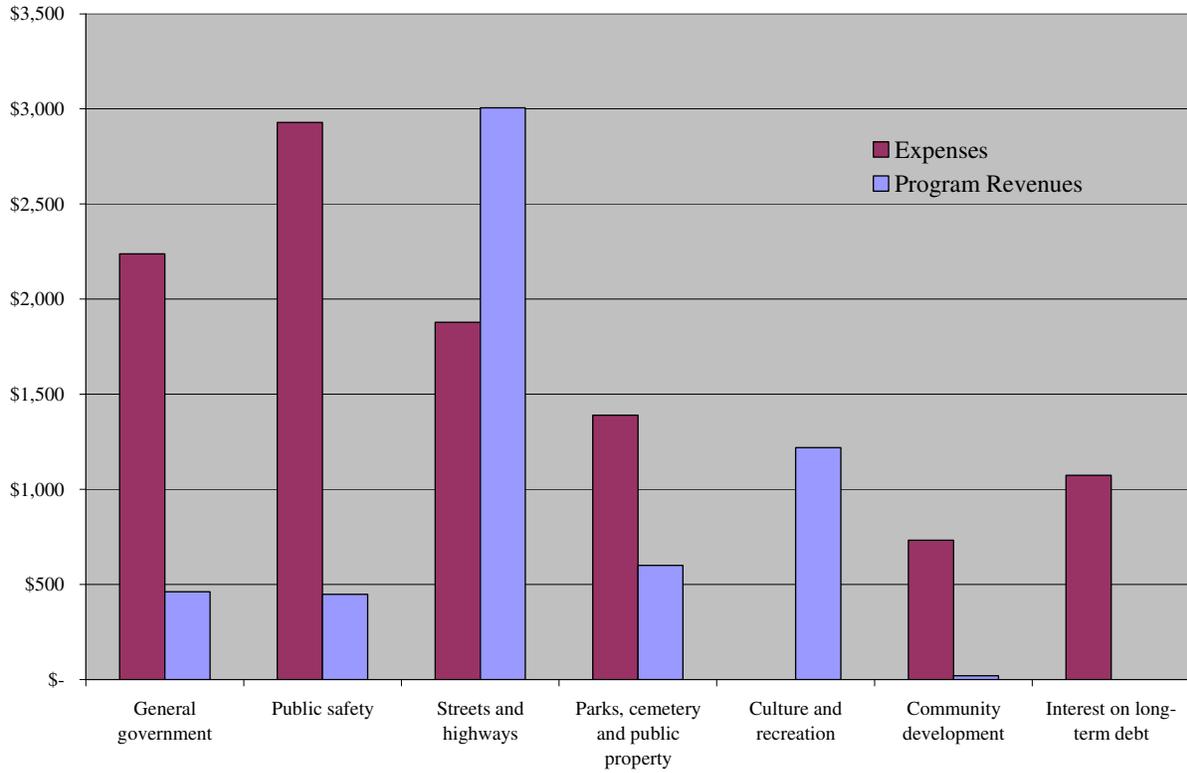
Business-type activities. Business-type activities increased Washington City's net assets by \$1,762,905 (see below table for details).

Washington City's Changes in Net Assets

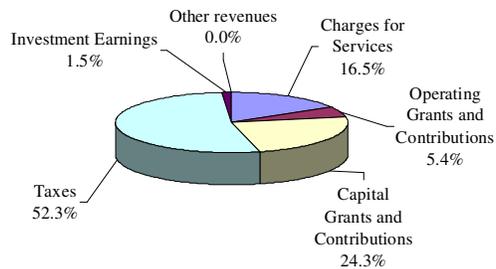
	Governmental activities		Business-type activities		Total	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Revenues:						
Program revenues:						
Charges for services	\$ 2,053,130	\$ 1,565,347	\$ 16,443,856	\$ 15,542,089	\$ 18,496,986	\$ 17,107,436
Operating grants and contributions	676,316	756,106	-	-	676,316	756,106
Capital grants and contributions	3,028,997	8,336,418	2,202,532	12,994,481	5,231,529	21,330,899
General revenues:						
Taxes	7,108,684	7,325,451	-	-	7,108,684	7,325,451
Unrestricted interest earnings	189,236	495,581	422,594	1,016,247	611,830	1,511,828
Gain on sale of capital assets	-	(161,912)	-	(122,888)	-	(284,800)
Other	132,820	107,680	-	-	132,820	107,680
Total revenues	<u>13,189,183</u>	<u>18,424,671</u>	<u>19,068,982</u>	<u>29,429,929</u>	<u>32,258,165</u>	<u>47,854,600</u>
Expenses:						
General government	2,238,368	2,312,567	-	-	2,238,368	2,312,567
Public safety	2,928,972	2,827,984	-	-	2,928,972	2,827,984
Streets and highways	1,879,578	1,752,600	-	-	1,879,578	1,752,600
Parks, cemetery and public property	1,389,442	1,489,670	-	-	1,389,442	1,489,670
Culture and recreation	2,536,268	914,446	-	-	2,536,268	914,446
Community development	733,504	822,868	-	-	733,504	822,868
Interest on long-term debt	1,074,122	867,894	-	-	1,074,122	867,894
Water	-	-	3,919,640	3,678,801	3,919,640	3,678,801
Sewer	-	-	1,801,833	1,675,756	1,801,833	1,675,756
Electric	-	-	9,503,977	8,548,984	9,503,977	8,548,984
Irrigation	-	-	68,140	22,054	68,140	22,054
Storm drain	-	-	187,821	131,218	187,821	131,218
Golf course	-	-	1,339,666	1,392,752	1,339,666	1,392,752
Total expenses	<u>12,780,254</u>	<u>10,988,029</u>	<u>16,821,077</u>	<u>15,449,565</u>	<u>29,601,331</u>	<u>26,437,594</u>
Increase in net assets before transfers	408,929	7,436,642	2,247,905	13,980,364	2,656,834	21,417,006
Transfers	485,000	534,590	(485,000)	(534,590)	-	-
Increase in net assets	893,929	7,971,232	1,762,905	13,445,774	2,656,834	21,417,006
Net assets, beginning	56,247,997	47,378,947	75,985,814	62,181,655	132,233,811	109,560,602
Prior-period adjustment	610,142	897,818	(327,268)	358,385	282,874	1,256,203
Net assets, ending	<u>\$ 57,752,068</u>	<u>\$ 56,247,997</u>	<u>\$ 77,421,451</u>	<u>\$ 75,985,814</u>	<u>\$ 135,173,519</u>	<u>\$ 132,233,811</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)

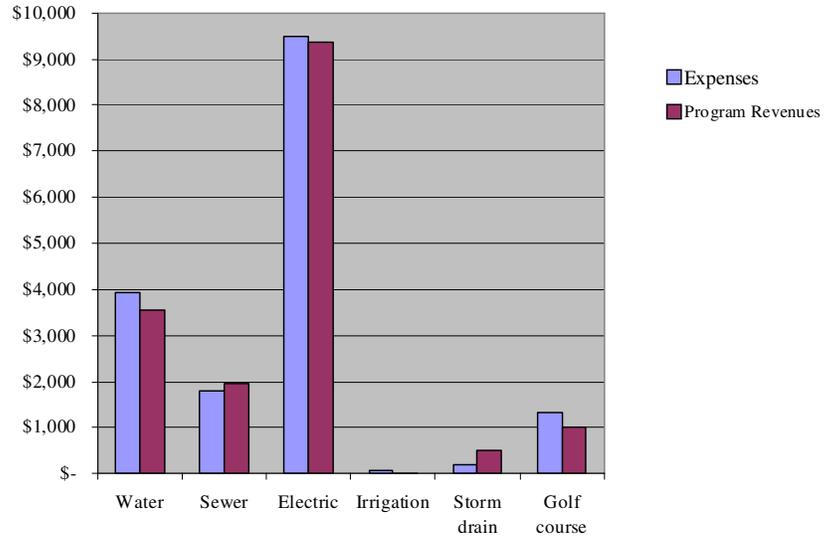


Revenue By Source - Governmental Activities



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 \$1,938,710, a decrease of \$2,053,135 (excluding a prior-period adjustment of a decrease of \$1,641,950) in comparison with the prior year; \$126,255 or 7% of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* (\$1,812,455). The reserved fund balance indicates that the balance is not available for new spending because it has already been committed.

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$2,185,599 or 84% of the total fund balance of \$2,612,828. 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 27% of total general fund expenditures, while total fund balance represents 33% of that same amount.

All other governmental funds (capital projects funds, special revenue fund, MBA fund and Coral Canyon SSD fund) have a total fund deficit of \$674,118 as the capital projects-recreation fund has a fund deficit of \$2,980,352. These combined fund balances experienced a net decrease of \$2,646,276 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 \$16,046,004 at the end of the fiscal year. Aside from the irrigation and golf course funds, all of these proprietary funds experienced increases in total net assets for the current fiscal year.

General Fund Budgetary Highlights

The general fund was amended during the year. Between the original and final budget there was an \$823,270 decrease in appropriations. The main components of the decrease relate to a \$300,000 decrease in transfers out for capital projects, a net \$178,352 decrease in general government expenditures and a net \$252,116 decrease in streets and highways expenditures.

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, 2009, amounts to \$157,854,298 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, infrastructure (i.e. roads, and sidewalks), autos and trucks and machinery and equipment.

