



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

With Report of

Certified Public Accountants

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2011, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of June 30, 2011, 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 December 13, 2011, on our consideration of Washington City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



HINTON, BURDICK, HALL & SPILKER, PLLC
December 13, 2011

Washington City, Utah
Management's Discussion and Analysis
For the Year Ended June 30, 2011

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, 2011. 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, 2011 by \$146,349,739 (net assets). Of this amount, \$14,287,159 (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 \$2,133,374.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$6,620,523, an increase of \$4,313,839 from the prior year. Approximately 35% (or \$2,317,745) of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,317,745 or approximately 28% of total general fund expenditures.
- Washington City's total long-term debt decreased by \$2,101,451 or 4.78% during the current fiscal year.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$1,083,188 before interfund transfers.

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. Assets exceed liabilities by \$146,349,739 at the close of the fiscal year. By far the largest portion of Washington City's net assets, (91.23% for governmental activities and 80.92% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure buildings, equipment) less any related debt used to acquire those assets that is still outstanding. Washington City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Washington City's Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 |
| Current and other assets | \$ 8,029,399 | \$ 3,148,459 | \$ 18,357,574 | \$ 25,110,275 | \$ 26,386,973 | \$ 28,258,734 |
| Capital assets | 83,041,746 | 81,633,638 | 84,473,975 | 82,977,653 | 167,515,721 | 164,611,291 |
| Total assets | <u>91,071,145</u> | <u>84,782,097</u> | <u>102,831,549</u> | <u>108,087,928</u> | <u>193,902,694</u> | <u>192,870,025</u> |
| Long-term liabilities outstanding | 20,629,467 | 21,627,595 | 21,978,136 | 23,028,504 | 42,607,603 | 44,656,099 |
| Other liabilities | 1,681,173 | 1,133,652 | 3,264,179 | 2,863,909 | 4,945,352 | 3,997,561 |
| Total liabilities | <u>22,310,640</u> | <u>22,761,247</u> | <u>25,242,315</u> | <u>25,892,413</u> | <u>47,552,955</u> | <u>48,653,660</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 62,730,373 | 60,286,916 | 62,783,851 | 60,209,499 | 125,514,224 | 120,496,415 |
| Restricted | 2,502,452 | 1,865,227 | 4,045,904 | 4,683,771 | 6,548,356 | 6,548,998 |
| Unrestricted | 3,527,680 | (131,293) | 10,759,479 | 17,302,245 | 14,287,159 | 17,170,952 |
| Total net assets | <u>\$ 68,760,505</u> | <u>\$ 62,020,850</u> | <u>\$ 77,589,234</u> | <u>\$ 82,195,515</u> | <u>\$ 146,349,739</u> | <u>\$ 144,216,365</u> |

Percentage of Net Assets

| Net asset type | Governmental Activities | Business-type Activities | Total |
|---|-------------------------|--------------------------|----------------|
| Invested in capital assets, net of related debt | 91.23% | 80.92% | 85.76% |
| Restricted net assets | 3.64% | 5.21% | 4.48% |
| Unrestricted net assets | 5.13% | 13.87% | 9.76% |
| Total net assets | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

An additional portion of Washington City's net assets (3.64% and 5.21% respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$14,287,159 (5.13% and 13.87% 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.

Governmental activities. Governmental activities increased Washington City's net assets by \$6,739,655 (see below table for details).

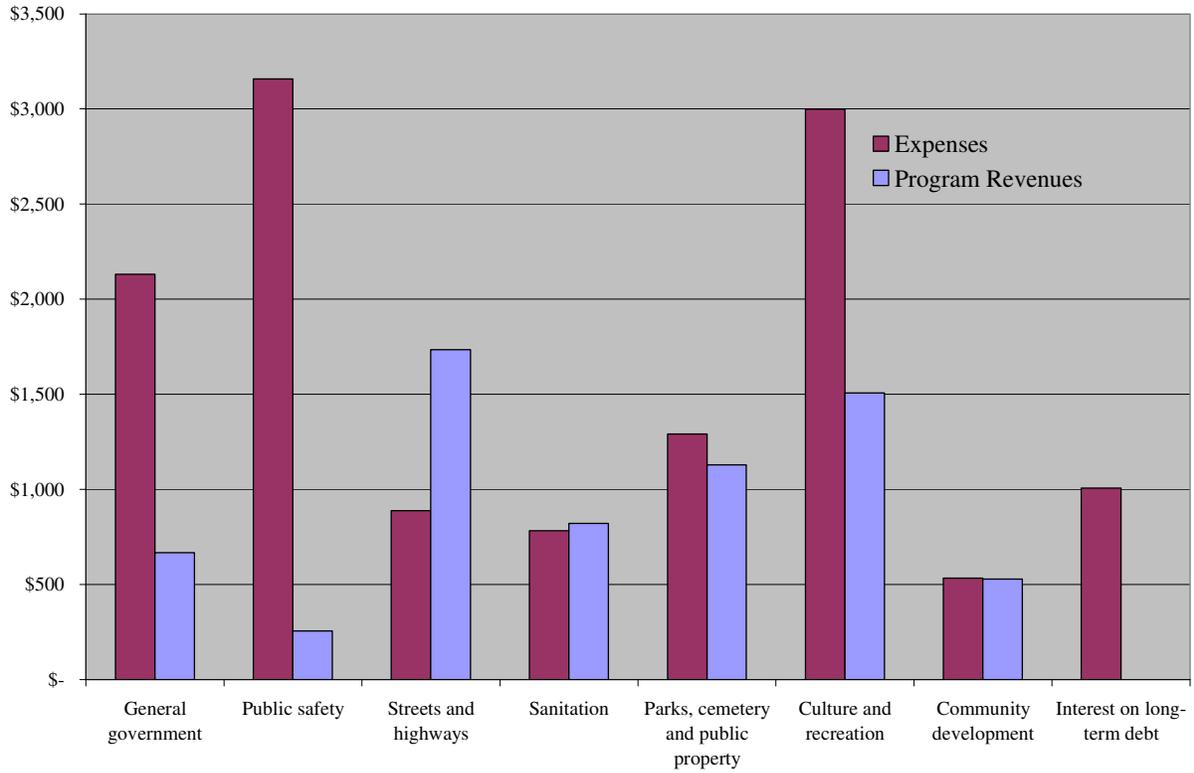
Business-type activities. Business-type activities decreased Washington City's net assets by \$4,606,281 (see below table for details).

Washington City's Changes in Net Assets

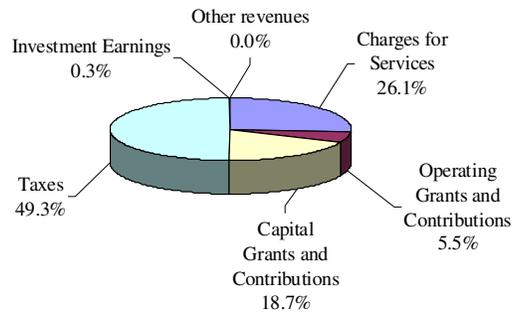
| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,448,070 | \$ 3,151,375 | \$ 16,084,376 | \$ 15,525,002 | \$ 19,532,446 | \$ 18,676,377 |
| Operating grants and contributions | 726,471 | 727,994 | - | - | 726,471 | 727,994 |
| Capital grants and contributions | 2,472,229 | 5,433,857 | 1,984,424 | 5,427,085 | 4,456,653 | 10,860,942 |
| General revenues: | | | | | | |
| Taxes | 7,102,679 | 7,057,130 | - | - | 7,102,679 | 7,057,130 |
| Unrestricted interest earnings | 42,630 | 45,849 | 78,947 | 211,447 | 121,577 | 257,296 |
| Gain on sale of capital assets | - | - | - | - | - | - |
| Other | 178,634 | 239,882 | - | - | 178,634 | 239,882 |
| Total revenues | <u>13,970,713</u> | <u>16,656,087</u> | <u>18,147,747</u> | <u>21,163,534</u> | <u>32,118,460</u> | <u>37,819,621</u> |
| Expenses: | | | | | | |
| General government | 2,131,146 | 2,185,520 | - | - | 2,131,146 | 2,185,520 |
| Public safety | 3,158,168 | 3,020,932 | - | - | 3,158,168 | 3,020,932 |
| Streets and highways | 888,018 | 1,159,405 | - | - | 888,018 | 1,159,405 |
| Sanitation | 783,121 | 749,135 | - | - | 783,121 | 749,135 |
| Parks, cemetery and public property | 1,290,456 | 1,300,506 | - | - | 1,290,456 | 1,300,506 |
| Culture and recreation | 2,999,431 | 2,888,343 | - | - | 2,999,431 | 2,888,343 |
| Community development | 533,509 | 603,458 | - | - | 533,509 | 603,458 |
| Interest on long-term debt | 1,007,209 | 1,040,006 | - | - | 1,007,209 | 1,040,006 |
| Water | - | - | 4,307,485 | 3,900,396 | 4,307,485 | 3,900,396 |
| Sewer | - | - | 1,229,437 | 1,152,729 | 1,229,437 | 1,152,729 |
| Electric | - | - | 9,934,486 | 9,225,465 | 9,934,486 | 9,225,465 |
| Irrigation | - | - | 60,103 | 59,228 | 60,103 | 59,228 |
| Storm drain | - | - | 309,750 | 137,965 | 309,750 | 137,965 |
| Golf course | - | - | 1,352,767 | 1,353,687 | 1,352,767 | 1,353,687 |
| Total expenses | <u>12,791,058</u> | <u>12,947,305</u> | <u>17,194,028</u> | <u>15,829,470</u> | <u>29,985,086</u> | <u>28,776,775</u> |
| Increase in net assets before transfers | 1,179,655 | 3,708,782 | 953,719 | 5,334,064 | 2,133,374 | 9,042,846 |
| Transfers | <u>5,560,000</u> | <u>560,000</u> | <u>(5,560,000)</u> | <u>(560,000)</u> | <u>-</u> | <u>-</u> |
| Increase in net assets | 6,739,655 | 4,268,782 | (4,606,281) | 4,774,064 | 2,133,374 | 9,042,846 |
| Net assets, beginning | <u>62,020,850</u> | <u>57,752,068</u> | <u>82,195,515</u> | <u>77,421,451</u> | <u>144,216,365</u> | <u>135,173,519</u> |
| Net assets, ending | <u>\$ 68,760,505</u> | <u>\$ 62,020,850</u> | <u>\$ 77,589,234</u> | <u>\$ 82,195,515</u> | <u>\$ 146,349,739</u> | <u>\$ 144,216,365</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)

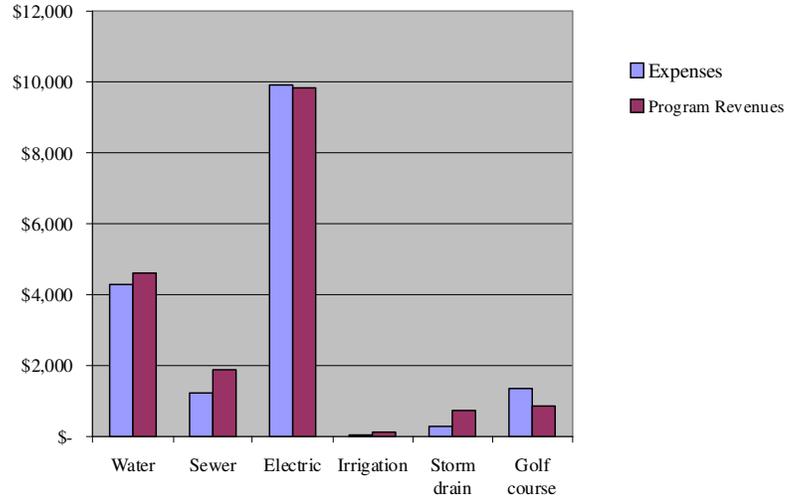


Revenue By Source - Governmental Activities



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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$6,620,523, an increase of \$4,313,839 from the prior year; \$2,317,745 or approximately 35% of the fund balance constitutes *unassigned* fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is *nonspendable* (\$40,586), *restricted* (\$2,774,749) or *assigned* (\$1,487,443).

