



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**With Report of**

**Certified Public Accountants**

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## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City's basic financial statements. The accompanying combining statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of Washington City's internal control 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington City's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
December 13, 2013

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**Washington City, Utah**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of Washington City exceeded its liabilities and deferred inflows of resources at June 30, 2013 by \$169,051,680 (net position). Of this amount, \$16,925,485 (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 \$17,588,953, excluding restatement adjustments. Of this amount, \$13,764,972 relates to capital contributions of capital assets.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$7,246,480, which is an increase of \$1,658,270 from the prior year. Approximately 44% (or \$3,183,105) 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 \$3,184,717 or approximately 34% of total general fund expenditures.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$1,188,988 before interfund transfers.
- Washington City's total long-term debt increased by \$786,092 or 1.93% 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 deferred outflows of resources) and liabilities (and deferred inflows of resources). 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 deferred outflows) and liabilities (and deferred inflows)—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 assess 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, state grants and impact fees 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 resources 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 (and deferred outflows of resources) exceed liabilities (and deferred inflows of resources) by \$169,051,680 at the close of the fiscal year. By far the largest portion of Washington City's net position, (92.12% for governmental activities and 75.20% 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	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 11,395,791	\$ 7,122,157	\$ 23,853,329	\$ 19,931,552	\$ 35,249,120	\$ 27,053,709
Capital assets	97,809,616	86,505,899	85,074,767	84,082,460	182,884,383	170,588,359
Total assets	<u>109,205,407</u>	<u>93,628,056</u>	<u>108,928,096</u>	<u>104,014,012</u>	<u>218,133,503</u>	<u>197,642,068</u>
Deferred outflows or resources	262,561	-	208,564	-	471,125	-
Long-term liabilities outstanding	19,712,004	20,491,151	22,470,367	20,868,522	42,182,371	41,359,673
Other liabilities	1,790,001	1,750,514	3,039,853	2,748,536	4,829,854	4,499,050
Total liabilities	<u>21,502,005</u>	<u>22,241,665</u>	<u>25,510,220</u>	<u>23,617,058</u>	<u>47,012,225</u>	<u>45,858,723</u>
Deferred inflows of resources	2,540,723	-	-	-	2,540,723	-
Net position:						
Net investment in capital assets	78,692,153	66,401,553	62,887,683	63,511,930	141,579,836	129,913,483
Restricted	3,366,004	2,288,137	7,180,355	4,587,074	10,546,359	6,875,211
Unrestricted	<u>3,367,083</u>	<u>2,696,701</u>	<u>13,558,402</u>	<u>12,297,950</u>	<u>16,925,485</u>	<u>14,994,651</u>
Total net position	<u>\$ 85,425,240</u>	<u>\$ 71,386,391</u>	<u>\$ 83,626,440</u>	<u>\$ 80,396,954</u>	<u>\$ 169,051,680</u>	<u>\$ 151,783,345</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	92.12%	75.20%	83.75%
Restricted net position	3.94%	8.59%	6.24%
Unrestricted net position	<u>3.94%</u>	<u>16.21%</u>	<u>10.01%</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 (3.94% and 8.59%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16,925,485 (3.94% and 16.21%, 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 \$14,088,091. See below table for details. The significant increase in capital grants and contributions relates to infrastructure capital assets that were contributed to the City in the current fiscal year.

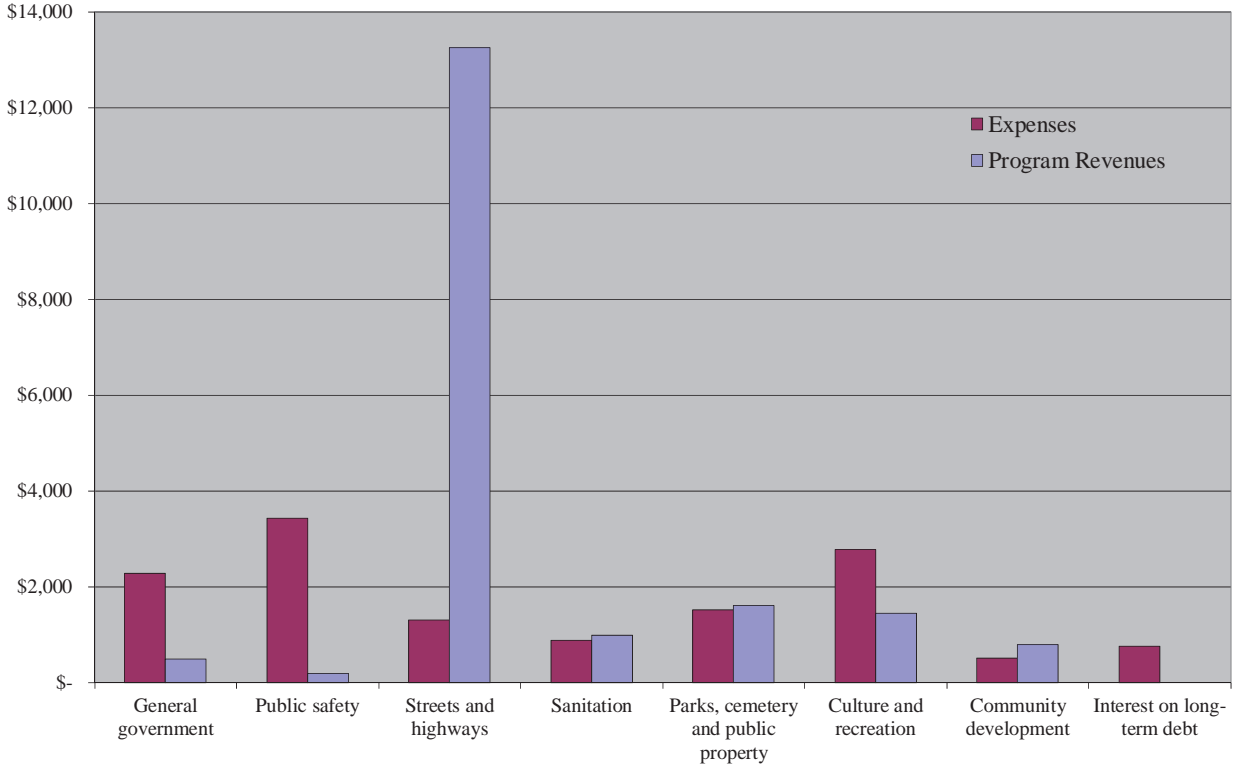
**Business-type activities.** Business-type activities increased Washington City's net position by \$3,500,862. See below table for details.

Washington City's Changes in Net Position

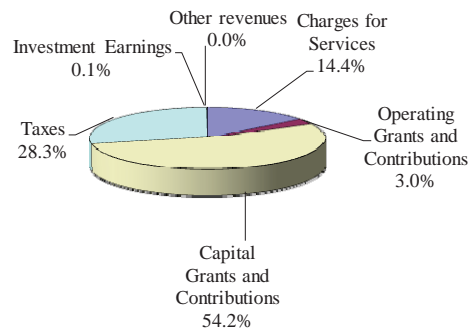
	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,772,795	\$ 3,456,815	\$ 17,009,492	\$ 16,611,863	\$ 20,782,287	\$ 20,068,678
Operating grants and contributions	776,453	784,574	-	-	776,453	784,574
Capital grants and contributions	14,167,147	3,448,320	4,206,128	3,199,621	18,373,275	6,647,941
General revenues:						
Taxes	8,027,041	7,730,089	-	-	8,027,041	7,730,089
Unrestricted investment earnings	27,923	86,176	(121,088)	131,033	(93,165)	217,209
Other	253,802	221,490	-	-	253,802	221,490
Total revenues	<u>27,025,161</u>	<u>15,727,464</u>	<u>21,094,532</u>	<u>19,942,517</u>	<u>48,119,693</u>	<u>35,669,981</u>
Expenses:						
General government	2,275,318	2,195,679	-	-	2,275,318	2,195,679
Public safety	3,428,442	3,344,029	-	-	3,428,442	3,344,029
Streets and highways	1,295,351	1,314,907	-	-	1,295,351	1,314,907
Sanitation	883,285	827,810	-	-	883,285	827,810
Parks, cemetery and public property	1,517,339	1,515,445	-	-	1,517,339	1,515,445
Culture and recreation	2,775,337	2,929,069	-	-	2,775,337	2,929,069
Community development	501,956	483,741	-	-	501,956	483,741
Interest on long-term debt	756,455	1,010,469	-	-	756,455	1,010,469
Water	-	-	4,569,591	4,535,154	4,569,591	4,535,154
Sewer	-	-	1,330,312	1,201,460	1,330,312	1,201,460
Electric	-	-	9,493,332	9,274,283	9,493,332	9,274,283
Irrigation	-	-	75,524	67,422	75,524	67,422
Storm drain	-	-	454,189	284,951	454,189	284,951
Golf course	-	-	1,174,309	1,251,956	1,174,309	1,251,956
Total expenses	<u>13,433,483</u>	<u>13,621,149</u>	<u>17,097,257</u>	<u>16,615,226</u>	<u>30,530,740</u>	<u>30,236,375</u>
Change in net position before transfers	13,591,678	2,106,315	3,997,275	3,327,291	17,588,953	5,433,606
Transfers	496,413	519,571	(496,413)	(519,571)	-	-
Change in net position	14,088,091	2,625,886	3,500,862	2,807,720	17,588,953	5,433,606
Net position, beginning	71,386,391	68,760,505	80,396,954	77,589,234	151,783,345	146,349,739
Restatement adjustments	(49,242)	-	(271,376)	-	(320,618)	-
Net position, ending	<u>\$ 85,425,240</u>	<u>\$ 71,386,391</u>	<u>\$ 83,626,440</u>	<u>\$ 80,396,954</u>	<u>\$ 169,051,680</u>	<u>\$ 151,783,345</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)

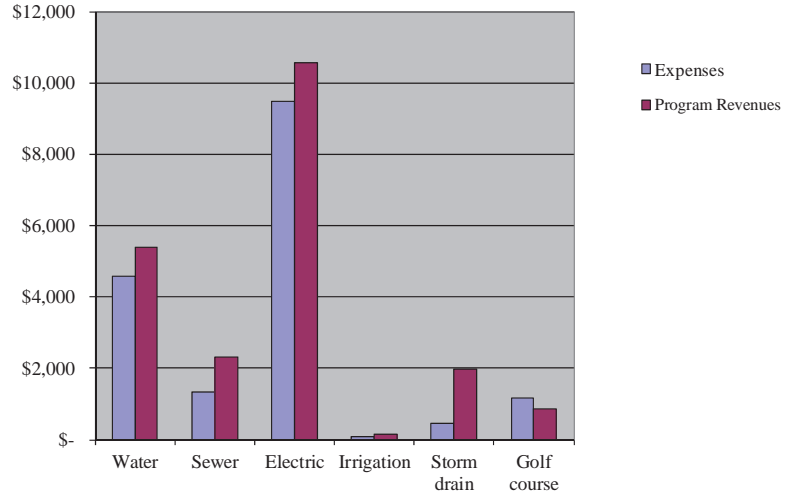


**Revenue By Source - Governmental Activities**



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 \$7,246,480, an increase of \$1,658,270 from the prior year; \$3,183,105 or approximately 44% 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* (\$29,957), *restricted* (\$3,547,417) or *assigned* (\$486,001).