Washington City's Capital Assets
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,438,767	\$ 3,064,070	\$ 4,502,837
Infrastructure	46,823,998	-	46,823,998
Construction in progress	369,734	1,244,873	1,614,607
Buildings and improvements	27,606,281	3,115,137	30,721,418
Improvements and systems	-	71,007,821	71,007,821
Machinery and equipment	771,136	795,386	1,566,522
Automobiles and trucks	1,085,247	531,848	1,617,095
Total	\$ 78,095,163	\$ 79,759,135	\$ 157,854,298

This fiscal year's major capital asset additions included:

- Construction of the community center
- Construction of the city yard project
- Construction of various utility system improvements
- Contributions of various roads and systems within subdivision developments

The City uses the modified approach to account for infrastructure assets in the governmental funds; consequently, the City does not depreciate infrastructure assets. Instead, the City expenses certain maintenance costs to maintain the condition of these assets at a certain level. As shown in the accompanying required supplementary information, based on the City's recent condition assessment, significant improvements were made during the current fiscal year and the City's average rating of 16.92 exceeds the City's minimum of 12.60.

Long-term debt. At fiscal year-end, the City had \$44,651,578 in outstanding debt—an increase of 2.35% 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		%
	2009	2008	2009	2008	2009	2008	
General obligation bonds	\$ 9,695,000	\$ 9,800,000	\$ -	\$ -	\$ 9,695,000	\$ 9,800,000	-1.07%
Lease revenue bonds	7,919,000	8,431,000	-	-	7,919,000	8,431,000	-6.07%
Sales tax revenue bonds	4,116,000	4,345,000	-	-	4,116,000	4,345,000	-5.27%
Revenue bonds	-	-	22,447,648	20,430,071	22,447,648	20,430,071	9.88%
Capital leases obligation	-	-	473,930	618,547	473,930	618,547	-23.38%
Total	\$ 21,730,000	\$ 22,576,000	\$ 22,921,578	\$ 21,048,618	\$ 44,651,578	\$ 43,624,618	2.35%

Next Year's budget and Economic Factors

In considering the City budget for fiscal year 2010, the City Council and management were cautious as to growth of revenues and expenditures. Overall general fund operating expenditures were budgeted so as to contain costs at approximately the same level as fiscal year 2009.

Requests for Information

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

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BASIC FINANCIAL STATEMENT

WASHINGTON CITY, UTAH
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,464,146	\$ 10,794,905	\$ 12,259,051
Receivables, net	828,867	3,073,209	3,902,076
Internal balances	(3,891,977)	3,891,977	-
Inventories	18,608	630,269	648,877
Bond issuance costs, net	-	173,985	173,985
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	4,102,935	5,146,599	9,249,534
Capital assets not being depreciated:			
Land	1,438,767	3,064,070	4,502,837
Infrastructure	46,823,998	-	46,823,998
Construction in progress	369,734	1,244,873	1,614,607
Capital assets net of accumulated depreciation:			
Buildings and improvements	27,606,281	3,115,137	30,721,418
Improvements and systems	-	71,007,821	71,007,821
Machinery and equipment	771,136	795,386	1,566,522
Automobiles and trucks	1,085,247	531,848	1,617,095
Total assets	<u>80,617,742</u>	<u>103,470,079</u>	<u>184,087,821</u>
Liabilities			
Accounts payable and other current liabilities	583,869	2,503,169	3,087,038
Accrued interest payable	283,962	215,322	499,284
Noncurrent liabilities:			
Due within one year	1,120,253	1,238,354	2,358,607
Due in more than one year	20,877,590	22,091,783	42,969,373
Total liabilities	<u>22,865,674</u>	<u>26,048,628</u>	<u>48,914,302</u>
Net Assets			
Invested in capital assets, net of related debt	56,365,163	56,656,665	113,021,828
Restricted for:			
Debt service	517,032	999,812	1,516,844
Capital outlay	1,011,461	3,718,970	4,730,431
Unrestricted	(141,588)	16,046,004	15,904,416
Total net assets	<u>\$ 57,752,068</u>	<u>\$ 77,421,451</u>	<u>\$ 135,173,519</u>

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

WASHINGTON CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,238,368	\$ 461,707	\$ -	\$ -	\$ (1,776,661)	\$ -	\$ (1,776,661)
Public safety	2,928,972	301,733	32,788	114,296	(2,480,155)	-	(2,480,155)
Streets and highways	1,879,578	-	643,528	2,361,562	1,125,512	-	1,125,512
Parks, cemetery and public property	1,389,442	48,682	-	553,139	(787,621)	-	(787,621)
Culture and recreation	2,536,268	1,220,328	-	-	(1,315,940)	-	(1,315,940)
Community development	733,504	20,680	-	-	(712,824)	-	(712,824)
Interest on long-term debt	1,074,122	-	-	-	(1,074,122)	-	(1,074,122)
Total governmental activities	<u>12,780,254</u>	<u>2,053,130</u>	<u>676,316</u>	<u>3,028,997</u>	<u>(7,021,811)</u>	<u>-</u>	<u>(7,021,811)</u>
Business-type activities:							
Water	3,919,640	3,553,124	-	852,108	-	485,592	485,592
Sewer	1,801,833	1,948,323	-	569,892	-	716,382	716,382
Electric	9,503,977	9,380,156	-	565,405	-	441,584	441,584
Irrigation	68,140	16,295	-	-	-	(51,845)	(51,845)
Storm drain	187,821	522,490	-	215,127	-	549,796	549,796
Golf course	1,339,666	1,023,468	-	-	-	(316,198)	(316,198)
Total business-type activities	<u>16,821,077</u>	<u>16,443,856</u>	<u>-</u>	<u>2,202,532</u>	<u>-</u>	<u>1,825,311</u>	<u>1,825,311</u>
Total primary government	<u>\$ 29,601,331</u>	<u>\$ 18,496,986</u>	<u>\$ 676,316</u>	<u>\$ 5,231,529</u>	<u>(7,021,811)</u>	<u>1,825,311</u>	<u>(5,196,500)</u>
General Revenues:							
Taxes:							
Property taxes					2,714,315	-	2,714,315
Sales taxes					3,401,861	-	3,401,861
Franchise taxes					394,519	-	394,519
Energy taxes					597,989	-	597,989
Unrestricted interest earnings					189,236	422,594	611,830
Other revenues not restricted to specific programs					132,820	-	132,820
Transfers					485,000	(485,000)	-
Total general revenues and transfers					<u>7,915,740</u>	<u>(62,406)</u>	<u>7,853,334</u>
Change in net assets					893,929	1,762,905	2,656,834
Net assets - beginning					56,247,997	75,985,814	132,233,811
Prior-period adjustments					610,142	(327,268)	282,874
Net assets - ending					<u>\$ 57,752,068</u>	<u>\$ 77,421,451</u>	<u>\$ 135,173,519</u>

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

WASHINGTON CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Recreation</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 448,187	\$ -	\$ 94,951	\$ 921,008	\$ 1,464,146
Receivables	36,289	-	-	-	36,289
Due from other funds	1,223,565	-	-	-	1,223,565
Due from other governments	757,760	-	-	34,818	792,578
Inventory	18,608	-	-	-	18,608
Cash - restricted	586,872	2,022,148	-	1,493,915	4,102,935
Total assets	<u>\$ 3,071,281</u>	<u>\$ 2,022,148</u>	<u>\$ 94,951</u>	<u>\$ 2,449,741</u>	<u>\$ 7,638,121</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 222,291	\$ 2,500	\$ 51,497	\$ 27,965	\$ 304,253
Accrued wages and taxes	84,100	-	34,773	-	118,873
Other payables	2,832	-	8,681	-	11,513
Construction bonds payable	149,230	-	-	-	149,230
Due to other funds	-	5,000,000	-	115,542	5,115,542
Total liabilities	<u>458,453</u>	<u>5,002,500</u>	<u>94,951</u>	<u>143,507</u>	<u>5,699,411</u>
Fund balances:					
Reserved for:					
Debt service	427,229	-	-	373,765	800,994
Capital outlay	-	-	-	1,011,461	1,011,461
Unreserved, undesignated reported in:					
General fund	2,185,599	-	-	-	2,185,599
Debt service funds	-	-	-	4	4
Capital project funds	-	(2,980,352)	-	921,004	(2,059,348)
Total fund balances (deficits)	<u>2,612,828</u>	<u>(2,980,352)</u>	<u>-</u>	<u>2,306,234</u>	<u>1,938,710</u>
Total liabilities and fund balances	<u>\$ 3,071,281</u>	<u>\$ 2,022,148</u>	<u>\$ 94,951</u>	<u>\$ 2,449,741</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 \$83,452,639 and the accumulated depreciation is \$5,357,476. 78,095,163

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (283,962)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. See the long-term debt footnote for the components of long-term debt. (21,997,843)