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$2,317,745 or approximately 83% of the total fund balance of \$2,780,862. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 28% of total general fund expenditures, while total fund balance represents approximately 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 balance of \$3,839,661. These combined fund balances experienced a net increase of \$3,970,836.

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 \$10,759,479 at the end of the fiscal year. Aside from the electric, golf course and internal debt service 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 a \$118,730 net increase in appropriations. The main components of the increase relates to increases in sanitation and debit service.

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, 2011, amounts to \$167,515,721 (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 | \$ 1,777,092 | \$ 3,163,278 | \$ 4,940,370 |
| Infrastructure | 51,786,878 | - | 51,786,878 |
| Construction in progress | 1,817,521 | 3,085,670 | 4,903,191 |
| Buildings and improvements | 26,217,006 | 2,955,133 | 29,172,139 |
| Improvements and systems | - | 74,010,313 | 74,010,313 |
| Machinery and equipment | 630,882 | 778,498 | 1,409,380 |
| Automobiles and trucks | 812,367 | 481,083 | 1,293,450 |
| Total | \$ 83,041,746 | \$ 84,473,975 | \$ 167,515,721 |

This fiscal year's major capital asset additions, including construction in progress, included:

- CNG Fueling Station
- Construction of Virgin River bridge/300 East project
- Construction of Virgin River Park (soccer complex)
- Construction of various utility system improvements
- Contributions of various roads and systems within subdivision developments

The City uses the modified approach to account for infrastructure assets in the governmental funds; consequently, the City does not depreciate infrastructure assets. Instead, the City expenses certain maintenance costs to maintain the condition of these assets at a certain level. As shown in the accompanying required supplementary information, based on the City's recent condition assessment, improvements were made during the current fiscal year and the City's average rating of 16.24 exceeds the City's minimum of 12.60.

Long-term debt. At fiscal year-end, the City had \$41,844,460 in outstanding debt—a decrease of 4.78% over the last fiscal year—as shown in the below table. More detailed information about the City's long-term debt is presented in the notes to the financial statements.

Washington City's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
|---------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| General obligation bonds | \$ 9,280,000 | \$ 9,490,000 | \$ - | \$ - | \$ 9,280,000 | \$ 9,490,000 | -2.21% |
| Lease revenue bonds | 7,053,000 | 7,496,000 | - | - | 7,053,000 | 7,496,000 | -5.91% |
| Sales tax revenue bonds | 3,635,000 | 3,880,000 | - | - | 3,635,000 | 3,880,000 | -6.31% |
| Revenue bonds | - | - | 21,326,775 | 22,256,046 | 21,326,775 | 22,256,046 | -4.18% |
| Capital leases obligation | - | - | 206,312 | 343,143 | 206,312 | 343,143 | -39.88% |
| Notes payable | 343,373 | 480,722 | - | - | 343,373 | 480,722 | -28.57% |
| Total | \$ 20,311,373 | \$ 21,346,722 | \$ 21,533,087 | \$ 22,599,189 | \$ 41,844,460 | \$ 43,945,911 | -4.78% |

Next Year's budget and Economic Factors

Washington City is in good financial condition and the fiscal year 2012 general fund has a balanced budget. Over the last year Washington City issued 333 building permits, which was down 3.75% from the 2010 fiscal year. In spite of the slow recovery, Washington City still showed a 3.5% growth rate. The good news this year was that for the first time in several years Washington City saw a positive increase in sales tax collection. Sales tax collections were up approximately 4% from fiscal year 2010.

There are no major policy changes anticipated for the 2012 fiscal year. We do believe that the economy is in a recover mode for our area, as is indicated by the previously mentioned tax numbers. What we anticipate in regards to this recover mode and its impact upon the city are reflected in the fiscal year 2012 budget. We will continue to monitor the ever-changing state of the economy and make adjustments as needed.

The fiscal year 2012 budget was funded without a tax rate increase. After careful consideration of all revenue sources and conservative forecasts for future revenues, the budget was presented to the City Council as being funded within the scope of anticipated revenues and allowable fund balance use. The budget as adopted will continue the significant work that has come to be expected by our citizens as we strive to meet their needs and fulfill our personal commitments to provide high quality services to all those who live or visit our community.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the 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, 2011

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 1,828,572 | \$ 11,803,141 | \$ 13,631,713 |
| Receivables, net | 1,120,943 | 2,929,836 | 4,050,779 |
| Internal balances | 1,721,198 | (1,721,198) | - |
| Inventories | 40,586 | 512,570 | 553,156 |
| Bond issuance costs, net | - | 149,130 | 149,130 |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents | 3,318,100 | 4,684,095 | 8,002,195 |
| Capital assets not being depreciated: | | | |
| Land | 1,777,092 | 3,163,278 | 4,940,370 |
| Infrastructure | 51,786,878 | - | 51,786,878 |
| Construction in progress | 1,817,521 | 3,085,670 | 4,903,191 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings and improvements | 26,217,006 | 2,955,133 | 29,172,139 |
| Improvements and systems | - | 74,010,313 | 74,010,313 |
| Machinery and equipment | 630,882 | 778,498 | 1,409,380 |
| Automobiles and trucks | 812,367 | 481,083 | 1,293,450 |
| Total assets | <u>91,071,145</u> | <u>102,831,549</u> | <u>193,902,694</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 1,408,876 | 3,091,538 | 4,500,414 |
| Unearned revenue | - | 36,873 | 36,873 |
| Accrued interest payable | 272,297 | 135,768 | 408,065 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,171,675 | 1,309,740 | 2,481,415 |
| Due in more than one year | 19,457,792 | 20,668,396 | 40,126,188 |
| Total liabilities | <u>22,310,640</u> | <u>25,242,315</u> | <u>47,552,955</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 62,730,373 | 62,783,851 | 125,514,224 |
| Restricted for: | | | |
| Debt service | 362,567 | 848,870 | 1,211,437 |
| Capital outlay | 2,139,885 | 3,197,034 | 5,336,919 |
| Unrestricted | 3,527,680 | 10,759,479 | 14,287,159 |
| Total net assets | <u>\$ 68,760,505</u> | <u>\$ 77,589,234</u> | <u>\$ 146,349,739</u> |

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

WASHINGTON CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2011

| 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 | \$ 2,131,146 | \$ 503,963 | \$ - | \$ 164,545 | \$ (1,462,638) | \$ - | \$ (1,462,638) |
| Public safety | 3,158,168 | 33,655 | 28,429 | 194,130 | (2,901,954) | - | (2,901,954) |
| Streets and highways | 888,018 | - | 698,042 | 1,036,665 | 846,689 | - | 846,689 |
| Sanitation | 783,121 | 822,024 | - | - | 38,903 | - | 38,903 |
| Parks, cemetery and public property | 1,290,456 | 52,031 | - | 1,076,889 | (161,536) | - | (161,536) |
| Culture and recreation | 2,999,431 | 1,507,421 | - | - | (1,492,010) | - | (1,492,010) |
| Community development | 533,509 | 528,976 | - | - | (4,533) | - | (4,533) |
| Interest on long-term debt | 1,007,209 | - | - | - | (1,007,209) | - | (1,007,209) |
| Total governmental activities | <u>12,791,058</u> | <u>3,448,070</u> | <u>726,471</u> | <u>2,472,229</u> | <u>(6,144,288)</u> | <u>-</u> | <u>(6,144,288)</u> |
| Business-type activities: | | | | | | | |
| Water | 4,307,485 | 3,815,603 | - | 799,907 | - | 308,025 | 308,025 |
| Sewer | 1,229,437 | 1,388,395 | - | 487,037 | - | 645,995 | 645,995 |
| Electric | 9,934,486 | 9,486,113 | - | 361,809 | - | (86,564) | (86,564) |
| Irrigation | 60,103 | 17,291 | - | 96,259 | - | 53,447 | 53,447 |
| Storm drain | 309,750 | 521,725 | - | 238,792 | - | 450,767 | 450,767 |
| Golf course | 1,352,767 | 855,249 | - | 620 | - | (496,898) | (496,898) |
| Total business-type activities | <u>17,194,028</u> | <u>16,084,376</u> | <u>-</u> | <u>1,984,424</u> | <u>-</u> | <u>874,772</u> | <u>874,772</u> |
| Total primary government | <u>\$ 29,985,086</u> | <u>\$ 19,532,446</u> | <u>\$ 726,471</u> | <u>\$ 4,456,653</u> | <u>(6,144,288)</u> | <u>874,772</u> | <u>(5,269,516)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 2,747,474 | - | 2,747,474 |
| Sales taxes | | | | | 3,348,185 | - | 3,348,185 |
| Franchise taxes | | | | | 405,933 | - | 405,933 |
| Energy taxes | | | | | 601,087 | - | 601,087 |
| Unrestricted interest earnings | | | | | 42,630 | 78,947 | 121,577 |
| Other revenues not restricted to specific programs | | | | | 178,634 | - | 178,634 |
| Transfers | | | | | 5,560,000 | (5,560,000) | - |
| Total general revenues and transfers | | | | | <u>12,883,943</u> | <u>(5,481,053)</u> | <u>7,402,890</u> |
| Change in net assets | | | | | 6,739,655 | (4,606,281) | 2,133,374 |
| Net assets - beginning | | | | | 62,020,850 | 82,195,515 | 144,216,365 |
| Net assets - ending | | | | | <u>\$ 68,760,505</u> | <u>\$ 77,589,234</u> | <u>\$ 146,349,739</u> |

