



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washington City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah as of June 30, 2012, 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 November 28, 2012, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City's financial statements as a whole. The accompanying combining statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



HintonBurdick, PLLC
St. George, Utah
November 28, 2012

Washington City, Utah
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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, 2012. 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, 2012 by \$151,783,345 (net position). Of this amount, \$14,994,651 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,433,606.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$5,588,210, a decrease of \$1,032,313 from the prior year. Approximately 42% (or \$2,372,256) 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 \$2,372,256 or approximately 25% of total general fund expenditures.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$482,773 before interfund transfers.
- Washington City's total long-term debt decreased by \$1,063,444 or 2.54% during the current fiscal year.

Overview of Financial Statements

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

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

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

Government-wide financial statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and 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 position and how they have changed. Net position—essentially 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 position 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 position may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$151,783,345 at the close of the fiscal year. By far the largest portion of Washington City's net position, (93.02% for governmental activities and 79.00% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure buildings, equipment) less any related debt used to acquire those assets that is still outstanding. Washington City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Washington City's Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Current and other assets	\$ 7,122,157	\$ 8,029,399	\$ 19,931,552	\$ 18,357,574	\$ 27,053,709	\$ 26,386,973
Capital assets	86,505,899	83,041,746	84,082,460	84,473,975	170,588,359	167,515,721
Total assets	<u>93,628,056</u>	<u>91,071,145</u>	<u>104,014,012</u>	<u>102,831,549</u>	<u>197,642,068</u>	<u>193,902,694</u>
Long-term liabilities outstanding	20,491,151	20,629,467	20,868,522	21,978,136	41,359,673	42,607,603
Other liabilities	1,750,514	1,681,173	2,748,536	3,264,179	4,499,050	4,945,352
Total liabilities	<u>22,241,665</u>	<u>22,310,640</u>	<u>23,617,058</u>	<u>25,242,315</u>	<u>45,858,723</u>	<u>47,552,955</u>
Net position:						
Net investment in capital assets	66,401,553	62,730,373	63,511,930	62,783,851	129,913,483	125,514,224
Restricted	2,288,137	2,502,452	4,587,074	4,045,904	6,875,211	6,548,356
Unrestricted	2,696,701	3,527,680	12,297,950	10,759,479	14,994,651	14,287,159
Total net position	<u>\$ 71,386,391</u>	<u>\$ 68,760,505</u>	<u>\$ 80,396,954</u>	<u>\$ 77,589,234</u>	<u>\$ 151,783,345</u>	<u>\$ 146,349,739</u>

Percentage of Net Position

<u>Net position type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets	93.02%	79.00%	85.59%
Restricted net position	3.20%	5.70%	4.53%
Unrestricted net position	<u>3.78%</u>	<u>15.30%</u>	<u>9.88%</u>
Total net position	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

An additional portion of Washington City's net position (3.20% and 5.70% respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$14,994,651 (3.78% and 15.30% respectively) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased Washington City's net position by \$2,625,886 (see below table for details).

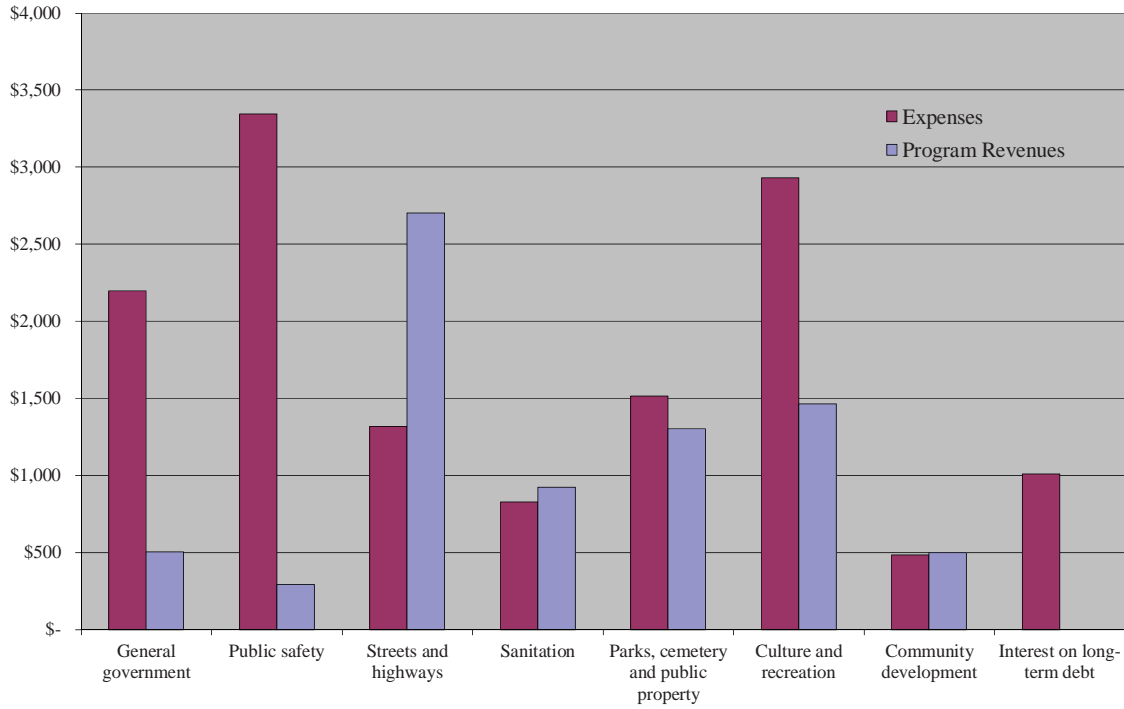
Business-type activities. Business-type activities increased Washington City's net position by \$2,807,720 (see below table for details).

Washington City's Changes in Net Position

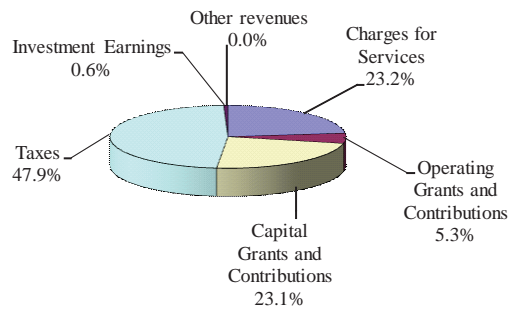
	Governmental activities		Business-type activities		Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,456,815	\$ 3,448,070	\$ 16,611,863	\$ 16,084,376	\$ 20,068,678	\$ 19,532,446
Operating grants and contributions	784,574	726,471	-	-	784,574	726,471
Capital grants and contributions	3,448,320	2,472,229	3,199,621	1,984,424	6,647,941	4,456,653
General revenues:						
Taxes	7,730,089	7,102,679	-	-	7,730,089	7,102,679
Unrestricted investment earnings	86,176	42,630	131,033	78,947	217,209	121,577
Other	221,490	178,634	-	-	221,490	178,634
Total revenues	<u>15,727,464</u>	<u>13,970,713</u>	<u>19,942,517</u>	<u>18,147,747</u>	<u>35,669,981</u>	<u>32,118,460</u>
Expenses:						
General government	2,195,679	2,131,146	-	-	2,195,679	2,131,146
Public safety	3,344,029	3,158,168	-	-	3,344,029	3,158,168
Streets and highways	1,314,907	888,018	-	-	1,314,907	888,018
Sanitation	827,810	783,121	-	-	827,810	783,121
Parks, cemetery and public property	1,515,445	1,290,456	-	-	1,515,445	1,290,456
Culture and recreation	2,929,069	2,999,431	-	-	2,929,069	2,999,431
Community development	483,741	533,509	-	-	483,741	533,509
Interest on long-term debt	1,010,469	1,007,209	-	-	1,010,469	1,007,209
Water	-	-	4,535,154	4,307,485	4,535,154	4,307,485
Sewer	-	-	1,201,460	1,229,437	1,201,460	1,229,437
Electric	-	-	9,274,283	9,934,486	9,274,283	9,934,486
Irrigation	-	-	67,422	60,103	67,422	60,103
Storm drain	-	-	284,951	309,750	284,951	309,750
Golf course	-	-	1,251,956	1,352,767	1,251,956	1,352,767
Total expenses	<u>13,621,149</u>	<u>12,791,058</u>	<u>16,615,226</u>	<u>17,194,028</u>	<u>30,236,375</u>	<u>29,985,086</u>
Change in net position before transfers	2,106,315	1,179,655	3,327,291	953,719	5,433,606	2,133,374
Transfers	<u>519,571</u>	<u>5,560,000</u>	<u>(519,571)</u>	<u>(5,560,000)</u>	<u>-</u>	<u>-</u>
Change in net position	2,625,886	6,739,655	2,807,720	(4,606,281)	5,433,606	2,133,374
Net position, beginning	68,760,505	62,020,850	77,589,234	82,195,515	146,349,739	144,216,365
Net position, ending	<u>\$ 71,386,391</u>	<u>\$ 68,760,505</u>	<u>\$ 80,396,954</u>	<u>\$ 77,589,234</u>	<u>\$ 151,783,345</u>	<u>\$ 146,349,739</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)