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 \$3,184,717 or approximately 94% of the total fund balance of \$3,376,477. 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 34% of total general fund expenditures, while total fund balance represents approximately 36% of that same amount.

All other governmental funds (capital projects funds, special revenue fund, MBA fund and Coral Canyon SSD fund) have a total fund balance of \$3,870,003. These combined fund balances experienced a net increase of \$872,287.

**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 \$13,558,402 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 \$607,690 net increase in appropriations. The main components of the increase relates to increases in public safety, sanitation, parks cemetery and public property, and debt service.

### Capital Asset and Debt Administration

**Capital assets.** Washington City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$182,884,383 (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	66,299,543	-	66,299,543
Construction in progress	186,927	260,157	447,084
Buildings and improvements	28,039,871	2,795,837	30,835,708
Improvements and systems	-	77,587,907	77,587,907
Machinery and equipment	538,847	902,379	1,441,226
Automobiles and trucks	747,336	365,209	1,112,545
Total	<u>\$ 97,809,616</u>	<u>\$ 85,074,767</u>	<u>\$ 182,884,383</u>

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

- Construction of Washington Fields Road project
- Acquisition of automobiles and trucks for various funds
- Construction of various utility system improvements
- Contributions of various roads and systems within subdivision developments
- Contribution of improvements to SR 212 Telegraph Road (500 W to 300 E)
- Construction and contribution of improvements to Warner Valley Detention Basin

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 15.61 exceeds the City's minimum of 12.60.

**Long-term debt.** At fiscal year-end, the City had \$41,567,108 in outstanding debt—an increase of 1.93% over the last fiscal year—as shown in the below table. For the year ended June 30, 2013, the City issued refunding debt to reduce future debt service payments. 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
	2013	2012	2013	2012	2013	2012	
General obligation bonds	\$ 9,027,000	\$ 9,015,000	-	-	\$ 9,027,000	\$ 9,015,000	0.13%
Lease revenue bonds	6,393,000	6,698,000	-	-	6,393,000	6,698,000	-4.55%
Sales/Excise tax revenue bonds	3,754,000	4,059,000	-	-	3,754,000	4,059,000	-7.51%
Revenue bonds	-	-	22,187,084	20,362,262	22,187,084	20,362,262	8.96%
Capital leases obligation	-	-	-	63,159	-	63,159	-100.00%
Notes payable	206,024	583,595	-	-	206,024	583,595	-64.70%
Total	<u>\$ 19,380,024</u>	<u>\$ 20,355,595</u>	<u>\$ 22,187,084</u>	<u>\$ 20,425,421</u>	<u>\$ 41,567,108</u>	<u>\$ 40,781,016</u>	1.93%

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

Washington City is in good financial condition and the fiscal year 2014 general fund has a balanced budget. Over fiscal year 2013, the City issued 641 building permits, which is up 44.7% from fiscal year 2012. General sales tax revenues increased by approximately 6% in comparing fiscal year 2013 to fiscal year 2012.

There are no major policy changes anticipated for the 2014 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 2014 budget. We will continue to monitor the ever-changing state of the economy and make adjustments as needed.

The fiscal year 2014 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 resources 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, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,474,187	\$ 3,336,171	\$ 5,810,358
Investments	1,528,819	15,375,897	16,904,716
Receivables, net	3,729,306	2,839,135	6,568,441
Internal balances	2,735,989	(2,735,989)	-
Inventories	29,957	628,776	658,733
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	897,533	4,409,339	5,306,872
Capital assets not being depreciated:			
Land, easements and water rights	1,997,092	3,163,278	5,160,370
Infrastructure	66,299,543	-	66,299,543
Construction in progress	186,927	260,157	447,084
Capital assets net of accumulated depreciation:			
Buildings and improvements	28,039,871	2,795,837	30,835,708
Improvements and systems	-	77,587,907	77,587,907
Machinery and equipment	538,847	902,379	1,441,226
Automobiles and trucks	747,336	365,209	1,112,545
Total assets	<u>109,205,407</u>	<u>108,928,096</u>	<u>218,133,503</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	262,561	208,564	471,125
Total deferred outflows of resources	<u>262,561</u>	<u>208,564</u>	<u>471,125</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,608,588	2,943,338	4,551,926
Unearned revenue	-	22,799	22,799
Accrued interest payable	181,413	73,716	255,129
Noncurrent liabilities:			
Due within one year	1,263,675	1,296,334	2,560,009
Due in more than one year	18,448,329	21,174,033	39,622,362
Total liabilities	<u>21,502,005</u>	<u>25,510,220</u>	<u>47,012,225</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	2,540,723	-	2,540,723
Total deferred inflows of resources	<u>2,540,723</u>	<u>-</u>	<u>2,540,723</u>
<b>Net Position</b>			
Net investment in capital assets	78,692,153	62,887,683	141,579,836
Restricted for:			
Debt service	404,953	1,186,066	1,591,019
Capital outlay	2,961,051	5,994,289	8,955,340
Unrestricted	3,367,083	13,558,402	16,925,485
Total net position	<u>\$ 85,425,240</u>	<u>\$ 83,626,440</u>	<u>\$ 169,051,680</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,275,318	\$ 471,905	\$ -	\$ 11,139	\$ (1,792,274)	\$ -	\$ (1,792,274)
Public safety	3,428,442	33,762	19,321	131,823	(3,243,536)	-	(3,243,536)
Streets and highways	1,295,351	-	757,132	12,493,522	11,955,303	-	11,955,303
Sanitation	883,285	985,555	-	-	102,270	-	102,270
Parks, cemetery and public property	1,517,339	62,300	-	1,530,663	75,624	-	75,624
Culture and recreation	2,775,337	1,437,908	-	-	(1,337,429)	-	(1,337,429)
Community development	501,956	781,365	-	-	279,409	-	279,409
Interest on long-term debt	756,455	-	-	-	(756,455)	-	(756,455)
Total governmental activities	<u>13,433,483</u>	<u>3,772,795</u>	<u>776,453</u>	<u>14,167,147</u>	<u>5,282,912</u>	<u>-</u>	<u>5,282,912</u>
Business-type activities:							
Water	4,569,591	4,092,323	-	1,289,586	-	812,318	812,318
Sewer	1,330,312	1,506,780	-	809,877	-	986,345	986,345
Electric	9,493,332	9,785,444	-	764,180	-	1,056,292	1,056,292
Irrigation	75,524	16,311	-	127,023	-	67,810	67,810
Storm drain	454,189	749,967	-	1,215,462	-	1,511,240	1,511,240
Golf course	1,174,309	858,667	-	-	-	(315,642)	(315,642)
Total business-type activities	<u>17,097,257</u>	<u>17,009,492</u>	<u>-</u>	<u>4,206,128</u>	<u>-</u>	<u>4,118,363</u>	<u>4,118,363</u>
Total primary government	<u>\$ 30,530,740</u>	<u>\$ 20,782,287</u>	<u>\$ 776,453</u>	<u>\$ 18,373,275</u>	<u>\$ 5,282,912</u>	<u>\$ 4,118,363</u>	<u>\$ 9,401,275</u>
General Revenues:							
Taxes:							
Property taxes					3,104,417	-	3,104,417
Sales taxes					3,892,318	-	3,892,318
Franchise taxes					405,122	-	405,122
Energy taxes					625,184	-	625,184
Unrestricted investment earnings					27,923	(121,088)	(93,165)
Other revenues not restricted to specific programs					253,802	-	253,802
Transfers					496,413	(496,413)	-
Total general revenues and transfers					<u>8,805,179</u>	<u>(617,501)</u>	<u>8,187,678</u>
Change in net position					14,088,091	3,500,862	17,588,953
Net position - beginning					71,386,391	80,396,954	151,783,345
Restatement adjustments					(49,242)	(271,376)	(320,618)
Net position - ending					<u>\$ 85,425,240</u>	<u>\$ 83,626,440</u>	<u>\$ 169,051,680</u>

