



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**With Report of**

**Certified Public Accountants**

## Table of Contents

	<u>Page</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	22
Statement of Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	24
Statement of Cash Flows – Proprietary Funds.....	25
Notes to the Financial Statements .....	26
Required Supplementary Information:	
Infrastructure Reporting – Modified Approach .....	58
Schedule of Proportionate Share of the Net Pension Liability.....	60
Schedule of Contributions.....	61
Combining Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	66
Other Supplementary Information:	
Supplementary Information – Bond Disclosures .....	68
Other Communications from Independent Auditors:	
Report on Compliance and on Internal Control over Financial Reporting .....	73
Report in Accordance with the <i>State Compliance Audit Guide</i> .....	75
Findings and Recommendations .....	79
Responses to the Findings and Recommendations .....	81

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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, 2016, 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, 2016, 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, schedules related to pensions, 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 2, 2016, 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 2, 2016

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**Washington City, Utah**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

This section of Washington City's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$194,946,855 (net position). Of this amount, \$18,195,255 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$12,563,480. Of this amount, \$3,095,099 relates to capital contributions of capital assets.
- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$6,576,794, which is a decrease of \$5,748,377 from the prior year. Approximately 16.3% (or \$1,070,806) 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 \$1,070,806 or approximately 8.1% of total general fund expenditures.
- For the current fiscal year, general fund revenues exceeded general fund expenditures by \$1,966,622 before interfund transfers and other financings sources and uses.
- Total long-term debt (excluding net pension liability and compensated absences) decreased by \$2,225,136 or 4.90% 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 types 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. The City also maintains an *internal service fund* that accounts for fleet services provided to other departments or funds of the City on a cost-reimbursement type basis.

## 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 \$194,946,855 at the close of the fiscal year. By far the largest portion of Washington City's net position, (95.68% for governmental activities and 77.10% 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	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current and other assets	\$ 12,049,772	\$ 17,982,870	\$ 25,656,093	\$ 23,740,706	\$ 37,705,865	\$ 41,723,576
Capital assets	116,413,695	105,370,209	94,189,940	91,814,392	210,603,635	197,184,601
Total assets	<u>128,463,467</u>	<u>123,353,079</u>	<u>119,846,033</u>	<u>115,555,098</u>	<u>248,309,500</u>	<u>238,908,177</u>
Deferred outflows of resources	1,530,697	866,022	791,713	386,897	2,322,410	1,252,919
Long-term liabilities outstanding	26,476,451	27,318,886	20,694,310	21,290,022	47,170,761	48,608,908
Other liabilities	2,286,216	2,732,626	2,556,764	3,075,209	4,842,980	5,807,835
Total liabilities	<u>28,762,667</u>	<u>30,051,512</u>	<u>23,251,074</u>	<u>24,365,231</u>	<u>52,013,741</u>	<u>54,416,743</u>
Deferred inflows of resources	3,495,415	3,209,419	175,899	151,559	3,671,314	3,360,978
Net position:						
Net investment in capital assets	93,513,649	86,905,826	74,951,157	71,674,032	168,464,806	158,579,858
Restricted	4,272,947	5,130,811	4,013,847	2,940,686	8,286,794	8,071,497
Unrestricted	(50,514)	(1,078,467)	18,245,769	16,810,487	18,195,255	15,732,020
Total net position	<u>\$ 97,736,082</u>	<u>\$ 90,958,170</u>	<u>\$ 97,210,773</u>	<u>\$ 91,425,205</u>	<u>\$ 194,946,855</u>	<u>\$ 182,383,375</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	95.68%	77.10%	86.42%
Restricted net position	4.37%	4.13%	4.25%
Unrestricted net position	-0.05%	18.77%	9.33%
Total net position	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

An additional portion of Washington City's governmental net position (4.37% and 4.13%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,195,255 (-0.05% and 18.77%, 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, except for the unrestricted net position of governmental activities.

**Governmental activities.** Governmental activities increased Washington City's net position by \$6,777,912. See below table for details.

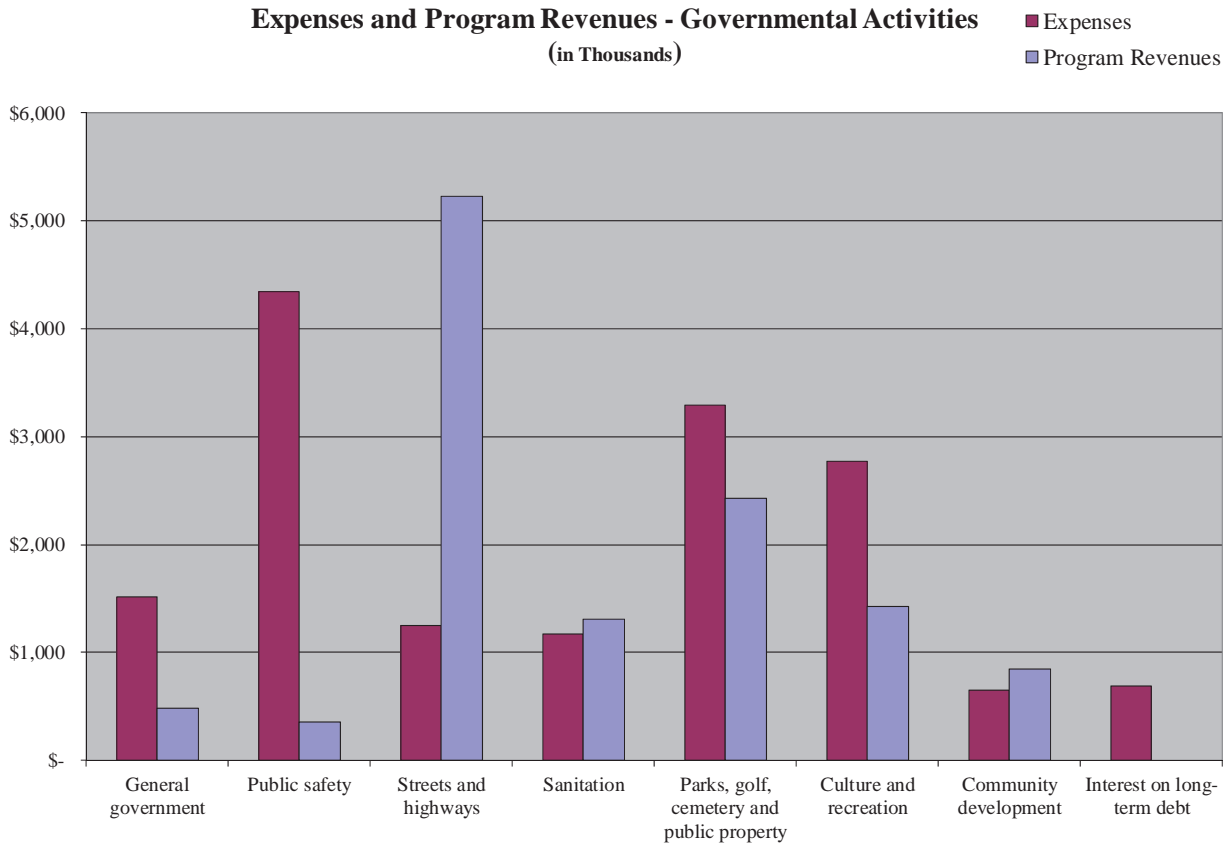
**Business-type activities.** Business-type activities increased Washington City's net position by \$5,785,568. See below table for details.