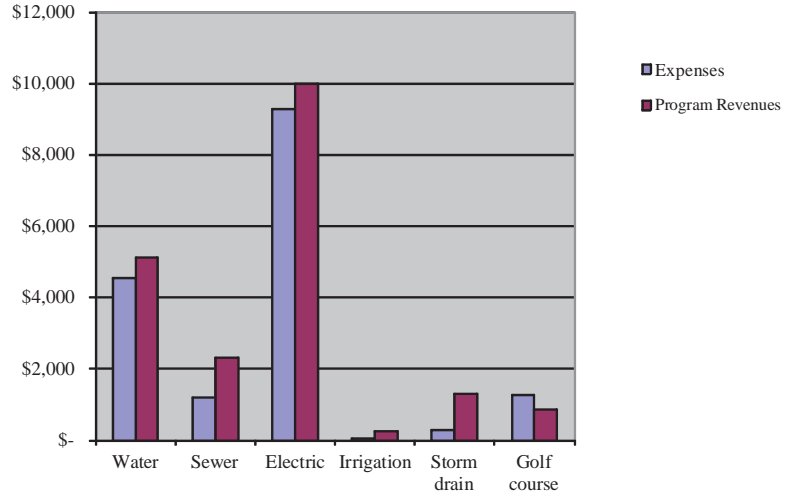


Revenue By Source - Governmental Activities



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 \$5,588,210, a decrease of \$1,032,313 from the prior year; \$2,372,256 or approximately 42% 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* (\$48,368), *restricted* (\$2,553,946) or *assigned* (\$613,640).

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 \$2,372,256 or approximately 92% of the total fund balance of \$2,590,494. 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 25% of total general fund expenditures, while total fund balance represents approximately 27% 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 \$2,997,716. These combined fund balances experienced a net decrease of \$841,945.

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 position for the water, sewer and electric funds along with the irrigation, storm drain, golf course and internal debt service funds, total \$12,297,950 at the end of the fiscal year. Aside from the golf course and internal debt service funds, all of these proprietary funds experienced increases in total net position 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 \$1,240,487 net increase in appropriations. The main components of the increase relates to increases in public safety, sanitation, parks cemetery and public property, debit service and transfers out.

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, 2012, amounts to \$170,588,359 (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	\$ 1,997,092	\$ 3,163,278	\$ 5,160,370
Infrastructure	54,077,622	-	54,077,622
Construction in progress	214,422	148,593	363,015
Buildings and improvements	28,859,149	2,875,482	31,734,631
Improvements and systems	-	76,745,337	76,745,337
Machinery and equipment	550,687	657,599	1,208,286
Automobiles and trucks	806,927	492,171	1,299,098
Total	<u>\$ 86,505,899</u>	<u>\$ 84,082,460</u>	<u>\$ 170,588,359</u>

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

- Construction of Virgin River bridge/300 East project
- Construction of Virgin River Park (soccer complex)
- Construction of dog park
- Acquisition of Covington property
- 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 14.84 exceeds the City's minimum of 12.60.

Long-term debt. At fiscal year-end, the City had \$40,781,016 in outstanding debt—a decrease of 2.54% 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
	2012	2011	2012	2011	2012	2011	
General obligation bonds	\$ 9,015,000	\$ 9,280,000	\$ -	\$ -	\$ 9,015,000	\$ 9,280,000	-2.86%
Lease revenue bonds	6,698,000	7,053,000	-	-	6,698,000	7,053,000	-5.03%
Sales/Excise tax revenue bonds	4,059,000	3,635,000	-	-	4,059,000	3,635,000	11.66%
Revenue bonds	-	-	20,362,262	21,326,775	20,362,262	21,326,775	-4.52%
Capital leases obligation	-	-	63,159	206,312	63,159	206,312	-69.39%
Notes payable	583,595	343,373	-	-	583,595	343,373	69.96%
Total	<u>\$ 20,355,595</u>	<u>\$ 20,311,373</u>	<u>\$ 20,425,421</u>	<u>\$ 21,533,087</u>	<u>\$ 40,781,016</u>	<u>\$ 41,844,460</u>	-2.54%

Next Year's budget and Economic Factors

Washington City is in good financial condition and the fiscal year 2013 general fund has a balanced budget. Over fiscal year 2012, the City issued 443 building permits, which is down only 1.12% from fiscal year 2011. General sales tax revenues increased by approximately 10% in comparing fiscal year 2012 to fiscal year 2011.

There are no major policy changes anticipated for the 2013 fiscal year. We do believe that the economy is in a recovery mode for our area, as is indicated by the previously-mentioned tax numbers. What we anticipate in regards to this recovery mode and its impact upon the City is reflected in the fiscal year 2013 budget. We will continue to monitor the ever-changing state of the economy and make adjustments as needed.

The fiscal year 2013 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 Position
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 652,830	\$ 12,897,528	\$ 13,550,358
Receivables, net	1,240,790	3,064,896	4,305,686
Internal balances	1,971,773	(1,971,773)	-
Inventories	29,607	516,963	546,570
Prepays	18,761	-	18,761
Bond issuance costs, net	49,242	136,703	185,945
Restricted assets:			
Temporarily restricted:			
Cash and investments	3,159,154	5,287,235	8,446,389
Capital assets not being depreciated:			
Land	1,997,092	3,163,278	5,160,370
Infrastructure	54,077,622	-	54,077,622
Construction in progress	214,422	148,593	363,015
Capital assets net of accumulated depreciation:			
Buildings and improvements	28,859,149	2,875,482	31,734,631
Improvements and systems	-	76,745,337	76,745,337
Machinery and equipment	550,687	657,599	1,208,286
Automobiles and trucks	806,927	492,171	1,299,098
Total assets	<u>93,628,056</u>	<u>104,014,012</u>	<u>197,642,068</u>
Liabilities			
Accounts payable and other current liabilities	1,484,705	2,572,263	4,056,968
Unearned revenue	-	48,017	48,017
Accrued interest payable	265,809	128,256	394,065
Noncurrent liabilities:			
Due within one year	1,313,688	1,284,558	2,598,246
Due in more than one year	19,177,463	19,583,964	38,761,427
Total liabilities	<u>22,241,665</u>	<u>23,617,058</u>	<u>45,858,723</u>
Net Position			
Net investment in capital assets	66,401,553	63,511,930	129,913,483
Restricted for:			
Debt service	196,993	1,161,815	1,358,808
Capital outlay	2,091,144	3,425,259	5,516,403
Unrestricted	2,696,701	12,297,950	14,994,651
Total net position	<u>\$ 71,386,391</u>	<u>\$ 80,396,954</u>	<u>\$ 151,783,345</u>

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

WASHINGTON CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,195,679	\$ 475,635	\$ -	\$ 29,195	\$ (1,690,849)	\$ -	\$ (1,690,849)
Public safety	3,344,029	39,572	23,433	229,461	(3,051,563)	-	(3,051,563)
Streets and highways	1,314,907	-	761,141	1,944,102	1,390,336	-	1,390,336
Sanitation	827,810	921,980	-	-	94,170	-	94,170
Parks, cemetery and public property	1,515,445	56,254	-	1,245,562	(213,629)	-	(213,629)
Culture and recreation	2,929,069	1,464,590	-	-	(1,464,479)	-	(1,464,479)
Community development	483,741	498,784	-	-	15,043	-	15,043
Interest on long-term debt	1,010,469	-	-	-	(1,010,469)	-	(1,010,469)
Total governmental activities	<u>13,621,149</u>	<u>3,456,815</u>	<u>784,574</u>	<u>3,448,320</u>	<u>(5,931,440)</u>	<u>-</u>	<u>(5,931,440)</u>
Business-type activities:							
Water	4,535,154	4,017,873	-	1,100,592	-	583,311	583,311
Sewer	1,201,460	1,450,054	-	855,618	-	1,104,212	1,104,212
Electric	9,274,283	9,591,156	-	381,873	-	698,746	698,746
Irrigation	67,422	17,334	-	244,885	-	194,797	194,797
Storm drain	284,951	688,742	-	609,930	-	1,013,721	1,013,721
Golf course	1,251,956	846,704	-	6,723	-	(398,529)	(398,529)
Total business-type activities	<u>16,615,226</u>	<u>16,611,863</u>	<u>-</u>	<u>3,199,621</u>	<u>-</u>	<u>3,196,258</u>	<u>3,196,258</u>
Total primary government	<u>\$ 30,236,375</u>	<u>\$ 20,068,678</u>	<u>\$ 784,574</u>	<u>\$ 6,647,941</u>	<u>(5,931,440)</u>	<u>3,196,258</u>	<u>(2,735,182)</u>
General Revenues:							
Taxes:							
Property taxes					3,081,341	-	3,081,341
Sales taxes					3,669,322	-	3,669,322
Franchise taxes					395,089	-	395,089
Energy taxes					584,337	-	584,337
Unrestricted investment earnings					86,176	131,033	217,209
Other revenues not restricted to specific programs					221,490	-	221,490
Transfers					519,571	(519,571)	-
Total general revenues and transfers					<u>8,557,326</u>	<u>(388,538)</u>	<u>8,168,788</u>
Change in net position					2,625,886	2,807,720	5,433,606
Net position - beginning					<u>68,760,505</u>	<u>77,589,234</u>	<u>146,349,739</u>
Net position - ending					<u>\$ 71,386,391</u>	<u>\$ 80,396,954</u>	<u>\$ 151,783,345</u>