Net assets of governmental activities \$ 57,752,068

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, 2009

	<u>General</u>	<u>Capital Projects Recreation</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Current year property taxes	\$ 1,954,582	\$ -	\$ -	\$ 651,873	\$ 2,606,455
Prior year property taxes	56,617	-	-	-	56,617
General sales and use taxes	3,401,861	-	-	-	3,401,861
Energy taxes	597,989	-	-	-	597,989
Franchise taxes	394,519	-	-	-	394,519
Licenses and permits	357,898	-	-	-	357,898
Intergovernmental revenues	747,782	-	-	-	747,782
Charges for services	158,861	-	1,134,876	-	1,293,737
Impact fees	-	538,080	-	542,362	1,080,442
Fines and forfeitures	310,842	-	-	-	310,842
Interest earnings	73,209	48,616	-	94,204	216,029
Miscellaneous	226,492	5,200	61,602	71,120	364,414
Total revenues	<u>8,280,652</u>	<u>591,896</u>	<u>1,196,478</u>	<u>1,359,559</u>	<u>11,428,585</u>
Expenditures					
Current:					
General government	2,165,139	-	-	-	2,165,139
Public safety	2,754,968	-	-	-	2,754,968
Streets and highways	839,712	-	-	521,230	1,360,942
Parks, cemetery and public property	1,105,590	-	-	-	1,105,590
Culture and recreation	-	-	2,465,688	-	2,465,688
Community and economic development	708,553	-	-	-	708,553
Debt service:					
Principal	229,000	-	-	617,000	846,000
Interest	197,293	-	-	868,158	1,065,451
Capital outlay	-	733,697	-	760,692	1,494,389
Total expenditures	<u>8,000,255</u>	<u>733,697</u>	<u>2,465,688</u>	<u>2,767,080</u>	<u>13,966,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>280,397</u>	<u>(141,801)</u>	<u>(1,269,210)</u>	<u>(1,407,521)</u>	<u>(2,538,135)</u>
Other financing sources (uses)					
Transfers in	1,587,644	-	1,577,387	1,339,463	4,504,494
Transfers out	<u>(2,916,850)</u>	<u>(748,360)</u>	<u>-</u>	<u>(354,284)</u>	<u>(4,019,494)</u>
Total other financing sources and (uses)	<u>(1,329,206)</u>	<u>(748,360)</u>	<u>1,577,387</u>	<u>985,179</u>	<u>485,000</u>
Net change in fund balances	(1,048,809)	(890,161)	308,177	(422,342)	(2,053,135)
Fund balances - beginning	3,661,637	(448,241)	(308,177)	2,728,576	5,633,795
Prior-period adjustment	-	(1,641,950)	-	-	(1,641,950)
Fund balances (deficits) - ending	<u>\$ 2,612,828</u>	<u>\$ (2,980,352)</u>	<u>\$ -</u>	<u>\$ 2,306,234</u>	<u>\$ 1,938,710</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, 2009

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

Net change in fund balances-total governmental funds \$ (2,053,135)

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:

	\$ 1,764,044	
Capital outlays		
Depreciation expense	(709,394)	1,054,650

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. 1,230,065

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. (159,696)

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. 846,000

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:

	(8,671)	
Accrued interest, net change		
Compensated absences, net change	(15,284)	(23,955)

Change in net assets of governmental activities \$ 893,929

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

WASHINGTON CITY, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Current year property taxes	\$ 1,900,000	\$ 1,919,854	\$ 1,954,582	\$ 34,728
Prior-years property taxes	16,000	53,200	56,617	3,417
General sales and use taxes	4,000,000	3,058,000	3,401,861	343,861
Energy taxes	580,000	550,000	597,989	47,989
Franchise taxes	239,000	377,000	394,519	17,519
Licenses and permits	547,737	355,646	357,898	2,252
Intergovernmental revenues	684,471	684,253	747,782	63,529
Charges for services	225,385	149,946	158,861	8,915
Fines and forfeitures	300,000	295,000	310,842	15,842
Interest earnings	91,000	72,000	73,209	1,209
Miscellaneous	178,700	81,300	226,492	145,192
Total revenues	<u>8,762,293</u>	<u>7,596,199</u>	<u>8,280,652</u>	<u>684,453</u>
Expenditures				
Current:				
General government	2,463,804	2,285,452	2,165,139	120,313
Public safety	2,803,497	2,857,205	2,754,968	102,237
Streets and highways	1,050,046	797,930	839,712	(41,782)
Parks, cemetery and public property	1,190,474	1,143,809	1,105,590	38,219
Community and economic development	814,437	739,578	708,553	31,025
Debt service:				
Principal	227,900	230,700	229,000	1,700
Interest	195,235	198,367	197,293	1,074
Total debt service	<u>423,135</u>	<u>429,067</u>	<u>426,293</u>	<u>2,774</u>
Total expenditures	<u>8,745,393</u>	<u>8,253,041</u>	<u>8,000,255</u>	<u>252,786</u>
Excess of revenues over (under) expenditures	<u>16,900</u>	<u>(656,842)</u>	<u>280,397</u>	<u>937,239</u>
Other financing sources (uses)				
Transfers in	1,018,990	1,587,646	1,587,644	(2)
Transfers out	(1,578,392)	(1,247,474)	(2,916,850)	(1,669,376)
Total other financing sources and (uses)	<u>(559,402)</u>	<u>340,172</u>	<u>(1,329,206)</u>	<u>(1,669,378)</u>
Net change in fund balances	(542,502)	(316,670)	(1,048,809)	(732,139)
Fund balance - beginning	<u>3,661,637</u>	<u>3,661,637</u>	<u>3,661,637</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,119,135</u>	<u>\$ 3,344,967</u>	<u>\$ 2,612,828</u>	<u>\$ (732,139)</u>

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

WASHINGTON CITY, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,369,866	\$ 3,185,782	\$ 2,161,940	\$ 2,077,317	\$ 10,794,905
Accounts receivable, net	634,272	318,557	1,915,047	53,773	2,921,649
Other receivables	-	-	151,560	-	151,560
Due from other funds	-	-	-	5,000,000	5,000,000
Inventory	-	-	630,269	-	630,269
Total current assets	<u>4,004,138</u>	<u>3,504,339</u>	<u>4,858,816</u>	<u>7,131,090</u>	<u>19,498,383</u>
Noncurrent assets:					
Cash - restricted	<u>2,227,182</u>	<u>1,863,492</u>	<u>672,889</u>	<u>383,036</u>	<u>5,146,599</u>
Bond issuance costs, net	-	-	173,985	-	173,985
Capital assets:					
Land	821,613	9,055	1,367,687	865,715	3,064,070
Buildings	1,185,494	1,475,932	382,667	374,360	3,418,453
Improvements and systems	38,412,896	15,622,262	22,578,058	8,745,250	85,358,466
Machinery and equipment	669,216	506,678	511,980	1,149,320	2,837,194
Automobiles and trucks	242,592	339,485	725,181	20,688	1,327,946
Construction in progress	580,878	11,811	69,402	582,782	1,244,873
Less accumulated depreciation	<u>(7,077,923)</u>	<u>(2,725,058)</u>	<u>(4,121,546)</u>	<u>(3,567,340)</u>	<u>(17,491,867)</u>
Total capital assets, net	<u>34,834,766</u>	<u>15,240,165</u>	<u>21,513,429</u>	<u>8,170,775</u>	<u>79,759,135</u>
Total noncurrent assets	<u>37,061,948</u>	<u>17,103,657</u>	<u>22,360,303</u>	<u>8,553,811</u>	<u>85,079,719</u>
Total assets	<u>41,066,086</u>	<u>20,607,996</u>	<u>27,219,119</u>	<u>15,684,901</u>	<u>104,578,102</u>
Liabilities					
Current liabilities:					
Accounts payable	315,730	192,455	1,419,957	39,145	1,967,287
Accrued wages and taxes	14,484	10,107	17,427	14,885	56,903
Sales tax payable	-	-	28,638	4,167	32,805
Other payables	-	18,357	-	-	18,357
Due to other funds	-	-	-	1,108,023	1,108,023
Accrued interest payable	91,437	17,932	102,842	3,111	215,322
Customer deposits payable	112,227	-	315,590	-	427,817
Noncurrent liabilities - current portion	<u>496,388</u>	<u>197,647</u>	<u>392,708</u>	<u>151,611</u>	<u>1,238,354</u>
Total current liabilities	<u>1,030,266</u>	<u>436,498</u>	<u>2,277,162</u>	<u>1,320,942</u>	<u>5,064,868</u>
Noncurrent liabilities:					
Compensated absences payable	56,666	31,911	73,666	65,424	227,667
Capital leases payable	-	-	60,013	413,917	473,930
Revenue bonds payable	13,585,807	2,151,840	6,710,000	-	22,447,647
Bond premium	-	-	180,893	-	180,893
Less noncurrent liabilities - current portion	<u>(496,388)</u>	<u>(197,647)</u>	<u>(392,708)</u>	<u>(151,611)</u>	<u>(1,238,354)</u>
Total noncurrent liabilities	<u>13,146,085</u>	<u>1,986,104</u>	<u>6,631,864</u>	<u>327,730</u>	<u>22,091,783</u>
Total liabilities	<u>14,176,351</u>	<u>2,422,602</u>	<u>8,909,026</u>	<u>1,648,672</u>	<u>27,156,651</u>
Net assets					
Invested in capital assets, net of related debt	21,248,959	13,088,325	14,562,523	7,756,858	56,656,665
Restricted for:					
Debt service	641,758	57,452	300,602	-	999,812
Capital outlay	1,473,197	1,806,040	56,697	383,036	3,718,970
Unrestricted	<u>3,525,821</u>	<u>3,233,577</u>	<u>3,390,271</u>	<u>5,896,335</u>	<u>16,046,004</u>
Total net assets	<u>\$ 26,889,735</u>	<u>\$ 18,185,394</u>	<u>\$ 18,310,093</u>	<u>\$ 14,036,229</u>	<u>\$ 77,421,451</u>