Washington City's Changes in Net Position

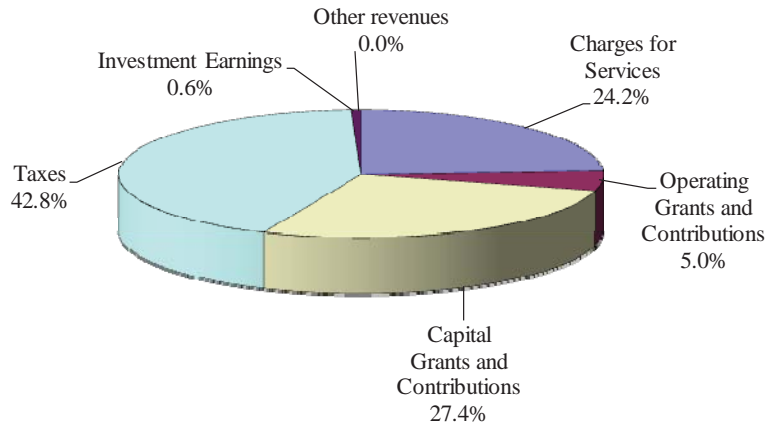
	Governmental activities		Business-type activities		Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,163,467	\$ 4,799,093	\$ 18,449,609	\$ 17,275,201	\$ 23,613,076	\$ 22,074,294
Operating grants and contributions	1,062,447	1,089,303	-	-	1,062,447	1,089,303
Capital grants and contributions	5,857,831	3,567,600	5,456,911	4,490,025	11,314,742	8,057,625
General revenues:						
Taxes	9,864,757	8,953,458	-	-	9,864,757	8,953,458
Unrestricted investment earnings	130,261	76,758	385,186	273,451	515,447	350,209
Other	268,305	164,631	-	-	268,305	164,631
Total revenues	<u>22,347,068</u>	<u>18,650,843</u>	<u>24,291,706</u>	<u>22,038,677</u>	<u>46,638,774</u>	<u>40,689,520</u>
Expenses:						
General government	1,515,829	2,426,559	-	-	1,515,829	2,426,559
Public safety	4,343,039	4,352,800	-	-	4,343,039	4,352,800
Streets and highways	1,251,511	1,329,623	-	-	1,251,511	1,329,623
Sanitation	1,171,414	1,007,548	-	-	1,171,414	1,007,548
Parks, golf, cemetery and public property	3,289,891	2,941,295	-	-	3,289,891	2,941,295
Culture and recreation	2,770,929	2,719,472	-	-	2,770,929	2,719,472
Community development	649,932	570,334	-	-	649,932	570,334
Interest on long-term debt	685,371	600,115	-	-	685,371	600,115
Water	-	-	5,310,848	4,897,611	5,310,848	4,897,611
Sewer	-	-	1,756,798	1,546,568	1,756,798	1,546,568
Electric	-	-	10,489,862	10,064,091	10,489,862	10,064,091
Irrigation	-	-	120,778	98,033	120,778	98,033
Storm drain	-	-	719,092	669,351	719,092	669,351
Total expenses	<u>15,677,916</u>	<u>15,947,746</u>	<u>18,397,378</u>	<u>17,275,654</u>	<u>34,075,294</u>	<u>33,223,400</u>
Change in net position before transfers	6,669,152	2,703,097	5,894,328	4,763,023	12,563,480	7,466,120
Transfers	108,760	617,610	(108,760)	(617,610)	-	-
Change in net position	6,777,912	3,320,707	5,785,568	4,145,413	12,563,480	7,466,120
Net position, beginning	90,958,170	89,315,616	91,425,205	88,254,991	182,383,375	177,570,607
Restatement adjustments	-	(1,678,153)	-	(975,199)	-	(2,653,352)
Net position, ending	<u>\$ 97,736,082</u>	<u>\$ 90,958,170</u>	<u>\$ 97,210,773</u>	<u>\$ 91,425,205</u>	<u>\$ 194,946,855</u>	<u>\$ 182,383,375</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)

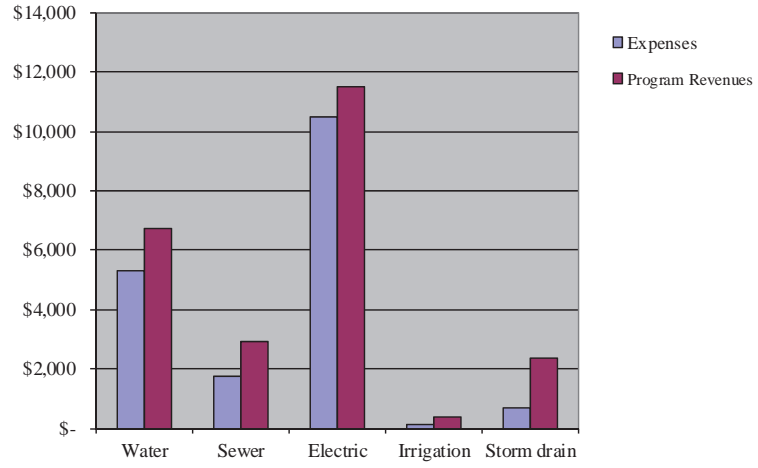


**Revenue By Source - Governmental Activities**



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, governmental funds reported combined ending fund balances of \$6,576,794, a decrease of \$5,748,377 from the prior year; \$1,070,806 or approximately 16.28% of the fund balance constitutes *unassigned* fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is *restricted* (\$4,998,857) and *assigned* (\$507,131).

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 \$1,070,806 or approximately 76.45% of the total fund balance of \$1,400,696. 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 8.09% of total general fund expenditures, while total fund balance represents approximately 10.59% of that same amount.

The MBA debt service fund has a total fund balance of \$585,781, which is restricted for capital outlay (unspent bond proceeds).