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

WASHINGTON CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Capital Projects Recreation</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ -	\$ 157,981	\$ 133,745	\$ 361,104	\$ 652,830
Receivables	219,087	49	-	120	219,256
Due from other funds	1,971,773	-	-	-	1,971,773
Due from other governments	956,008	59,572	-	5,954	1,021,534
Inventory	29,607	-	-	-	29,607
Prepaid items	18,761	-	-	-	18,761
Restricted cash and investments	577,804	443,397	-	2,137,953	3,159,154
Total assets	<u>\$ 3,773,040</u>	<u>\$ 660,999</u>	<u>\$ 133,745</u>	<u>\$ 2,505,131</u>	<u>\$ 7,072,915</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 602,576	\$ 63,971	\$ 86,137	\$ 104,443	\$ 857,127
Accrued wages and taxes	119,178	-	47,608	-	166,786
Other payables	58,683	-	-	-	58,683
Construction bonds payable	402,109	-	-	-	402,109
Total liabilities	<u>1,182,546</u>	<u>63,971</u>	<u>133,745</u>	<u>104,443</u>	<u>1,484,705</u>
Fund balances:					
Nonspendable - inventory and prepaids	48,368	-	-	-	48,368
Restricted for:					
Debt service	169,870	-	-	292,932	462,802
Capital outlay - impact fees	-	443,397	-	93,601	536,998
Capital outlay - other	-	-	-	1,554,146	1,554,146
Assigned to:					
Capital outlay	-	153,631	-	460,009	613,640
Unassigned	2,372,256	-	-	-	2,372,256
Total fund balances	<u>2,590,494</u>	<u>597,028</u>	<u>-</u>	<u>2,400,688</u>	<u>5,588,210</u>
Total liabilities and fund balances	<u>\$ 3,773,040</u>	<u>\$ 660,999</u>	<u>\$ 133,745</u>	<u>\$ 2,505,131</u>	<u>\$ 7,072,915</u>

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

WASHINGTON CITY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2012

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

Total fund balances - total governmental funds		\$ 5,588,210
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	Governmental capital assets	\$ 95,056,067
	Accumulated depreciation	<u>(8,550,168)</u>
		86,505,899
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	(19,772,000)
	Issuance costs (amortized over life of debt)	49,242
	Deferred on refunding	202,007
	Notes payable	(583,595)
	Compensated absences	(337,563)
	Accrued interest payable	<u>(265,809)</u>
		(20,707,718)
Net position of governmental activities		<u><u>\$ 71,386,391</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, 2012

	<u>General</u>	<u>Capital Projects Recreation</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Current year property taxes	\$ 2,040,130	\$ -	\$ -	\$ 562,296	\$ 2,602,426
Prior year property taxes	164,871	-	-	-	164,871
General sales and use taxes	3,669,322	-	-	-	3,669,322
Energy taxes	584,337	-	-	-	584,337
Franchise taxes	395,089	-	-	-	395,089
Licenses and permits	491,751	-	-	-	491,751
Intergovernmental revenues	958,951	-	-	31,345	990,296
Charges for services	1,161,448	-	1,342,667	-	2,504,115
Impact fees	-	999,446	-	650,492	1,649,938
Fines and forfeitures	339,027	-	-	-	339,027
Investment earnings	61,120	11,633	-	18,750	91,503
Miscellaneous	216,716	243,636	11,802	318,818	790,972
Total revenues	10,082,762	1,254,715	1,354,469	1,581,701	14,273,647
Expenditures					
Current:					
General government	2,028,221	-	-	19,100	2,047,321
Public safety	3,226,491	-	-	-	3,226,491
Streets and highways	686,741	-	-	599,443	1,286,184
Sanitation	827,810	-	-	-	827,810
Parks, cemetery and public property	1,187,504	-	-	-	1,187,504
Culture and recreation	-	-	2,353,842	-	2,353,842
Community and economic development	465,253	-	-	-	465,253
Debt service:					
Principal	912,777	-	-	620,000	1,532,777
Interest	230,792	-	-	786,166	1,016,958
Bond issuance costs	34,400	-	-	17,750	52,150
Capital outlay	-	2,203,232	75,633	925,369	3,204,234
Total expenditures	9,599,989	2,203,232	2,429,475	2,967,828	17,200,524
Excess (deficiency) of revenues over (under) expenditures	482,773	(948,517)	(1,075,006)	(1,386,127)	(2,926,877)
Other financing sources (uses)					
Transfers in	2,125,604	148,040	1,075,006	1,687,055	5,035,705
Transfers out	(2,526,738)	(634,982)	-	(1,354,414)	(4,516,134)
Refunding bonds issued	2,900,000	-	-	-	2,900,000
Payment to refunded bond escrow agent	(3,172,007)	-	-	-	(3,172,007)
Bonds and other debt issued	-	-	-	1,647,000	1,647,000
Total other financing sources and (uses)	(673,141)	(486,942)	1,075,006	1,979,641	1,894,564
Net change in fund balances	(190,368)	(1,435,459)	-	593,514	(1,032,313)
Fund balances - beginning	2,780,862	2,032,487	-	1,807,174	6,620,523
Fund balances - ending	<u>\$ 2,590,494</u>	<u>\$ 597,028</u>	<u>\$ -</u>	<u>\$ 2,400,688</u>	<u>\$ 5,588,210</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, 2012

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

Net change in fund balances-total governmental funds \$ (1,032,313)

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	\$ 3,204,583	
Depreciation expense	<u>(1,084,127)</u>	2,120,456

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. 1,343,697

Repayment of principal on long-term debt (including payment to escrow for bond refunding) is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 4,704,785

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

Debt issued	(4,547,000)	
Issuance cost	<u>52,150</u>	(4,494,850)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when resources debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount relates to bond issuance amortization. (2,908)

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	6,488	
Compensated absences, net change	<u>(19,469)</u>	(12,981)

Change in net position of governmental activities \$ 2,625,886

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, 2012

	<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	\$ 2,035,250	\$ 2,035,250	\$ 2,040,130	\$ 4,880
Prior-years property taxes	70,500	111,000	164,871	53,871
General sales and use taxes	3,364,496	3,526,908	3,669,322	142,414
Energy taxes	623,375	623,375	584,337	(39,038)
Franchise taxes	348,500	388,500	395,089	6,589
Licenses and permits	412,734	429,300	491,751	62,451
Intergovernmental revenues	752,207	911,550	958,951	47,401
Charges for services	1,022,822	1,093,010	1,161,448	68,438
Fines and forfeitures	300,000	344,000	339,027	(4,973)
Investment earnings	33,830	39,930	61,120	21,190
Miscellaneous	175,632	151,213	216,716	65,503
Total revenues	<u>9,139,346</u>	<u>9,654,036</u>	<u>10,082,762</u>	<u>428,726</u>
Expenditures				
Current:				
General government	2,099,400	2,123,928	2,028,221	95,707
Public safety	3,035,465	3,262,573	3,226,491	36,082
Streets and highways	935,901	750,852	686,741	64,111
Sanitation	688,319	803,428	827,810	(24,382)
Parks, cemetery and public property	1,020,692	1,242,682	1,187,504	55,178
Community and economic development	522,351	490,851	465,253	25,598
Debt service:				
Principal	279,348	912,945	912,777	168
Interest	229,988	229,988	230,792	(804)
Bond issuance costs	-	34,400	34,400	-
Total debt service	<u>509,336</u>	<u>1,177,333</u>	<u>1,177,969</u>	<u>(636)</u>
Total expenditures	<u>8,811,464</u>	<u>9,851,647</u>	<u>9,599,989</u>	<u>251,658</u>
Excess of revenues over (under) expenditures	<u>327,882</u>	<u>(197,611)</u>	<u>482,773</u>	<u>680,384</u>
Other financing sources (uses)				
Transfers in	1,552,311	2,125,011	2,125,604	593
Transfers out	(2,374,137)	(2,574,441)	(2,526,738)	47,703
Refunding bonds issued	-	2,900,000	2,900,000	-
Payment to refunded bond escrow agent	-	-	(3,172,007)	(3,172,007)
Total other financing sources and (uses)	<u>(821,826)</u>	<u>2,450,570</u>	<u>(673,141)</u>	<u>(3,123,711)</u>
Net change in fund balances	(493,944)	2,252,959	(190,368)	(2,443,327)
Fund balance - beginning	<u>2,780,862</u>	<u>2,780,862</u>	<u>2,780,862</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,286,918</u>	<u>\$ 5,033,821</u>	<u>\$ 2,590,494</u>	<u>\$ (2,443,327)</u>