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

**WASHINGTON CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Leisure Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 17,340	\$ 144,164	\$ 2,312,683	\$ 2,474,187
Investments	-	-	1,528,819	1,528,819
Receivables	220,211	-	427	220,638
Property taxes receivable	1,953,038	-	587,685	2,540,723
Due from other funds	2,735,989	-	-	2,735,989
Due from other governments	958,136	-	9,809	967,945
Inventory	29,957	-	-	29,957
Restricted cash and cash equivalents	411,154	-	486,379	897,533
Total assets	<u>\$ 6,325,825</u>	<u>\$ 144,164</u>	<u>\$ 4,925,802</u>	<u>\$ 11,395,791</u>
<b>Liabilities, deferred inflows, and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 533,582	\$ 131,643	\$ 468,114	\$ 1,133,339
Accrued wages and taxes	70,264	12,521	-	82,785
Other payables	78,970	-	-	78,970
Construction bonds payable	313,494	-	-	313,494
Total liabilities	<u>996,310</u>	<u>144,164</u>	<u>468,114</u>	<u>1,608,588</u>
<b>Deferred inflow of resources:</b>				
Deferred revenue - property taxes	1,953,038	-	587,685	2,540,723
Total deferred inflows of resources	<u>1,953,038</u>	<u>-</u>	<u>587,685</u>	<u>2,540,723</u>
<b>Fund balances:</b>				
Nonspendable - inventory and prepaids	29,957	-	-	29,957
<b>Restricted for:</b>				
Debt service	90,178	-	496,188	586,366
Capital outlay - impact fees	-	-	1,738,977	1,738,977
Capital outlay - other	-	-	1,222,074	1,222,074
<b>Assigned to:</b>				
Capital outlay	-	-	414,376	414,376
Community garden	18,440	-	-	18,440
Fueling station	53,185	-	-	53,185
Unassigned	3,184,717	-	(1,612)	3,183,105
Total fund balances	<u>3,376,477</u>	<u>-</u>	<u>3,870,003</u>	<u>7,246,480</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,325,825</u>	<u>\$ 144,164</u>	<u>\$ 4,925,802</u>	<u>\$ 11,395,791</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, 2013**

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

<b>Total fund balances - total governmental funds</b>		\$ 7,246,480
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 107,517,019	
Accumulated depreciation	<u>(9,707,403)</u>	97,809,616
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	(19,174,000)	
Deferred charge on refunding (amortized as interest expense)	262,561	
Notes payable	(206,024)	
Compensated absences	(331,980)	
Accrued interest payable	<u>(181,413)</u>	(19,630,856)
<b>Net position of governmental activities</b>		<u><u>\$ 85,425,240</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, 2013**

	<b>General</b>	<b>Special Revenue Leisure Services</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Current year property taxes	\$ 2,131,914	\$ -	\$ 583,668	\$ 2,715,582
Prior year property taxes	143,494	-	-	143,494
General sales and use taxes	3,892,318	-	-	3,892,318
Energy taxes	625,184	-	-	625,184
Franchise taxes	405,122	-	-	405,122
Licenses and permits	662,323	-	-	662,323
Intergovernmental revenues	825,817	-	16,807	842,624
Charges for services	1,331,834	1,335,024	-	2,666,858
Impact fees	-	-	2,441,224	2,441,224
Fines and forfeitures	340,730	-	-	340,730
Investment earnings	38,993	-	(9,828)	29,165
Miscellaneous	244,266	22,023	263,876	530,165
Total revenues	<u>10,641,995</u>	<u>1,357,047</u>	<u>3,295,747</u>	<u>15,294,789</u>
<b>Expenditures</b>				
Current:				
General government	2,107,706	-	-	2,107,706
Public safety	3,325,356	-	-	3,325,356
Streets and highways	687,030	-	561,113	1,248,143
Sanitation	883,285	-	-	883,285
Parks, cemetery and public property	1,150,883	-	-	1,150,883
Culture and recreation	-	2,202,732	-	2,202,732
Community and economic development	490,808	-	-	490,808
Debt service:				
Principal	682,572	-	3,325,000	4,007,572
Interest	125,367	-	698,649	824,016
Bond issuance costs	-	-	59,100	59,100
Capital outlay	-	64,466	723,477	787,943
Total expenditures	<u>9,453,007</u>	<u>2,267,198</u>	<u>5,367,339</u>	<u>17,087,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,188,988</u>	<u>(910,151)</u>	<u>(2,071,592)</u>	<u>(1,792,755)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,775,733	910,151	1,268,587	3,954,471
Transfers out	(2,178,738)	-	(1,279,320)	(3,458,058)
Refunding bonds issued	-	-	5,817,000	5,817,000
Payment to refunded bond escrow agent	-	-	(2,862,388)	(2,862,388)
Total other financing sources and (uses)	<u>(403,005)</u>	<u>910,151</u>	<u>2,943,879</u>	<u>3,451,025</u>
Net change in fund balances	785,983	-	872,287	1,658,270
Fund balances - beginning	2,590,494	-	2,997,716	5,588,210
Fund balances - ending	<u>\$ 3,376,477</u>	<u>\$ -</u>	<u>\$ 3,870,003</u>	<u>\$ 7,246,480</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, 2013**

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

<b>Net change in fund balances-total governmental funds</b>		<b>\$ 1,658,270</b>
<p>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 depreciation exceeded capital outlays in the current period as shown below:</p>		
Capital outlays	\$ 837,079	
Depreciation expense	<u>(1,160,686)</u>	(323,607)
<p>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.</p>		
		11,649,513
<p>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.</p>		
		6,869,959
<p>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.</p>		
		(5,817,000)
<p>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:</p>		
Amortization of deferred charge on refunding	(16,834)	
Accrued interest, net change	84,396	
Compensated absences, net change	<u>5,583</u>	73,145
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 14,088,091</u></u></b>

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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Current year property taxes	\$ 2,222,800	\$ 2,113,420	\$ 2,131,914	\$ 18,494
Prior-years property taxes	75,500	120,000	143,494	23,494
General sales and use taxes	3,550,441	3,797,000	3,892,318	95,318
Energy taxes	585,000	585,000	625,184	40,184
Franchise taxes	396,595	389,500	405,122	15,622
Licenses and permits	391,734	627,050	662,323	35,273
Intergovernmental revenues	873,500	748,882	825,817	76,935
Charges for services	1,036,322	1,313,110	1,331,834	18,724
Fines and forfeitures	300,000	337,600	340,730	3,130
Investment earnings	33,830	67,000	38,993	(28,007)
Miscellaneous	126,977	237,366	244,266	6,900
Total revenues	<u>9,592,699</u>	<u>10,335,928</u>	<u>10,641,995</u>	<u>306,067</u>
<b>Expenditures</b>				
Current:				
General government	2,177,135	2,243,841	2,107,706	136,135
Public safety	3,308,263	3,470,137	3,325,356	144,781
Streets and highways	879,273	745,266	687,030	58,236
Sanitation	688,319	884,100	883,285	815
Parks, cemetery and public property	1,146,003	1,321,016	1,150,883	170,133
Community and economic development	539,990	512,990	490,808	22,182
Debt service:				
Principal	578,478	682,573	682,572	1
Interest	137,075	137,075	125,367	11,708
Total debt service	<u>715,553</u>	<u>819,648</u>	<u>807,939</u>	<u>11,709</u>
Total expenditures	<u>9,454,536</u>	<u>9,996,998</u>	<u>9,453,007</u>	<u>543,991</u>
Excess of revenues over (under) expenditures	<u>138,163</u>	<u>338,930</u>	<u>1,188,988</u>	<u>850,058</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,740,211	1,854,939	1,775,733	(79,206)
Transfers out	(2,240,095)	(2,305,323)	(2,178,738)	126,585
Total other financing sources and (uses)	<u>(499,884)</u>	<u>(450,384)</u>	<u>(403,005)</u>	<u>47,379</u>
Net change in fund balances	(361,721)	(111,454)	785,983	897,437
Fund balance - beginning	<u>2,590,494</u>	<u>2,590,494</u>	<u>2,590,494</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,228,773</u>	<u>\$ 2,479,040</u>	<u>\$ 3,376,477</u>	<u>\$ 897,437</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,198,219	\$ 1,241,906	\$ 147,595	\$ 748,451	\$ 3,336,171
Investments	4,263,095	5,530,694	4,062,227	1,519,881	15,375,897
Accounts receivable, net	692,913	133,730	1,871,576	78,420	2,776,639
Other receivables	-	-	-	-	-
Due from other funds	-	3,893	-	-	3,893
Due from other governments	-	-	62,496	-	62,496
Inventory	-	-	628,776	-	628,776
Total current assets	<u>6,154,227</u>	<u>6,910,223</u>	<u>6,772,670</u>	<u>2,346,752</u>	<u>22,183,872</u>
Noncurrent assets:					
Restricted cash and cash equivalents	1,067,899	313,608	3,027,832	-	4,409,339
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	43,656,183	18,440,477	23,540,888	14,851,957	100,489,505
Machinery and equipment	752,556	833,596	552,493	1,265,776	3,404,421
Automobiles and trucks	336,580	394,194	894,654	29,464	1,654,892
Construction in progress	12,546	4,393	243,218	-	260,157
Less accumulated depreciation	<u>(11,247,800)</u>	<u>(4,616,742)</u>	<u>(6,513,931)</u>	<u>(4,937,466)</u>	<u>(27,315,939)</u>
Total capital assets, net	<u>35,517,172</u>	<u>16,540,905</u>	<u>20,467,676</u>	<u>12,549,014</u>	<u>85,074,767</u>
Total noncurrent assets	<u>36,585,071</u>	<u>16,854,513</u>	<u>23,495,508</u>	<u>12,549,014</u>	<u>89,484,106</u>
Total assets	<u>42,739,298</u>	<u>23,764,736</u>	<u>30,268,178</u>	<u>14,895,766</u>	<u>111,667,978</u>
<b>Deferred outflow of resources</b>					
Deferred charge on refunding	-	-	208,564	-	208,564
Total deferred outflow of resources	<u>-</u>	<u>-</u>	<u>208,564</u>	<u>-</u>	<u>208,564</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	269,960	252,245	1,541,490	78,525	2,142,220
Accrued wages and taxes	14,034	10,027	19,026	14,469	57,556
Due to other funds	-	-	-	2,739,882	2,739,882
Accrued interest payable	21,451	11,958	40,307	-	73,716
Customer deposits	195,480	-	548,082	-	743,562
Unearned revenue	2,595	4,863	14,713	628	22,799
Compensated absences payable - current	77,946	49,062	78,773	57,779	263,560
Revenue bonds payable - current	388,774	190,000	454,000	-	1,032,774
Total current liabilities	<u>970,240</u>	<u>518,155</u>	<u>2,696,391</u>	<u>2,891,283</u>	<u>7,076,069</u>
Noncurrent liabilities:					
Compensated absences payable	-	-	-	19,723	19,723
Revenue bonds payable	12,037,470	1,244,840	7,872,000	-	21,154,310
Total noncurrent liabilities	<u>12,037,470</u>	<u>1,244,840</u>	<u>7,872,000</u>	<u>19,723</u>	<u>21,174,033</u>
Total liabilities	<u>13,007,710</u>	<u>1,762,995</u>	<u>10,568,391</u>	<u>2,911,006</u>	<u>28,250,102</u>
<b>Net position</b>					
Net investment in capital assets	23,090,928	15,106,065	12,141,676	12,549,014	62,887,683
Restricted for:					
Debt service	872,419	313,608	39	-	1,186,066
Capital outlay	1,384,299	2,130,279	2,479,711	-	5,994,289
Unrestricted	4,383,942	4,451,789	5,286,925	(564,254)	13,558,402
Total net position	<u>\$ 29,731,588</u>	<u>\$ 22,001,741</u>	<u>\$ 19,908,351</u>	<u>\$ 11,984,760</u>	<u>\$ 83,626,440</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, 2013**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Proprietary Funds</u>	<u>Totals Current Year</u>
<b>Operating revenues:</b>					
Charges for services	\$ 4,021,564	\$ 1,506,780	\$ 9,709,102	\$ 1,617,995	\$ 16,855,441
Miscellaneous	70,759	-	76,342	6,950	154,051
Total operating revenues	<u>4,092,323</u>	<u>1,506,780</u>	<u>9,785,444</u>	<u>1,624,945</u>	<u>17,009,492</u>
<b>Operating expenses:</b>					
Salaries and wages	603,563	410,444	777,400	500,544	2,291,951
Employee benefits	368,663	260,682	424,164	233,841	1,287,350
Utilities	379,888	33,098	20,355	81,289	514,630
Professional services	30,149	11,057	65,246	166,075	272,527
Repairs and maintenance	182,880	-	54,876	6,440	244,196
Water purchased	1,330,888	-	-	-	1,330,888
Power purchased	-	-	6,263,032	-	6,263,032
Transmission expense	-	-	863,638	-	863,638
Rent	-	-	-	98,248	98,248
Miscellaneous	6,544	8,555	97,465	42,250	154,814
Supplies	66,625	73,167	39,384	175,040	354,216
Depreciation/amortization	1,085,497	502,431	614,622	399,810	2,602,360
Total operating expenses	<u>4,054,697</u>	<u>1,299,434</u>	<u>9,220,182</u>	<u>1,703,537</u>	<u>16,277,850</u>
Operating income (loss)	<u>37,626</u>	<u>207,346</u>	<u>565,262</u>	<u>(78,592)</u>	<u>731,642</u>
<b>Nonoperating revenues (expenses):</b>					
Investment earnings	(29,744)	(43,517)	(36,541)	(11,286)	(121,088)
Impact fees	829,311	449,524	600,530	211,304	2,090,669
Interest and fiscal charges	(514,894)	(30,878)	(273,150)	(485)	(819,407)
Total nonoperating revenues (expenses)	<u>284,673</u>	<u>375,129</u>	<u>290,839</u>	<u>199,533</u>	<u>1,150,174</u>
Income before transfers and contributions	322,299	582,475	856,101	120,941	1,881,816
Transfers out	(200,000)	(150,000)	(71,413)	(75,000)	(496,413)
Capital contributions	460,275	360,353	163,650	1,131,181	2,115,459
<b>Change in net position</b>	582,574	792,828	948,338	1,177,122	3,500,862
Total net position - beginning	29,149,014	21,343,586	19,096,716	10,807,638	80,396,954
Restatement adjustments	-	(134,673)	(136,703)	-	(271,376)
<b>Total net position - ending</b>	<u>\$ 29,731,588</u>	<u>\$ 22,001,741</u>	<u>\$ 19,908,351</u>	<u>\$ 11,984,760</u>	<u>\$ 83,626,440</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, 2013**