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

WASHINGTON CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2011

| | <u>General Fund</u> | <u>Special Revenue Leisure Services</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 117,476 | \$ 1,711,096 | \$ 1,828,572 |
| Receivables | 183,921 | - | - | 183,921 |
| Due from other funds | 1,721,198 | - | - | 1,721,198 |
| Due from other governments | 851,135 | - | 85,887 | 937,022 |
| Inventory | 40,586 | - | - | 40,586 |
| Cash - restricted | 808,257 | - | 2,509,843 | 3,318,100 |
| Total assets | <u>\$ 3,605,097</u> | <u>\$ 117,476</u> | <u>\$ 4,306,826</u> | <u>\$ 8,029,399</u> |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 334,673 | \$ 86,743 | \$ 467,165 | \$ 888,581 |
| Accrued wages and taxes | 90,538 | 30,733 | - | 121,271 |
| Other payables | 17,469 | - | - | 17,469 |
| Construction bonds payable | 381,555 | - | - | 381,555 |
| Total liabilities | <u>824,235</u> | <u>117,476</u> | <u>467,165</u> | <u>1,408,876</u> |
| Fund balances: | | | | |
| Nonspendable | 40,586 | - | - | 40,586 |
| Restricted for: | | | | |
| Debt service | 422,531 | - | 212,333 | 634,864 |
| Capital outlay - impact fees | - | - | 1,663,195 | 1,663,195 |
| Capital outlay - other | - | - | 476,690 | 476,690 |
| Assigned to: | | | | |
| Capital outlay | - | - | 1,487,443 | 1,487,443 |
| Unassigned | 2,317,745 | - | - | 2,317,745 |
| Total fund balances | <u>2,780,862</u> | <u>-</u> | <u>3,839,661</u> | <u>6,620,523</u> |
| Total liabilities and fund balances | <u>\$ 3,605,097</u> | <u>\$ 117,476</u> | <u>\$ 4,306,826</u> | <u>\$ 8,029,399</u> |

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

WASHINGTON CITY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2011

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

| | | |
|--|-----------------------------|-----------------------------|
| Total fund balances - total governmental funds | | \$ 6,620,523 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| | Governmental capital assets | \$ 90,507,787 |
| | Accumulated depreciation | <u>(7,466,041)</u> |
| | | 83,041,746 |
| Some liabilities, including bonds payable, capital leases, and interest payable are not due and payable in the current period and therefore are not reported in the funds. | | |
| | Bonds payable | (19,968,000) |
| | Notes payable | (343,373) |
| | Compensated absences | (318,094) |
| | Accrued interest payable | <u>(272,297)</u> |
| | | (20,901,764) |
| Net assets of governmental activities | | <u><u>\$ 68,760,505</u></u> |

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

WASHINGTON CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

| | General | Special Revenue Leisure Services | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---|---|---|
| Revenues | | | | |
| Current year property taxes | \$ 1,990,321 | \$ - | \$ 600,346 | \$ 2,590,667 |
| Prior year property taxes | 156,804 | - | - | 156,804 |
| General sales and use taxes | 3,348,185 | - | - | 3,348,185 |
| Energy taxes | 601,087 | - | - | 601,087 |
| Franchise taxes | 405,933 | - | - | 405,933 |
| Licenses and permits | 516,590 | - | - | 516,590 |
| Intergovernmental revenues | 864,542 | - | 268,551 | 1,133,093 |
| Charges for services | 1,064,014 | 1,345,772 | - | 2,409,786 |
| Impact fees | - | - | 1,890,561 | 1,890,561 |
| Fines and forfeitures | 360,046 | - | - | 360,046 |
| Interest earnings | 22,673 | - | 27,128 | 49,801 |
| Miscellaneous | 178,635 | 35,692 | 18,318 | 232,645 |
| Total revenues | <u>9,508,830</u> | <u>1,381,464</u> | <u>2,804,904</u> | <u>13,695,198</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,948,672 | - | - | 1,948,672 |
| Public safety | 2,984,058 | - | - | 2,984,058 |
| Streets and highways | 555,063 | - | 613,250 | 1,168,313 |
| Sanitation | 783,121 | - | - | 783,121 |
| Parks, cemetery and public property | 1,038,846 | - | - | 1,038,846 |
| Culture and recreation | - | 2,433,618 | - | 2,433,618 |
| Community and economic development | 520,009 | - | - | 520,009 |
| Debt service: | | | | |
| Principal | 382,349 | - | 653,000 | 1,035,349 |
| Interest | 213,524 | - | 813,265 | 1,026,789 |
| Capital outlay | - | 3,448 | 1,999,136 | 2,002,584 |
| Total expenditures | <u>8,425,642</u> | <u>2,437,066</u> | <u>4,078,651</u> | <u>14,941,359</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,083,188</u> | <u>(1,055,602)</u> | <u>(1,273,747)</u> | <u>(1,246,161)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 1,718,754 | 1,055,602 | 6,403,337 | 9,177,693 |
| Transfers out | (2,458,939) | - | (1,158,754) | (3,617,693) |
| Total other financing sources and (uses) | <u>(740,185)</u> | <u>1,055,602</u> | <u>5,244,583</u> | <u>5,560,000</u> |
| Net change in fund balances | 343,003 | - | 3,970,836 | 4,313,839 |
| Fund balances (deficits) - beginning | <u>2,437,859</u> | <u>-</u> | <u>(131,175)</u> | <u>2,306,684</u> |
| Fund balances - ending | <u>\$ 2,780,862</u> | <u>\$ -</u> | <u>\$ 3,839,661</u> | <u>\$ 6,620,523</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, 2011

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

Net change in fund balances-total governmental funds \$ 4,313,839

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:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 2,339,967 | |
| Depreciation expense | <u>(1,072,945)</u> | 1,267,022 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) is to decrease net assets (8,472)

Sub divider and other capital contributions do not provide current financial resources in the governmental funds, however these contributions are recorded as revenue in the government-wide statement of activities. 149,558

Repayment of principal on long-term debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets. 1,035,349

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:

| | | |
|----------------------------------|-----------------|----------|
| Accrued interest, net change | 19,580 | |
| Compensated absences, net change | <u>(37,221)</u> | (17,641) |

Change in net assets of governmental activities \$ 6,739,655

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, 2011

| | <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 | \$ 1,990,000 | \$ 1,984,500 | \$ 1,990,321 | \$ 5,821 |
| Prior-years property taxes | 65,000 | 130,500 | 156,804 | 26,304 |
| General sales and use taxes | 3,312,500 | 3,280,750 | 3,348,185 | 67,435 |
| Energy taxes | 605,000 | 589,000 | 601,087 | 12,087 |
| Franchise taxes | 357,000 | 419,000 | 405,933 | (13,067) |
| Licenses and permits | 354,577 | 480,472 | 516,590 | 36,118 |
| Intergovernmental revenues | 727,120 | 799,548 | 864,542 | 64,994 |
| Charges for services | 948,183 | 1,060,384 | 1,064,014 | 3,630 |
| Fines and forfeitures | 300,000 | 338,922 | 360,046 | 21,124 |
| Interest earnings | 5,500 | 20,900 | 22,673 | 1,773 |
| Miscellaneous | 110,585 | 139,641 | 178,635 | 38,994 |
| Total revenues | <u>8,775,465</u> | <u>9,243,617</u> | <u>9,508,830</u> | <u>265,213</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,028,982 | 2,079,953 | 1,948,672 | 131,281 |
| Public safety | 2,877,554 | 2,964,289 | 2,984,058 | (19,769) |
| Streets and highways | 717,808 | 558,105 | 555,063 | 3,042 |
| Sanitation | 671,531 | 791,310 | 783,121 | 8,189 |
| Parks, cemetery and public property | 1,130,708 | 1,159,962 | 1,038,846 | 121,116 |
| Community and economic development | 624,783 | 531,105 | 520,009 | 11,096 |
| Debt service: | | | | |
| Principal | 245,000 | 382,400 | 382,349 | 51 |
| Interest | 180,291 | 213,525 | 213,524 | 1 |
| Total debt service | <u>425,291</u> | <u>595,925</u> | <u>595,873</u> | <u>52</u> |
| Total expenditures | <u>8,476,657</u> | <u>8,680,649</u> | <u>8,425,642</u> | <u>255,007</u> |
| Excess of revenues over (under) expenditures | <u>298,808</u> | <u>562,968</u> | <u>1,083,188</u> | <u>520,220</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 1,620,173 | 1,718,807 | 1,718,754 | (53) |
| Transfers out | (2,444,362) | (2,359,100) | (2,458,939) | (99,839) |
| Total other financing sources and (uses) | <u>(824,189)</u> | <u>(640,293)</u> | <u>(740,185)</u> | <u>(99,892)</u> |
| Net change in fund balances | (525,381) | (77,325) | 343,003 | 420,328 |
| Fund balance - beginning | <u>2,437,859</u> | <u>2,437,859</u> | <u>2,437,859</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,912,478</u> | <u>\$ 2,360,534</u> | <u>\$ 2,780,862</u> | <u>\$ 420,328</u> |