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, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
Operating revenues:					
Charges for services	\$ 3,538,961	\$ 1,945,510	\$ 9,061,298	\$ 1,558,455	\$ 16,104,224
Miscellaneous	14,163	2,813	318,858	3,798	339,632
Total operating revenues	<u>3,553,124</u>	<u>1,948,323</u>	<u>9,380,156</u>	<u>1,562,253</u>	<u>16,443,856</u>
Operating expenses:					
Salaries and wages	556,190	365,047	647,230	595,941	2,164,408
Employee benefits	286,195	195,154	278,785	264,468	1,024,602
Utilities	367,837	23,585	28,190	72,923	492,535
Professional services	22,980	37,258	5,704	28,115	94,057
Repairs and maintenance	210,170	963	453,895	10,804	675,832
Sewer services	-	706,500	-	-	706,500
Water purchased	1,031,784	-	-	-	1,031,784
Power purchased	-	-	6,547,973	-	6,547,973
Transmission expense	-	-	326,612	-	326,612
Rent	-	-	-	99,357	99,357
Miscellaneous	6,298	1,191	357,309	20,122	384,920
Supplies	36,910	31,760	23,667	194,805	287,142
Bad debt expense	12,096	6,961	79,019	1,764	99,840
Depreciation/amortization	907,392	380,790	457,946	287,818	2,033,946
Total operating expenses	<u>3,437,852</u>	<u>1,749,209</u>	<u>9,206,330</u>	<u>1,576,117</u>	<u>15,969,508</u>
Operating income (loss)	<u>115,272</u>	<u>199,114</u>	<u>173,826</u>	<u>(13,864)</u>	<u>474,348</u>
Nonoperating revenues (expenses):					
Interest earnings	129,178	114,935	164,340	14,141	422,594
Impact fees	375,665	165,507	538,405	110,136	1,189,713
Gain (loss) on sale of capital assets	(6,859)	(6,779)	-	1,993	(11,645)
Interest and fiscal charges	(474,929)	(45,845)	(297,647)	(21,503)	(839,924)
Total nonoperating revenues (expenses)	<u>23,055</u>	<u>227,818</u>	<u>405,098</u>	<u>104,767</u>	<u>760,738</u>
Income before transfers and contributions	<u>138,327</u>	<u>426,932</u>	<u>578,924</u>	<u>90,903</u>	<u>1,235,086</u>
Transfers out	(200,000)	(150,000)	(55,000)	(80,000)	(485,000)
Capital contributions	476,443	404,385	27,000	104,991	1,012,819
Change in net assets	414,770	681,317	550,924	115,894	1,762,905
Total net assets - beginning	26,802,233	17,504,077	17,759,169	13,920,335	75,985,814
Prior-period adjustment	(327,268)	-	-	-	(327,268)
Total net assets - ending	<u>\$ 26,889,735</u>	<u>\$ 18,185,394</u>	<u>\$ 18,310,093</u>	<u>\$ 14,036,229</u>	<u>\$ 77,421,451</u>

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, 2009

	Water	Sewer	Electric	Other Proprietary Funds	Totals
Cash flows from operating activities:					
Cash received from customers and users	\$ 3,606,325	\$ 1,939,432	\$ 9,172,703	\$ 1,550,846	\$ 16,269,306
Cash paid to suppliers	(1,782,590)	(1,146,176)	(7,583,316)	(425,518)	(10,937,600)
Cash paid to employees	(834,464)	(558,209)	(908,711)	(857,896)	(3,159,280)
Net cash flows from operating activities	<u>989,271</u>	<u>235,047</u>	<u>680,676</u>	<u>267,432</u>	<u>2,172,426</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(200,000)	(150,000)	(55,000)	(80,000)	(485,000)
Cash received (paid) from (to) other funds	-	-	-	520,140	520,140
Net cash flows from noncapital financing activities	<u>(200,000)</u>	<u>(150,000)</u>	<u>(55,000)</u>	<u>440,140</u>	<u>35,140</u>
Cash flows from capital and related financing activities:					
Proceeds from capital debt	2,835,113	-	-	-	2,835,113
Principal paid on capital debt	(358,537)	(183,606)	(313,140)	(106,871)	(962,154)
Interest paid on capital debt	(408,282)	(46,610)	(313,050)	(22,307)	(790,249)
Purchase and acquisition of capital assets	(4,181,090)	(825,040)	(1,696,613)	(196,525)	(6,899,268)
Proceeds from sales of capital assets	50,513	50,593	-	-	101,106
Impact fees	375,665	165,507	538,405	110,136	1,189,713
Net cash flows from capital and related financing activities:	<u>(1,686,618)</u>	<u>(839,156)</u>	<u>(1,784,398)</u>	<u>(215,567)</u>	<u>(4,525,739)</u>
Cash flows from investing activities:					
Interest received	129,178	114,935	164,340	14,141	422,594
Net cash flows from investing activities	<u>129,178</u>	<u>114,935</u>	<u>164,340</u>	<u>14,141</u>	<u>422,594</u>
Net change in cash and cash equivalents	(768,169)	(639,174)	(994,382)	506,146	(1,895,579)
Cash and cash equivalents, including restricted cash, beginning of year	<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>
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 5,597,048</u>	<u>\$ 5,049,274</u>	<u>\$ 2,834,829</u>	<u>\$ 2,460,353</u>	<u>\$ 15,941,504</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ 115,272	\$ 199,114	\$ 173,826	\$ (13,864)	\$ 474,348
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	907,392	380,790	457,946	287,818	2,033,946
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(10,833)	(8,924)	(313,272)	(3,624)	(336,653)
(Increase) decrease in inventory	-	-	178,542	-	178,542
Increase (decrease) in accounts payable	(94,515)	(337,958)	60,511	2,372	(369,590)
Increase (decrease) in accrued payroll	1,564	1,743	2,765	899	6,971
Increase (decrease) in other accrued liabilities	-	33	(19,408)	(7,783)	(27,158)
Increase (decrease) in customer deposits	66,620	-	125,227	-	191,847
Increase (decrease) in deferred revenues	(2,586)	-	-	-	(2,586)
Increase (decrease) in compensated absences	6,357	249	14,539	1,614	22,759
Net cash flows from operating activities	<u>\$ 989,271</u>	<u>\$ 235,047</u>	<u>\$ 680,676</u>	<u>\$ 267,432</u>	<u>\$ 2,172,426</u>
Noncash investing, capital, and financing activities					
Capital contributions from sub dividers	\$ 476,443	\$ 404,385	\$ 27,000	\$ 104,991	\$ 1,012,819

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies

General

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

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

Reporting Entity

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

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

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

Deposits and Investments

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

Receivables and Payables

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies, Continued

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

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

Long-term Obligations

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

Estimates

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

Encumbrances

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

Restricted Assets

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

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

Taxes

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments

Deposits and investments of the City at June 30, 2009 consist of the following:

Deposits:		
Cash in bank and on hand	\$	438,879
Investments:		
State Treasurer's Investment Pool:		
Washington City		19,225,747
With paying agent		1,013,597
Dreyfus Mututal Fund:		
With paying agent		<u>830,362</u>
Total deposits and investments	\$	<u><u>21,508,585</u></u>

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

Cash and cash equivalents	\$	12,259,051
Restricted cash and cash equivalents		<u>9,249,534</u>
Total	\$	<u><u>21,508,585</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, 2009, \$659,154 of the City's bank balance of \$909,154 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

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, 2009 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	\$ 20,239,344	\$ 20,239,344	\$ -	\$ -	\$ -
Dreyfus Mutual Fund	830,362	830,362	-	-	-
Total Fair Value	\$ 21,069,706	\$ 21,069,706	\$ -	\$ -	\$ -

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

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, 2009 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$ 20,239,344	\$ -	\$ -	\$ -	\$ 20,239,344
Dreyfus Mutual Fund	830,362	-	-	-	830,362
Total Fair Value	\$ 21,069,706	\$ -	\$ -	\$ -	\$ 21,069,706

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities:	Balance 6/30/2008	Adjustments*	Additions	Deletions	Balance 6/30/2009
Capital assets, not being depreciated:					
Land	\$ 1,438,767	-	\$ -	\$ -	\$ 1,438,767
Construction in progress	15,795,036	2,252,092	541,666	(18,219,060)	369,734
Infrastructure	45,104,178	-	1,719,820	-	46,823,998
Total capital assets, not being depreciated:	<u>62,337,981</u>	<u>2,252,092</u>	<u>2,261,486</u>	<u>(18,219,060)</u>	<u>48,632,499</u>
Capital assets, being depreciated:					
Buildings and improvements	12,493,765	-	18,648,153	-	31,141,918
Machinery and equipment	1,401,236	-	35,287	-	1,436,523
Automobiles and trucks	2,212,292	-	268,243	(238,836)	2,241,699
Total capital assets, being depreciated:	<u>16,107,293</u>	<u>-</u>	<u>18,951,683</u>	<u>(238,836)</u>	<u>34,820,140</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,157,889)	-	(377,748)	-	(3,535,637)
Machinery and equipment	(515,683)	-	(149,704)	-	(665,387)
Automobiles and trucks	(1,053,650)	-	(181,942)	79,140	(1,156,452)
Total accumulated depreciation	<u>(4,727,222)</u>	<u>-</u>	<u>(709,394)</u>	<u>79,140</u>	<u>(5,357,476)</u>
Total capital assets, being depreciated, net	<u>11,380,071</u>	<u>-</u>	<u>18,242,289</u>	<u>(159,696)</u>	<u>29,462,664</u>
Governmental activities capital assets, net	<u>\$ 73,718,052</u>	<u>\$ 2,252,092</u>	<u>\$20,503,775</u>	<u>\$ (18,378,756)</u>	<u>\$ 78,095,163</u>

*The items in the adjustments column relate to capital assets that should have been added to construction in progress in prior years. See Note 16 for further details.