	Water	Sewer	Electric	Other Proprietary Funds	Totals
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ 4,155,154	\$ 1,514,879	\$ 9,829,468	\$ 1,619,268	\$ 17,118,769
Cash paid to suppliers	(1,927,201)	(47,403)	(7,296,899)	(563,792)	(9,835,295)
Cash paid to employees	(994,101)	(678,905)	(1,221,592)	(744,445)	(3,639,043)
Net cash flows from operating activities	<u>1,233,852</u>	<u>788,571</u>	<u>1,310,977</u>	<u>311,031</u>	<u>3,644,431</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	(200,000)	(150,000)	(71,413)	(75,000)	(496,413)
Cash received (paid) from (to) other funds	-	506,425	-	257,791	764,216
Net cash flows from noncapital financing activities	<u>(200,000)</u>	<u>356,425</u>	<u>(71,413)</u>	<u>182,791</u>	<u>267,803</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from capital debt	-	-	7,621,000	-	7,621,000
Principal paid on capital debt	(539,178)	(187,000)	(5,070,000)	(63,159)	(5,859,337)
Interest paid on capital debt and refunding escrow	(516,131)	(32,437)	(677,628)	(1,424)	(1,227,620)
Purchase and acquisition of capital assets	(537,134)	(495,109)	(182,804)	(264,163)	(1,479,210)
Impact fees	829,311	449,524	600,530	211,304	2,090,669
Net cash flows from capital and related financing activities	<u>(763,132)</u>	<u>(265,022)</u>	<u>2,291,098</u>	<u>(117,442)</u>	<u>1,145,502</u>
<b>Cash flows from investing activities:</b>					
Net change in investments	(1,355,846)	(1,750,994)	(2,657,381)	(603,547)	(6,367,768)
Interest and dividends received	77,969	96,222	66,094	27,111	267,396
Net cash flows from investing activities	<u>(1,277,877)</u>	<u>(1,654,772)</u>	<u>(2,591,287)</u>	<u>(576,436)</u>	<u>(6,100,372)</u>
Net change in cash and cash equivalents	(1,007,157)	(774,798)	939,375	(200,056)	(1,042,636)
Cash and cash equivalents, including restricted, beginning of year**	<u>3,273,275</u>	<u>2,330,312</u>	<u>2,236,052</u>	<u>948,507</u>	<u>8,788,146</u>
<b>Cash and cash equivalents, including restricted, end of year</b>	<u>\$ 2,266,118</u>	<u>\$ 1,555,514</u>	<u>\$ 3,175,427</u>	<u>\$ 748,451</u>	<u>\$ 7,745,510</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ 37,626	\$ 207,346	\$ 565,262	\$ (78,592)	\$ 731,642
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	1,085,497	502,431	614,622	399,810	2,602,360
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	30,336	9,183	57,880	(6,305)	91,094
(Increase) decrease in inventory	-	-	(111,813)	-	(111,813)
Increase (decrease) in accounts payable	69,773	78,474	218,910	5,550	372,707
Increase (decrease) in accrued payroll	(9,153)	(5,239)	(15,166)	(15,475)	(45,033)
Increase (decrease) in customer deposits	29,900	-	13,501	-	43,401
Increase (decrease) in unearned revenues	2,595	(1,084)	(27,357)	628	(25,218)
Increase (decrease) in compensated absences	(12,722)	(2,540)	(4,862)	5,415	(14,709)
Net cash flows from operating activities	<u>\$ 1,233,852</u>	<u>\$ 788,571</u>	<u>\$ 1,310,977</u>	<u>\$ 311,031</u>	<u>\$ 3,644,431</u>
<b>Noncash investing, capital, and financing activities</b>					
Contributions of capital assets	\$ 460,275	\$ 360,353	\$ 163,650	\$ 1,131,181	\$ 2,115,459
Increase (decrease) in fair value of investments	(107,713)	(139,739)	(102,635)	(38,403)	(388,490)

\*\* Cash and cash equivalents at the end of the year, as presented in the financial statements for the year ended June 30, 2012, included cash and investment balances. The beginning cash and cash equivalents balances in these financial statements have been adjusted to only include cash and cash equivalents as defined in Note 1, which excludes investments.

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities, when applicable, are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

Washington City (the City) is organized as a mayor/council form of government and is located in Washington County, Utah. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. When applicable, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units. The following are blended component units included with the reporting entity:

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** (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.

**Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City’s funds, including its blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

The government 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.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

*Cash and cash equivalents*

The City's cash and cash equivalents are considered to be 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.

*Investments*

The City's investment 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 investment earnings. Fair market values are based on quoted market prices.

*Receivables*

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, an allowance for uncollectible accounts receivable is not presented.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable electric fund supplies and materials and general fund fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. The costs of all other inventories are recorded as expenditures/expenses when purchased rather than when consumed and are not deemed material to the financial statements and have not been recognized in these financial statements.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*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



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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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 the following 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.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one type of item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary funds statement of net position and government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. Accordingly, the item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. The governmental funds report deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied.

***Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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*Fund Balance Flow Assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council (council) is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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***Property 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 (lien date) for all real property located in the City. Taxable values are established by the county assessor at a 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.

***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 governmental 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.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, electric, irrigation, storm drain, and golf course funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Encumbrances***

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**New Pronouncements**

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of this new statement resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 17).

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 19.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 21.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 3. Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the governing 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.

As of June 30, 2013 the City's golf course fund, which is an individual fund included in the nonmajor proprietary fund information, had a negative net position of \$244,292.

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**NOTE 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 5,810,358
Investments	16,904,716
Restricted cash and cash equivalents	<u>5,306,872</u>
Total	<u><u>\$ 28,021,946</u></u>

Restricted cash and cash equivalents consist primarily of assets relating to required debt reserves and unspent debt proceeds. In addition to the \$90,178 in required debt reserves in the general fund, restricted assets also include refundable deposits relating to construction bonds and other payables.