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

WASHINGTON CITY, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
Assets					
Current assets:					
Cash and investments	\$ 3,858,197	\$ 3,927,185	\$ 3,208,902	\$ 1,903,244	\$ 12,897,528
Accounts receivable, net	723,249	277,586	1,991,952	72,109	3,064,896
Due from other funds	-	510,318	-	-	510,318
Inventory	-	-	516,963	-	516,963
Total current assets	<u>4,581,446</u>	<u>4,715,089</u>	<u>5,717,817</u>	<u>1,975,353</u>	<u>16,989,705</u>
Noncurrent assets:					
Restricted cash and investments	2,430,039	2,322,566	534,630	-	5,287,235
Bond issuance costs, net	-	-	136,703	-	136,703
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	42,718,777	17,826,790	23,306,856	13,516,613	97,369,036
Machinery and equipment	692,555	596,214	547,174	1,205,776	3,041,719
Automobiles and trucks	336,580	394,194	894,654	29,464	1,654,892
Construction in progress	12,545	-	136,048	-	148,593
Less accumulated depreciation	(10,162,303)	(4,114,311)	(5,899,241)	(4,537,656)	(24,713,511)
Total capital assets, net	<u>35,605,261</u>	<u>16,187,874</u>	<u>20,735,845</u>	<u>11,553,480</u>	<u>84,082,460</u>
Total noncurrent assets	<u>38,035,300</u>	<u>18,510,440</u>	<u>21,407,178</u>	<u>11,553,480</u>	<u>89,506,398</u>
Total assets	<u>42,616,746</u>	<u>23,225,529</u>	<u>27,124,995</u>	<u>13,528,833</u>	<u>106,496,103</u>
Liabilities					
Current liabilities:					
Accounts payable	200,187	173,771	1,322,580	72,975	1,769,513
Accrued wages and taxes	23,187	15,266	34,192	29,944	102,589
Due to other funds	-	-	-	2,482,091	2,482,091
Accrued interest payable	22,688	13,517	91,112	939	128,256
Customer deposits payable	165,580	-	534,581	-	700,161
Unearned revenue	-	5,947	42,070	-	48,017
Compensated absences payable - current	76,129	34,931	83,635	46,029	240,724
Capital leases payable - current	-	-	-	63,159	63,159
Revenue bonds payable - current	458,675	187,000	335,000	-	980,675
Total current liabilities	<u>946,446</u>	<u>430,432</u>	<u>2,443,170</u>	<u>2,695,137</u>	<u>6,515,185</u>
Noncurrent liabilities:					
Compensated absences payable	14,539	16,671	-	26,058	57,268
Revenue bonds payable	12,506,747	1,434,840	5,440,000	-	19,381,587
Bond premium	-	-	145,109	-	145,109
Total noncurrent liabilities	<u>12,521,286</u>	<u>1,451,511</u>	<u>5,585,109</u>	<u>26,058</u>	<u>19,583,964</u>
Total liabilities	<u>13,467,732</u>	<u>1,881,943</u>	<u>8,028,279</u>	<u>2,721,195</u>	<u>26,099,149</u>
Net position					
Net investment in capital assets	22,639,839	14,566,034	14,815,736	11,490,321	63,511,930
Restricted for:					
Debt service	850,209	311,557	49	-	1,161,815
Capital outlay	1,414,250	2,011,009	-	-	3,425,259
Unrestricted	4,244,716	4,454,986	4,280,931	(682,683)	12,297,950
Total net position	<u>\$ 29,149,014</u>	<u>\$ 21,343,586</u>	<u>\$ 19,096,716</u>	<u>\$ 10,807,638</u>	<u>\$ 80,396,954</u>

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

WASHINGTON CITY, UTAH
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
Operating revenues:					
Charges for services	\$ 3,992,641	\$ 1,450,054	\$ 9,372,480	\$ 1,547,537	\$ 16,362,712
Miscellaneous	25,232	-	218,676	5,243	249,151
Total operating revenues	<u>4,017,873</u>	<u>1,450,054</u>	<u>9,591,156</u>	<u>1,552,780</u>	<u>16,611,863</u>
Operating expenses:					
Salaries and wages	601,173	350,846	781,676	536,704	2,270,399
Employee benefits	337,642	210,151	403,915	258,037	1,209,745
Utilities	401,253	26,509	15,609	86,668	530,039
Professional services	33,107	18,701	30,280	49,236	131,324
Repairs and maintenance	225,121	7,000	215,044	10,763	457,928
Water purchased	1,287,391	-	-	-	1,287,391
Power purchased	-	-	6,267,907	-	6,267,907
Transmission expense	-	-	392,798	-	392,798
Rent	-	-	-	98,414	98,414
Miscellaneous	6,930	5,461	249,495	26,458	288,344
Supplies	39,261	54,035	33,022	163,628	289,946
Depreciation/amortization	1,075,517	494,088	614,605	367,879	2,552,089
Total operating expenses	<u>4,007,395</u>	<u>1,166,791</u>	<u>9,004,351</u>	<u>1,597,787</u>	<u>15,776,324</u>
Operating income (loss)	<u>10,478</u>	<u>283,263</u>	<u>586,805</u>	<u>(45,007)</u>	<u>835,539</u>
Nonoperating revenues (expenses):					
Intergovernmental	18,691	8,812	13,289	18,228	59,020
Investment earnings	41,471	55,447	20,695	13,420	131,033
Impact fees	584,110	311,008	368,584	251,009	1,514,711
Gain (loss) on sale of capital assets	-	(97)	-	-	(97)
Interest and fiscal charges	(527,759)	(34,572)	(269,932)	(6,542)	(838,805)
Total nonoperating revenues (expenses)	<u>116,513</u>	<u>340,598</u>	<u>132,636</u>	<u>276,115</u>	<u>865,862</u>
Income before transfers and contributions	126,991	623,861	719,441	231,108	1,701,401
Transfers in	-	-	152,216	-	152,216
Transfers out	(200,000)	(150,000)	(56,787)	(265,000)	(671,787)
Capital contributions	497,791	535,798	-	592,301	1,625,890
Change in net position	424,782	1,009,659	814,870	558,409	2,807,720
Total net position - beginning	<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>
Total net position - ending	<u>\$ 29,149,014</u>	<u>\$ 21,343,586</u>	<u>\$ 19,096,716</u>	<u>\$ 10,807,638</u>	<u>\$ 80,396,954</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, 2012

	Water	Sewer	Electric	Other Proprietary Funds	Totals
Cash flows from operating activities:					
Cash received from customers and users	\$ 3,999,409	\$ 1,434,484	\$ 9,392,193	\$ 1,528,523	\$ 16,354,609
Cash paid to suppliers	(2,093,322)	(239,825)	(7,439,303)	(582,328)	(10,354,778)
Cash paid to employees	(915,870)	(564,947)	(1,179,261)	(785,037)	(3,445,115)
Net cash flows from operating activities	<u>990,217</u>	<u>629,712</u>	<u>773,629</u>	<u>161,158</u>	<u>2,554,716</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(200,000)	(150,000)	95,429	(265,000)	(519,571)
Cash received (paid) from (to) other funds	-	(118,666)	-	369,241	250,575
Net cash flows from noncapital financing activities	<u>(200,000)</u>	<u>(268,666)</u>	<u>95,429</u>	<u>104,241</u>	<u>(268,996)</u>
Cash flows from capital and related financing activities:					
Subsidy from federal and state grants	44,437	28,142	163,264	18,564	254,407
Principal paid on capital debt	(456,513)	(183,000)	(345,982)	(122,171)	(1,107,666)
Interest paid on capital debt	(529,001)	(36,097)	(286,151)	(6,996)	(858,245)
Purchase and acquisition of capital assets	(59,894)	(35,287)	(335,623)	(93,630)	(524,434)
Proceeds from sales of capital assets	-	2,080	-	-	2,080
Impact fees	584,110	311,008	368,584	251,009	1,514,711
Net cash flows from capital and related financing activities	<u>(416,861)</u>	<u>86,846</u>	<u>(435,908)</u>	<u>46,776</u>	<u>(719,147)</u>
Cash flows from investing activities:					
Investment earnings	41,471	55,447	20,695	13,341	130,954
Net cash flows from investing activities	<u>41,471</u>	<u>55,447</u>	<u>20,695</u>	<u>13,341</u>	<u>130,954</u>
Net change in cash and investments	414,827	503,339	453,845	325,516	1,697,527
Cash and investments, including restricted, beginning 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>
Cash and investments, including restricted, end of year	<u>\$ 6,288,236</u>	<u>\$ 6,249,751</u>	<u>\$ 3,743,532</u>	<u>\$ 1,903,244</u>	<u>\$ 18,184,763</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ 10,478	\$ 283,263	\$ 586,805	\$ (45,007)	\$ 835,539
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	1,075,517	494,088	614,605	367,879	2,552,089
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(37,517)	(17,029)	(253,685)	(22,137)	(330,368)
(Increase) decrease in inventory	-	-	(4,393)	-	(4,393)
Increase (decrease) in accounts payable	(100,259)	(128,119)	(230,755)	(147,161)	(606,294)
Increase (decrease) in accrued payroll	4,036	1,809	9,803	9,401	25,049
Increase (decrease) in customer deposits	23,350	-	38,620	-	61,970
Increase (decrease) in unearned revenues	(4,297)	1,459	16,102	(2,120)	11,144
Increase (decrease) in compensated absences	18,909	(5,759)	(3,473)	303	9,980
Net cash flows from operating activities	<u>\$ 990,217</u>	<u>\$ 629,712</u>	<u>\$ 773,629</u>	<u>\$ 161,158</u>	<u>\$ 2,554,716</u>
Noncash investing, capital, and financing activities					
Capital contributions from sub dividers	\$ 497,791	\$ 535,798	\$ -	\$ 592,301	\$ 1,625,890

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

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, 2012

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 position and the statement of changes in net position) 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, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

The City reports the following major governmental funds:

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

The Capital Projects Fund – Recreation is used to account for recreational capital improvement projects of the City. This fund includes, in addition to other items, the collection and expenditure of park impact fees.