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

Governmental Activities:	
General government	\$ 82,706
Public safety	194,344
Streets and highways	76,985
Parks, cemetery and public property	285,247
Culture and recreation	46,671
Community and economic development	<u>23,441</u>
Total depreciation expense - governmental activities	<u>\$ 709,394</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 4. Capital Assets, Continued

Business-type Activities:	Balance 6/30/2008	Adjustments*	Additions	Deletions	Balance 6/30/2009
Capital assets not being depreciated:					
Land and water rights	\$ 1,705,438	-	\$ 1,358,632	\$ -	\$ 3,064,070
Construction in progress	15,325,265	(327,268)	4,817,205	(18,570,329)	1,244,873
Total capital assets, not being depreciated	<u>17,030,703</u>	<u>-</u>	<u>6,175,837</u>	<u>(18,570,329)</u>	<u>4,308,943</u>
Capital assets being depreciated:					
Buildings	1,646,240	-	1,772,213	-	3,418,453
Improvements and systems	67,247,732	-	18,110,734	-	85,358,466
Machinery and equipment	2,694,429	-	142,765	-	2,837,194
Automobiles and trucks	1,358,772	-	119,542	(150,368)	1,327,946
Total capital assets, being depreciated	<u>72,947,173</u>	<u>-</u>	<u>20,145,254</u>	<u>(150,368)</u>	<u>92,942,059</u>
Less accumulated depreciation for:					
Buildings	(258,865)	-	(44,451)	-	(303,316)
Improvements and systems	(12,591,091)	-	(1,759,554)	-	(14,350,645)
Machinery and equipment	(1,930,536)	-	(111,272)	-	(2,041,808)
Automobiles and trucks	(702,386)	-	(106,241)	12,529	(796,098)
Total accumulated depreciation	<u>(15,482,878)</u>	<u>-</u>	<u>(2,021,518)</u>	<u>12,529</u>	<u>(17,491,867)</u>
Total capital assets, being depreciated, net	<u>57,464,295</u>	<u>-</u>	<u>18,123,736</u>	<u>(137,839)</u>	<u>75,450,192</u>
Business-type activities capital assets, net	<u>\$ 74,494,998</u>	<u>\$ -</u>	<u>\$ 24,299,573</u>	<u>\$ (18,708,168)</u>	<u>\$ 79,759,135</u>

*The item in the adjustments column relates to the prior-period adjustment as explained in Note 16.

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

Business-type Activities:	
Water	\$ 907,392
Sewer	380,790
Electric	445,518
Irrigation	25,586
Storm drain	90,058
Golf	172,174
Total depreciation expense - business-type activities	<u>\$ 2,021,518</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 5. Long-term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

Governmental Activities:	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2009</u>	<u>Current Portion</u>
General obligation bonds (Coral Canyon)	\$ 9,800,000	\$ -	\$ 105,000	\$ 9,695,000	\$ 205,000
Lease revenue bonds (MBA)	8,431,000	-	512,000	7,919,000	423,000
Sales tax revenue bonds	4,345,000	-	229,000	4,116,000	236,000
Compensated absences	<u>252,559</u>	<u>264,226</u>	<u>248,942</u>	<u>267,843</u>	<u>256,253</u>
Total governmental activities	<u>22,828,559</u>	<u>264,226</u>	<u>1,094,942</u>	<u>21,997,843</u>	<u>1,120,253</u>
Business-type Activities:					
Revenue bonds	20,430,071	2,835,113	817,537	22,447,647	925,164
Plus bond premiums	<u>192,821</u>	<u>-</u>	<u>11,928</u>	<u>180,893</u>	<u>-</u>
Total revenue bonds	20,622,892	2,835,113	829,465	22,628,540	925,164
Capital leases payable	618,547	-	144,617	473,930	130,787
Compensated absences	<u>204,908</u>	<u>203,458</u>	<u>180,699</u>	<u>227,667</u>	<u>182,403</u>
Total business-type activities	<u>21,446,347</u>	<u>3,038,571</u>	<u>1,154,781</u>	<u>23,330,137</u>	<u>1,238,354</u>
Total long-term liabilities	<u>\$ 44,274,906</u>	<u>\$ 3,302,797</u>	<u>\$ 2,249,723</u>	<u>\$ 45,327,980</u>	<u>\$ 2,358,607</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 5. Long-term Liabilities, Continued

Long-term liabilities for the primary government at June 30, 2009 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. \$ 845,000

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%. 2,375,000

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%. 3,295,000

Total general obligation bonds, governmental activities 9,695,000

Revenue Bonds:

Governmental Activities:

Lease Revenue and Refunding Bonds Series 2008 issued by the Municipal Building Authority in the amount of \$8,321,000 payable in annual installments of \$305,000 to \$552,000 with final payment due December 15, 2027. The bond bears interest of 3.54% to 4.45%. Interest is paid semi-annually. Property located at Buena Vista Blvd and Main St is pledged toward these bonds. 7,919,000

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%. 621,000

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. 3,495,000

Total revenue bonds, governmental activities 12,035,000

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

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.	\$ 400,000
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	835,229
Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest.	478,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	314,449
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.	1,456,481
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.	743,000
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%.	2,248,294
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.	515,000
Water Revenue Bonds Series 2006 payable in monthly principal and interest installments of \$17,520 with the final payment due September 2046. The bond bears interest of 4.25%. Bond principal has been advanced as requested up to \$4,000,000.	3,921,594
Water Revenue Bonds Series 2008 payable in monthly principal and interest installments of \$17,240 with the final payment due February 2023. The bond bears interest of 4.125%. Bond principal has been advanced as requested up to \$4,000,000.	2,673,760
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%.	2,151,840
Electric Revenue Bonds - Series 2004 issued October 2, 2004 in the amount of \$7,845,000. Principal payable in annual installments of \$275,000 to \$585,000 with final payment due September 1, 2024. The bonds bear interest of 1.65% to 5%.	<u>6,710,000</u>
Total revenue bonds, business-type activities	<u>22,447,647</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 5. Long-term Liabilities, Continued

Leases Payable:

Business-type Activities:

Electric department bucket truck lease purchase issued September 6, 2006 in the amount of \$94,380. Principal payable in annual installments of \$16,226 to \$19,998 with final payment due December 1, 2011. The lease bears an interest rate of 4.97%.	\$ 60,013
Golf course equipment lease purchase issued November 1, 2007 in the amount of \$572,463. Principal payable in semi-annual installments of \$51,677 to \$63,159 with final payment due November 1, 2012. The lease bears an interest rate of 4.51%.	<u>413,917</u>
Total leases payable, business-type activities	<u>473,930</u>
Accrued Compensated Absences	<u>495,510</u>
Bond Premiums	<u>180,893</u>
Total long-term liabilities	<u>\$ 45,327,980</u>
Due within one year	\$ 2,358,607
Due in more than one year	<u>42,969,373</u>
Total long-term liabilities	<u>\$ 45,327,980</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 5. Long-term Liabilities, Continued

The annual requirements to amortize bonds payable at June 30, 2009 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
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	295,000	482,044	317,000	246,031	274,000	175,943
2015-2019	1,720,000	2,142,363	1,796,000	1,018,742	1,392,000	934,484
2020-2024	2,265,000	1,580,918	2,194,000	620,765	1,455,000	188,875
2025-2029	3,005,000	1,327,454	2,086,000	164,899	-	-
2030-2031	1,450,000	77,910	-	-	-	-
Totals	\$ 9,695,000	\$ 7,675,432	\$ 7,919,000	\$ 3,164,763	\$ 4,116,000	\$ 2,095,477

Business-type Activities

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 300,000	\$ 298,805	\$ 458,164	\$ 386,287	\$ 167,000	\$ 43,040	\$ 925,164
2011	310,000	289,345	469,181	379,211	180,000	39,700	959,181
2012	325,000	278,860	480,168	372,320	183,000	36,100	988,168
2013	335,000	267,305	492,980	364,280	187,000	32,440	1,014,980
2014	345,000	254,806	504,525	356,411	190,000	28,700	1,039,525
2015-2019	1,980,000	1,029,731	2,125,280	1,653,870	1,026,000	84,420	5,131,280
2020-2024	2,530,000	475,500	2,127,610	1,412,471	218,840	4,220	4,876,450
2025-2029	585,000	14,625	1,922,616	1,165,281	-	-	2,507,616
2030-2034	-	-	1,534,533	879,927	-	-	1,534,533
2035-2039	-	-	1,547,801	559,047	-	-	1,547,801
2040-2044	-	-	1,471,744	238,448	-	-	1,471,744
2045-2047	-	-	451,205	21,628	-	-	451,205
Totals	\$ 6,710,000	\$ 2,908,977	\$ 13,585,807	\$ 7,789,181	\$ 2,151,840	\$ 268,620	\$ 22,447,647

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 6. Capital Leases

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

Year Ending June 30,	Electric Bucket Truck	Golf Equip. and Improv.	Total
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:	66,075	452,085	518,160
Less amount representing interest:	(6,062)	(38,168)	(44,230)
Present value of net remaining minimum lease payments:	<u>\$ 60,013</u>	<u>\$ 413,917</u>	<u>\$ 473,930</u>