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

WASHINGTON CITY, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2011

| | <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 | \$ 3,641,012 | \$ 3,790,708 | \$ 2,793,693 | \$ 1,577,728 | \$ 11,803,141 |
| Accounts receivable, net | 685,732 | 260,557 | 1,738,267 | 49,893 | 2,734,449 |
| Due from other funds | - | 391,652 | - | - | 391,652 |
| Due from other governments | 25,746 | 19,330 | 149,975 | 336 | 195,387 |
| Inventory | - | - | 512,570 | - | 512,570 |
| Total current assets | <u>4,352,490</u> | <u>4,462,247</u> | <u>5,194,505</u> | <u>1,627,957</u> | <u>15,637,199</u> |
| Noncurrent assets: | | | | | |
| Cash - restricted | 2,232,397 | 1,955,704 | 495,994 | - | 4,684,095 |
| Bond issuance costs, net | - | - | 149,130 | - | 149,130 |
| Capital assets: | | | | | |
| Land | 821,613 | 9,055 | 1,367,687 | 964,923 | 3,163,278 |
| Buildings | 1,185,494 | 1,475,932 | 382,667 | 374,360 | 3,418,453 |
| Improvements and systems | 41,887,658 | 17,216,935 | 22,935,154 | 10,377,767 | 92,417,514 |
| Machinery and equipment | 692,555 | 596,214 | 547,174 | 1,205,776 | 3,041,719 |
| Automobiles and trucks | 275,339 | 361,146 | 868,076 | 20,688 | 1,525,249 |
| Construction in progress | 347,220 | 78,054 | 198,705 | 2,461,691 | 3,085,670 |
| Less accumulated depreciation | (9,086,786) | (3,624,282) | (5,297,063) | (4,169,777) | (22,177,908) |
| Total capital assets, net | <u>36,123,093</u> | <u>16,113,054</u> | <u>21,002,400</u> | <u>11,235,428</u> | <u>84,473,975</u> |
| Total noncurrent assets | <u>38,355,490</u> | <u>18,068,758</u> | <u>21,647,524</u> | <u>11,235,428</u> | <u>89,307,200</u> |
| Total assets | <u>42,707,980</u> | <u>22,531,005</u> | <u>26,842,029</u> | <u>12,863,385</u> | <u>104,944,399</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 300,446 | 301,890 | 1,553,335 | 220,136 | 2,375,807 |
| Accrued wages and taxes | 19,151 | 13,457 | 24,389 | 20,543 | 77,540 |
| Due to other funds | - | - | - | 2,112,850 | 2,112,850 |
| Accrued interest payable | 23,930 | 15,042 | 95,403 | 1,393 | 135,768 |
| Customer deposits payable | 142,230 | - | 495,961 | - | 638,191 |
| Unearned revenue | 4,297 | 4,488 | 25,968 | 2,120 | 36,873 |
| Compensated absences payable - current | 52,003 | 34,906 | 87,108 | 37,404 | 211,421 |
| Capital leases payable - current | - | - | 20,982 | 122,171 | 143,153 |
| Revenue bonds payable - current | 447,166 | 183,000 | 325,000 | - | 955,166 |
| Total current liabilities | <u>989,223</u> | <u>552,783</u> | <u>2,628,146</u> | <u>2,516,617</u> | <u>6,686,769</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 19,756 | 22,455 | - | 34,380 | 76,591 |
| Capital leases payable | - | - | - | 63,159 | 63,159 |
| Revenue bonds payable | 12,974,769 | 1,621,840 | 5,775,000 | - | 20,371,609 |
| Bond premium | - | - | 157,037 | - | 157,037 |
| Total noncurrent liabilities | <u>12,994,525</u> | <u>1,644,295</u> | <u>5,932,037</u> | <u>97,539</u> | <u>20,668,396</u> |
| Total liabilities | <u>13,983,748</u> | <u>2,197,078</u> | <u>8,560,183</u> | <u>2,614,156</u> | <u>27,355,165</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 22,701,158 | 14,308,214 | 14,724,381 | 11,050,098 | 62,783,851 |
| Restricted for: | | | | | |
| Debt service | 790,728 | 58,142 | - | - | 848,870 |
| Capital outlay | 1,299,439 | 1,897,562 | 33 | - | 3,197,034 |
| Unrestricted | 3,932,907 | 4,070,009 | 3,557,432 | (800,869) | 10,759,479 |
| Total net assets | <u>\$ 28,724,232</u> | <u>\$ 20,333,927</u> | <u>\$ 18,281,846</u> | <u>\$ 10,249,229</u> | <u>\$ 77,589,234</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, 2011

| | <u>Water</u> | <u>Sewer</u> | <u>Electric</u> | <u>Other Proprietary Funds</u> | <u>Totals Current Year</u> |
|---|----------------------|----------------------|----------------------|--|--------------------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 3,813,902 | \$ 1,386,861 | \$ 8,859,164 | \$ 1,378,980 | \$ 15,438,907 |
| Miscellaneous | 1,701 | 1,534 | 626,949 | 15,285 | 645,469 |
| Total operating revenues | <u>3,815,603</u> | <u>1,388,395</u> | <u>9,486,113</u> | <u>1,394,265</u> | <u>16,084,376</u> |
| Operating expenses: | | | | | |
| Salaries and wages | 565,336 | 392,114 | 749,431 | 559,758 | 2,266,639 |
| Employee benefits | 329,589 | 225,480 | 381,165 | 286,090 | 1,222,324 |
| Utilities | 393,925 | 28,403 | 21,285 | 105,663 | 549,276 |
| Professional services | 30,320 | 1,305 | 12,613 | 138,057 | 182,295 |
| Repairs and maintenance | 165,335 | - | 188,776 | 10,258 | 364,369 |
| Water purchased | 1,193,655 | - | - | - | 1,193,655 |
| Power purchased | - | - | 7,139,340 | - | 7,139,340 |
| Transmission expense | - | - | 359,177 | - | 359,177 |
| Rent | - | - | - | 98,414 | 98,414 |
| Miscellaneous | 12,181 | 13,875 | 177,103 | 9,781 | 212,940 |
| Supplies | 53,589 | 56,232 | 43,368 | 173,659 | 326,848 |
| Depreciation/amortization | 1,031,750 | 484,331 | 581,561 | 315,112 | 2,412,754 |
| Total operating expenses | <u>3,775,680</u> | <u>1,201,740</u> | <u>9,653,819</u> | <u>1,696,792</u> | <u>16,328,031</u> |
| Operating income (loss) | <u>39,923</u> | <u>186,655</u> | <u>(167,706)</u> | <u>(302,527)</u> | <u>(243,655)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Intergovernmental | 49,540 | 35,416 | 39,087 | 620 | 124,663 |
| Interest earnings | 27,885 | 28,320 | 14,283 | 8,459 | 78,947 |
| Impact fees | 578,735 | 320,394 | 307,722 | 160,972 | 1,367,823 |
| Gain (loss) on sale of capital assets | - | 10,500 | - | - | 10,500 |
| Interest and fiscal charges | (531,805) | (38,197) | (280,667) | (25,828) | (876,497) |
| Total nonoperating revenues (expenses) | <u>124,355</u> | <u>356,433</u> | <u>80,425</u> | <u>144,223</u> | <u>705,436</u> |
| Income before transfers and contributions | 164,278 | 543,088 | (87,281) | (158,304) | 461,781 |
| Transfers out | (200,000) | (150,000) | (55,000) | (5,155,000) | (5,560,000) |
| Capital contributions | 171,632 | 131,227 | 15,000 | 174,079 | 491,938 |
| Change in net assets | <u>135,910</u> | <u>524,315</u> | <u>(127,281)</u> | <u>(5,139,225)</u> | <u>(4,606,281)</u> |
| Total net assets - beginning | <u>28,588,322</u> | <u>19,809,612</u> | <u>18,409,127</u> | <u>15,388,454</u> | <u>82,195,515</u> |
| Total net assets - ending | <u>\$ 28,724,232</u> | <u>\$ 20,333,927</u> | <u>\$ 18,281,846</u> | <u>\$ 10,249,229</u> | <u>\$ 77,589,234</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, 2011

| | Water | Sewer | Electric | Other Proprietary Funds | Totals |
|---|---------------------|---------------------|---------------------|-------------------------------|----------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from customers and users | \$ 3,818,359 | \$ 1,377,407 | \$ 9,363,559 | \$ 1,396,768 | \$ 15,956,093 |
| Cash paid to suppliers | (1,716,938) | (155,616) | (7,745,720) | (408,057) | (10,026,331) |
| Cash paid to employees | (896,695) | (603,371) | (1,127,946) | (838,420) | (3,466,432) |
| Net cash flows from operating activities | <u>1,204,726</u> | <u>618,420</u> | <u>489,893</u> | <u>150,291</u> | <u>2,463,330</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers (to) from other funds | (200,000) | (150,000) | (55,000) | (5,155,000) | (5,560,000) |
| Cash received (paid) from (to) other funds | - | 688,173 | - | 5,541,562 | 6,229,735 |
| Net cash flows from noncapital financing activities | <u>(200,000)</u> | <u>538,173</u> | <u>(55,000)</u> | <u>386,562</u> | <u>669,735</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Subsidy from federal and state grants | 23,794 | 16,086 | 19,206 | 284 | 59,370 |
| Principal paid on capital debt | (439,271) | (180,000) | (329,989) | (116,842) | (1,066,102) |
| Interest paid on capital debt | (538,805) | (39,697) | (296,481) | (26,706) | (901,689) |
| Purchase and acquisition of capital assets | (674,327) | (219,301) | (398,767) | (2,116,910) | (3,409,305) |
| Proceeds from sales of capital assets | - | 10,500 | - | - | 10,500 |
| Impact fees | 578,735 | 320,394 | 307,722 | 160,972 | 1,367,823 |
| Net cash flows from capital and related financing activities | <u>(1,049,874)</u> | <u>(92,018)</u> | <u>(698,309)</u> | <u>(2,099,202)</u> | <u>(3,939,403)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | 27,885 | 28,320 | 14,283 | 8,459 | 78,947 |
| Net cash flows from investing activities | <u>27,885</u> | <u>28,320</u> | <u>14,283</u> | <u>8,459</u> | <u>78,947</u> |
| Net change in cash and cash equivalents | (17,263) | 1,092,895 | (249,133) | (1,553,890) | (727,391) |
| Cash and cash equivalents, including restricted cash, beginning of year | <u>5,890,672</u> | <u>4,653,517</u> | <u>3,538,820</u> | <u>3,131,618</u> | <u>17,214,627</u> |
| Cash and cash equivalents, including restricted cash, end of year | <u>\$ 5,873,409</u> | <u>\$ 5,746,412</u> | <u>\$ 3,289,687</u> | <u>\$ 1,577,728</u> | <u>\$ 16,487,236</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | |
| Net operating income (loss) | \$ 39,923 | \$ 186,655 | \$ (167,706) | \$ (302,527) | \$ (243,655) |
| Adjustments to reconcile net operating income (loss) to net cash flows from operating activities: | | | | | |
| Depreciation/amortization | 1,031,750 | 484,331 | 581,561 | 315,112 | 2,412,754 |
| Other noncash items | - | - | - | 4,595 | 4,595 |
| Changes in operating assets and liabilities: | | | | | |
| (Increase) decrease in receivables | (37,609) | (12,521) | (164,660) | 383 | (214,407) |
| (Increase) decrease in inventory | - | - | 62,847 | - | 62,847 |
| Increase (decrease) in accounts payable | 132,067 | (55,801) | 133,095 | 123,180 | 332,541 |
| Increase (decrease) in accrued payroll | (1,023) | (1,014) | (3,297) | 203 | (5,131) |
| Increase (decrease) in customer deposits | 38,899 | - | 18,250 | - | 57,149 |
| Increase (decrease) in unearned revenues | 1,466 | 1,533 | 23,856 | 2,120 | 28,975 |
| Increase (decrease) in compensated absences | (747) | 15,237 | 5,947 | 7,225 | 27,662 |
| Net cash flows from operating activities | <u>\$ 1,204,726</u> | <u>\$ 618,420</u> | <u>\$ 489,893</u> | <u>\$ 150,291</u> | <u>\$ 2,463,330</u> |
| Noncash investing, capital, and financing activities | | | | | |
| Capital contributions from sub dividers | \$ 171,632 | \$ 131,227 | \$ 15,000 | \$ 174,079 | \$ 491,938 |

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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, 2011

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, 2011

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 Special Revenue Fund (Leisure Services) 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, 2011

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.

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, 2011

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, 2011

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.

Net Assets and Fund Equity

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

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

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

Restricted net assets are 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.

Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance 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.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the City Council. A resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City’s budget policy.

Unassigned fund balance is a residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the general fund.