All other governmental funds (capital projects funds, special revenue fund, and debt service funds) have a total fund balance of \$4,590,317, which is restricted for or assigned to culture and recreation, capital outlay or debt service.

**Proprietary funds.** Washington City's enterprise 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 enterprise funds total \$18,245,769 at the end of the fiscal year. All of the enterprise funds experienced increases in total net position for the current fiscal year.

### General Fund Budgetary Highlights

The general fund budget was amended during the year. Between the original and final budget there was a \$420,692 net decrease in appropriations. The general fund revenues were more than the final budget by \$84,812. The general fund expenditures were less than the final budget by \$280,962. The general fund transfers out were more than the final budget by \$32,983.

### 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, 2016, amounts to \$210,603,635 (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	\$ 2,913,379	\$ 2,297,563	\$ 5,210,942
Infrastructure	77,281,533	-	77,281,533
Construction in progress	144,241	130,535	274,776
Buildings and improvements	34,751,476	5,781,188	40,532,664
Improvements and systems	-	84,834,619	84,834,619
Machinery and equipment	885,412	623,021	1,508,433
Automobiles and trucks	437,654	523,014	960,668
<b>Total</b>	<b>\$ 116,413,695</b>	<b>\$ 94,189,940</b>	<b>\$ 210,603,635</b>

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

- Sullivan Park improvements
- Police station
- Acquisition of automobiles and trucks for various funds
- Construction of various utility system improvements
- Contributions of various roads and systems within subdivision developments

The City uses the modified approach to account for infrastructure assets in the governmental funds; consequently, the City does not depreciate infrastructure assets. Instead, the City expenses certain maintenance costs to maintain the condition of these assets at a certain level. As shown in the accompanying required supplementary information, based on the City's recent condition assessment, improvements were made during the current fiscal year and the City's average rating of 16.01 exceeds the City's minimum of 12.60.

**Long-term debt.** At fiscal year-end, the City had \$43,183,591 in outstanding debt (excluding net pension liability and compensated absences)—a decrease of 4.90% over the last fiscal year—as shown in the below table. More detailed information about the City's long-term debt (and other long-term liabilities) is presented in the notes to the financial statements.

Washington City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percent Change
	2016	2015	2016	2015	2016	2015	
General obligation bonds	\$ 8,625,000	\$ 8,899,000	\$ -	\$ -	\$ 8,625,000	\$ 8,899,000	-3.08%
Lease revenue bonds	11,947,000	12,743,000	-	-	11,947,000	12,743,000	-6.25%
Sales/Excise tax revenue bonds	2,639,000	3,023,000	-	-	2,639,000	3,023,000	-12.70%
Revenue bonds	-	-	18,202,176	18,999,139	18,202,176	18,999,139	-4.19%
Capital leases obligation	733,808	534,692	1,036,607	1,141,221	1,770,415	1,675,913	5.64%
Notes payable	-	68,675	-	-	-	68,675	-100.00%
<b>Total</b>	<b>\$ 23,944,808</b>	<b>\$ 25,268,367</b>	<b>\$ 19,238,783</b>	<b>\$ 20,140,360</b>	<b>\$ 43,183,591</b>	<b>\$ 45,408,727</b>	<b>-4.90%</b>

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

Fiscal Year 2016 continued to be a growth year for Washington City. Our residential population expanded by an estimated 4.46% as we welcomed an estimated 1,100 new friends and neighbors. This growth continues to demand new and expanded services from the City.

Washington City currently maintains the second lowest area tax rate out of the main 15 taxing cities in Washington County. (Source: [taxrates.utah.gov](http://taxrates.utah.gov)) The unemployment rate for the County (of which Washington City is the third largest city) was 3.6% for the month ended October 2016 compared with a state unemployment rate of 3.2% and a national rate of 4.9%. This compares with the County unemployment of rate of 3.8% in October of 2015.

There were no major policy changes for the 2017 fiscal year and the budget was approved 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 without the use of fund balance. 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 in 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 STATEMENTS**

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,004,262	\$ 1,653,307	\$ 4,657,569
Investments	2,765,045	17,931,317	20,696,362
Receivables, net	4,789,585	3,096,880	7,886,465
Internal balances	(910,108)	910,108	-
Inventories	21,056	591,955	613,011
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,364,662	1,463,948	3,828,610
Net pension asset	15,270	8,578	23,848
Capital assets not being depreciated:			
Land, easements and water rights	2,913,379	2,297,563	5,210,942
Infrastructure	77,281,533	-	77,281,533
Construction in progress	144,241	130,535	274,776
Capital assets net of accumulated depreciation:			
Buildings and improvements	34,751,476	5,781,188	40,532,664
Improvements and systems	-	84,834,619	84,834,619
Machinery and equipment	885,412	623,021	1,508,433
Automobiles and trucks	437,654	523,014	960,668
Total assets	<u>128,463,467</u>	<u>119,846,033</u>	<u>248,309,500</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	458,981	156,424	615,405
Deferred outflows related to pensions	1,071,716	635,289	1,707,005
Total deferred outflows of resources	<u>1,530,697</u>	<u>791,713</u>	<u>2,322,410</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	2,146,087	2,403,433	4,549,520
Unearned revenue	-	78,177	78,177
Accrued interest payable	140,129	75,154	215,283
Noncurrent liabilities:			
Due within one year	2,120,319	1,168,896	3,289,215
Due in more than one year	24,356,132	19,525,414	43,881,546
Total liabilities	<u>28,762,667</u>	<u>23,251,074</u>	<u>52,013,741</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	3,193,578	-	3,193,578
Deferred inflows related to pensions	301,837	175,899	477,736
Total deferred inflows of resources	<u>3,495,415</u>	<u>175,899</u>	<u>3,671,314</u>
<b>Net Position</b>			
Net investment in capital assets	93,513,649	74,951,157	168,464,806
Restricted for:			
Debt service	996,257	1,063,982	2,060,239
Capital outlay	2,771,399	2,949,865	5,721,264
Other	505,291	-	505,291
Unrestricted	(50,514)	18,245,769	18,195,255
Total net position	<u>\$ 97,736,082</u>	<u>\$ 97,210,773</u>	<u>\$ 194,946,855</u>