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

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	\$ 217,560	\$ 27,195	\$ 53,123
Autos and trucks	96,500	-	96,500
Construction in progress	287,612	-	-
	<u>\$ 314,060</u>	<u>\$ 27,195</u>	<u>\$ 149,623</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 7. Equity Classifications

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 7. Equity Classifications, Continued

At June 30, 2009 the City's reserved fund balances are as follows:

Governmental funds	
General fund:	
Debt service - sales tax revenue bonds	\$ 427,229
Capital projects fund - recreation:	
Impact fees	237,969
Underfunded	(237,969)
Total	<u>-</u>
Nonmajor governmental funds	
Debt service:	
Coral Canyon SSD fund - bonds	<u>373,765</u>
Capital projects:	
Streets fund:	
Impact fees	598,611
Other capital projects	<u>209,692</u>
Total streets	808,303
Fire Station fund - impact fees	<u>203,158</u>
Total	<u>1,011,461</u>
Total nonmajor governmental funds	<u>1,385,226</u>
Total governmental funds	<u>1,812,455</u>
Proprietary funds	
Water fund:	
Impact fees	1,473,197
Debt service - revenue bonds	<u>641,758</u>
Total	<u>2,114,955</u>
Sewer fund:	
Impact fees	1,806,040
Debt service - revenue bonds	<u>57,452</u>
Total	<u>1,863,492</u>
Electric fund:	
Impact fees	56,697
Debt service - revenue bonds	<u>300,602</u>
Total	<u>357,299</u>
Nonmajor proprietary funds	
Capital projects:	
Strom drain fund impact fees	<u>383,036</u>
Total proprietary funds	<u>4,718,782</u>
Total governmental and proprietary funds	<u><u>\$ 6,531,237</u></u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 8. Interfund Transfers and Balances

Interfund transfers for the fiscal year ended June 30, 2009 are as follows:

		Transfers In					
		General	CPF	SRF	Nonmajor	Nonmajor	
		Fund	Recreation	Leisure Services	Governmental	Business-type	Total
Transfers Out	General Fund	\$ -	\$ -	\$ 1,577,387	\$ 1,339,463	\$ -	\$ 2,916,850
	CPF Recreation	748,360	-	-	-	-	748,360
	Nonmajor governmental	354,284	-	-	-	-	354,284
	Water Fund	200,000	-	-	-	-	200,000
	Sewer Fund	150,000	-	-	-	-	150,000
	Electric Fund	55,000	-	-	-	-	55,000
	Nonmajor business-type	80,000	-	-	-	-	80,000
	Total	\$ 1,587,644	\$ -	\$ 1,577,387	\$ 1,339,463	\$ -	\$ 4,504,494

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

Interfund balances at June 30, 2009 are as follows:

		Due From			
		CPF	Nonmajor	Nonmajor	
		Recreation	Governmental	Business-type	Total
Due To	General Fund	\$ -	\$ 115,542	\$ 1,108,023	\$ 1,223,565
	Nonmajor Business-type	5,000,000	-	-	5,000,000
	Total	\$ 5,000,000	\$ 115,542	\$ 1,108,023	\$ 6,223,565

The amount payable to the nonmajor business-type funds is a loan between the internal debt service fund and the capital projects fund – recreation in connection with the community center. The loan will likely be forgiven in fiscal year 2010. The amounts payable to the general fund relate to working capital loans. Of the \$1,108,023 amount, \$1,063,999 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, 2009

NOTE 9. Retirement Plans

Defined Benefit Plans

Plan Description

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

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

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

Funding Policy

Plan members are required to contribute a percent of their covered salary (all of which is currently paid by the City for the employees) to the respective systems to which they belong, 12.29% to the Public Safety Contributory and 13.14% 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, 2009

NOTE 9. Retirement Plans, Continued

The required contributions and amounts received for the 2009 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2009	\$ -	\$ -	\$ 471,076	\$ 4,054,009
2008	-	-	428,353	3,686,352
2007	-	-	355,360	3,066,079
Public Safety System				
Other Division A Contributory				
2009	-	77,056	70,346	626,977
2008	-	71,766	65,518	583,935
2007	-	61,206	54,831	498,012
Firefighters System				
Division A				
2009	-	23,420	-	178,236
2008	-	20,418	-	160,013
2007	-	9,560	-	88,195
Defined Contribution System:				
401(k) Plan				
2009	113,187	264,553	N/A	N/A
2008	130,964	227,279	N/A	N/A
2007	117,342	196,112	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, 2009

NOTE 10. Risk Management

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

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

NOTE 11. Municipal Building Authority Lease Agreement

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

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

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 12. Commitments

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

The City of St. George for the purpose of transportation and treatment of wastewater entered into April 1, 1987 for 25 years (2012). The City collects these fees from wastewater users and remits the fees to the City of St. George. These collections and remittances are not reported as revenue and expenses in the sewer fund; rather, they are recorded in a liability account, other payables. During fiscal year 2009, the City collected \$2,627,277 and remitted \$2,627,244. The liability balance at June 30, 2009 was \$18,357.

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.

NOTE 13. Jointly Governed Organization

The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$6,547,973 during the fiscal year ended June 30, 2009.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2009

NOTE 14. Contingencies

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

NOTE 15. Leisure Services Trade Sales

In connection with its leisure services operations (community center), the City occasionally trades services with various outside parties. These transactions have not been recorded in the fund financial statements; however, they are included in the government-wide financial statements. The revenue from such trades for fiscal year 2009 was \$23,850.

NOTE 16. 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 adjustment of \$1,641,950 as shown on the statement of revenues, expenditures, and changes in fund balance—governmental funds relates to construction costs that should have been accrued and expensed in the fiscal year 2008 fund financial statements. These costs should have also been added to the construction-in-progress balance in the government-wide financial statements in fiscal year 2008. The prior-period adjustment of \$610,142 as shown on the statement of activities (governmental activities) relates to prior-year construction costs that were recognized in the fund financial statements but not added to the construction-in-progress balance in the government-wide financial statements in prior years. The \$1,641,950 and the \$610,142 combined are shown as an adjustment to the beginning construction-in-progress balance of the governmental activities section of the capital assets footnote.

The prior-period adjustment of \$327,268 as shown on the statement of revenues, expenses, and changes in fund net assets—proprietary funds (business-type activities) relates to previous years payments made in connection with a regional pipeline agreement. These payments were incorrectly added to construction in progress in previous years and should have been expensed. This adjustment is also shown as an adjustment to the beginning construction-in-progress balance of the business-type activities section of the capital assets footnote.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Budgetary Comparison Schedules

For the following funds:

Special Revenue Funds

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

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

WASHINGTON CITY, UTAH
Special Revenue Fund – Leisure Services
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,309,000	\$ 1,184,589	\$ 1,134,876	\$ (49,713)
Miscellaneous	17,500	61,301	61,602	301
Total revenues	<u>1,326,500</u>	<u>1,245,890</u>	<u>1,196,478</u>	<u>(49,412)</u>
Expenditures				
Current:				
Culture and recreation	1,913,466	2,427,421	2,465,688	(38,267)
Total expenditures	<u>1,913,466</u>	<u>2,427,421</u>	<u>2,465,688</u>	<u>(38,267)</u>
Excess of revenues over expenditures	<u>(586,966)</u>	<u>(1,181,531)</u>	<u>(1,269,210)</u>	<u>(87,679)</u>
Other financing sources (uses)				
Transfers in	-	-	1,577,387	1,577,387
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>1,577,387</u>	<u>1,577,387</u>
Net change in fund balance	(586,966)	(1,181,531)	308,177	1,489,708
Fund balance - beginning	<u>(308,177)</u>	<u>(308,177)</u>	<u>(308,177)</u>	<u>-</u>
Fund balance - ending	<u>\$ (895,143)</u>	<u>\$ (1,489,708)</u>	<u>\$ -</u>	<u>\$ 1,489,708</u>

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2009

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

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

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

The most recent condition assessment, completed for June 30, 2009, showed that the City had overall average condition ratings of 16.92 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	3.56
1-2	0.00
3-4	0.43
5-6	3.09
7-8	2.42
9-10	4.09
11-12	3.71
13-14	6.82
15-16	9.68
17-18	27.78
19-20	38.42
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 15.72 (May 2008) and 12.31 (June 2007).

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2009

The City’s administrative policy is to maintain its streets at an average remaining service life of 12.6 years. This rating allows for minor cracking and revealing of pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The following shows the amount the City planned (originally budgeted) to expend at the beginning of the fiscal year and the actual amount expended for street preservation.

For the Year Ended June 30,	Originally Budgeted	Actually Expensed
2009	\$ 700,000	\$ 521,230
2008	700,000	666,015

In fiscal year 2008 15.56% of roads had an RLS of 10 years or less. With the improvements made in fiscal year 2009, the percent of roads with an RLS of 10 years or less was reduced to just 13.59%, 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.