Minimum Fund Balance

Utah Code 10-6-116(4) indicates that only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. At fiscal year end, \$456,967 of the amount reported in the general fund as unassigned fund balance is required by state law to be maintained as a minimum fund balance. The City does not currently have any other fund balance stabilization arrangement.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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, 2011

NOTE 3. Deposits and Investments

Deposits and investments of the City at June 30, 2011 consist of the following:

| | | |
|------------------------------------|----|--------------------------|
| Deposits: | | |
| Cash in bank and on hand | \$ | 1,453,944 |
| Investments: | | |
| State Treasurer's Investment Pool: | | |
| Washington City | | 18,908,042 |
| With paying agent | | 737,647 |
| Dreyfus Mututal Fund: | | |
| With paying agent | | <u>534,275</u> |
| Total deposits and investments | \$ | <u><u>21,633,908</u></u> |

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

| | | |
|--------------------------------------|----|--------------------------|
| Cash and cash equivalents | \$ | 13,631,713 |
| Restricted cash and cash equivalents | | <u>8,002,195</u> |
| Total | \$ | <u><u>21,633,908</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, 2011, \$1,186,871 of the City's bank balance of \$1,436,871 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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, 2011 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 | \$ 19,645,689 | \$ 19,645,689 | \$ - | \$ - | \$ - |
| Dreyfus Mutual Fund | 534,275 | 534,275 | - | - | - |
| Total Fair Value | \$ 20,179,964 | \$ 20,179,964 | \$ - | \$ - | \$ - |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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, 2011 the City had the following investments and quality ratings:

| Investment Type | Fair Value | Quality Ratings | | | |
|---|----------------------|-----------------|-------------|-------------|----------------------|
| | | AAA | AA | A | Unrated |
| Utah Public Treasurers' Investment Fund | \$ 19,645,689 | \$ - | \$ - | \$ - | \$ 19,645,689 |
| Dreyfus Mutual Fund | 534,275 | - | - | - | 534,275 |
| Total Fair Value | \$ 20,179,964 | \$ - | \$ - | \$ - | \$ 20,179,964 |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

| Governmental Activities: | Balance 6/30/2010 | Additions | Deletions | Balance 6/30/2011 |
|--|------------------------------|---------------------|---------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land, easements and water rights | \$ 1,438,767 | \$ 338,325 | \$ - | \$ 1,777,092 |
| Construction in progress | 971,571 | 1,198,713 | (352,763) | 1,817,521 |
| Infrastructure | 50,774,283 | 1,012,595 | - | 51,786,878 |
| Total capital assets, not being depreciated: | <u>53,184,621</u> | <u>2,549,633</u> | <u>(352,763)</u> | <u>55,381,491</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 31,158,163 | 102,105 | - | 31,260,268 |
| Machinery and equipment | 1,458,157 | 124,726 | - | 1,582,883 |
| Automobiles and trucks | 2,242,422 | 65,824 | (25,101) | 2,283,145 |
| Total capital assets, being depreciated: | <u>34,858,742</u> | <u>292,655</u> | <u>(25,101)</u> | <u>35,126,296</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,303,557) | (739,705) | - | (5,043,262) |
| Machinery and equipment | (806,000) | (146,001) | - | (952,001) |
| Automobiles and trucks | (1,300,168) | (187,239) | 16,629 | (1,470,778) |
| Total accumulated depreciation | <u>(6,409,725)</u> | <u>(1,072,945)</u> | <u>16,629</u> | <u>(7,466,041)</u> |
| Total capital assets, being depreciated, net | <u>28,449,017</u> | <u>(780,290)</u> | <u>(8,472)</u> | <u>27,660,255</u> |
| Governmental activities capital assets, net | <u>\$ 81,633,638</u> | <u>\$ 1,769,343</u> | <u>\$ (361,235)</u> | <u>\$ 83,041,746</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 113,725 |
| Public safety | 187,398 |
| Streets and highways | 92,866 |
| Parks, cemetery and public property | 236,509 |
| Culture and recreation | 425,522 |
| Community and economic development | 16,925 |
| Total depreciation expense - governmental activities | <u>\$ 1,072,945</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 4. Capital Assets, Continued

| Business-type Activities: | Balance 6/30/2010 | Additions | Deletions | Balance 6/30/2011 |
|--|------------------------------|---------------------|---------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and water rights | \$ 3,064,070 | \$ 99,208 | \$ - | \$ 3,163,278 |
| Construction in progress | 672,771 | 2,695,561 | (282,662) | 3,085,670 |
| Total capital assets, not being depreciated | <u>3,736,841</u> | <u>2,794,769</u> | <u>(282,662)</u> | <u>6,248,948</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,418,453 | - | - | 3,418,453 |
| Improvements and systems | 91,323,402 | 1,094,112 | - | 92,417,514 |
| Machinery and equipment | 2,874,050 | 190,199 | (22,530) | 3,041,719 |
| Automobiles and trucks | 1,425,020 | 100,229 | - | 1,525,249 |
| Total capital assets, being depreciated | <u>99,040,925</u> | <u>1,384,540</u> | <u>(22,530)</u> | <u>100,402,935</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (383,112) | (80,208) | - | (463,320) |
| Improvements and systems | (16,318,075) | (2,089,126) | - | (18,407,201) |
| Machinery and equipment | (2,155,787) | (129,964) | 22,530 | (2,263,221) |
| Automobiles and trucks | (943,139) | (101,027) | - | (1,044,166) |
| Total accumulated depreciation | <u>(19,800,113)</u> | <u>(2,400,325)</u> | <u>22,530</u> | <u>(22,177,908)</u> |
| Total capital assets, being depreciated, net | <u>79,240,812</u> | <u>(1,015,785)</u> | <u>-</u> | <u>78,225,027</u> |
| Business-type activities capital assets, net | <u>\$ 82,977,653</u> | <u>\$ 1,778,984</u> | <u>\$ (282,662)</u> | <u>\$ 84,473,975</u> |

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

| | |
|---|---------------------|
| Business-type Activities: | |
| Water | \$ 1,031,750 |
| Sewer | 484,331 |
| Electric | 569,132 |
| Irrigation | 29,193 |
| Storm drain | 111,873 |
| Golf | 174,046 |
| Total depreciation expense - business-type activities | <u>\$ 2,400,325</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 5. Long-term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

| Governmental Activities: | Balance 6/30/2010 | Additions | Retirements | Balance 6/30/2011 | Current Portion |
|---|----------------------|-------------------|---------------------|----------------------|---------------------|
| General obligation bonds (Coral Canyon) | \$ 9,490,000 | \$ - | \$ 210,000 | \$ 9,280,000 | \$ 265,000 |
| Lease revenue bonds (MBA) | 7,496,000 | - | 443,000 | 7,053,000 | 355,000 |
| Sales tax revenue bonds | 3,880,000 | - | 245,000 | 3,635,000 | 253,000 |
| Notes payable | 480,722 | - | 137,349 | 343,373 | 68,675 |
| Compensated absences | 280,873 | 268,126 | 230,905 | 318,094 | 230,000 |
| Total governmental activities | 21,627,595 | 268,126 | 1,266,254 | 20,629,467 | 1,171,675 |
| | | | | | |
| Business-type Activities: | | | | | |
| Revenue bonds | 22,256,046 | - | 929,271 | 21,326,775 | 955,166 |
| Plus bond premiums | 168,965 | - | 11,928 | 157,037 | - |
| Total revenue bonds | 22,425,011 | - | 941,199 | 21,483,812 | 955,166 |
| Capital leases payable | 343,143 | - | 136,831 | 206,312 | 143,153 |
| Compensated absences | 260,350 | 241,256 | 213,594 | 288,012 | 211,421 |
| Total business-type activities | 23,028,504 | 241,256 | 1,291,624 | 21,978,136 | 1,309,740 |
| Total long-term liabilities | \$ 44,656,099 | \$ 509,382 | \$ 2,557,878 | \$ 42,607,603 | \$ 2,481,415 |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 5. Long-term Liabilities, Continued

Long-term liabilities for the primary government at June 30, 2011 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. \$ 785,000

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%. 2,210,000

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%. 2,990,000

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 9,280,000

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. 7,053,000

Total lease revenue bonds (MBA), governmental activities 7,053,000

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%. 485,000

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. 3,150,000

Total sales tax revenue bonds, governmental activities 3,635,000

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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. | \$ 240,000 |
| Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%. | 800,945 |
| Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest. | 342,000 |
| Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036. | 301,741 |
| 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. | 1,402,695 |
| 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. | 630,000 |
| 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%. | 2,187,152 |
| 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. | 452,000 |
| Water Revenue Bonds Series 2006 payable in monthly principal and interest installments of \$17,520 with the final payment due September 2046. The bond bears interest of 4.25%. | 3,829,378 |
| Water Revenue Bonds Series 2008 payable in monthly principal and interest installments of \$17,240 with the final payment due September 2036. The bond bears interest of 4.125%. | 3,236,024 |
| Sewer Revenue Bonds, Series 1999 approved May 27, 1999 in the total amount of \$3,356, 000. Payable in annual installments of \$115,000 to \$219,000 with a final payment due February 1, 2020. The bonds bear interest of 2%. | 1,804,840 |
| 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%. | 6,100,000 |
| Total revenue bonds, business-type activities | 21,326,775 |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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%. \$ 20,982

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%. 185,330

Total leases payable, business-type activities 206,312

Notes Payable:

Governmental Activities:

5% note payable to School and Institutional Trust Lands Administration (SITLA), due in annual principal and interest installments of \$72,108 to \$89,277, maturing June 1, 2016. 343,373

Accrued Compensated Absences 606,106

Bond Premiums 157,037

Total long-term liabilities \$ 42,607,603

Due within one year \$ 2,481,415

Due in more than one year 40,126,188

Total long-term liabilities \$ 42,607,603

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 5. Long-term Liabilities, Continued

The annual requirements to amortize bonds and notes payable at June 30, 2011 are as follows:

Governmental Activities

| Year Ending June 30, | Coral Canyon SSD GO Bonds | | MBA Lease Revenue Bonds | | Sales Tax Revenue Bonds | | SITLA Note Payable | |
|-------------------------|---------------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|--------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$ 265,000 | \$ 511,018 | \$ 355,000 | \$ 270,138 | \$ 253,000 | \$ 195,258 | \$ 68,675 | \$ 17,169 |
| 2013 | 280,000 | 497,124 | 305,000 | 257,807 | 261,000 | 186,034 | 68,675 | 13,735 |
| 2014 | 295,000 | 482,044 | 317,000 | 246,031 | 274,000 | 175,943 | 68,675 | 10,301 |
| 2015 | 310,000 | 465,569 | 330,000 | 233,296 | 287,000 | 164,989 | 68,675 | 6,867 |
| 2016 | 325,000 | 448,000 | 344,000 | 219,507 | 301,000 | 152,486 | 68,673 | 3,434 |
| 2017-2021 | 1,915,000 | 1,938,924 | 1,950,000 | 864,702 | 1,344,000 | 410,846 | - | - |
| 2022-2026 | 2,535,000 | 1,302,125 | 2,369,000 | 444,691 | 915,000 | 70,124 | - | - |
| 2027-2031 | 3,355,000 | 469,997 | 1,083,000 | 42,210 | - | - | - | - |
| Totals | \$ 9,280,000 | \$ 6,114,801 | \$ 7,053,000 | \$ 2,578,382 | \$ 3,635,000 | \$ 1,355,680 | \$ 343,373 | \$ 51,506 |