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

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

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	
					Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 1,515,829	\$ 488,550	\$ -	\$ -	\$ (1,027,279)	\$ (1,027,279)
Public safety	4,343,039	35,064	163,778	162,036	(3,982,161)	(3,982,161)
Streets and highways	1,251,511	-	898,669	4,330,690	3,977,848	3,977,848
Sanitation	1,171,414	1,311,579	-	-	140,165	140,165
Parks, golf, cemetery and public property	3,289,891	1,059,501	-	1,365,105	(865,285)	(865,285)
Culture and recreation	2,770,929	1,424,562	-	-	(1,346,367)	(1,346,367)
Community development	649,932	844,211	-	-	194,279	194,279
Interest on long-term debt	685,371	-	-	-	(685,371)	(685,371)
Total governmental activities	<u>15,677,916</u>	<u>5,163,467</u>	<u>1,062,447</u>	<u>5,857,831</u>	<u>(3,594,171)</u>	<u>(3,594,171)</u>
Business-type activities:						
Water	5,310,848	4,936,212	-	1,788,574	-	1,413,938
Sewer	1,756,798	1,685,416	-	1,221,973	-	1,150,591
Electric	10,489,862	10,821,848	-	685,257	-	1,017,243
Irrigation	120,778	12,775	-	386,892	-	278,889
Storm drain	719,092	993,358	-	1,374,215	-	1,648,481
Total business-type activities	<u>18,397,378</u>	<u>18,449,609</u>	<u>-</u>	<u>5,456,911</u>	<u>-</u>	<u>5,509,142</u>
Total primary government	<u>\$ 34,075,294</u>	<u>\$ 23,613,076</u>	<u>\$ 1,062,447</u>	<u>\$ 11,314,742</u>	<u>(3,594,171)</u>	<u>1,914,971</u>
General Revenues:						
Taxes:						
Property taxes					3,364,616	3,364,616
Sales taxes					5,345,658	5,345,658
Franchise taxes					443,466	443,466
Energy taxes					711,017	711,017
Unrestricted investment earnings					130,261	385,186
Other revenues not restricted to specific programs					268,305	268,305
Transfers					108,760	(108,760)
Total general revenues and transfers					<u>10,372,083</u>	<u>10,648,509</u>
Change in net position					<u>6,777,912</u>	<u>12,563,480</u>
Net position - beginning					<u>90,958,170</u>	<u>182,383,375</u>
Net position - ending					<u>\$ 97,736,082</u>	<u>\$ 194,946,855</u>

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

**WASHINGTON CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<u>General Fund</u>	<u>Municipal Building Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,042,860	\$ -	\$ 1,842,402	\$ 2,885,262
Investments	624,548	-	2,140,497	2,765,045
Receivables	305,954	-	611	306,565
Property taxes receivable	2,383,405	-	810,173	3,193,578
Due from other governments	1,206,582	-	80,709	1,287,291
Restricted cash and cash equivalents	624,741	608,240	1,131,681	2,364,662
Total assets	<u>\$ 6,188,090</u>	<u>\$ 608,240</u>	<u>\$ 6,006,073</u>	<u>\$ 12,802,403</u>
<b>Liabilities, deferred inflows, and fund balances</b>				
Liabilities:				
Accounts payable	\$ 630,793	\$ 22,459	\$ 605,583	\$ 1,258,835
Accrued wages and taxes	142,007	-	-	142,007
Other payables	102,621	-	-	102,621
Construction bonds payable	618,460	-	-	618,460
Due to other funds	910,108	-	-	910,108
Total liabilities	<u>2,403,989</u>	<u>22,459</u>	<u>605,583</u>	<u>3,032,031</u>
Deferred inflow of resources:				
Deferred revenue - property taxes	2,383,405	-	810,173	3,193,578
Total deferred inflows of resources	<u>2,383,405</u>	<u>-</u>	<u>810,173</u>	<u>3,193,578</u>
Fund balances:				
Restricted for:				
Debt service	-	-	1,136,386	1,136,386
Capital outlay - impact fees	-	-	2,274,801	2,274,801
Capital outlay - other	-	585,781	496,598	1,082,379
Class C roads	229,978	-	-	229,978
Culture and recreation	-	-	275,313	275,313
Assigned to:				
Capital outlay	-	-	407,219	407,219
Health premium rebate	99,912	-	-	99,912
Unassigned	1,070,806	-	-	1,070,806
Total fund balances	<u>1,400,696</u>	<u>585,781</u>	<u>4,590,317</u>	<u>6,576,794</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,188,090</u>	<u>\$ 608,240</u>	<u>\$ 6,006,073</u>	<u>\$ 12,802,403</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, 2016**

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

<b>Total fund balances - total governmental funds</b>		\$ 6,576,794
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	Governmental capital assets	\$ 133,501,851
	Accumulated depreciation	<u>(17,088,156)</u>
		116,413,695
Net pension asset is not an available resource and, therefore, is not reported in the funds.		
		15,270
Some liabilities, including bonds payable, capital leases, and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.		
	Bonds payable	(23,211,000)
	Capital leases payable	(733,808)
	Net pension liability	(2,046,408)
	Compensated absences	(485,235)
	Accrued interest payable	<u>(140,129)</u>
		(26,616,580)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
	Deferred charge on refunding (amortized as interest expense)	458,981
	Deferred outflows related to pensions	1,071,716
	Deferred inflows related to pensions	<u>(301,837)</u>
		1,228,860
An internal service fund is used by management to charge the cost of fleet services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.		
	Net position of the internal service fund	241,252
	Plus (less) items included in balances above:	
	Capital assets, net	(171,644)
	Net pension asset, liability and related deferrals	43,762
	Compensated absences included above	<u>4,673</u>
		118,043
<b>Net position of governmental activities</b>		<u><u>\$ 97,736,082</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, 2016**