The Special Revenue Fund – Leisure Services is used to account for the collection of various leisure service fees and the related expenditures, including the activities of the City's community center.

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, 2012

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 includes 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, 2012

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 position.

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, 2012

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 position 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 position. 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 Position 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 position and is displayed in three components as follows:

Net investment in capital assets 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, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

Restricted net position represents restricted assets, reduced by liabilities, 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 position represents the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or restricted net position.

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.

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, 2012

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, 2012

NOTE 3. Deposits and Investments

Deposits and investments of the City at June 30, 2012 consist of the following:

Deposits:		
Cash in bank and on hand	\$	1,605,381
Investments:		
State Treasurer's Investment Pool:		
Washington City		7,311,295
With paying agent		546,167
Wells Fargo Investments:		
Money market mutual funds		18,830
Bonds - U.S. Agencies		4,015,308
Bonds - corporate		8,025,700
Dreyfus Mututal Fund:		
With paying agent		<u>474,066</u>
Total deposits and investments	\$	<u><u>21,996,747</u></u>

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

Cash and investments	\$	13,550,358
Restricted cash and investments		<u>8,446,389</u>
Total	\$	<u><u>21,996,747</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, 2012, \$1,416,941 of the City's bank balance of \$1,666,941 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

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, 2012 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	\$ 7,857,462	\$ 7,857,462	\$ -	\$ -	\$ -
Wells Fargo MMMF	18,830	18,830	-	-	-
Bonds - U.S. Agencies	4,015,308	-	2,006,587	2,008,721	-
Bonds - corporate	8,025,700	2,997,850	5,027,850	-	-
Dreyfus Mutual Fund	474,066	474,066	-	-	-
Total Fair Value	\$20,391,366	\$ 11,348,208	\$ 7,034,437	\$ 2,008,721	\$ -

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

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. As of June 30, 2012, the City's investments in the PTIF, money market mutual funds, and mutual funds were unrated. The City's investments in the U.S Agencies bonds were rated AAA by Standard & Poor's. The City's investments in the corporate bonds were rated from AAA to A- by Standard & Poor's and from Aa1 to A3 by Moody's Investor Service.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental Activities:	Balance 6/30/2011	Adjustments*	Additions	Deletions	Balance 6/30/2012
Capital assets, not being depreciated:					
Land, easements and water rights	\$ 1,777,092	-	\$ 220,000	\$ -	\$ 1,997,092
Construction in progress	1,817,521	-	2,037,985	(3,641,084)	214,422
Infrastructure	51,786,878	(293,376)	2,584,120	-	54,077,622
Total capital assets, not being depreciated:	<u>55,381,491</u>	<u>(293,376)</u>	<u>4,842,105</u>	<u>(3,641,084)</u>	<u>56,289,136</u>
Capital assets, being depreciated:					
Buildings and other improvements	31,260,268	293,376	3,141,297	-	34,694,941
Machinery and equipment	1,582,883	-	26,360	-	1,609,243
Automobiles and trucks	2,283,145	-	179,602	-	2,462,747
Total capital assets, being depreciated:	<u>35,126,296</u>	<u>293,376</u>	<u>3,347,259</u>	<u>-</u>	<u>38,766,931</u>
Less accumulated depreciation for:					
Buildings and other improvements	(5,043,262)	-	(792,530)	-	(5,835,792)
Machinery and equipment	(952,001)	-	(106,555)	-	(1,058,556)
Automobiles and trucks	(1,470,778)	-	(185,042)	-	(1,655,820)
Total accumulated depreciation	<u>(7,466,041)</u>	<u>-</u>	<u>(1,084,127)</u>	<u>-</u>	<u>(8,550,168)</u>
Total capital assets, being depreciated, net	<u>27,660,255</u>	<u>293,376</u>	<u>2,263,132</u>	<u>-</u>	<u>30,216,763</u>
Governmental activities capital assets, net	<u>\$ 83,041,746</u>	<u>\$ -</u>	<u>\$ 7,105,237</u>	<u>\$ (3,641,084)</u>	<u>\$ 86,505,899</u>

* An adjustment was made to reclassify previous year additions from infrastructure to buildings and other improvements. The net effect is zero.

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

Governmental Activities:	
General government	\$ 137,208
Public safety	164,717
Streets and highways	78,726
Parks, cemetery and public property	265,279
Culture and recreation	426,688
Community and economic development	11,509
Total depreciation expense - governmental activities	<u>\$ 1,084,127</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 4. Capital Assets, Continued

Business-type Activities:	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital assets not being depreciated:				
Land and water rights	\$ 3,163,278	\$ -	\$ -	\$ 3,163,278
Construction in progress	3,085,670	393,899	(3,330,976)	148,593
Total capital assets, not being depreciated	<u>6,248,948</u>	<u>393,899</u>	<u>(3,330,976)</u>	<u>3,311,871</u>
Capital assets being depreciated:				
Buildings	3,418,453	-	-	3,418,453
Improvements and systems	92,417,514	4,951,522	-	97,369,036
Machinery and equipment	3,041,719	-	-	3,041,719
Automobiles and trucks	1,525,249	135,879	(6,236)	1,654,892
Total capital assets, being depreciated	<u>100,402,935</u>	<u>5,087,401</u>	<u>(6,236)</u>	<u>105,484,100</u>
Less accumulated depreciation for:				
Buildings	(463,320)	(79,651)	-	(542,971)
Improvements and systems	(18,407,201)	(2,216,498)	-	(20,623,699)
Machinery and equipment	(2,263,221)	(120,899)	-	(2,384,120)
Automobiles and trucks	(1,044,166)	(122,614)	4,059	(1,162,721)
Total accumulated depreciation	<u>(22,177,908)</u>	<u>(2,539,662)</u>	<u>4,059</u>	<u>(24,713,511)</u>
Total capital assets, being depreciated, net	<u>78,225,027</u>	<u>2,547,739</u>	<u>(2,177)</u>	<u>80,770,589</u>
Business-type activities capital assets, net	<u>\$ 84,473,975</u>	<u>\$ 2,941,638</u>	<u>\$ (3,333,153)</u>	<u>\$ 84,082,460</u>

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

Business-type Activities:	
Water	\$ 1,075,517
Sewer	494,088
Electric	602,178
Irrigation	38,303
Storm drain	159,297
Golf	170,279
Total depreciation expense - business-type activities	<u>\$ 2,539,662</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 5. Long-term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

Governmental Activities:	Balance 6/30/2011	Additions	Retirements	Balance 6/30/2012	Current Portion
General obligation bonds (Coral Canyon)	\$ 9,280,000	\$ -	\$ 265,000	\$ 9,015,000	\$ 280,000
Lease revenue bonds (MBA)	7,053,000	-	355,000	6,698,000	305,000
Sales tax and excise tax road revenue bonds	3,635,000	3,647,000	3,223,000	4,059,000	305,000
Deferred on refunding	-	(202,007)	-	(202,007)	-
Notes payable	343,373	900,000	659,778	583,595	143,688
Compensated absences	318,094	297,973	278,504	337,563	280,000
Total governmental activities	20,629,467	4,642,966	4,781,282	20,491,151	1,313,688
Business-type Activities:					
Revenue bonds	21,326,775	-	964,513	20,362,262	980,675
Plus bond premiums	157,037	-	11,928	145,109	-
Total revenue bonds	21,483,812	-	976,441	20,507,371	980,675
Capital leases payable	206,312	-	143,153	63,159	63,159
Compensated absences	288,012	291,192	281,212	297,992	240,724
Total business-type activities	21,978,136	291,192	1,400,806	20,868,522	1,284,558
Total long-term liabilities	\$ 42,607,603	\$ 4,934,158	\$ 6,182,088	\$ 41,359,673	\$ 2,598,246

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 5. Long-term Liabilities, Continued

Long-term liabilities for the primary government at June 30, 2012 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. \$ 750,000

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%. 2,120,000

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%. 2,890,000

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%. 3,255,000

Total general obligation bonds, governmental activities 9,015,000

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. 6,698,000

Total lease revenue bonds (MBA), governmental activities 6,698,000

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%. 412,000

Sales Tax Revenue Refunding Bonds Series 2011. Payable in annual principal installments of \$160,000 to \$287,000 with interest due semi-annually. The bonds bear interest of 2.93% Final payment is due November 15, 2023. 2,900,000

Excise Tax Road Revenue Bonds Series 2011. Payable in annual principal installments of \$68,000 to \$84,000 with interest due semi-annually. The bonds bear interest of 1.50% to 3.75%. Final payment is due July 15, 2021. 747,000