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

Debt Service Funds (Blended Component Unit)

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

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

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

WASHINGTON CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<u>Capital Projects</u>					<u>Debt Service</u>		Total Nonmajor Governmental Funds
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Mile Post 13</u>	<u>Streets</u>	<u>Municipal Building Authority</u>	<u>Coral Canyon Special Service District</u>	
Assets								
Cash and cash equivalents	\$ 89,169	\$ -	\$ 831,835	\$ -	\$ -	\$ 4	\$ -	\$ 921,008
Due from other governments	-	-	-	-	19,877	-	14,941	34,818
Cash - restricted	-	203,158	-	-	816,391	-	474,366	1,493,915
Total assets	<u>\$ 89,169</u>	<u>\$ 203,158</u>	<u>\$ 831,835</u>	<u>\$ -</u>	<u>\$ 836,268</u>	<u>\$ 4</u>	<u>\$ 489,307</u>	<u>\$ 2,449,741</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 27,965	\$ -	\$ -	\$ 27,965
Due to other funds	-	-	-	-	-	-	115,542	115,542
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,965</u>	<u>-</u>	<u>115,542</u>	<u>143,507</u>
Fund balances:								
Reserved for:								
Debt service	-	-	-	-	-	-	373,765	373,765
Capital outlay	-	203,158	-	-	808,303	-	-	1,011,461
Unreserved, undesignated	89,169	-	831,835	-	-	4	-	921,008
Total fund balances	<u>89,169</u>	<u>203,158</u>	<u>831,835</u>	<u>-</u>	<u>808,303</u>	<u>4</u>	<u>373,765</u>	<u>2,306,234</u>
Total liabilities and fund balances	<u>\$ 89,169</u>	<u>\$ 203,158</u>	<u>\$ 831,835</u>	<u>\$ -</u>	<u>\$ 836,268</u>	<u>\$ 4</u>	<u>\$ 489,307</u>	<u>\$ 2,449,741</u>

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Capital Projects</u>					<u>Debt Service</u>		Total Nonmajor Governmental Funds
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Mile Post 13</u>	<u>Streets</u>	<u>Municipal Building Authority</u>	<u>Coral Canyon Special Service District</u>	
Revenues								
Property taxes	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 651,873	\$ 651,873
Impact fees	-	35,200	-	-	507,162	-	-	542,362
Interest earnings	1,824	7,629	23,940	-	34,813	15,162	10,836	94,204
Miscellaneous	-	-	-	-	19,877	-	51,243	71,120
Total revenues	<u>1,824</u>	<u>42,829</u>	<u>23,940</u>	<u>-</u>	<u>561,852</u>	<u>15,162</u>	<u>713,952</u>	<u>1,359,559</u>
Expenditures								
Current:								
Streets and highways	-	-	-	-	521,230	-	-	521,230
Debt service:								
Principal	-	-	-	-	-	512,000	105,000	617,000
Interest and fiscal charges	-	-	-	-	-	323,763	544,395	868,158
Capital outlay	-	-	337,995	-	422,697	-	-	760,692
Total expenditures	<u>-</u>	<u>-</u>	<u>337,995</u>	<u>-</u>	<u>943,927</u>	<u>835,763</u>	<u>649,395</u>	<u>2,767,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,824</u>	<u>42,829</u>	<u>(314,055)</u>	<u>-</u>	<u>(382,075)</u>	<u>(820,601)</u>	<u>64,557</u>	<u>(1,407,521)</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	680,755	658,708	-	1,339,463
Transfers out	-	(94,513)	-	(983)	(258,788)	-	-	(354,284)
Total other financing sources and (uses)	<u>-</u>	<u>(94,513)</u>	<u>-</u>	<u>(983)</u>	<u>421,967</u>	<u>658,708</u>	<u>-</u>	<u>985,179</u>
Net change in fund balances	1,824	(51,684)	(314,055)	(983)	39,892	(161,893)	64,557	(422,342)
Fund balances - beginning	87,345	254,842	1,145,890	983	768,411	161,897	309,208	2,728,576
Fund balances - ending	<u>\$ 89,169</u>	<u>\$ 203,158</u>	<u>\$ 831,835</u>	<u>\$ -</u>	<u>\$ 808,303</u>	<u>\$ 4</u>	<u>\$ 373,765</u>	<u>\$ 2,306,234</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, 2009

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,568,968	\$ -	\$ 508,349	\$ 2,077,317
Accounts receivable, net	-	53,773	-	-	53,773
Due from other funds	-	-	-	5,000,000	5,000,000
Total current assets	<u>-</u>	<u>1,622,741</u>	<u>-</u>	<u>5,508,349</u>	<u>7,131,090</u>
Noncurrent assets:					
Cash - restricted	-	383,036	-	-	383,036
Capital assets					
Land	-	-	865,715	-	865,715
Buildings and structures	-	-	374,360	-	374,360
Improvements other than buildings	621,640	4,450,416	3,673,194	-	8,745,250
Machinery and equipment	-	-	1,149,320	-	1,149,320
Automobiles and trucks	-	-	20,688	-	20,688
Construction in progress	-	295,170	287,612	-	582,782
Less accumulated depreciation	(39,194)	(225,922)	(3,302,224)	-	(3,567,340)
Total capital assets, net	<u>582,446</u>	<u>4,519,664</u>	<u>3,068,665</u>	<u>-</u>	<u>8,170,775</u>
Total noncurrent assets	<u>582,446</u>	<u>4,902,700</u>	<u>3,068,665</u>	<u>-</u>	<u>8,553,811</u>
Total assets	<u>582,446</u>	<u>6,525,441</u>	<u>3,068,665</u>	<u>5,508,349</u>	<u>15,684,901</u>
Liabilities					
Current liabilities:					
Accounts payable	245	1,393	37,507	-	39,145
Accrued wages and taxes	1,224	1,106	12,555	-	14,885
Sales tax payable	-	-	4,167	-	4,167
Due to other funds	44,024	-	1,063,999	-	1,108,023
Accrued interest payable	-	-	3,111	-	3,111
Noncurrent liabilities - current portion	3,217	1,320	147,074	-	151,611
Total current liabilities	<u>48,710</u>	<u>3,819</u>	<u>1,268,413</u>	<u>-</u>	<u>1,320,942</u>
Noncurrent liabilities:					
Compensated absences payable	3,217	1,320	60,887	-	65,424
Capital leases payable	-	-	413,917	-	413,917
Less noncurrent liabilities - current portion	(3,217)	(1,320)	(147,074)	-	(151,611)
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>327,730</u>	<u>-</u>	<u>327,730</u>
Total liabilities	<u>48,710</u>	<u>3,819</u>	<u>1,596,143</u>	<u>-</u>	<u>1,648,672</u>
Net assets					
Invested in capital assets, net of related debt	582,446	4,519,664	2,654,748	-	7,756,858
Restricted for:					
Capital outlay	-	383,036	-	-	383,036
Unrestricted	(48,710)	1,618,922	(1,182,226)	5,508,349	5,896,335
Total net assets	<u>\$ 533,736</u>	<u>\$ 6,521,622</u>	<u>\$ 1,472,522</u>	<u>\$ 5,508,349</u>	<u>\$ 14,036,229</u>

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2009

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:					
Charges for services	\$ 16,205	\$ 519,402	\$ 1,022,848	\$ -	\$ 1,558,455
Miscellaneous	90	3,088	620	-	3,798
Total operating revenues	<u>16,295</u>	<u>522,490</u>	<u>1,023,468</u>	<u>-</u>	<u>1,562,253</u>
Operating expenses:					
Salaries and wages	27,368	40,373	528,200	-	595,941
Employee benefits	13,504	23,148	227,816	-	264,468
Utilities	-	4,336	68,587	-	72,923
Professional services	-	22,189	5,926	-	28,115
Repairs and maintenance	-	155	10,649	-	10,804
Rent	-	-	99,357	-	99,357
Miscellaneous	-	300	19,822	-	20,122
Supplies	1,682	5,498	187,625	-	194,805
Bad debt expense	-	1,764	-	-	1,764
Depreciation	25,586	90,058	172,174	-	287,818
Total operating expenses	<u>68,140</u>	<u>187,821</u>	<u>1,320,156</u>	<u>-</u>	<u>1,576,117</u>
Operating income (loss)	<u>(51,845)</u>	<u>334,669</u>	<u>(296,688)</u>	<u>-</u>	<u>(13,864)</u>
Nonoperating revenues (expenses):					
Interest earnings	-	7,699	1,400	5,042	14,141
Impact fees	-	110,136	-	-	110,136
Gain (loss) on sale of assets	-	-	1,993	-	1,993
Interest and fiscal charges	-	-	(21,503)	-	(21,503)
Total nonoperating revenues (expenses)	<u>-</u>	<u>117,835</u>	<u>(18,110)</u>	<u>5,042</u>	<u>104,767</u>
Income (loss) before transfers and contributions	<u>(51,845)</u>	<u>452,504</u>	<u>(314,798)</u>	<u>5,042</u>	<u>90,903</u>
Transfer out	(5,000)	-	(75,000)	-	(80,000)
Capital contributions	-	104,991	-	-	104,991
Change in net assets	<u>(56,845)</u>	<u>557,495</u>	<u>(389,798)</u>	<u>5,042</u>	<u>115,894</u>
Net assets - beginning	<u>590,581</u>	<u>5,964,127</u>	<u>1,862,320</u>	<u>5,503,307</u>	<u>13,920,335</u>
Net assets - ending	<u>\$ 533,736</u>	<u>\$ 6,521,622</u>	<u>\$ 1,472,522</u>	<u>\$ 5,508,349</u>	<u>\$ 14,036,229</u>