	<b>General Fund</b>	<b>Municipal Building Authority</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Current year property taxes	\$ 2,471,101	\$ -	\$ 793,676	\$ 3,264,777
Prior year property taxes	99,839	-	-	99,839
General sales, use and other taxes	5,025,008	-	320,650	5,345,658
Energy taxes	711,017	-	-	711,017
Franchise taxes	443,466	-	-	443,466
Licenses and permits	796,242	-	-	796,242
Intergovernmental revenues	1,062,447	-	-	1,062,447
Charges for services	3,962,881	-	-	3,962,881
Impact fees	-	-	2,735,259	2,735,259
Fines and forfeitures	330,539	-	-	330,539
Investment earnings	28,740	19,344	85,461	133,545
Miscellaneous	267,526	-	24,969	292,495
Total revenues	<u>15,198,806</u>	<u>19,344</u>	<u>3,960,015</u>	<u>19,178,165</u>
<b>Expenditures</b>				
Current:				
General government	1,467,427	-	19,799	1,487,226
Public safety	4,358,204	-	-	4,358,204
Streets and highways	695,021	-	544,188	1,239,209
Sanitation	1,171,414	-	-	1,171,414
Parks, golf, cemetery and public property	2,565,218	-	-	2,565,218
Culture and recreation	2,200,546	-	60,000	2,260,546
Community and economic development	658,911	-	-	658,911
Debt service:				
Principal	71,384	796,000	726,675	1,594,059
Interest	44,059	255,949	346,413	646,421
Capital outlay	-	5,737,701	3,573,842	9,311,543
Total expenditures	<u>13,232,184</u>	<u>6,789,650</u>	<u>5,270,917</u>	<u>25,292,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,966,622</u>	<u>(6,770,306)</u>	<u>(1,310,902)</u>	<u>(6,114,586)</u>
<b>Other financing sources (uses)</b>				
Transfers in	9,482	1,051,429	1,770,039	2,830,950
Transfers out	(1,217,735)	-	(1,517,506)	(2,735,241)
Capital lease	-	-	270,500	270,500
Total other financing sources and (uses)	<u>(1,208,253)</u>	<u>1,051,429</u>	<u>523,033</u>	<u>366,209</u>
Net change in fund balances	758,369	(5,718,877)	(787,869)	(5,748,377)
Fund balances - beginning	642,327	6,304,658	5,378,186	12,325,171
Fund balances - ending	<u>\$ 1,400,696</u>	<u>\$ 585,781</u>	<u>\$ 4,590,317</u>	<u>\$ 6,576,794</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, 2016**

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

**Net change in fund balances-total governmental funds** \$ (5,748,377)

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

Capital outlays	\$ 9,200,555	
Depreciation expense	<u>(1,260,032)</u>	7,940,523

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) changes net position. In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the carrying cost of the assets sold.

7,864

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.

3,095,099

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.

Principal repayments	<u>1,594,059</u>	1,594,059
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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.

(270,500)

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:

Amortization of deferred charge on refunding	(40,345)	
Accrued interest, net change	1,395	
Compensated absences, net change	<u>(7,031)</u>	(45,981)

Pension contributions are reported as expenditures in the governmental funds when made.

However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension contributions	319,484	
Pension expense	<u>(160,480)</u>	159,004

The internal service fund is used by management to charge the costs of fleet services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Change in net position of the internal service fund	41,253	
Net activity included in balances above	5,380	
Less general capital assets transferred in	<u>(412)</u>	46,221

**Change in net position of governmental activities** \$ 6,777,912

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Current year property taxes	\$ 2,400,750	\$ 2,455,000	\$ 2,471,101	\$ 16,101
Prior-years property taxes	110,000	110,000	99,839	(10,161)
General sales and use taxes	5,217,790	5,110,000	5,025,008	(84,992)
Energy taxes	725,000	691,000	711,017	20,017
Franchise taxes	450,000	446,300	443,466	(2,834)
Licenses and permits	517,800	744,850	796,242	51,392
Intergovernmental revenues	812,311	954,893	1,062,447	107,554
Charges for services	3,748,750	4,009,407	3,962,881	(46,526)
Fines and forfeitures	345,000	331,800	330,539	(1,261)
Investment earnings	8,500	26,000	28,740	2,740
Miscellaneous	134,912	234,744	267,526	32,782
Total revenues	14,470,813	15,113,994	15,198,806	84,812
<b>Expenditures</b>				
Current:				
General government	2,246,503	1,580,328	1,467,427	112,901
Public safety	4,322,897	4,449,026	4,358,204	90,822
Streets and highways	706,876	721,876	695,021	26,855
Sanitation	1,000,479	1,176,479	1,171,414	5,065
Parks, golf, cemetery and public property	2,814,853	2,643,431	2,565,218	78,213
Culture and recreation	2,178,368	2,146,691	2,200,546	(53,855)
Community and economic development	605,126	677,590	658,911	18,679
Debt service:				
Principal	596,807	73,665	71,384	2,281
Interest	86,904	44,060	44,059	1
Total debt service	683,711	117,725	115,443	2,282
Total expenditures	14,558,813	13,513,146	13,232,184	280,962
Excess of revenues over (under) expenditures	(88,000)	1,600,848	1,966,622	365,774
<b>Other financing sources (uses)</b>				
Transfers in	1,932,003	9,483	9,482	(1)
Transfers out	(2,131,240)	(1,184,752)	(1,217,735)	(32,983)
Debt issued	282,350	-	-	-
Total other financing sources and (uses)	83,113	(1,175,269)	(1,208,253)	(32,984)
Net change in fund balances	(4,887)	425,579	758,369	332,790
Fund balance - beginning	642,327	642,327	642,327	-
Fund balance - ending	\$ 637,440	\$ 1,067,906	\$ 1,400,696	\$ 332,790