Total sales tax and excise tax road revenue bonds, governmental activities 4,059,000

(Continued)

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

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.	\$ 160,000
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	782,612
Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest.	274,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	285,671
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.	1,374,460
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.	572,000
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%.	2,154,580
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.	419,000
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%.	3,781,518
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%.	3,161,581
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%.	1,621,840
Electric Revenue Bonds - Series 2004 issued October 2, 2004 in the amount of \$7,845,000. Principal payable in annual installments of \$275,000 to \$585,000 with final payment due September 1, 2024. The bonds bear interest of 1.65% to 5%.	<u>5,775,000</u>
Total revenue bonds, business-type activities	<u>20,362,262</u> (Continued)

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 5. Long-term Liabilities, Continued

Leases Payable:

Business-type Activities:

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%. \$ 63,159

Total leases payable, business-type activities 63,159

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. 274,698

1.95% note payable to Utah Department of Transportation (UDOT), due in annual principal and interest installments of \$81,006, maturing March 12, 2016. The City made a prepayment on March 12, 2012. 308,897

Total notes payable, governmental activities 583,595

Accrued Compensated Absences 635,555

Deferred on Refunding (202,007)

Bond Premiums 145,109

Total long-term liabilities 41,359,673

Due within one year \$ 2,598,246

Due in more than one year 38,761,427

Total long-term liabilities \$ 41,359,673

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 5. Long-term Liabilities, Continued

The annual requirements to amortize bonds and notes payable at June 30, 2012 are as follows:

Governmental Activities

Year Ending June 30,	Coral Canyon SSD GO Bonds		MBA Lease Revenue Bonds		Sales Tax and Excise Tax Road Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 280,000	\$ 497,124	\$ 305,000	\$ 257,807	\$ 305,000	\$ 146,311	\$ 143,688	\$ 19,728
2014	295,000	482,044	317,000	246,031	359,000	137,499	145,143	14,839
2015	310,000	465,569	330,000	233,296	372,000	127,475	146,626	9,921
2016	325,000	448,000	344,000	219,507	384,000	117,028	148,138	4,975
2017	345,000	429,479	358,000	204,620	395,000	89,387	-	-
2018-2022	2,020,000	1,827,250	2,030,000	784,876	1,678,000	213,860	-	-
2023-2027	2,685,000	1,150,093	2,462,000	351,453	566,000	16,700	-	-
2028-2032	2,755,000	304,225	552,000	10,653	-	-	-	-
Totals	<u>\$ 9,015,000</u>	<u>\$ 5,603,784</u>	<u>\$ 6,698,000</u>	<u>\$ 2,308,243</u>	<u>\$ 4,059,000</u>	<u>\$ 848,260</u>	<u>\$ 583,595</u>	<u>\$ 49,463</u>

Business-type Activities

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Sewer Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	Principal	Interest	
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	395,000	208,125	356,404	447,081	206,000	16,980	957,404
2018-2022	2,290,000	716,250	1,918,589	2,031,911	642,840	25,900	4,851,429
2023-2027	1,675,000	128,375	1,826,455	1,667,545	-	-	3,501,455
2028-2032	-	-	2,189,014	1,259,846	-	-	2,189,014
2033-2037	-	-	2,396,328	769,136	-	-	2,396,328
2038-2042	-	-	1,597,759	367,474	-	-	1,597,759
2043-2047	-	-	939,752	80,306	-	-	939,752
Totals	<u>\$ 5,775,000</u>	<u>\$ 2,041,968</u>	<u>\$ 12,965,422</u>	<u>\$ 8,531,077</u>	<u>\$ 1,621,840</u>	<u>\$ 149,940</u>	<u>\$ 20,362,262</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

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 an interest rate of 4.51%, together with the present value of the net minimum lease payments:

<u>Year Ending June 30,</u>	<u>Golf Equip. and Improv.</u>	<u>Total</u>
2013	\$ 64,584	\$ 64,584
Total remaining lease payments:	64,584	64,584
Less amount representing interest:	<u>(1,425)</u>	<u>(1,425)</u>
Present value of net remaining minimum lease payments:	<u>\$ 63,159</u>	<u>\$ 63,159</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	\$ 29,037	\$ 138,483
Improvements and systems	326,068	8,152	16,371
	<u>\$ 580,485</u>	<u>\$ 37,189</u>	<u>\$ 154,854</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, 2012 were \$98,414. The future minimum rental payments for this lease are as follow:

<u>Year Ending June 30,</u>	
2013	\$ 98,414
2014	<u>8,201</u>
	<u>\$ 106,615</u>

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 8. Interfund Transfers and Balances

Interfund transfers for the fiscal year ended June 30, 2012 are as follows:

		Transfers In					
		General Fund	CPF - Recreation	SRF - Leisure Services	Nonmajor Governmental	Electric Fund	Total
Transfers Out	General Fund	\$ -	\$ -	\$ 1,075,006	\$ 1,451,732	\$ -	\$ 2,526,738
	CPF - Recreation	634,982	-	-	-	-	634,982
	Nonmajor governmental	1,003,835	148,040	-	50,323	152,216	1,354,414
	Water Fund	200,000	-	-	-	-	200,000
	Sewer Fund	150,000	-	-	-	-	150,000
	Electric Fund	56,787	-	-	-	-	56,787
	Nonmajor business-type	80,000	-	-	185,000	-	265,000
	Total	<u>\$ 2,125,604</u>	<u>\$ 148,040</u>	<u>\$ 1,075,006</u>	<u>\$ 1,687,055</u>	<u>\$ 152,216</u>	<u>\$ 5,187,921</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to 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, 2012 are as follows:

		Due From	
		Nonmajor Business-type	Total
Due To	General Fund	\$ 1,971,773	\$ 1,971,773
	Sewer Fund	510,318	510,318
	Total	<u>\$ 2,482,091</u>	<u>\$ 2,482,091</u>

The amounts payable to the general fund and sewer fund relate to working capital loans. Of the \$2,482,091 amount, \$2,372,262 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, 2012

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, 10.33% to the Contributory, 13.77% to the Noncontributory, 15.78% (Tier 1) and 16.27% (Tier 2) to the Public Safety Contributory Systems and 0.50% 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, 2012

NOTE 9. Retirement Plans, Continued

The required contributions and amounts received for the 2012 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>
Contributory System:				
Local Governmental Division				
2012	\$ -	\$ -	\$ 2,126	\$ 28,014
2011	-	-	-	-
2010	-	-	-	-
Noncontributory System:				
Local Governmental Division Tier 1				
2012	-	-	531,552	3,860,216
2011	-	-	505,724	3,782,518
2010	-	-	465,196	3,989,679
Public Safety System				
Other Division A Contributory Tier 1				
2012	-	86,710	111,333	970,416
2011	-	81,658	98,734	664,426
2010	-	81,649	82,845	664,352
Other Division A Contributory				
2012	-	-	1,136	10,875
2011	-	-	-	-
2010	-	-	-	-
Firefighters System				
Division A Tier 1				
2012	-	28,357	942	257,785
2011	-	26,562	3,036	176,490
2010	-	24,283	-	180,006
Defined Contribution System:				
457 Plan				
2012	5,431	-	N/A	N/A
2011	2,604	-	N/A	N/A
2010	2,044	-	N/A	N/A
401(k) Plan				
2012	83,124	223,844	N/A	N/A
2011	90,286	217,507	N/A	N/A
2010	95,770	268,807	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, 2012

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, 2012

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 2012, the City collected \$1,422,272 and the liability balance at June 30, 2012 is \$121,432, 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 \$5,266,408 during the fiscal year ended June 30, 2012.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2012

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 effect 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 2012 was \$110,120.

NOTE 16. Advance Bond Refunding

The City issued \$2,900,000 of sales tax revenue refunding bonds that were placed in an escrow account to cover all future debt service payments of \$2,970,000 of sales tax revenues bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$202,007. This amount is being netted against the new debt and amortized over the new debt's life, which is equal to the refunded debt. The transaction resulted in an economic gain of approximately \$516,312 and a reduction of approximately \$542,283 in future debt service payments.

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, 2012

	<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	\$ 1,426,094	\$ 1,385,811	\$ 1,342,667	\$ (43,144)
Miscellaneous	-	16,037	11,802	(4,235)
Total revenues	<u>1,426,094</u>	<u>1,401,848</u>	<u>1,354,469</u>	<u>(47,379)</u>
Expenditures				
Current:				
Culture and recreation	2,396,107	2,472,165	2,353,842	118,323
Capital outlay	81,889	81,889	75,633	6,256
Total expenditures	<u>2,477,996</u>	<u>2,554,054</u>	<u>2,429,475</u>	<u>124,579</u>
Excess of revenues over (under) expenditures	<u>(1,051,902)</u>	<u>(1,152,206)</u>	<u>(1,075,006)</u>	<u>77,200</u>
Other financing sources (uses)				
Transfers in	1,051,902	1,152,206	1,075,006	(77,200)
Total other financing sources and (uses)	<u>1,051,902</u>	<u>1,152,206</u>	<u>1,075,006</u>	<u>(77,200)</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, 2012

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, 2012, showed that the City had overall average condition ratings of 14.84 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	1.99
1-2	0.63
3-4	2.09
5-6	1.61
7-8	2.29
9-10	2.84
11-12	19.07
13-14	18.17
15-16	20.55
17-18	20.65
19-20	10.11
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 16.24 (June 2011) and 16.42 (June 2010).