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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 4. Deposits and Investments, Continued**

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**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. The City does not have a formal policy for custodial credit risk. As of June 30, 2013, \$1,287,967 of the City's bank balance of \$1,537,967 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 4. Deposits and Investments, Continued**

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As of June 30, 2013, the City's deposits and investments consist of the following:

	Fair Value	Credit Ratings (1)		Weighted Average Maturity (2)
		Moody's	S&P	
Cash on hand	\$ 1,542	N/A	N/A	N/A
Cash deposits	1,289,954	N/A	N/A	N/A
Utah Public Treasurers' Investment Fund	9,390,925	N/A	N/A	73.71
Dreyfus Mutual Fund	434,809	Aaa-mf	AAAm	54
Wells Fargo Investments Wells Fargo MMMF	5,000	N/A	N/A	33
Bonds - U.S. Agencies	4,583,861	N/A	AAA to AA+	2,227
Bonds - municipal	6,267,209	Aa1 to A2	AA+ to A+	2,166
Bonds - corporate	6,048,646	Aa1 to A3	A+ to A-	238
Total Fair Value	<u>\$28,021,946</u>			

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2013</b>
Capital assets, not being depreciated:				
Land, easements and water rights	\$ 1,997,092	\$ -	\$ -	\$ 1,997,092
Construction in progress	214,422	510,281	(537,776)	186,927
Infrastructure	54,077,622	12,221,921	-	66,299,543
Total capital assets, not being depreciated:	<u>56,289,136</u>	<u>12,732,202</u>	<u>(537,776)</u>	<u>68,483,562</u>
Capital assets, being depreciated:				
Buildings and other improvements	34,694,941	62,108	-	34,757,049
Machinery and equipment	1,609,243	90,446	-	1,699,689
Automobiles and trucks	2,462,747	139,612	(25,640)	2,576,719
Total capital assets, being depreciated:	<u>38,766,931</u>	<u>292,166</u>	<u>(25,640)</u>	<u>39,033,457</u>
Less accumulated depreciation for:				
Buildings and other improvements	(5,835,792)	(881,386)	-	(6,717,178)
Machinery and equipment	(1,058,556)	(102,286)	-	(1,160,842)
Automobiles and trucks	(1,655,820)	(177,014)	3,451	(1,829,383)
Total accumulated depreciation	<u>(8,550,168)</u>	<u>(1,160,686)</u>	<u>3,451</u>	<u>(9,707,403)</u>
Total capital assets, being depreciated, net	<u>30,216,763</u>	<u>(868,520)</u>	<u>(22,189)</u>	<u>29,326,054</u>
Governmental activities capital assets, net	<u>\$ 86,505,899</u>	<u>\$ 11,863,682</u>	<u>\$ (559,965)</u>	<u>\$ 97,809,616</u>

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

<b>Governmental Activities:</b>	
General government	\$ 153,092
Public safety	162,583
Streets and highways	57,894
Parks, cemetery and public property	349,330
Culture and recreation	426,041
Community and economic development	11,746
Total depreciation expense - governmental activities	<u>\$ 1,160,686</u>



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 5. Capital Assets, Continued**

<b>Business-type Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2013</b>
Capital assets not being depreciated:				
Land, easements and water rights	\$ 3,163,278	\$ -	\$ -	\$ 3,163,278
Construction in progress	148,593	111,564	-	260,157
Total capital assets, not being depreciated	<u>3,311,871</u>	<u>111,564</u>	<u>-</u>	<u>3,423,435</u>
Capital assets being depreciated:				
Buildings and improvements	3,418,453	-	-	3,418,453
Improvements and systems	97,369,036	3,120,401	68	100,489,505
Machinery and equipment	3,041,719	362,702	-	3,404,421
Automobiles and trucks	1,654,892	-	-	1,654,892
Total capital assets, being depreciated	<u>105,484,100</u>	<u>3,483,103</u>	<u>68</u>	<u>108,967,271</u>
Less accumulated depreciation for:				
Buildings	(542,971)	(79,645)	-	(622,616)
Improvements and systems	(20,623,699)	(2,277,831)	(68)	(22,901,598)
Machinery and equipment	(2,384,120)	(117,922)	-	(2,502,042)
Automobiles and trucks	(1,162,721)	(126,962)	-	(1,289,683)
Total accumulated depreciation	<u>(24,713,511)</u>	<u>(2,602,360)</u>	<u>(68)</u>	<u>(27,315,939)</u>
Total capital assets, being depreciated, net	<u>80,770,589</u>	<u>880,743</u>	<u>-</u>	<u>81,651,332</u>
Business-type activities capital assets, net	<u>\$ 84,082,460</u>	<u>\$ 992,307</u>	<u>\$ -</u>	<u>\$ 85,074,767</u>

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

<b>Business-type Activities:</b>	
Water	\$ 1,085,497
Sewer	502,431
Electric	614,622
Irrigation	43,546
Storm drain	185,772
Golf	<u>170,492</u>
Total depreciation expense - business-type activities	<u>\$ 2,602,360</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6. Long-term Liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

<b>Governmental Activities:</b>	Balance 6/30/2012	Additions	Retirements	Balance 6/30/2013	Current Portion
General obligation bonds (Coral Canyon)	\$ 9,015,000	\$ 5,817,000	\$ 5,805,000	\$ 9,027,000	\$ 239,000
Lease revenue bonds (MBA)	6,698,000	-	305,000	6,393,000	317,000
Sales tax and excise tax road revenue bonds	4,059,000	-	305,000	3,754,000	359,000
Notes payable	583,595	-	377,571	206,024	68,675
Compensated absences	337,563	346,732	352,315	331,980	280,000
Total governmental activities	<u>20,693,158</u>	<u>6,163,732</u>	<u>7,144,886</u>	<u>19,712,004</u>	<u>1,263,675</u>
<b>Business-type Activities:</b>					
Revenue bonds	20,362,262	7,621,000	5,796,178	22,187,084	1,032,774
Plus bond premiums	145,109	-	145,109	-	-
Total revenue bonds	<u>20,507,371</u>	<u>7,621,000</u>	<u>5,941,287</u>	<u>22,187,084</u>	<u>1,032,774</u>
Capital leases payable	63,159	-	63,159	-	-
Compensated absences	297,992	314,073	328,782	283,283	263,560
Total business-type activities	<u>20,868,522</u>	<u>7,935,073</u>	<u>6,333,228</u>	<u>22,470,367</u>	<u>1,296,334</u>
Total long-term liabilities	<u>\$ 41,561,680</u>	<u>\$ 14,098,805</u>	<u>\$ 13,478,114</u>	<u>\$ 42,182,371</u>	<u>\$ 2,560,009</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6. Long-term Liabilities, Continued**

Long-term liabilities for the government at June 30, 2013 consist of the following:

**General Obligation Bonds:**

**Governmental Activities:**

Coral Canyon Special Service District:

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%.	\$ 3,210,000
General Obligation Refunding Bonds - Series 2012 issued December 13, 2012 in the amount of \$5,817,000 payable in annual installments of \$194,000 to \$246,000 with final payment due July 15, 2028. Interest is paid semi-annually at a rate of 1.03% to 4.35%.	<u>5,817,000</u>
Total general obligation bonds, governmental activities	<u>9,027,000</u>

**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 1.053% to 4.45%. Interest is paid semi-annually. Property located at Buena Vista Blvd and Main St is pledged toward these bonds.	<u>6,393,000</u>
Total lease revenue bonds (MBA), governmental activities	<u>6,393,000</u>
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%.	336,000
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.	2,740,000
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.	<u>678,000</u>
Total sales tax and excise tax road revenue bonds, governmental activities	<u>3,754,000</u>

**Business-type Activities:**

Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	763,439
Water System Water Revenue Bonds Series 1993C payable in annual installments of \$68,000 to \$137,000 through January 1, 2015 bearing no interest.	205,000
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	278,135
	(Continued)

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6. Long-term Liabilities, Continued**

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.	\$ 1,345,294
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.	513,000
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%.	2,120,596
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.	386,000
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%.	3,731,136
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%.	3,083,644
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%.	1,434,840
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%. These bonds were partially refunded in fiscal year 2013. The remaining balance will be paid in fiscal years 2014 and 2015 with final payment due September 1, 2014.	705,000
Electric Revenue Bonds - Series 2013 issued May 1, 2013 in the amount of \$7,621,000. Principal payable in annual installments of \$80,000 to \$617,000 with final payment due March 1, 2028. The bonds bear interest of 2.38%.	<u>7,621,000</u>
Total revenue bonds, business-type activities	<u>22,187,084</u>
 <b>Notes Payable:</b>	
<b>Governmental Activities:</b>	
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.	\$ 206,024
Total notes payable, governmental activities	<u>206,024</u>
<b>Accrued Compensated Absences</b>	<u>615,263</u>
Total long-term liabilities	<u>42,182,371</u>
Due within one year	\$ 2,560,009
Due in more than one year	<u>39,622,362</u>
Total long-term liabilities	<u>\$ 42,182,371</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6. Long-term Liabilities, Continued**

The annual requirements to amortize bonds and notes payable at June 30, 2013 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
2014	\$ 239,000	\$ 338,468	\$ 317,000	\$ 114,944	\$ 359,000	\$ 137,499	\$ 68,675	\$ 10,301
2015	235,000	334,194	330,000	102,209	372,000	127,475	68,675	6,867
2016	240,000	329,563	344,000	88,420	384,000	117,028	68,674	3,434
2017	325,000	323,757	358,000	73,533	395,000	89,387	-	-
2018	454,000	315,247	374,000	57,497	319,000	62,466	-	-
2019-2023	2,470,000	1,376,010	2,111,000	192,009	1,638,000	163,891	-	-
2024-2028	2,943,000	883,813	2,559,000	69,440	287,000	4,203	-	-
2029-2031	2,121,000	171,267	-	-	-	-	-	-
Totals	<u>\$ 9,027,000</u>	<u>\$ 4,072,319</u>	<u>\$ 6,393,000</u>	<u>\$ 698,052</u>	<u>\$ 3,754,000</u>	<u>\$ 701,949</u>	<u>\$ 206,024</u>	<u>\$ 20,602</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	
2014	\$ 454,000	\$ 177,190	\$ 388,774	\$ 482,999	\$ 190,000	\$ 28,700	\$ 1,032,774
2015	440,000	185,034	469,256	471,466	194,000	24,900	1,103,256
2016	453,000	171,491	343,389	460,237	202,000	21,020	998,389
2017	464,000	160,579	356,404	447,081	206,000	16,980	1,026,404
2018	475,000	149,405	370,135	434,163	210,000	12,860	1,055,135
2019-2023	2,553,000	569,736	1,920,395	1,960,719	432,840	13,040	4,906,235
2024-2028	3,487,000	247,163	1,856,742	1,592,118	-	-	5,343,742
2029-2033	-	-	2,281,459	1,167,401	-	-	2,281,459
2034-2038	-	-	2,213,601	673,735	-	-	2,213,601
2039-2043	-	-	1,586,589	302,233	-	-	1,586,589
2044-2047	-	-	639,500	44,823	-	-	639,500
Totals	<u>\$ 8,326,000</u>	<u>\$ 1,660,598</u>	<u>\$ 12,426,244</u>	<u>\$ 8,036,975</u>	<u>\$ 1,434,840</u>	<u>\$ 117,500</u>	<u>\$ 22,187,084</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