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

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-type Activities					Governmental Activities	
	Water	Sewer	Electric	Storm Drain	Non Major Irrigation	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 315,638	\$ 771,155	\$ 321,281	\$ 240,146	\$ 5,087	\$ 1,653,307	\$ 119,000
Investments	4,222,596	5,816,036	4,967,208	2,925,477	-	17,931,317	-
Accounts receivable, net	824,725	133,937	2,057,611	78,907	1,700	3,096,880	-
Due from other funds	-	910,108	-	-	-	910,108	-
Due from other governments	-	-	-	-	-	-	2,151
Inventory	-	-	591,955	-	-	591,955	21,056
Total current assets	<u>5,362,959</u>	<u>7,631,236</u>	<u>7,938,055</u>	<u>3,244,530</u>	<u>6,787</u>	<u>24,183,567</u>	<u>142,207</u>
Noncurrent assets:							
Restricted cash and cash equivalents	1,023,867	-	440,081	-	-	1,463,948	-
Net pension asset	2,653	2,014	3,379	526	6	8,578	533
Capital assets:							
Land	821,613	9,055	1,367,687	99,208	-	2,297,563	-
Buildings	1,216,922	1,953,176	3,300,239	-	-	6,470,337	324,370
Improvements and systems	50,218,960	21,054,216	25,692,902	13,056,066	2,341,161	112,363,305	-
Machinery and equipment	741,621	793,370	568,526	68,196	4,990	2,176,703	46,625
Automobiles and trucks	531,802	201,864	1,083,541	42,429	-	1,859,636	177,376
Construction in progress	-	9,435	27,137	93,963	-	130,535	-
Less accumulated depreciation	(14,785,620)	(5,997,512)	(8,444,271)	(1,490,729)	(390,007)	(31,108,139)	(376,727)
Total capital assets, net	<u>38,745,298</u>	<u>18,023,604</u>	<u>23,595,761</u>	<u>11,869,133</u>	<u>1,956,144</u>	<u>94,189,940</u>	<u>171,644</u>
Total noncurrent assets	<u>39,771,818</u>	<u>18,025,618</u>	<u>24,039,221</u>	<u>11,869,659</u>	<u>1,956,150</u>	<u>95,662,466</u>	<u>172,177</u>
Total assets	<u>45,134,777</u>	<u>25,656,854</u>	<u>31,977,276</u>	<u>15,114,189</u>	<u>1,962,937</u>	<u>119,846,033</u>	<u>314,384</u>
<b>Deferred outflow of resources</b>							
Deferred charge on refunding	-	-	156,424	-	-	156,424	-
Deferred outflows related to pensions	201,875	137,475	259,533	32,041	4,365	635,289	36,970
Total deferred outflow of resources	<u>201,875</u>	<u>137,475</u>	<u>415,957</u>	<u>32,041</u>	<u>4,365</u>	<u>791,713</u>	<u>36,970</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	269,190	156,333	1,492,664	22,677	962	1,941,826	20,562
Accrued wages and taxes	18,517	13,333	25,527	3,917	347	61,641	3,602
Accrued interest payable	17,593	-	57,561	-	-	75,154	-
Customer deposits	192,605	-	207,361	-	-	399,966	-
Unearned revenue	66,531	3,754	6,058	1,834	-	78,177	-
Compensated absences payable - current	71,931	48,268	109,663	8,812	831	239,505	4,673
Capital leases payable - current	1,948	-	107,039	-	-	108,987	-
Revenue bonds payable - current	356,404	-	464,000	-	-	820,404	-
Total current liabilities	<u>994,719</u>	<u>221,688</u>	<u>2,469,873</u>	<u>37,240</u>	<u>2,140</u>	<u>3,725,660</u>	<u>28,837</u>
Noncurrent liabilities:							
Compensated absences payable	-	14,137	-	6,939	-	21,076	-
Capital leases payable	25,946	-	901,674	-	-	927,620	-
Revenue bonds payable	10,866,772	-	6,515,000	-	-	17,381,772	-
Net pension liability	376,923	264,625	483,395	63,833	6,170	1,194,946	70,816
Total noncurrent liabilities	<u>11,269,641</u>	<u>278,762</u>	<u>7,900,069</u>	<u>70,772</u>	<u>6,170</u>	<u>19,525,414</u>	<u>70,816</u>
Total liabilities	<u>12,264,360</u>	<u>500,450</u>	<u>10,369,942</u>	<u>108,012</u>	<u>8,310</u>	<u>23,251,074</u>	<u>99,653</u>
<b>Deferred inflows of resources</b>							
Deferred inflows related to pensions	55,429	39,072	71,063	9,467	868	175,899	10,449
Total deferred inflow of resources	<u>55,429</u>	<u>39,072</u>	<u>71,063</u>	<u>9,467</u>	<u>868</u>	<u>175,899</u>	<u>10,449</u>
<b>Net position</b>							
Net investment in capital assets	27,494,228	18,023,604	15,608,048	11,869,133	1,956,144	74,951,157	171,644
Restricted for:							
Debt service	831,262	-	232,720	-	-	1,063,982	-
Capital outlay	496,354	1,571,989	-	881,522	-	2,949,865	-
Unrestricted	4,195,019	5,659,214	6,111,460	2,278,096	1,980	18,245,769	69,608
Total net position	<u>\$ 33,016,863</u>	<u>\$ 25,254,807</u>	<u>\$ 21,952,228</u>	<u>\$ 15,028,751</u>	<u>\$ 1,958,124</u>	<u>\$ 97,210,773</u>	<u>\$ 241,252</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, 2016**

	Business-type Activities						Governmental Activities
	Water	Sewer	Electric	Storm Drain	Non Major Irrigation	Total Enterprise Funds	Internal Service Fund
<b>Operating revenues:</b>							
Charges for services	\$ 4,918,416	\$ 1,684,700	\$ 10,706,621	\$ 952,234	\$ 12,576	\$ 18,274,547	\$ 571,446
Miscellaneous	17,796	716	115,227	41,124	199	175,062	48
Total operating revenues	<u>4,936,212</u>	<u>1,685,416</u>	<u>10,821,848</u>	<u>993,358</u>	<u>12,775</u>	<u>18,449,609</u>	<u>571,494</u>
<b>Operating expenses:</b>							
Salaries and wages	742,426	508,919	957,996	112,942	16,159	2,338,442	137,253
Employee benefits	420,660	299,048	435,852	70,620	12,151	1,238,331	71,175
Utilities	403,297	34,914	57,227	7,775	-	503,213	12,068
Professional services	40,539	58,440	109,070	196,025	2,677	406,751	1,423
Repairs and maintenance	367,064	1,709	154,147	6,108	-	529,028	2,416
Water purchased	1,342,566	-	-	-	-	1,342,566	-
Power purchased	-	-	6,336,603	-	-	6,336,603	-
Transmission expense	-	-	1,066,241	-	-	1,066,241	-
Miscellaneous	11,228	78,474	92,093	237	-	182,032	3,727
Administrative cost allocation	277,191	98,997	220,000	39,599	-	635,787	-
Supplies	70,132	105,560	57,929	14,072	5,274	252,967	297,212
Depreciation/amortization	1,156,345	570,737	815,264	271,714	84,517	2,898,577	18,430
Total operating expenses	<u>4,831,448</u>	<u>1,756,798</u>	<u>10,302,422</u>	<u>719,092</u>	<u>120,778</u>	<u>17,730,538</u>	<u>543,704</u>
Operating income (loss)	<u>104,764</u>	<u>(71,382)</u>	<u>519,426</u>	<u>274,266</u>	<u>(108,003)</u>	<u>719,071</u>	<u>27,790</u>
<b>Nonoperating revenues (expenses):</b>							
Investment earnings	95,959	133,990	95,476	59,761	-	385,186	-
Impact fees	918,095	494,155	451,877	835,794	-	2,699,921	-
Interest and fiscal charges	(479,400)	-	(187,440)	-	-	(666,840)	-
Total nonoperating revenues (expenses)	<u>534,654</u>	<u>628,145</u>	<u>359,913</u>	<u>895,555</u>	<u>-</u>	<u>2,418,267</u>	<u>-</u>
Income (loss) before transfers and capital contributions	639,418	556,763	879,339	1,169,821	(108,003)	3,137,338	27,790
Transfers in	13,166	5,259	-	-	19,734	38,159	13,051
Transfers out	(17,641)	(13,835)	(115,443)	-	-	(146,919)	-
Capital contributions	870,479	727,818	233,380	538,421	386,892	2,756,990	412
<b>Change in net position</b>	<u>1,505,422</u>	<u>1,276,005</u>	<u>997,276</u>	<u>1,708,242</u>	<u>298,623</u>	<u>5,785,568</u>	<u>41,253</u>
Total net position - beginning	<u>31,511,441</u>	<u>23,978,802</u>	<u>20,954,952</u>	<u>13,320,509</u>	<u>1,659,501</u>	<u>91,425,205</u>	<u>199,999</u>
<b>Total net position - ending</b>	<u>\$ 33,016,863</u>	<u>\$ 25,254,807</u>	<u>\$ 21,952,228</u>	<u>\$ 15,028,751</u>	<u>\$ 1,958,124</u>	<u>\$ 97,210,773</u>	<u>\$ 241,252</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, 2016**