WASHINGTON CITY, UTAH
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2009

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
Cash flows from operating activities:					
Cash received from customers and users	\$ 16,295	\$ 518,866	\$ 1,015,685	\$ -	\$ 1,550,846
Cash paid to suppliers	(1,437)	(33,370)	(390,711)	-	(425,518)
Cash paid to employees	(38,533)	(63,373)	(755,990)	-	(857,896)
Net cash flows from operating activities	<u>(23,675)</u>	<u>422,123</u>	<u>(131,016)</u>	<u>-</u>	<u>267,432</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(5,000)	-	(75,000)	-	(80,000)
Cash received (paid) from (to) other funds	28,675	-	469,590	21,875	520,140
Net cash flows from noncapital financing activities	<u>23,675</u>	<u>-</u>	<u>394,590</u>	<u>21,875</u>	<u>440,140</u>
Cash flows from capital and related financing activities:					
Principal paid on capital debt	-	-	(106,871)	-	(106,871)
Interest paid on capital debt	-	-	(22,307)	-	(22,307)
Purchase and acquisition of capital assets	-	(60,729)	(135,796)	-	(196,525)
Impact fees	-	110,136	-	-	110,136
Net cash flows from capital and related financing activities	<u>-</u>	<u>49,407</u>	<u>(264,974)</u>	<u>-</u>	<u>(215,567)</u>
Cash flows from investing activities:					
Interest received	-	7,699	1,400	5,042	14,141
Net cash flows from investing activities	<u>-</u>	<u>7,699</u>	<u>1,400</u>	<u>5,042</u>	<u>14,141</u>
Net change in cash and cash equivalents	-	479,229	-	26,917	506,146
Cash and cash equivalents, including restricted cash, beginning of year	-	1,472,775	-	481,432	1,954,207
Cash and cash equivalents, including restricted cash, end of year	<u>\$ -</u>	<u>\$ 1,952,004</u>	<u>\$ -</u>	<u>\$ 508,349</u>	<u>\$ 2,460,353</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ (51,845)	\$ 334,669	\$ (296,688)	\$ -	\$ (13,864)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	25,586	90,058	172,174	-	287,818
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	-	(3,624)	-	-	(3,624)
Increase (decrease) in accounts payable	245	872	1,255	-	2,372
Increase (decrease) in accrued payroll	977	286	(364)	-	899
Increase (decrease) in other accrued liabilities	-	-	(7,783)	-	(7,783)
Increase (decrease) in compensated absences	1,362	(138)	390	-	1,614
Net cash flows from operating activities	<u>\$ (23,675)</u>	<u>\$ 422,123</u>	<u>\$ (131,016)</u>	<u>\$ -</u>	<u>\$ 267,432</u>
Noncash investing, capital, and financing activities					

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2009

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

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

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

Sewer:		
Monthly Charge		
North of Virgin River	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, 2009	4,679	
Applications in process	None	
Average monthly billing per customer	22.50	
South of Virgin River:		
Residential Equivalents connected to the system at June 30, 2009	1,743	
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, 2009

Insurance coverage in effect at June 30, 2009:

Provider	Type	Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2008	07/01/08	06/30/09	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2008	07/01/08	06/30/09	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2008	07/01/08	06/30/09	50,000
Utah Local Government Trust	Auto - uninsured	14680-GL2008	07/01/08	06/30/09	65,000
Utah Local Government Trust	General liability	14680-GL2008	07/01/08	06/30/09	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2008	07/01/08	06/30/09	40,669,553

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

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

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*

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

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, 2009, which collectively comprise Washington City's basic financial statements, and have issued our report thereon dated January 22, 2010. 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 | 08-06 | Fraud Risk Management Program |
| 08-02 | Electric Fund Inventory | 09-01 | Accounts Receivable—Utility Funds |
| 08-04 | Segregation of Duties | | |

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 deficiency described in the accompanying schedule of findings and recommendations to be a material weakness in internal control over financial reporting.

08-01 Material Misstatement Adjustments

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 January 22, 2010.

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

This report is intended solely for the information and use of management, 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
January 22, 2010



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

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

MEMBERS:

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KRIS J. BRAUNBERGER
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MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of Washington City, Utah, for the year ended June 30, 2009, and have issued our report thereon dated January 22, 2010. 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, 2009. The City received the following major State assistance programs from the State of Utah:

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

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

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

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, 2009.



HINTON, BURDICK, HALL & SPILKER, PLLC
January 22, 2010



WASHINGTON CITY
Findings and Recommendations
For the Year Ended June 30, 2009

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

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, 2009, 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 that the City made a number of improvements in its internal controls over financial reporting, and we commend City personnel for their efforts. However, we noted several 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 such as capital asset accounting), we believe a material weakness is warranted.

Recommendation

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

Significant Deficiencies:

09-01 Accounts Receivable—Utility Funds

As part of our audit we noted differences between some (primarily the power fund) of the subsidiary schedules (Account Receivable by Service report) and the applicable general ledger control accounts. Monthly reconciliations of the subsidiary schedules to the general ledger control accounts provide control over financial reporting and safeguarding the City's assets.

Recommendation

We recommend that the City address the existing discrepancies (particularly the power fund difference) and establish policies and procedures that will provide timely reconciliations on a monthly basis.

08-02 Electric Fund Inventory (Material Weakness in FY08)

We commend the City's efforts to improve its controls relating to the electric fund inventory and for conducting a year-end inventory count. The City is having to make substantial changes from the way it has tracked and reported inventory (and related balances) in previous years and has made improvements; however, we noted that the City could strengthen controls over tracking work orders and how the physical inventory count is reconciled to the general ledger accounts for inventory, capital assets and construction in progress.

Recommendation

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

08-04 Segregation of Duties

We noted a lack of segregation of duties within the accounting functions and internal controls over cash receipting. 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 and thus, this is not deemed to be a material weakness; however,

proper segregation of duties provide important safeguards and controls to ensure the proper recording, deposit and disposition of the City's funds.

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

Recommendation

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

08-06 Fraud Risk Management Program

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

Recommendation

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

COMPLIANCE AND OTHER MATTERS:

Compliance:

09-02 Timeliness of Deposits

The State of Utah Legal Compliance audit guide states that payments received by the city will be deposited expeditiously, and not to exceed three business days from the receipt to deposit. During our audit we noted that the City is not always in compliance with this time limit and has had a number of deposits exceed the three business days before deposit occurs. We noted several instances when the deposits were made substantially beyond the three business day requirement. Significant delays in deposits increase the likelihood of misappropriation of city funds.

Recommendation

If not done so already, we recommend that the City take immediate action to ensure timely deposit of receipts. Furthermore, the City should closely monitor this situation to ensure that deposits are consistently deposited timely.

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 fiscal year in the special revenue – leisure services (community center) fund. Also, the streets and highways department in the general fund was over the budgeted amount by a relatively small amount. Finally, as the City is already aware, the general fund transfers out were over the budgeted amount in an effort to eliminate the fund deficit in the special revenue – leisure services (community center) fund.

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, 2009, we noted that the following fund had fund had a deficit:

- Capital projects fund – recreation

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

Recommendation

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

08-09 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, as of June 30, 2009, in the general fund exceeded the limit.

Recommendation

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

08-11 Audit Report

Due to several circumstances, including capital assets reporting, the City failed to submit its audit report to the State Auditor before the deadline. However, we noted a significant improvement from the previous year.

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
January 22, 2010

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February 23, 2010

Hinton, Burdick, Hall & Spilker, PLLC
63 South 300East, Suite 100
St. George, Utah 84770

To Whom It May Concern:

We have received and carefully reviewed the "Findings and Recommendations For the Year Ending June 30, 2009" and provide the following response.

Material Misstatement Adjustments

It appears the the concerns noted by the audit involve the way in which the city has traditionally recorded the expenditure of bond proceeds, as they deal with "construction in progress." Although the procedure that the city has currently been using, is the process which the city has used for some time, we will work with our current auditors to determine a more appropriate way to record these transactions.

Accounts Receivable-Utility Funds

The City will take steps to ensure that the subsidiary schedules are reconciled prior to closing out the General Ledger account each month.

Electric Fund Inventory

This process should be improved upon with the introduction of the new financial software. However we will need to continue to work with auditors in determining proper counting and processing of inventory.

Segregation of Duties

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

111 North 100 East • Washington City • Utah • 84780 Ph: (435) 656-6300 Fax: (435) 656-6370 washingtontcity.org

Mayor: Kenneth F. Neilson **City Manager:** Roger Carter
Council Members: Roger Bundy • Michael Heaton • Bill Hudson • Thad D. Seegmiller • Jeff Turek

Fraud Risk Management

We will work with our auditors in preparing a proper fraud risk management program, as is now required by law.

Timeliness of Deposits

We had identified this concern with our previous Treasurer early in the fiscal year. We will continue to train and emphasize our policy regarding daily deposits.

Budgetary Compliance

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

Fund Deficits

This note involves our Capital projects fund-recreation, and the way in which we handled the intefund loan. We will work with the auditors to determine how they more appropriately would like to note this loan.

Fund Balance Limitations

Current state law allows an approximate 13% (18% max, 5% minimum) fund balance range to be carried over from year to year. Although this makes it extremely difficult for communities to respond to even the slightest changes in the market place, without reducing services or raising taxes. We find ourselves in the City having a slightly higher than allowed fund balance. This is a more fortunate situation than responding to lower than allowed fund balance. Washington City anticipates that it will exceed this limitation for the next few years as we maintain cash flows. This will be brought into compliance in future years.

Audit Report

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

Please let me know if you have any additional questions.

Sincerely,



Roger Carter
City Manager