**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, 2013 were \$98,248. The future minimum rental payments for this lease are as follow:

Year Ending June 30,	
2014	\$ 8,201
	<u>\$ 8,201</u>

**NOTE 8. Interfund Transfers and Balances**

Interfund transfers for the fiscal year ended June 30, 2013 are as follows:

		<b>Transfers In</b>			
		General Fund	SRF - Leisure Services	Nonmajor Governmental	Total
<b>Transfers Out</b>	General Fund	\$ -	\$ 910,151	\$ 1,268,587	\$ 2,178,738
	Nonmajor governmental	1,279,320	-	-	1,279,320
	Water Fund	200,000	-	-	200,000
	Sewer Fund	150,000	-	-	150,000
	Electric Fund	71,413	-	-	71,413
	Nonmajor business-type	75,000	-	-	75,000
	Total	<u>\$ 1,775,733</u>	<u>\$ 910,151</u>	<u>\$ 1,268,587</u>	<u>\$ 3,954,471</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, 2013 are as follows:

		<b>Due From</b>	
		Nonmajor Business-type	Total
<b>Due To</b>	General Fund	\$ 2,735,989	\$ 2,735,989
	Sewer Fund	3,893	3,893
	Total	<u>\$ 2,739,882</u>	<u>\$ 2,739,882</u>

The amounts payable to the general fund and sewer fund relate to working capital loans. Of the \$2,739,882 amount, \$2,611,885 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, 2013**

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**NOTE 9. Retirement Plans**

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**Defined Benefit Plans**

Plan Description

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

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

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

Funding Policy

Plan members are required to contribute a percent of their covered salary (all of which is currently paid by the City for the employees) to the respective systems to which they belong, 12.29% to the Public Safety Contributory and 15.05% to the Firefighters Retirement Systems. The City is required to contribute a percent of covered salary to the respective systems, 12.74% to the Contributory, 16.04% to the Noncontributory, 19.08% (Tier 1) and 19.25% (Tier 2) to the Public Safety Contributory Systems and 2.66% (Tier 1) and 11.10% (Tier 2) 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, 2013**

**NOTE 9. Retirement Plans, Continued**

The required contributions and amounts received for the current 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				
2013	\$ -	\$ -	\$ 11,753	\$ 137,302
2012	-	-	2,126	28,014
2011	-	-	-	-
Noncontributory System:				
Local Governmental Division Tier 1				
2013	-	-	612,400	3,782,252
2012	-	-	531,552	3,860,216
2011	-	-	505,724	3,782,518
Public Safety System				
Other Division A Contributory Tier 1				
2013	-	86,427	137,268	924,182
2012	-	86,710	111,333	970,416
2011	-	81,658	98,734	664,426
Other Division A Contributory				
2013	-	-	3,022	27,230
2012	-	-	1,136	10,875
2011	-	-	-	-
Firefighters System				
Division A Tier 1				
2013	-	24,304	4,296	232,657
2012	-	28,357	942	257,785
2011	-	26,562	3,036	176,490
Division B Tier 2				
2013	-	-	1,591	14,331
Defined Contribution System:				
457 Plan				
2013	7,274	-	N/A	N/A
2012	5,431	-	N/A	N/A
2011	2,604	-	N/A	N/A
401(k) Plan				
2013	67,112	226,619	N/A	N/A
2012	83,124	223,844	N/A	N/A
2011	90,286	217,507	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, 2013**

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**NOTE 10. Risk Management**

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

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

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

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

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

The initial term of the lease commenced as of the date of delivery (in fiscal year 2008) of the Series 2008 Bonds and terminated on June 30, 2008. The lease term may be continued, solely at the option of the City, beyond the expiration of the original term for an additional one year, the first "renewal term", and for consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term shall commence July 1, 2027 and end on December 15, 2027. The City makes an election to continue the lease for the next renewal term by budgeting sufficient City funds to pay the base and reasonably estimated additional rentals during the next following renewal term. The City renewed the lease for the 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, 2013**

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**NOTE 12. Commitments**

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

The City of St. George for the purpose of transportation and treatment of wastewater initially entered into April 1, 1987 for 25 years (extended). 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 2013, the City collected \$865,852 and the liability balance at June 30, 2013 was \$128,693, 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.

The Flood Control Authority and interlocal cooperation agreement between the City of St. George, Washington City, Santa Clara City, Ivins City and Hurricane City. The purpose of the Flood Control Authority is to administer, acquire, construct, operate, inspect, repair and maintain flood control facilities and to perform all other related activities necessary for regional flood control. Flood control refers to the management and conveyance of flows above baseline conditions. The Flood Control board is made up of elected officials of the primary members and Washington City has two representatives on the board. Each primary member pays a monthly amount based upon the number of water connections as set by the board. The term of the agreement is 50 years (beginning fiscal year 2013) with automatic extensions of 50 year terms unless terminated as set forth in the agreement.

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**NOTE 13. Jointly Governed Organization**

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The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power with transmission delivery totaling \$5,873,681 during the fiscal year ended June 30, 2013.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 14. Contingencies**

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The City is involved with various matters of litigation. It is the opinion of management 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.

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**NOTE 15. Leisure Services Trade Sales**

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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 2013 was \$80,859.

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**NOTE 16. Advance and Current Refundings**

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In the year ended June 30, 2013, the City issued \$5,817,000 of general obligation refunding bonds (Series 2012) for a current refunding of \$2,740,000 on general obligation bonds (CCSSD Series 2001 and 2001A) and the remainder was placed in an escrow account to cover all future debt service payments of \$2,785,000 of general obligation bonds (CCSSD Series 2003). As a result, the refunded bonds are considered to be defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$77,388. This amount is being amortized over the new debt's life and recorded as a deferred outflow of resources on the statement of net position. The transaction resulted in an economic gain of \$832,947 and a reduction of \$888,003 in future debt service payments. The advanced refunding defeased debt still outstanding at June 30, 2013 was \$2,785,000.

In the year ended June 30, 2013, the City issued \$7,621,000 of electric revenue and refunding bonds (Series 2013) for new construction money of \$2,500,000 and for resources placed in an escrow account to cover all future debt service payments of \$4,735,000 of electric revenue bonds (Series 2004). As a result, the refunded bonds are considered to be defeased. However, as disclosed in Note 6, not all of the series 2004 electric revenue bonds were refunded and defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$208,565. This amount is being amortized over the refunded debt's life and recorded as a deferred outflow of resources on both the government-wide and propriety funds statement of net position. The transaction resulted in an economic gain of \$456,961 and a reduction of \$527,903 in future debt service payments. The advanced refunding defeased debt still outstanding at June 30, 2013 was \$4,735,000.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 16. Advance and Current Refundings, Continued**

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In the year ended June 30, 2012, the City issued \$2,900,000 of sales tax revenue refunding bonds (Series 2011) that were placed in an escrow account to cover all future debt service payments of \$2,970,000 of sales tax revenue bonds. As a result, the refunded bonds are considered 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 amortized over the new debt's life, which is equal to the refunded debt, and recorded as a deferred outflow of resources on the statement of net position. The transaction resulted in an economic gain \$516,312 and a reduction of approximately \$542,283 in future debt service payments. The advanced refunding defeased debt still outstanding at June 30, 2013 was \$2,785,000.

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**NOTE 17. Restatement Adjustments**

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As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Electric Fund in the amount of \$136,703. Bond issuance costs of \$49,242 in the governmental activities of the government-wide financial statements were also removed, which resulted in a restatement of beginning equity. Assets of the Electric Fund and assets the governmental activities of the government-wide financial statements were reduced by the same amount of the adjustment to beginning equity.

Also, a prior-period adjustment was made in the Sewer Fund. The adjustment of \$134,673, as shown on the statement of revenues, expenses, and changes in fund net position – proprietary funds, relates to an error in previous years' accounts receivable balances in connection with the sewer treatment commitment with the City of St. George (see Note 12). The Sewer Fund's accounts receivable balance and equity in recent prior years was overstated resulting in restatement of beginning equity. Accounts receivable of the Sewer Fund was reduced by the same amount.

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**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 1,530,755	\$ 1,289,228	\$ 1,335,024	\$ 45,796
Miscellaneous	29,357	26,857	22,023	(4,834)
Total revenues	<u>1,560,112</u>	<u>1,316,085</u>	<u>1,357,047</u>	<u>40,962</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	2,464,173	2,296,975	2,202,732	94,243
Capital outlay	69,186	69,186	64,466	4,720
Total expenditures	<u>2,533,359</u>	<u>2,366,161</u>	<u>2,267,198</u>	<u>98,963</u>
Excess of revenues over (under) expenditures	<u>(973,247)</u>	<u>(1,050,076)</u>	<u>(910,151)</u>	<u>139,925</u>
<b>Other financing sources (uses)</b>				
Transfers in	973,247	1,050,076	910,151	(139,925)
Total other financing sources and (uses)	<u>973,247</u>	<u>1,050,076</u>	<u>910,151</u>	<u>(139,925)</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, 2013**

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As allowed by GASB Statement No. 34, the City has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this method, referred to as the modified approach, the City expends 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, 2013, showed that the City had overall average condition ratings of 15.61 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	2.22
1-2	1.72
3-4	0.66
5-6	1.93
7-8	2.12
9-10	5.58
11-12	9.37
13-14	12.84
15-16	20.01
17-18	22.92
19-20	20.63
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 14.84 (June 2012) and 16.24 (June 2011).