Business-type Activities

| Year Ending June 30, | Electric Revenue Bonds | | Water Revenue Bonds | | Sewer Revenue Bonds | | Total Principal |
|-------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2012 | \$ 325,000 | \$ 278,860 | \$ 447,166 | \$ 505,598 | \$ 183,000 | \$ 36,100 | \$ 955,166 |
| 2013 | 335,000 | 267,305 | 458,675 | 494,103 | 187,000 | 32,440 | 980,675 |
| 2014 | 345,000 | 254,806 | 468,774 | 482,999 | 190,000 | 28,700 | 1,003,774 |
| 2015 | 360,000 | 241,138 | 470,283 | 470,439 | 194,000 | 24,900 | 1,024,283 |
| 2016 | 375,000 | 225,969 | 343,389 | 460,237 | 202,000 | 21,020 | 920,389 |
| 2017-2021 | 2,180,000 | 828,000 | 1,918,245 | 2,101,741 | 848,840 | 42,880 | 4,947,085 |
| 2022-2026 | 2,180,000 | 224,750 | 1,796,711 | 1,741,516 | - | - | 3,976,711 |
| 2027-2031 | - | - | 2,101,137 | 1,347,723 | - | - | 2,101,137 |
| 2032-2036 | - | - | 2,460,108 | 869,767 | - | - | 2,460,108 |
| 2037-2041 | - | - | 1,729,342 | 435,295 | - | - | 1,729,342 |
| 2042-2046 | - | - | 1,192,734 | 125,983 | - | - | 1,192,734 |
| 2047 | - | - | 35,371 | 1,274 | - | - | 35,371 |
| Totals | \$ 6,100,000 | \$ 2,320,828 | \$13,421,935 | \$ 9,036,675 | \$ 1,804,840 | \$ 186,040 | \$21,326,775 |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Leases

The City has entered into lease agreements, which are considered capital leases in accordance with accounting standards. 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:

| <u>Year Ending June 30,</u> | <u>Electric Bucket Truck</u> | <u>Golf Equip. and Improv.</u> | <u>Total</u> |
|---|----------------------------------|------------------------------------|-------------------|
| 2012 | \$ 22,025 | \$ 129,167 | \$ 151,192 |
| 2013 | - | 64,584 | 64,584 |
| | | | |
| Total remaining lease payments: | 22,025 | 193,751 | 215,776 |
| Less amount representing interest: | <u>(1,043)</u> | <u>(8,421)</u> | <u>(9,464)</u> |
| Present value of net remaining minimum lease payments: | <u>\$ 20,982</u> | <u>\$ 185,330</u> | <u>\$ 206,312</u> |

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

| | <u>Cost</u> | <u>Depreciation Expense</u> | <u>Accumulated Depreciation</u> |
|--------------------------|-------------------|---------------------------------|-------------------------------------|
| Machinery and equipment | \$ 254,417 | \$ 29,038 | \$ 109,446 |
| Autos and trucks | 96,500 | - | 96,500 |
| Improvements and systems | 326,068 | 8,152 | 8,219 |
| | <u>\$ 350,917</u> | <u>\$ 37,190</u> | <u>\$ 214,165</u> |

NOTE 7. Operating Leases

Effective August 2007, Washington City entered into a 72 month equipment lease with Zion's Credit Corp to rent 70 Club Car golf cars. The lease is payable in monthly installments and expires in August 2013. Total payments made during the fiscal year ended June 30, 2011 were \$98,414. The future minimum rental payments for this lease are as follow:

| <u>Year Ending June 30,</u> | |
|---------------------------------|-------------------|
| 2012 | \$ 98,414 |
| 2013 | 98,414 |
| 2014 | 8,201 |
| | <u>\$ 205,029</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 8. Interfund Transfers and Balances

Interfund transfers for the fiscal year ended June 30, 2011 are as follows:

| | | Transfers In | | | Total |
|----------------------|------------------------|---------------------|-------------------------------|------------------------------|---------------------|
| | | General Fund | SRF - Leisure Services | Nonmajor Governmental | |
| Transfers Out | General Fund | \$ - | \$ 1,055,602 | \$ 1,403,337 | \$ 2,458,939 |
| | Nonmajor governmental | 1,158,754 | - | - | 1,158,754 |
| | Water Fund | 200,000 | - | - | 200,000 |
| | Sewer Fund | 150,000 | - | - | 150,000 |
| | Electric Fund | 55,000 | - | - | 55,000 |
| | Nonmajor business-type | 155,000 | - | 5,000,000 | 5,155,000 |
| | Total | \$ 1,718,754 | \$ 1,055,602 | \$ 6,403,337 | \$ 9,177,693 |

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

Interfund balances at June 30, 2011 are as follows:

| | | Due From | |
|---------------|--------------|-------------------------------|---------------------|
| | | Nonmajor Business-type | Total |
| Due To | General Fund | \$ 1,721,198 | \$ 1,721,198 |
| | Sewer Fund | 391,652 | 391,652 |
| | Total | \$ 2,112,850 | \$ 2,112,850 |

The amounts payable to the general fund and sewer fund relate to working capital loans. Of the \$2,112,850 amount, \$2,022,154 is due from the golf course fund to the general fund and sewer fund, which is not expected to be repaid within the next fiscal year.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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 15.05% to the Firefighters Retirement Systems. The City is required to contribute a percent of covered salary to the respective systems, 13.37% to the Noncontributory, 14.86% to the Public Safety Contributory Systems and 1.72% to the Firefighters System. 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, 2011

NOTE 9. Retirement Plans, Continued

The required contributions and amounts received for the 2011 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 | | | | |
| 2011 | \$ - | \$ - | \$ 505,724 | \$ 3,782,518 |
| 2010 | - | - | 465,196 | 3,989,679 |
| 2009 | - | - | 471,076 | 4,054,009 |
| Public Safety System | | | | |
| Other Division A Contributory | | | | |
| 2011 | - | 81,658 | 98,734 | 664,426 |
| 2010 | - | 81,649 | 82,845 | 664,352 |
| 2009 | - | 77,056 | 70,346 | 626,977 |
| Firefighters System | | | | |
| Division A | | | | |
| 2011 | - | 26,562 | 3,036 | 176,490 |
| 2010 | - | 24,283 | - | 180,006 |
| 2009 | - | 23,420 | - | 178,236 |
| Defined Contribution System: | | | | |
| 457 Plan | | | | |
| 2011 | 2,604 | - | N/A | N/A |
| 2010 | 2,044 | - | N/A | N/A |
| 2009 | - | - | N/A | N/A |
| 401(k) Plan | | | | |
| 2011 | 90,286 | 217,507 | N/A | N/A |
| 2010 | 95,770 | 268,807 | N/A | N/A |
| 2009 | 113,187 | 264,553 | N/A | N/A |

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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. During fiscal year 2011, the City collected \$1,391,911 and the liability balance at June 30, 2011 is \$231,791, which is included in accounts payable.

The Washington County Solid Waste District for the collection and disposal of solid waste. The current agreement was entered into on January 1, 2010 and expires on December 31, 2020.

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

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

NOTE 13. Jointly Governed Organization

The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$5,688,324 during the fiscal year ended June 30, 2011.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2011

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 2011 was \$125,957.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Budgetary Comparison Schedules

For the following funds:

Special Revenue Funds

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

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

WASHINGTON CITY, UTAH
Special Revenue Fund – Leisure Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | <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 | \$ 1,496,942 | \$ 1,444,866 | \$ 1,345,772 | \$ (99,094) |
| Miscellaneous | 1,000 | 23,130 | 35,692 | 12,562 |
| Total revenues | <u>1,497,942</u> | <u>1,467,996</u> | <u>1,381,464</u> | <u>(86,532)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Culture and recreation | 2,537,476 | 2,432,108 | 2,433,618 | (1,510) |
| Capital outlay | 12,000 | 3,500 | 3,448 | 52 |
| Total expenditures | <u>2,549,476</u> | <u>2,435,608</u> | <u>2,437,066</u> | <u>(1,458)</u> |
| Excess of revenues over (under) expenditures | <u>(1,051,534)</u> | <u>(967,612)</u> | <u>(1,055,602)</u> | <u>(87,990)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 1,051,534 | 967,612 | 1,055,602 | 87,990 |
| Total other financing sources and (uses) | <u>1,051,534</u> | <u>967,612</u> | <u>1,055,602</u> | <u>87,990</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance - beginning | - | - | - | - |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2011

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, 2011, showed that the City had overall average condition ratings of 16.24 years as shown below:

| Remaining Service Life (Years) | Percent of Streets |
|--------------------------------------|-----------------------|
| 0 | 2.74 |
| 1-2 | 0.01 |
| 3-4 | 0.76 |
| 5-6 | 2.57 |
| 7-8 | 1.23 |
| 9-10 | 3.17 |
| 11-12 | 4.55 |
| 13-14 | 9.39 |
| 15-16 | 19.25 |
| 17-18 | 45.53 |
| 19-20 | 10.80 |
| Total | 100.00 |

The two most recent, previous condition assessments had overall average condition ratings of 16.42 (June 2010) and 16.92 (June 2009).

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2011

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 |
|-----------------------------------|------------------------|----------------------|
| 2011 | \$ 700,000 | \$ 613,250 |
| 2010 | 700,000 | 315,359 |
| 2009 | 700,000 | 521,230 |
| 2008 | 700,000 | 666,015 |

In fiscal year 2010 11.86% of roads had an RLS of 10 years or less. With the improvements made in fiscal year 2011, the percent of roads with an RLS of 10 years or less was reduced to 10.48%, 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.

Recreation Fund – This fund is used to account for recreation capital improvement projects of the City not accounted for in other funds. This fund includes, in addition to other items, the collection and expenditure of park impact fees.

Streets Fund – This fund is used to account for street capital improvement projects of the City that are not accounted for in other funds. This fund primarily includes the collection and expenditure of street impact fees and highway taxes.