	Business-type Activities						Governmental Activities
	Water	Sewer	Electric	Storm Drain	Non Major Irrigation	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities:</b>							
Cash received from customers and users	\$ 4,936,282	\$ 1,680,227	\$ 10,599,102	\$ 989,565	\$ 17,529	\$ 18,222,705	\$ 32,729
Cash received from interfund charges for fleet services	-	-	-	-	-	-	538,717
Cash received (paid) from (to) others							(2,103)
Cash paid to suppliers	(3,071,654)	(373,204)	(8,136,032)	(301,189)	(7,959)	(11,890,038)	(333,407)
Cash paid to employees	(1,200,132)	(835,489)	(1,437,465)	(189,281)	(29,245)	(3,691,612)	(217,765)
Net cash flows from operating activities	<u>664,496</u>	<u>471,534</u>	<u>1,025,605</u>	<u>499,095</u>	<u>(19,675)</u>	<u>2,641,055</u>	<u>18,171</u>
<b>Cash flows from noncapital financing activities:</b>							
Transfers (to) from other funds	-	-	(115,443)	-	19,734	(95,709)	-
Cash received (paid) from (to) other funds	-	89,891	-	-	-	89,891	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>89,891</u>	<u>(115,443)</u>	<u>-</u>	<u>19,734</u>	<u>(5,818)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>							
Principal paid on capital debt	(345,774)	-	(555,803)	-	-	(901,577)	-
Interest paid on capital debt	(480,737)	-	(173,990)	-	-	(654,727)	-
Purchase and acquisition of capital assets	(608,977)	(559,231)	(96,667)	(1,265,311)	-	(2,530,186)	-
Impact fees	918,095	494,155	451,877	835,794	-	2,699,921	-
Net cash flows from capital and related financing activities	<u>(517,393)</u>	<u>(65,076)</u>	<u>(374,583)</u>	<u>(429,517)</u>	<u>-</u>	<u>(1,386,569)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>							
Net change in investments	219,701	(596,620)	(682,548)	(150,586)	-	(1,210,053)	-
Interest and dividends received	84,861	122,544	84,767	52,691	-	344,863	-
Net cash flows from investing activities	<u>304,562</u>	<u>(474,076)</u>	<u>(597,781)</u>	<u>(97,895)</u>	<u>-</u>	<u>(865,190)</u>	<u>-</u>
Net change in cash and cash equivalents	451,665	22,273	(62,202)	(28,317)	59	383,478	18,171
Cash and cash equivalents, including restricted, beginning of year	<u>887,840</u>	<u>748,882</u>	<u>823,564</u>	<u>268,463</u>	<u>5,028</u>	<u>2,733,777</u>	<u>100,829</u>
<b>Cash and cash equivalents, including restricted, end of year</b>	<u>\$ 1,339,505</u>	<u>\$ 771,155</u>	<u>\$ 761,362</u>	<u>\$ 240,146</u>	<u>\$ 5,087</u>	<u>\$ 3,117,255</u>	<u>\$ 119,000</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>							
Net operating income (loss)	\$ 104,764	\$ (71,382)	\$ 519,426	\$ 274,266	\$ (108,003)	\$ 719,071	\$ 27,790
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:							
Depreciation/amortization	1,156,345	570,737	815,264	271,714	84,517	2,898,577	18,430
Pension expense	29,481	21,784	37,648	5,541	211	94,665	5,782
Employer pension contributions	(62,399)	(42,429)	(80,230)	(9,871)	(1,365)	(196,294)	(11,413)
Changes in operating assets and liabilities:							
(Increase) decrease in receivables	(92,654)	(4,574)	(199,616)	(4,954)	4,754	(297,044)	-
(Increase) decrease in inventory	-	-	(88,891)	-	-	(88,891)	(6,539)
(Increase) decrease in due from other governments	-	-	-	-	-	-	(2,151)
Increase (decrease) in accounts payable	(559,637)	4,890	46,169	(37,373)	(8)	(545,959)	(10,022)
Increase (decrease) in accrued payroll	(11,486)	(10,461)	(13,897)	(1,152)	(362)	(37,358)	(2,904)
Increase (decrease) in customer deposits	38,700	-	(12,975)	-	-	25,725	-
Increase (decrease) in unearned revenues	54,024	(615)	(10,155)	1,161	-	44,415	-
Increase (decrease) in compensated absences	7,358	3,584	12,862	(237)	581	24,148	(802)
Net cash flows from operating activities	<u>\$ 664,496</u>	<u>\$ 471,534</u>	<u>\$ 1,025,605</u>	<u>\$ 499,095</u>	<u>\$ (19,675)</u>	<u>\$ 2,641,055</u>	<u>\$ 18,171</u>
<b>Noncash investing, capital, and financing activities</b>							
Contributions of capital assets	\$ 870,479	\$ 727,818	\$ 233,380	\$ 538,421	\$ 386,892	\$ 2,756,990	\$ -
Increase (decrease) in fair value of investments	11,098	11,446	10,709	7,070	-	40,323	-

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

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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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, 2016**

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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 **Debt Service Fund – Municipal Building Authority** is used to account for and report certain resources that are restricted, committed, or assigned to expenditure for principal and interest.

The City reports the following major enterprise 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.

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

Additionally, the City reports the following fund type:

The **Internal Service Fund** accounts for fleet services provided to other departments or funds of the City on a cost-reimbursement basis.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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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.

**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.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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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*.

**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. 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 uncollectible amounts. Receivables are reported net of allowances for uncollectible amounts. The City's allowances for uncollectible amounts are currently established at four percent (seven percent for electric) of accounts receivable. The majority of accounts receivable in the general fund relates to garbage service revenues. The accounts receivable allowances at June 30, 2016 are as follows: general fund (garbage service) - \$6,747; water - \$18,951; sewer - \$5,548; electric - \$65,198; and storm drain - \$3,270.