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2012

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

For the Year Ended June 30,	Originally Budgeted	Actually Expensed
2012	\$ 700,000	\$ 599,443
2011	700,000	613,250
2010	700,000	315,359
2009	700,000	521,230
2008	700,000	666,015

In fiscal year 2011 10.48% of roads had an RLS of 10 years or less. Even with the improvements made in fiscal year 2012, the percent of roads with an RLS of 10 years or less increased to 11.45%. The City is committed 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.

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, 2012

	<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>Streets</u>	<u>Municipal Building Authority</u>	<u>Coral Canyon Special Service District</u>	
Assets							
Cash and investments	\$ 709	\$ -	\$ 360,395	\$ -	\$ -	\$ -	\$ 361,104
Receivables	-	21	30	69	-	-	120
Due from other governments	-	-	-	-	-	5,954	5,954
Restricted cash and investments	-	193,580	-	1,657,395	-	286,978	2,137,953
Total assets	<u>\$ 709</u>	<u>\$ 193,601</u>	<u>\$ 360,425</u>	<u>\$ 1,657,464</u>	<u>\$ -</u>	<u>\$ 292,932</u>	<u>\$ 2,505,131</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 1,125	\$ 103,318	\$ -	\$ -	\$ 104,443
Total liabilities	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>103,318</u>	<u>-</u>	<u>-</u>	<u>104,443</u>
Fund balances:							
Restricted for:							
Debt service	-	-	-	-	-	292,932	292,932
Capital outlay - impact fees	-	93,601	-	-	-	-	93,601
Capital outlay - other	-	-	-	1,554,146	-	-	1,554,146
Assigned to:							
Capital outlay	709	100,000	359,300	-	-	-	460,009
Total fund balances	<u>709</u>	<u>193,601</u>	<u>359,300</u>	<u>1,554,146</u>	<u>-</u>	<u>292,932</u>	<u>2,400,688</u>
Total liabilities and fund balances	<u>\$ 709</u>	<u>\$ 193,601</u>	<u>\$ 360,425</u>	<u>\$ 1,657,464</u>	<u>\$ -</u>	<u>\$ 292,932</u>	<u>\$ 2,505,131</u>

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Capital Projects</u>				<u>Debt Service</u>		Total Nonmajor Governmental Funds
	<u>Property Acquisition</u>	<u>Fire Station Impact</u>	<u>General Projects</u>	<u>Streets</u>	<u>Municipal Building Authority</u>	<u>Coral Canyon Special Service District</u>	
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 562,296	\$ 562,296
Intergovernmental revenues	-	-	29,195	2,150	-	-	31,345
Impact fees	-	54,400	-	596,092	-	-	650,492
Investment earnings	550	683	1,939	13,511	188	1,879	18,750
Miscellaneous	-	-	4,776	-	-	314,042	318,818
Total revenues	<u>550</u>	<u>55,083</u>	<u>35,910</u>	<u>611,753</u>	<u>188</u>	<u>878,217</u>	<u>1,581,701</u>
Expenditures							
Current:							
General government	-	-	-	-	-	19,100	19,100
Streets and highways	-	-	-	599,443	-	-	599,443
Debt service:							
Principal	-	-	-	-	355,000	265,000	620,000
Interest and fiscal charges	-	-	-	-	272,648	513,518	786,166
Bond issuance costs	-	-	-	17,750	-	-	17,750
Capital outlay	169,020	-	79,427	676,922	-	-	925,369
Total expenditures	<u>169,020</u>	<u>-</u>	<u>79,427</u>	<u>1,294,115</u>	<u>627,648</u>	<u>797,618</u>	<u>2,967,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,470)</u>	<u>55,083</u>	<u>(43,517)</u>	<u>(682,362)</u>	<u>(627,460)</u>	<u>80,599</u>	<u>(1,386,127)</u>
Other financing sources (uses)							
Transfers in	85,000	100,000	50,323	824,272	627,460	-	1,687,055
Transfers out	-	(88,012)	(591)	(1,265,811)	-	-	(1,354,414)
Bonds and other debt issued	-	-	-	1,647,000	-	-	1,647,000
Total other financing sources and (uses)	<u>85,000</u>	<u>11,988</u>	<u>49,732</u>	<u>1,205,461</u>	<u>627,460</u>	<u>-</u>	<u>1,979,641</u>
Net change in fund balances	(83,470)	67,071	6,215	523,099	-	80,599	593,514
Fund balances - beginning	84,179	126,530	353,085	1,031,047	-	212,333	1,807,174
Fund balances - ending	<u>\$ 709</u>	<u>\$ 193,601</u>	<u>\$ 359,300</u>	<u>\$ 1,554,146</u>	<u>\$ -</u>	<u>\$ 292,932</u>	<u>\$ 2,400,688</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 Position
Nonmajor Proprietary Funds
June 30, 2012

	<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 investments	\$ -	\$ 1,572,055	\$ -	\$ 331,189	\$ 1,903,244
Accounts receivable, net	4,816	66,172	1,042	79	72,109
Total current assets	<u>4,816</u>	<u>1,638,227</u>	<u>1,042</u>	<u>331,268</u>	<u>1,975,353</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	1,135,677	8,380,295	4,000,641	-	13,516,613
Machinery and equipment	4,990	8,196	1,192,590	-	1,205,776
Automobiles and trucks	-	-	29,464	-	29,464
Less accumulated depreciation	<u>(132,285)</u>	<u>(589,296)</u>	<u>(3,816,075)</u>	<u>-</u>	<u>(4,537,656)</u>
Total capital assets, net	<u>1,008,382</u>	<u>7,898,403</u>	<u>2,646,695</u>	<u>-</u>	<u>11,553,480</u>
Total noncurrent assets	<u>1,008,382</u>	<u>7,898,403</u>	<u>2,646,695</u>	<u>-</u>	<u>11,553,480</u>
Total assets	<u>1,013,198</u>	<u>9,536,630</u>	<u>2,647,737</u>	<u>331,268</u>	<u>13,528,833</u>
Liabilities					
Current liabilities:					
Accounts payable	835	24,060	48,080	-	72,975
Accrued wages and taxes	725	1,639	27,580	-	29,944
Due to other funds	109,829	-	2,372,262	-	2,482,091
Accrued interest payable	-	-	939	-	939
Compensated absences payable - current	2,293	2,841	40,895	-	46,029
Capital leases payable - current	-	-	63,159	-	63,159
Total current liabilities	<u>113,682</u>	<u>28,540</u>	<u>2,552,915</u>	<u>-</u>	<u>2,695,137</u>
Noncurrent liabilities:					
Compensated absences payable	650	1,936	23,472	-	26,058
Total noncurrent liabilities	<u>650</u>	<u>1,936</u>	<u>23,472</u>	<u>-</u>	<u>26,058</u>
Total liabilities	<u>114,332</u>	<u>30,476</u>	<u>2,576,387</u>	<u>-</u>	<u>2,721,195</u>
Net position					
Net investment in capital assets	1,008,382	7,898,403	2,583,536	-	11,490,321
Unrestricted	<u>(109,516)</u>	<u>1,607,751</u>	<u>(2,512,186)</u>	<u>331,268</u>	<u>(682,683)</u>
Total net position	<u>\$ 898,866</u>	<u>\$ 9,506,154</u>	<u>\$ 71,350</u>	<u>\$ 331,268</u>	<u>\$ 10,807,638</u>

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	<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	\$ 17,218	\$ 684,347	\$ 845,972	\$ -	\$ 1,547,537
Miscellaneous	116	4,395	732	-	5,243
Total operating revenues	<u>17,334</u>	<u>688,742</u>	<u>846,704</u>	<u>-</u>	<u>1,552,780</u>
Operating expenses:					
Salaries and wages	17,313	41,190	478,201	-	536,704
Employee benefits	11,806	25,739	220,492	-	258,037
Utilities	-	4,224	82,444	-	86,668
Professional services	-	39,083	10,153	-	49,236
Repairs and maintenance	-	-	10,763	-	10,763
Rent	-	-	98,414	-	98,414
Miscellaneous	-	9,711	16,747	-	26,458
Supplies	-	5,707	157,921	-	163,628
Depreciation	38,303	159,297	170,279	-	367,879
Total operating expenses	<u>67,422</u>	<u>284,951</u>	<u>1,245,414</u>	<u>-</u>	<u>1,597,787</u>
Operating income (loss)	<u>(50,088)</u>	<u>403,791</u>	<u>(398,710)</u>	<u>-</u>	<u>(45,007)</u>
Nonoperating revenues (expenses):					
Intergovernmental	-	11,505	6,723	-	18,228
Investment earnings	-	8,554	-	4,866	13,420
Impact fees	-	251,009	-	-	251,009
Interest and fiscal charges	-	-	(6,542)	-	(6,542)
Total nonoperating revenues (expenses)	<u>-</u>	<u>271,068</u>	<u>181</u>	<u>4,866</u>	<u>276,115</u>
Income (loss) before transfers and contributions	<u>(50,088)</u>	<u>674,859</u>	<u>(398,529)</u>	<u>4,866</u>	<u>231,108</u>
Transfer out	(5,000)	(75,000)	-	(185,000)	(265,000)
Capital contributions	244,885	347,416	-	-	592,301
Change in net position	<u>189,797</u>	<u>947,275</u>	<u>(398,529)</u>	<u>(180,134)</u>	<u>558,409</u>
Net position - beginning	<u>709,069</u>	<u>8,558,879</u>	<u>469,879</u>	<u>511,402</u>	<u>10,249,229</u>
Net position - ending	<u>\$ 898,866</u>	<u>\$ 9,506,154</u>	<u>\$ 71,350</u>	<u>\$ 331,268</u>	<u>\$ 10,807,638</u>