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, 2011

| | <u>Capital Projects</u> | | | | | <u>Debt Service</u> | | <u>Total Nonmajor Governmental Funds</u> |
|--|---------------------------------|--------------------------------|-----------------------------|---------------------|---------------------|---|--|--|
| | <u>Property Acquisition</u> | <u>Fire Station Impact</u> | <u>General Projects</u> | <u>Recreation</u> | <u>Streets</u> | <u>Municipal Building Authority</u> | <u>Coral Canyon Special Service District</u> | |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 84,179 | \$ - | \$ 345,087 | \$ 1,281,830 | \$ - | \$ - | \$ - | \$ 1,711,096 |
| Due from other governments | - | - | 83,349 | - | - | - | 2,538 | 85,887 |
| Cash - restricted | - | 126,530 | - | 982,308 | 1,191,210 | - | 209,795 | 2,509,843 |
| Total assets | <u>\$ 84,179</u> | <u>\$ 126,530</u> | <u>\$ 428,436</u> | <u>\$ 2,264,138</u> | <u>\$ 1,191,210</u> | <u>\$ -</u> | <u>\$ 212,333</u> | <u>\$ 4,306,826</u> |
| Liabilities and fund balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 75,351 | \$ 231,651 | \$ 160,163 | \$ - | \$ - | \$ 467,165 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>75,351</u> | <u>231,651</u> | <u>160,163</u> | <u>-</u> | <u>-</u> | <u>467,165</u> |
| Fund balances: | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | - | - | - | - | - | - | 212,333 | 212,333 |
| Capital outlay - impact fees | - | 126,530 | - | 982,308 | 554,357 | - | - | 1,663,195 |
| Capital outlay - other | - | - | - | - | 476,690 | - | - | 476,690 |
| Assigned to: | | | | | | | | |
| Capital outlay | 84,179 | - | 353,085 | 1,050,179 | - | - | - | 1,487,443 |
| Total fund balances | <u>84,179</u> | <u>126,530</u> | <u>353,085</u> | <u>2,032,487</u> | <u>1,031,047</u> | <u>-</u> | <u>212,333</u> | <u>3,839,661</u> |
| Total liabilities and fund balances | <u>\$ 84,179</u> | <u>\$ 126,530</u> | <u>\$ 428,436</u> | <u>\$ 2,264,138</u> | <u>\$ 1,191,210</u> | <u>\$ -</u> | <u>\$ 212,333</u> | <u>\$ 4,306,826</u> |

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

| | <u>Capital Projects</u> | | | | | <u>Debt Service</u> | | Total Nonmajor Governmental Funds |
|--|---------------------------------|--------------------------------|-----------------------------|---------------------|---------------------|---|--|--|
| | Property Acquisition | Fire Station Impact | General Projects | Recreation | Streets | Municipal Building Authority | Coral Canyon Special Service District | |
| Revenues | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 600,346 | \$ 600,346 |
| Intergovernmental revenues | - | - | 164,545 | - | 104,006 | - | - | 268,551 |
| Impact fees | - | 54,800 | - | 1,040,000 | 795,761 | - | - | 1,890,561 |
| Interest earnings | 445 | 1,260 | 3,993 | 13,711 | 2,860 | 92 | 4,767 | 27,128 |
| Miscellaneous | - | - | - | 18,318 | - | - | - | 18,318 |
| Total revenues | <u>445</u> | <u>56,060</u> | <u>168,538</u> | <u>1,072,029</u> | <u>902,627</u> | <u>92</u> | <u>605,113</u> | <u>2,804,904</u> |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| Streets and highways | - | - | - | - | 613,250 | - | - | 613,250 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | 443,000 | 210,000 | 653,000 |
| Interest and fiscal charges | - | - | - | - | - | 287,717 | 525,548 | 813,265 |
| Capital outlay | - | - | 495,322 | 774,839 | 728,975 | - | - | 1,999,136 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>495,322</u> | <u>774,839</u> | <u>1,342,225</u> | <u>730,717</u> | <u>735,548</u> | <u>4,078,651</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>445</u> | <u>56,060</u> | <u>(326,784)</u> | <u>297,190</u> | <u>(439,598)</u> | <u>(730,625)</u> | <u>(130,435)</u> | <u>(1,273,747)</u> |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | - | - | - | 5,000,000 | 672,712 | 730,625 | - | 6,403,337 |
| Transfers out | - | (94,660) | - | (635,620) | (428,474) | - | - | (1,158,754) |
| Total other financing sources and (uses) | <u>-</u> | <u>(94,660)</u> | <u>-</u> | <u>4,364,380</u> | <u>244,238</u> | <u>730,625</u> | <u>-</u> | <u>5,244,583</u> |
| Net change in fund balances | 445 | (38,600) | (326,784) | 4,661,570 | (195,360) | - | (130,435) | 3,970,836 |
| Fund balances (deficits) - beginning | 83,734 | 165,130 | 679,869 | (2,629,083) | 1,226,407 | - | 342,768 | (131,175) |
| Fund balances - ending | <u>\$ 84,179</u> | <u>\$ 126,530</u> | <u>\$ 353,085</u> | <u>\$ 2,032,487</u> | <u>\$ 1,031,047</u> | <u>\$ -</u> | <u>\$ 212,333</u> | <u>\$ 3,839,661</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, 2011

| | <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 | \$ - | \$ 1,066,326 | \$ - | \$ 511,402 | \$ 1,577,728 |
| Accounts receivable, net | 2,953 | 45,898 | 1,042 | - | 49,893 |
| Due from other governments | - | - | 336 | - | 336 |
| Total current assets | <u>2,953</u> | <u>1,112,224</u> | <u>1,378</u> | <u>511,402</u> | <u>1,627,957</u> |
| Noncurrent assets: | | | | | |
| Capital assets | | | | | |
| Land and water rights | - | 99,208 | 865,715 | - | 964,923 |
| Buildings and structures | - | - | 374,360 | - | 374,360 |
| Improvements other than buildings | 890,792 | 5,486,334 | 4,000,641 | - | 10,377,767 |
| Machinery and equipment | 4,990 | 8,196 | 1,192,590 | - | 1,205,776 |
| Automobiles and trucks | - | - | 20,688 | - | 20,688 |
| Construction in progress | - | 2,461,691 | - | - | 2,461,691 |
| Less accumulated depreciation | (93,982) | (429,999) | (3,645,796) | - | (4,169,777) |
| Total capital assets, net | <u>801,800</u> | <u>7,625,430</u> | <u>2,808,198</u> | <u>-</u> | <u>11,235,428</u> |
| Total noncurrent assets | <u>801,800</u> | <u>7,625,430</u> | <u>2,808,198</u> | <u>-</u> | <u>11,235,428</u> |
| Total assets | <u>804,753</u> | <u>8,737,654</u> | <u>2,809,576</u> | <u>511,402</u> | <u>12,863,385</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 1,289 | 173,293 | 45,554 | - | 220,136 |
| Accrued wages and taxes | 383 | 109 | 20,051 | - | 20,543 |
| Due to other funds | 90,696 | - | 2,022,154 | - | 2,112,850 |
| Accrued interest payable | - | - | 1,393 | - | 1,393 |
| Unearned revenue | - | 2,120 | - | - | 2,120 |
| Compensated absences payable - current | 3,227 | 3,253 | 30,924 | - | 37,404 |
| Capital leases payable - current | - | - | 122,171 | - | 122,171 |
| Total current liabilities | <u>95,595</u> | <u>178,775</u> | <u>2,242,247</u> | <u>-</u> | <u>2,516,617</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 89 | - | 34,291 | - | 34,380 |
| Capital leases payable | - | - | 63,159 | - | 63,159 |
| Total noncurrent liabilities | <u>89</u> | <u>-</u> | <u>97,450</u> | <u>-</u> | <u>97,539</u> |
| Total liabilities | <u>95,684</u> | <u>178,775</u> | <u>2,339,697</u> | <u>-</u> | <u>2,614,156</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 801,800 | 7,625,430 | 2,622,868 | - | 11,050,098 |
| Unrestricted | (92,731) | 933,449 | (2,152,989) | 511,402 | (800,869) |
| Total net assets | <u>\$ 709,069</u> | <u>\$ 8,558,879</u> | <u>\$ 469,879</u> | <u>\$ 511,402</u> | <u>\$ 10,249,229</u> |

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2011

| | <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 | \$ 17,178 | \$ 508,148 | \$ 853,654 | \$ - | \$ 1,378,980 |
| Miscellaneous | 113 | 13,577 | 1,595 | - | 15,285 |
| Total operating revenues | <u>17,291</u> | <u>521,725</u> | <u>855,249</u> | <u>-</u> | <u>1,394,265</u> |
| Operating expenses: | | | | | |
| Salaries and wages | 16,407 | 26,906 | 516,445 | - | 559,758 |
| Employee benefits | 10,681 | 15,360 | 260,049 | - | 286,090 |
| Utilities | - | 4,060 | 101,603 | - | 105,663 |
| Professional services | - | 133,240 | 4,817 | - | 138,057 |
| Repairs and maintenance | - | - | 10,258 | - | 10,258 |
| Rent | - | - | 98,414 | - | 98,414 |
| Miscellaneous | 2,010 | 2,349 | 5,422 | - | 9,781 |
| Supplies | 1,812 | 15,962 | 155,885 | - | 173,659 |
| Depreciation | 29,193 | 111,873 | 174,046 | - | 315,112 |
| Total operating expenses | <u>60,103</u> | <u>309,750</u> | <u>1,326,939</u> | <u>-</u> | <u>1,696,792</u> |
| Operating income (loss) | <u>(42,812)</u> | <u>211,975</u> | <u>(471,690)</u> | <u>-</u> | <u>(302,527)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Intergovernmental | - | - | 620 | - | 620 |
| Interest earnings | - | 7,304 | 1 | 1,154 | 8,459 |
| Impact fees | - | 160,972 | - | - | 160,972 |
| Interest and fiscal charges | - | - | (25,828) | - | (25,828) |
| Total nonoperating revenues (expenses) | <u>-</u> | <u>168,276</u> | <u>(25,207)</u> | <u>1,154</u> | <u>144,223</u> |
| Income (loss) before transfers and contributions | <u>(42,812)</u> | <u>380,251</u> | <u>(496,897)</u> | <u>1,154</u> | <u>(158,304)</u> |
| Transfer out | (5,000) | (75,000) | (75,000) | (5,000,000) | (5,155,000) |
| Capital contributions | 96,259 | 77,820 | - | - | 174,079 |
| Change in net assets | <u>48,447</u> | <u>383,071</u> | <u>(571,897)</u> | <u>(4,998,846)</u> | <u>(5,139,225)</u> |
| Net assets - beginning | <u>660,622</u> | <u>8,175,808</u> | <u>1,041,776</u> | <u>5,510,248</u> | <u>15,388,454</u> |
| Net assets - ending | <u>\$ 709,069</u> | <u>\$ 8,558,879</u> | <u>\$ 469,879</u> | <u>\$ 511,402</u> | <u>\$ 10,249,229</u> |