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2013**

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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
2013	\$ 700,000	\$ 561,113
2012	700,000	599,443
2011	700,000	613,250
2010	700,000	315,359
2009	700,000	521,230

In fiscal year 2012 11.45% of roads had an RLS of 10 years or less. Even with the improvements made in fiscal year 2013, the percent of roads with an RLS of 10 years or less increased to 14.23%. 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.

**Recreation Fund** – This fund 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.

**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 Units)

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, 2013**

	Capital Projects					Debt Service			Total Nonmajor Governmental Funds
	Property Acquisition	Fire Station Impact	General Projects	Recreation	Streets	Municipal Building Authority	Coral Canyon Special Service District		
<b>Assets</b>									
Cash and cash equivalents	\$ 937	\$ 95,330	\$ 23,309	\$ 1,371,254	\$ 821,853	\$ -	\$ -	\$ -	\$ 2,312,683
Investments	-	-	274,313	143,262	1,111,244	-	-	-	1,528,819
Receivables	-	-	32	53	342	-	-	-	427
Property taxes receivable	-	-	-	-	-	-	587,685	-	587,685
Due from other governments	-	-	-	-	-	-	9,809	-	9,809
Restricted cash and cash equivalents	-	-	-	-	-	16	486,363	-	486,379
Total assets	\$ 937	\$ 95,330	\$ 297,654	\$ 1,514,569	\$ 1,933,439	\$ 16	\$ 1,083,857	\$ -	\$ 4,925,802
<b>Liabilities, deferred inflows, and fund balances</b>									
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ 3,164	\$ 747	\$ 8,000	\$ 456,203	\$ -	\$ -	\$ -	\$ 468,114
Total liabilities	-	3,164	747	8,000	456,203	-	-	-	468,114
Deferred inflow of resources:									
Deferred revenue - property tax	-	-	-	-	-	-	587,685	-	587,685
Total deferred inflows of resources	-	-	-	-	-	-	587,685	-	587,685
<b>Fund balances:</b>									
Restricted for:									
Debt service	-	-	-	-	-	16	496,172	-	496,188
Capital outlay - impact fees	-	93,778	-	1,380,757	264,442	-	-	-	1,738,977
Capital outlay - other	-	-	-	9,280	1,212,794	-	-	-	1,222,074
Assigned to:									
Capital outlay	937	-	296,907	116,532	-	-	-	-	414,376
Unassigned	-	(1,612)	-	-	-	-	-	-	(1,612)
Total fund balances	937	92,166	296,907	1,506,569	1,477,236	16	496,172	-	3,870,003
Total liabilities, deferred inflows of resources, and fund balances	\$ 937	\$ 95,330	\$ 297,654	\$ 1,514,569	\$ 1,933,439	\$ 16	\$ 1,083,857	\$ -	\$ 4,925,802

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	Capital Projects					Debt Service			Total Nonmajor Governmental Funds
	Property Acquisition	Fire Station Impact	General Projects	Recreation	Streets	Municipal Building Authority	Coral Canyon Special Service District	Total	
<b>Revenues</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 583,668	\$ 583,668	\$ 583,668
Intergovernmental revenues	-	-	11,139	-	5,668	-	-	-	16,807
Impact fees	-	82,000	-	1,488,000	871,224	-	-	-	2,441,224
Investment earnings	228	460	(2,623)	(990)	(9,645)	172	2,570	-	(9,828)
Miscellaneous	-	-	-	18,387	148	-	245,341	-	263,876
Total revenues	228	82,460	8,516	1,505,397	867,395	172	831,579	-	3,295,747
<b>Expenditures</b>									
Current:									
Streets and highways	-	-	-	-	561,113	-	-	-	561,113
Debt service:									
Principal	-	-	-	-	-	305,000	3,020,000	-	3,325,000
Interest and fiscal charges	-	-	-	-	-	194,798	503,851	-	698,649
Bond issuance costs	-	-	-	-	-	-	59,100	-	59,100
Capital outlay	-	101,612	65,482	37,855	518,528	-	-	-	723,477
Total expenditures	-	101,612	65,482	37,855	1,079,641	499,798	3,582,951	-	5,367,339
Excess (deficiency) of revenues over (under) expenditures	228	(19,152)	(56,966)	1,467,542	(212,246)	(499,626)	(2,751,372)	-	(2,071,592)
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	8,603	760,342	499,642	-	-	1,268,587
Transfers out	-	(82,283)	(5,427)	(566,604)	(625,006)	-	-	-	(1,279,320)
Refunding bonds issued	-	-	-	-	-	-	5,817,000	-	5,817,000
Payment to re-funded bond escrow agent	-	-	-	-	-	-	(2,862,388)	-	(2,862,388)
Total other financing sources and (uses)	-	(82,283)	(5,427)	(558,001)	135,336	499,642	2,954,612	-	2,943,879
Net change in fund balances	228	(101,435)	(62,393)	909,541	(76,910)	16	203,240	-	872,287
Fund balances - beginning	709	193,601	359,300	597,028	1,554,146	-	292,932	-	2,997,716
Fund balances - ending	937	92,166	296,907	1,506,569	1,477,236	16	496,172	-	3,870,003

## 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, 2013**

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 726,680	\$ -	\$ 21,771	\$ 748,451
Investments	-	1,213,315	-	306,566	1,519,881
Accounts receivable, net	6,373	70,920	1,042	85	78,420
Total current assets	<u>6,373</u>	<u>2,010,915</u>	<u>1,042</u>	<u>328,422</u>	<u>2,346,752</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	1,262,700	9,588,616	4,000,641	-	14,851,957
Machinery and equipment	4,990	68,196	1,192,590	-	1,265,776
Automobiles and trucks	-	-	29,464	-	29,464
Less accumulated depreciation	(175,831)	(775,068)	(3,986,567)	-	(4,937,466)
Total capital assets, net	<u>1,091,859</u>	<u>8,980,952</u>	<u>2,476,203</u>	<u>-</u>	<u>12,549,014</u>
Total noncurrent assets	<u>1,091,859</u>	<u>8,980,952</u>	<u>2,476,203</u>	<u>-</u>	<u>12,549,014</u>
Total assets	<u>1,098,232</u>	<u>10,991,867</u>	<u>2,477,245</u>	<u>328,422</u>	<u>14,895,766</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,078	45,108	32,339	-	78,525
Accrued wages and taxes	607	2,084	11,778	-	14,469
Due to other funds	127,997	-	2,611,885	-	2,739,882
Unearned revenue	-	628	-	-	628
Compensated absences payable - current	1,874	10,093	45,812	-	57,779
Total current liabilities	<u>131,556</u>	<u>57,913</u>	<u>2,701,814</u>	<u>-</u>	<u>2,891,283</u>
Noncurrent liabilities:					
Compensated absences payable	-	-	19,723	-	19,723
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>19,723</u>	<u>-</u>	<u>19,723</u>
Total liabilities	<u>131,556</u>	<u>57,913</u>	<u>2,721,537</u>	<u>-</u>	<u>2,911,006</u>
<b>Net position</b>					
Net investment in capital assets	1,091,859	8,980,952	2,476,203	-	12,549,014
Unrestricted	(125,183)	1,953,002	(2,720,495)	328,422	(564,254)
Total net position	<u>\$ 966,676</u>	<u>\$ 10,933,954</u>	<u>\$ (244,292)</u>	<u>\$ 328,422</u>	<u>\$ 11,984,760</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Operating revenues:</b>					
Charges for services	\$ 16,116	\$ 744,109	\$ 857,770	\$ -	\$ 1,617,995
Miscellaneous	195	5,858	897	-	6,950
Total operating revenues	<u>16,311</u>	<u>749,967</u>	<u>858,667</u>	<u>-</u>	<u>1,624,945</u>
<b>Operating expenses:</b>					
Salaries and wages	17,863	48,627	434,054	-	500,544
Employee benefits	13,655	28,909	191,277	-	233,841
Utilities	-	5,050	76,239	-	81,289
Professional services	-	153,656	12,419	-	166,075
Repairs and maintenance	-	1,106	5,334	-	6,440
Rent	-	-	98,248	-	98,248
Miscellaneous	-	25,275	16,975	-	42,250
Supplies	460	5,794	168,786	-	175,040
Depreciation	43,546	185,772	170,492	-	399,810
Total operating expenses	<u>75,524</u>	<u>454,189</u>	<u>1,173,824</u>	<u>-</u>	<u>1,703,537</u>
Operating income (loss)	<u>(59,213)</u>	<u>295,778</u>	<u>(315,157)</u>	<u>-</u>	<u>(78,592)</u>
<b>Nonoperating revenues (expenses):</b>					
Investment earnings	-	(8,440)	-	(2,846)	(11,286)
Impact fees	-	211,304	-	-	211,304
Interest and fiscal charges	-	-	(485)	-	(485)
Total nonoperating revenues (expenses)	<u>-</u>	<u>202,864</u>	<u>(485)</u>	<u>(2,846)</u>	<u>199,533</u>
Income (loss) before transfers and contributions	<u>(59,213)</u>	<u>498,642</u>	<u>(315,642)</u>	<u>(2,846)</u>	<u>120,941</u>
Transfer out	-	(75,000)	-	-	(75,000)
Capital contributions	127,023	1,004,158	-	-	1,131,181
<b>Change in net position</b>	<u>67,810</u>	<u>1,427,800</u>	<u>(315,642)</u>	<u>(2,846)</u>	<u>1,177,122</u>
Net position - beginning	<u>898,866</u>	<u>9,506,154</u>	<u>71,350</u>	<u>331,268</u>	<u>10,807,638</u>
<b>Net position - ending</b>	<u>\$ 966,676</u>	<u>\$ 10,933,954</u>	<u>\$ (244,292)</u>	<u>\$ 328,422</u>	<u>\$ 11,984,760</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<u>Irrigation</u>	<u>Storm Drain</u>	<u>Golf Course</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ 14,754	\$ 745,847	\$ 858,667	\$ -	\$ 1,619,268
Cash paid to suppliers	(217)	(169,833)	(393,742)	-	(563,792)
Cash paid to employees	(32,705)	(71,775)	(639,965)	-	(744,445)
Net cash flows from operating activities	<u>(18,168)</u>	<u>504,239</u>	<u>(175,040)</u>	<u>-</u>	<u>311,031</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	-	(75,000)	-	-	(75,000)
Cash received (paid) from (to) other funds	18,168	-	239,623	-	257,791
Net cash flows from noncapital financing activities	<u>18,168</u>	<u>(75,000)</u>	<u>239,623</u>	<u>-</u>	<u>182,791</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital debt	-	-	(63,159)	-	(63,159)
Interest paid on capital debt	-	-	(1,424)	-	(1,424)
Purchase and acquisition of capital assets	-	(264,163)	-	-	(264,163)
Impact fees	-	211,304	-	-	211,304
Net cash flows from capital and related financing activities	<u>-</u>	<u>(52,859)</u>	<u>(64,583)</u>	<u>-</u>	<u>(117,442)</u>
<b>Cash flows from investing activities:</b>					
Net change in investments	-	(691,233)	-	87,686	(603,547)
Interest and dividends received	-	22,217	-	4,894	27,111
Net cash flows from investing activities	<u>-</u>	<u>(669,016)</u>	<u>-</u>	<u>92,580</u>	<u>(576,436)</u>
Net change in cash and cash equivalents	-	(292,636)	-	92,580	(200,056)
Cash and cash equivalents, including restricted, beginning of year**	-	1,019,316	-	(70,809)	948,507
<b>Cash and cash equivalents, including restricted, end of year</b>	<u>\$ -</u>	<u>\$ 726,680</u>	<u>\$ -</u>	<u>\$ 21,771</u>	<u>\$ 748,451</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ (59,213)	\$ 295,778	\$ (315,157)	\$ -	\$ (78,592)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	43,546	185,772	170,492	-	399,810
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(1,557)	(4,748)	-	-	(6,305)
Increase (decrease) in accounts payable	243	21,048	(15,741)	-	5,550
Increase (decrease) in accrued payroll	(118)	445	(15,802)	-	(15,475)
Increase (decrease) in unearned revenues	-	628	-	-	628
Increase (decrease) in compensated absences	(1,069)	5,316	1,168	-	5,415
Net cash flows from operating activities	<u>\$ (18,168)</u>	<u>\$ 504,239</u>	<u>\$ (175,040)</u>	<u>\$ -</u>	<u>\$ 311,031</u>
<b>Noncash investing, capital, and financing activities</b>					
Contributions of capital assets	\$ 127,023	\$ 1,004,158	\$ -	\$ -	\$ 1,131,181
Increase (decrease) in fair value of investments	-	(30,657)	-	(7,746)	(38,403)