WASHINGTON CITY, UTAH
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	<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	\$ 15,471	\$ 666,348	\$ 846,704	\$ -	\$ 1,528,523
Cash paid to suppliers	(454)	(207,958)	(373,916)	-	(582,328)
Cash paid to employees	(29,150)	(63,875)	(692,012)	-	(785,037)
Net cash flows from operating activities	<u>(14,133)</u>	<u>394,515</u>	<u>(219,224)</u>	<u>-</u>	<u>161,158</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(5,000)	(75,000)	-	(185,000)	(265,000)
Cash received (paid) from (to) other funds	19,133	-	350,108	-	369,241
Net cash flows from noncapital financing activities	<u>14,133</u>	<u>(75,000)</u>	<u>350,108</u>	<u>(185,000)</u>	<u>104,241</u>
Cash flows from capital and related financing activities:					
Subsidy from federal and state grants	-	11,505	7,059	-	18,564
Principal paid on capital debt	-	-	(122,171)	-	(122,171)
Interest paid on capital debt	-	-	(6,996)	-	(6,996)
Purchase and acquisition of capital assets	-	(84,854)	(8,776)	-	(93,630)
Impact fees	-	251,009	-	-	251,009
Net cash flows from capital and related financing activities	<u>-</u>	<u>177,660</u>	<u>(130,884)</u>	<u>-</u>	<u>46,776</u>
Cash flows from investing activities:					
Investment earnings	-	8,554	-	4,787	13,341
Net cash flows from investing activities	<u>-</u>	<u>8,554</u>	<u>-</u>	<u>4,787</u>	<u>13,341</u>
Net change in cash and investments	-	505,729	-	(180,213)	325,516
Cash and investments, including restricted, beginning of year	<u>-</u>	<u>1,066,326</u>	<u>-</u>	<u>511,402</u>	<u>1,577,728</u>
Cash and investments, including restricted, end of year	<u>\$ -</u>	<u>\$ 1,572,055</u>	<u>\$ -</u>	<u>\$ 331,189</u>	<u>\$ 1,903,244</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ (50,088)	\$ 403,791	\$ (398,710)	\$ -	\$ (45,007)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	38,303	159,297	170,279	-	367,879
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(1,863)	(20,274)	-	-	(22,137)
Increase (decrease) in accounts payable	(454)	(149,233)	2,526	-	(147,161)
Increase (decrease) in accrued payroll	342	1,530	7,529	-	9,401
Increase (decrease) in unearned revenues	-	(2,120)	-	-	(2,120)
Increase (decrease) in compensated absences	(373)	1,524	(848)	-	303
Net cash flows from operating activities	<u>\$ (14,133)</u>	<u>\$ 394,515</u>	<u>\$ (219,224)</u>	<u>\$ -</u>	<u>\$ 161,158</u>
Noncash investing, capital, and financing activities					
Capital contributions from sub dividers	\$ 244,885	\$ 347,416	\$ -	\$ -	\$ 592,301

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2012

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

Rate Schedule	<u>Residential</u>	<u>Commercial</u>
Water:		
Minimum Monthly Charge	\$17.50	\$17.50/ERU
Usage in increments of 5,000 gallons to 40,000 gallons and over	.90 - 1.85	.90 - 1.85
Late Payment Penalty	5%	5%
Impact Fee - 3/4" line	2,121	2,121
1 in. line	3,499	3,499
1 1/2" line	7,911	7,911
2" line	13,893	13,893
3" line	31,242	31,242
4" line	55,507	55,507
6" line	124,884	124,884
Connection Fee - 3/4" meter	225	225
1" meter	275	275
1 1/2" meter	521	521
2" meter	661	661
3" meter	1,983	1,983
4" meter	1,983	1,983
Larger meter connection fees are based on estimates of costs to connect.		
Sewer:		
Monthly Charge:		
Sewer Rate for areas without a sewer lift station.	20.15	20.15/ERU
Sewer Rate for areas with a sewer lift station.	26.42	
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, 2012	7,544	
Average monthly billing per customer	26.50	

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures, Continued
For the Year Ended June 30, 2012

Insurance coverage in effect at June 30, 2012:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2011	07/01/11	06/30/12	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2011	07/01/11	06/30/12	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2011	07/01/11	06/30/12	80,000
Utah Local Government Trust	Auto - uninsured	14680-GL2011	07/01/11	06/30/12	80,000
Utah Local Government Trust	General liability	14680-GL2011	07/01/11	06/30/12	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2011	07/01/11	06/30/12	45,520,515

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, 2012, which collectively comprise Washington City's basic financial statements, and have issued our report thereon dated November 28, 2012. 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 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 deficiency described in the accompanying schedule of findings and recommendations to be a significant deficiency.

11-01 Bank Reconciliations

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 November 28, 2012.

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, City Council, others within the entity, federal awarding agencies and pass-through entities and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



HintonBurdick, PLLC
St. George, Utah
November 28, 2012

**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, 2012, and have issued our report thereon dated November 28, 2012. 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, 2012. 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, 2012. 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, City Council, others within the entity, federal awarding agencies and pass-through entities 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.



HintonBurdick, PLLC
St. George, Utah
November 28, 2012



MEMBERS:

CHAD B. ATKINSON, CPA
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ROBERT S. COX, CPA
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MARK E. TICHENOR, CPA

WASHINGTON CITY
Findings and Recommendations
For the Year Ended June 30, 2012

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, 2012, we noted areas needing corrective action for the City to be in compliance with laws and regulations and we found 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 Misstatements

Throughout our audit we noted several adjustments (noted improvement in fiscal year 2012) that were not initially identified by the City's internal controls and noted some uncertainty involving certain subsidiary ledgers and the associated reconciliations. 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 adjustments (some of which relate to the other specific deficiencies noted) and of the uncertainty surrounding certain subsidiary ledgers and the associated reconciliations, we believe a material weakness is warranted.

The primary areas affected include the City's main cash account (see related significant deficiency finding below), accounts payable, capital assets and unrecorded and/or incorrect receivables and liabilities (i.e. not recording revenues and expenses in the correct period). In working with city personnel to address the various adjustments and uncertainties involving certain subsidiary ledgers and the associated reconciliations, it seems that the underlying issue relates to the change in accounting systems during fiscal years 2010 and 2011. Accounting personnel are still learning the new system and are trying to find effective ways to reconcile cash and accounts payable on a regular basis. As we work thorough 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 and accounting personnel continue to try to find effective ways to reconcile the main cash account and accounts payable on a regular basis. 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 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 adjustments 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, accounting personnel informed us that they were still working on some bank reconciliation issues as a result of the new accounting system. At the end of the audit, there was still a significant unreconciled difference. The main operating bank account has never been completely reconciled in the City's new accounting system (since July 2010). It's important to note that the reconciling difference represents a relatively small portion of the City's activities; however, bank reconciliations provide important safeguards and controls to help ensure the proper recording, deposit and disposition of the City's funds.

In connection with the bank reconciliation of the City's main operating bank account, there are some old, immaterial outstanding items. It also 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 bank reconciliation procedures allow the account to be completely and accurately reconciled to the general ledger. Furthermore, accounting personnel should investigate any old outstanding items and make the appropriate adjustments. 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.

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 2013 budget, the City's fund balance in the general fund is over the state maximum as of June 30, 2012.

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, 2012, several departments in the general fund and the capital project fund – recreation 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 management, City Council, others within the City and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC
St. George, Utah
November 28, 2012



December 11, 2012

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, 2012" and provide the following response.

Material Misstatement Adjustments

It appears the concerns noted involve giving key accounting personnel adequate time in monitoring, reconciling and adjusting fiscal year end balances before the audit begins. Finance department has been short-staffed prior to the audit beginning, thereby not giving existing staff the time they needed to make adjustments. The Finance Department continues to work with the software program to make sure there is a clear understanding on how these adjustments are to be corrected. The Finance Department will take the recommendations of the auditor and make a plan on how to address this issue in the upcoming year.

Bank Reconciliations

The Finance Department has made great progress in catching up on the bank reconciliations but, as noted, effort is still needed. 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.

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 marketplace, 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 be 'R. Carter', with a long horizontal line extending to the right from the end of the signature.

Roger Carter
City Manager