WASHINGTON CITY, UTAH
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2011

| | <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 | \$ 15,751 | \$ 526,810 | \$ 854,207 | \$ - | \$ 1,396,768 |
| Cash paid to suppliers | (522) | (20,695) | (386,840) | - | (408,057) |
| Cash paid to employees | (26,023) | (38,904) | (773,493) | - | (838,420) |
| Net cash flows from operating activities | <u>(10,794)</u> | <u>467,211</u> | <u>(306,126)</u> | <u>-</u> | <u>150,291</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers (to) from other funds | (5,000) | (75,000) | (75,000) | (5,000,000) | (5,155,000) |
| Cash received (paid) from (to) other funds | 15,794 | - | 525,768 | 5,000,000 | 5,541,562 |
| Net cash flows from noncapital financing activities | <u>10,794</u> | <u>(75,000)</u> | <u>450,768</u> | <u>-</u> | <u>386,562</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Subsidy from federal and state grants | - | - | 284 | - | 284 |
| Principal paid on capital debt | - | - | (116,842) | - | (116,842) |
| Interest paid on capital debt | - | - | (26,706) | - | (26,706) |
| Purchase and acquisition of capital assets | - | (2,115,531) | (1,379) | - | (2,116,910) |
| Impact fees | - | 160,972 | - | - | 160,972 |
| Net cash flows from capital and related financing activities | <u>-</u> | <u>(1,954,559)</u> | <u>(144,643)</u> | <u>-</u> | <u>(2,099,202)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | - | 7,304 | 1 | 1,154 | 8,459 |
| Net cash flows from investing activities | <u>-</u> | <u>7,304</u> | <u>1</u> | <u>1,154</u> | <u>8,459</u> |
| Net change in cash and cash equivalents | - | (1,555,044) | - | 1,154 | (1,553,890) |
| Cash and cash equivalents, including restricted cash, beginning of year | <u>-</u> | <u>2,621,370</u> | <u>-</u> | <u>510,248</u> | <u>3,131,618</u> |
| Cash and cash equivalents, including restricted cash, end of year | <u>\$ -</u> | <u>\$ 1,066,326</u> | <u>\$ -</u> | <u>\$ 511,402</u> | <u>\$ 1,577,728</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | |
| Net operating income (loss) | \$ (42,812) | \$ 211,975 | \$ (471,690) | \$ - | \$ (302,527) |
| Adjustments to reconcile net operating income (loss) to net cash flows from operating activities | | | | | |
| Depreciation/amortization | 29,193 | 111,873 | 174,046 | - | 315,112 |
| Other noncash items | 2,011 | - | 2,584 | - | 4,595 |
| Changes in operating assets and liabilities: | | | | | |
| (Increase) decrease in receivables | (1,540) | 2,965 | (1,042) | - | 383 |
| Increase (decrease) in accounts payable | 1,289 | 134,916 | (13,025) | - | 123,180 |
| Increase (decrease) in accrued payroll | (86) | 109 | 180 | - | 203 |
| Increase (decrease) in unearned revenues | - | 2,120 | - | - | 2,120 |
| Increase (decrease) in compensated absences | 1,151 | 3,253 | 2,821 | - | 7,225 |
| Net cash flows from operating activities | <u>\$ (10,794)</u> | <u>\$ 467,211</u> | <u>\$ (306,126)</u> | <u>\$ -</u> | <u>\$ 150,291</u> |
| Noncash investing, capital, and financing activities | | | | | |
| Capital contributions from sub dividers | \$ 96,259 | \$ 77,820 | \$ - | \$ - | \$ 174,079 |

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2011

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

| Rate Schedule | Residential | Commercial |
|--|-------------|-------------|
| Water: | | |
| Minimum Monthly Charge | \$17.50 | \$17.50/ERU |
| Usage in increments of 5,000 gallons to 40,000 gallons and over | .90 - 1.85 | .90 - 1.85 |
| Late Payment Penalty | 5% | 5% |
| Impact Fee - 3/4" line | 2,121 | 2,121 |
| 1 in. line | 3,499 | 3,499 |
| 1 1/2" line | 7,911 | 7,911 |
| 2" line | 13,893 | 13,893 |
| 3" line | 31,242 | 31,242 |
| 4" line | 55,507 | 55,507 |
| 6" line | 124,884 | 124,884 |
| Connection Fee - 3/4" meter | 225 | 225 |
| 1" meter | 275 | 275 |
| 1 1/2" 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: | | |
| Sewer Rate for areas without a sewer lift station. | 26.95 | 26.95/ERU |
| Ridge Pointe/Subdivision | 37.63 | |
| Coral Canyon/Subdivision | 31.55 | |
| Sewer Impact Fee | 1,159 | 1,159/ERU |
| Inspection Fee | 150 | 150/ERU |
| Sewer System Statistics: | | |
| Residential Equivalents connected to the system at June 30, 2011 | 7,001 | |
| Average monthly billing per customer | 26.95 | |

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures, Continued
For the Year Ended June 30, 2011

Insurance coverage in effect at June 30, 2011:

| Provider | Type | Policy Number | Effective | Expires | Limits |
|-----------------------------|----------------------------------|---------------|-----------|----------|--------------|
| Utah Local Government Trust | Auto - bodily injury liability | 14680-GL2010 | 07/01/10 | 06/30/11 | \$ 2,000,000 |
| Utah Local Government Trust | Auto - property damage liability | 14680-GL2010 | 07/01/10 | 06/30/11 | 2,000,000 |
| Utah Local Government Trust | Auto - underinsured | 14680-GL2010 | 07/01/10 | 06/30/11 | 80,000 |
| Utah Local Government Trust | Auto - uninsured | 14680-GL2010 | 07/01/10 | 06/30/11 | 80,000 |
| Utah Local Government Trust | General liability | 14680-GL2010 | 07/01/10 | 06/30/11 | 2,000,000 |
| Utah Local Government Trust | Property coverage - all risk | 14680-GL2010 | 07/01/10 | 06/30/11 | 45,128,917 |

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

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2011, which collectively comprise Washington City’s basic financial statements, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying schedule of findings and recommendations to be a material weakness.

08-01 Material Misstatements

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies.

- 11-01 Bank Reconciliations
- 08-04 Segregation of Duties
- 08-06 Fraud Risk Management Program

Compliance and Other Matters

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

We noted certain other items that we reported to management of the City in a separate letter dated December 13, 2011.

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

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



HINTON, BURDICK, HALL & SPILKER, PLLC
December 13, 2011



MEMBERS:

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

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

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

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

We have audited the basic financial statements of Washington City, Utah, for the year ended June 30, 2011, and have issued our report thereon dated December 13, 2011. As part of our audit, we have audited Washington City's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The City received the following major assistance programs from the State of Utah:

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

The general compliance requirements applicable to the City are identified as follows:

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

Compliance with the requirements referred to above is the responsibility of the City's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, Washington City, Utah, complied, in all material aspects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations.

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
December 13, 2011



WASHINGTON CITY
Findings and Recommendations
For the Year Ended June 30, 2011

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, 2011, 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 Misstatements

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

The primary areas affected include unrecorded and incorrect receivables and liabilities (i.e. not recording revenues and expenses in the correct period) and the City's main cash account. In working with city personnel to address the various misstatements, it seems that the underlying issue is that key accounting personnel haven't been able to spend adequate time monitoring, reconciling and adjusting fiscal year end balances before we begin our audit. Furthermore, the change in accounting systems during fiscal years 2010 and 2011 appears to have contributed to the misstatements noted. As we work through the audit and discuss various issues, balances and adjustments with accounting personnel, it appears that they understand the misstatements. In fact, they typically prepare an adjustment, as opposed to us, to correct the issue.

Recommendation

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

Significant Deficiencies:

11-01 Bank Reconciliations

At the beginning of the audit management informed us that accounting personnel were still working on some bank reconciliation issues as a result of switching accounting systems. Working with accounting personnel throughout the audit, the majority of the reconciliation discrepancy was identified and corrected.

It appears that the majority of the issues related to the first six months of the transition to the new system; consequently, it appears that accounting personnel have addressed the majority of the issues and now have procedures in place to accurately complete the bank reconciliation each month.

In connection with the bank reconciliation of the City's main operating bank account, there appear to be some old outstanding items carrying over from the City's former accounting system. It appears that there may be similar immaterial items in some of the cash clearing accounts as well.

Recommendation

We recommend that management and accounting personnel focus heavily on this issue to ensure that the updated bank reconciliation procedures allow the account to be completely and accurately reconciled to the general ledger. Furthermore, accounting personnel should finish investigating any old outstanding items that are carrying over from the former accounting system. The City should consider having someone independent of the bank reconciliation preparation process review the reconciliations on a monthly basis to ensure that they are being completed accurately and timely.

08-04 Segregation of Duties

In recent years the City has made some significant improvements in the segregation of duties within the accounting functions and internal controls over cash receipting. However, the utility clerk supervisor still has the authority to make utility account adjustments with little or no oversight. Consequently, the utility clerk supervisor has custody duties (occasionally, despite not having regular cash receipting duties), recording duties and authorization duties.

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

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

Recommendation

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

08-06 Fraud Risk Management Program

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

Recommendation

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

COMPLIANCE AND OTHER MATTERS:

Compliance:

11-02 General Fund Maximum Fund Balance

Utah Code indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. For cities, the total estimated revenue of the general fund is the next year's total general fund budgeted revenue less any beginning fund balances appropriated. Based on the aforementioned and the City's fiscal year 2012 budget, the City's fund balance in the general fund is over the state maximum as of June 30, 2011.

Recommendation

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

11-03 Budgetary Compliance

Utah Code indicates that officers and employees of the City shall not incur expenditures in excess of the total appropriation for any fund (department level for the general fund). For the year ending June 30, 2011, several departments in the general fund and the special revenue fund in total were over budget.

Recommendation

We recommend that the City operate within the confines of state law by limiting expenditures or following proper procedures to adjust the departmental and fund budgets. We also recommend that management utilize system-generated budget reports on a regular basis to determine the status of budgets for current disbursements.

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
December 13, 2011



December 21, 2011

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

To Whom It May Concern:

We have received and carefully reviewed the "Findings and Recommendations For the Year Ending June 30, 2011" and provide the following response.

Material Misstatement Adjustments

It appears the concerns noted involved key accounting personnel not able to spend adequate time monitoring, reconciling and adjusting fiscal year end balances before the audit begins as well as a change in accounting software that contributed to the misstatements noted. With the accounting software conversion completed and a number of other changes that have been made within the finance department fully underway we are confident these concerns will be rectified going forward.

Bank Reconciliations

The majority of these issues related to the first six months of the transition to the new accounting system and accounting personnel have addressed the majority of the issues and now have procedures in place to accurately complete the bank reconciliation each month. Accounting personnel independent of the bank reconciliation preparation process will review the reconciliations on a monthly basis to ensure that they are being completed accurately and timely.

Segregation of Duties

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

Fraud Risk Management

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

Fund Balance Limitations

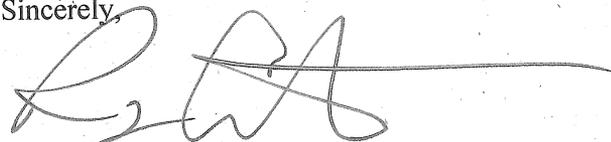
Current state law allows an approximate 13% (18% max, 5% minimum) fund balance range to be carried over from year to year. Although this makes it extremely difficult for communities to respond to even the slightest changes in the market place, without reducing services or raising taxes. We find ourselves 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.

Budgetary Compliance

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

Please let me know if you have any additional questions.

Sincerely,

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

Roger Carter
City Manager