\*\* Cash and cash equivalents at the end of the year, as presented in the financial statements for the year ended June 30, 2012, included cash and investment balances. The beginning cash and cash equivalents balances in these financial statements have been adjusted to only include cash and cash equivalents as defined in Note 1, which excludes investments.

**OTHER SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2013**

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:		
<b>Monthly Charge:</b>		
Sewer Rate for areas without a sewer lift station.	12.65	12.65/ERU
Sewer Rate for areas with a sewer lift station.	18.92	
Impact Fee - 3/4" meter	1,159	1,159
1" meter	1,912	1,912
1 1/2" meter	4,323	4,323
2" meter	7,591	7,591
3" meter	17,072	17,072
4" meter	30,331	30,331
6" meter	68,242	68,242
Inspection Fee	150	150/ERU
Sewer System Statistics:		
Residential Equivalents connected to the system at June 30, 2013	7,664	
Average monthly billing per customer	12.65	

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2013**

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Insurance coverage in effect at June 30, 2013:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2012	07/01/12	06/30/13	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2012	07/01/12	06/30/13	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2012	07/01/12	06/30/13	80,000
Utah Local Government Trust	Auto - uninsured	14680-GL2012	07/01/12	06/30/13	80,000
Utah Local Government Trust	General liability	14680-GL2012	07/01/12	06/30/13	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2012	07/01/12	06/30/13	53,703,996

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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MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
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PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

**Independent Auditor's 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Washington City's basic financial statements and have issued our report thereon dated December 13, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Washington City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies.

13-01 Misstatements  
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*.

## **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying responses to the findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
December 13, 2013

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**Independent Auditor's Report on Compliance and  
on Internal Controls Over Compliance in Accordance with the  
*State of Utah Legal Compliance Audit Guide***

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

***REPORT ON COMPLIANCE***

We have audited Washington City, Utah's compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

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

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Court
- Impact Fees
- Utah Retirement System Compliance
- Transfers from Utility Enterprise Funds
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act

The City received the following major assistance programs from the State of Utah:

- B&C Road Funds (Department of Transportation)

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the City's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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 and the *State of Utah Legal Compliance Audit Guide* 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 City and its major programs occurred. 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 of the City's compliance with those requirements.

### ***Opinion***

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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, 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 as items 13-02, 13-03, 11-02 and 11-03.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### ***City's Response to Findings***

The City's responses to the findings identified in our audit are described in the accompanying responses to the findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Purpose of Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
December 13, 2013

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MEMBERS:

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**WASHINGTON CITY**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2013**

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, 2013, 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:**

None noted

**Significant Deficiencies:**

13-01 Misstatements

Significant improvements were made for fiscal year 2013, and we wish to commend city personnel for their continued effort to improve the City's financial reporting processes. However, we noted several adjustments 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 significant deficiency is warranted.

The primary areas affected include the City's main cash account (see related significant deficiency finding below), accounts payable, accounts receivable, capital assets and various misclassified items. 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, accounts payable and accounts receivable 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 (and document the reconciliation) the main cash account, accounts payable and accounts receivable on a regular basis. 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 significant adjustments in a timely manner.

#### 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 relatively 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 that should be addressed.

### Recommendation

We recommend that management and accounting personnel continue to focus heavily on this issue to ensure that bank reconciliation procedures allow the account to be completely and accurately reconciled to the general ledger in a timely manner. 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:**

#### 13-02 Governing Body's Review of Financial Reports

The City's policy is to provide to the city manager (monthly) and the city council (quarterly) with a budget status report that compares revenues and expenses to budget figures. Utah Code also requires that financial reports detailing receipts and disbursements for all funds be reviewed at least quarterly by the governing body. It's our understanding that the city council is not always receiving such quarterly financial reports. Reviewing the City's financial information on a regular basis allows the City to more effectively govern the City and provides important safeguards over the City's assets.

### Recommendation

We recommend that the City adhere to its policy and the state requirements and ensure that the city council is reviewing and approving financial reports at least quarterly.

#### 13-03 Interfund Allocations of Costs

The City budgets for and records interfund transfers between the water, sewer, irrigation, and storm drain funds and the general fund to account for various administrative cost reimbursements/allocations. Utah Code requires that allocation rates be based on a formal study and reasonable methodology that has been conducted or updated within the last five years when utility enterprise funds are transferred to another fund that are considered a reasonable allocation of costs. In discussing this with city personnel, it appears that there is really no basis for the amounts that are transferred from the enterprise funds to the general fund. Similar figures have been used for a number of years and current city personnel appear to be uncertain as to how the City arrived at these figures.

Furthermore, accounting standards dictate that such interfund reimbursements should be treated as an adjustment to expenses or expenditures—that is, an increase in expenses in the reimbursing fund (enterprise funds) and a corresponding decrease in expenditures in the reimbursed fund (general fund)—rather than recording interfund transfers.

### Recommendation

We recommend that the City conduct a formal study to determine the cost allocations in connection with a reasonable methodology. The City should establish a policy to ensure that the study is updated at least every five years.

We also recommend that the City more closely follow accounting standards and budget for and record interfund reimbursements as indicated above rather than using interfund transfers. A credit balance expenditure account could be utilized to record the credit to expenditures in the general fund.

#### 11-02 General Fund Maximum Fund Balance

Utah Code indicates that the maximum fund balance (including committed, assigned and unassigned fund balance) in the general fund may not exceed 25% of the total estimated revenue of the general fund. For cities, the total estimated revenue of the general fund is the current year's total general fund budgeted (final amended) revenue excluding other financing sources and less any beginning fund balances appropriated. Based on the aforementioned and the City's fiscal year 2013 final amended budget, the City's fund balance in the general fund is over the state maximum as of June 30, 2013.

### 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. For the year ended June 30, 2013, several funds 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


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

The 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,

  
HintonBurdick, PLLC  
December 13, 2013



December 26, 2013

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, 2013" and provide the following response.

#### Misstatements

As of the date of this letter the accounts payable subsidiary ledger has been reconciled to the general ledger and we are currently in the process of working with our software provide to produce standard supporting documentation. Old outstanding items are being investigated so the appropriate adjustments can be made. Practices have been implemented to assure the proper reconciliation of the main cash accounts, accounts payable, accounts receivable and capital assets on a monthly basis.

#### Bank Reconciliations

Accounting personnel will be focusing heavily on this issue to ensure that bank reconciliation procedures allow the bank account to be completely and accurately reconciled to the general ledger. 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.

#### Governing Body's Review of Financial Reports

The City Council will be provided with regular financial reports at least quarterly as required by Utah Code.

### Interfund Allocations of Costs

A formal study will be conducted to account for various administrative costs performed by the general fund and determine the appropriate level of cost allocation. The City will also establish a policy to ensure that the study is updated at least every five years.

### Fund Balance Limitations

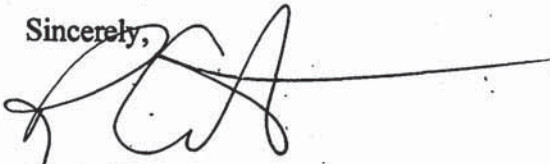
Current state law allows an approximate 20% (25% max, 5% minimum) fund balance range to be carried over from year to year. Although this makes it extremely difficult for communities to respond to even the slightest changes in the market place, without reducing services or raising taxes. We find ourselves in the City having a slightly higher than allowed fund balance. This is a more fortunate situation than responding to lower than allowed fund balance. Washington City anticipates this will be brought into compliance in the next fiscal year.

### Budgetary Compliance

We will monitor all funds to ensure that they operate within the confines of state law by limiting expenditures or following proper procedures to adjust the departmental and fund budgets.

Please let me know if you have any additional questions.

Sincerely,

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

Roger Carter  
City Manager