Given the nature of the amounts due from other governments (e.g. property, sales, highway, energy and franchise taxes, Class C road funds and other intergovernmental revenues), an allowance for uncollectible amounts is not considered necessary.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and materials. 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 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	10-50 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 has two types of items that qualify for reporting in this category. The deferred charge on refunding reported in the proprietary funds statement of net position and government-wide statement of net position and pension related items (see Note 10). 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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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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 three types of items that qualify for reporting in this category. The first item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The second item (when applicable), *unavailable revenue – grants*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from grants. These unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third item is pension related items (see Note 10).

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***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.

***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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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*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.

*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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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***Compensated Absences***

For governmental funds, amounts of vested or accumulated vacation, sick and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net 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 internal service 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, 2016**

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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.

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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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 4,657,569
Investments	20,696,362
Restricted cash and cash equivalents	<u>3,828,610</u>
Total	<u><u>\$ 29,182,541</u></u>

Restricted cash and cash equivalents consist primarily of assets relating to required debt reserves and unspent debt proceeds. 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.

**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, 2016, \$2,639,312 of the City's bank balance of \$2,889,312 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act (the 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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); 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; the Utah Public Treasurer’s Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

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

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

As of June 30, 2016, the City’s deposits and investments consist of the following:

	Fair	Credit Ratings (1)		Weighted Average
	Value	Moody's	S&P	Maturity (2)
Cash on hand	\$ 1,450	N/A	N/A	N/A
Cash deposits	2,533,938	N/A	N/A	N/A
Utah Public Treasurers'				
Investment Fund	5,685,590	N/A	N/A	53.38
Dreyfus Mutual Fund	265,201	Aaa-mf	AAAm	28
Moreton Capital Markets				
US Govt MMF (RBC Reserve)	74,964	Aaa-mf	AAAm	47
Bonds - U.S. Agencies	7,980,701	Aaa	AA+	1,409
Bonds - municipal	827,628	Aaa to A2	AAA to AA	1,021
Bonds - corporate	11,813,069	A1 to Baa1	A+ to BBB+	169
Total Fair Value	<u>\$29,182,541</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.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

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**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.

**Fair value measurements**

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the City's investments, as listed on the previous page, are valued using significant other observable inputs (Level 2 inputs).



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2016 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers**</b>	<b>Balance 6/30/2016</b>
Capital assets, not being depreciated:					
Land, easements and water rights	\$ 2,913,379	\$ -	\$ -	\$ -	\$ 2,913,379
Construction in progress	1,314,384	9,391,642	(10,561,785)	-	144,241
Infrastructure	72,049,321	5,232,212	-	-	77,281,533
Total capital assets, not being depreciated:	<u>76,277,084</u>	<u>14,623,854</u>	<u>(10,561,785)</u>	<u>-</u>	<u>80,339,153</u>
Capital assets, being depreciated:					
Buildings and other improvements	39,558,020	7,688,609	-	-	47,246,629
Machinery and equipment	2,881,934	514,659	(169,754)	-	3,226,839
Automobiles and trucks	2,584,995	30,317	(112,421)	186,339	2,689,230
Total capital assets, being depreciated:	<u>45,024,949</u>	<u>8,233,585</u>	<u>(282,175)</u>	<u>186,339</u>	<u>53,162,698</u>
Less accumulated depreciation for:					
Buildings and other improvements	(11,464,996)	(1,030,157)	-	-	(12,495,153)
Machinery and equipment	(2,419,001)	(88,329)	165,903	-	(2,341,427)
Automobiles and trucks	(2,047,827)	(141,546)	111,086	(173,289)	(2,251,576)
Total accumulated depreciation	<u>(15,931,824)</u>	<u>(1,260,032)</u>	<u>276,989</u>	<u>(173,289)</u>	<u>(17,088,156)</u>
Total capital assets, being depreciated, net	<u>29,093,125</u>	<u>6,973,553</u>	<u>(5,186)</u>	<u>13,050</u>	<u>36,074,542</u>
Governmental activities capital assets, net	<u>\$ 105,370,209</u>	<u>\$ 21,597,407</u>	<u>\$ (10,566,971)</u>	<u>\$ 13,050</u>	<u>\$ 116,413,695</u>

\*\*Transfers between governmental activities and business-type activities are made in these financial statements. The transfers are offsetting.

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

<b>Governmental Activities:</b>	
General government	\$ 190,257
Public safety	110,653
Streets and highways	62,216
Parks, golf, cemetery and public property	437,017
Culture and recreation	454,176
Community and economic development	5,713
Total depreciation expense - governmental activities	<u>\$ 1,260,032</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 5. Capital Assets, Continued**

Capital asset activity for business-type activities for the year ended June 30, 2016 was as follows:

<b>Business-type Activities:</b>	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers**</b>	<b>Balance 6/30/2016</b>
Capital assets not being depreciated:					
Land, easements and water rights	\$ 2,297,563	\$ -	\$ -	\$ -	\$ 2,297,563
Construction in progress	3,641,721	1,374,554	(4,885,740)	-	130,535
Total capital assets, not being depreciated	<u>5,939,284</u>	<u>1,374,554</u>	<u>(4,885,740)</u>	<u>-</u>	<u>2,428,098</u>
Capital assets being depreciated:					
Buildings and improvements	6,470,337	-	-	-	6,470,337
Improvements and systems	103,826,001	8,537,372	-	(68)	112,363,305
Machinery and equipment	2,170,787	5,916	-	-	2,176,703
Automobiles and trucks	1,738,349	255,073	-	(133,786)	1,859,636
Total capital assets, being depreciated	<u>114,205,474</u>	<u>8,798,361</u>	<u>-</u>	<u>(133,854)</u>	<u>122,869,981</u>
Less accumulated depreciation for:					
Buildings	(550,656)	(138,493)	-	-	(689,149)
Improvements and systems	(24,954,051)	(2,574,703)	-	68	(27,528,686)
Machinery and equipment	(1,445,821)	(107,861)	-	-	(1,553,682)
Automobiles and trucks	(1,379,838)	(77,520)	-	120,736	(1,336,622)
Total accumulated depreciation	<u>(28,330,366)</u>	<u>(2,898,577)</u>	<u>-</u>	<u>120,804</u>	<u>(31,108,139)</u>
Total capital assets, being depreciated, net	<u>85,875,108</u>	<u>5,899,784</u>	<u>-</u>	<u>(13,050)</u>	<u>91,761,842</u>
Business-type activities capital assets, net	<u>\$ 91,814,392</u>	<u>\$ 7,274,338</u>	<u>\$ (4,885,740)</u>	<u>\$ (13,050)</u>	<u>\$ 94,189,940</u>

\*\*Transfers between governmental activities and business-type activities are made in these financial statements. The transfers are offsetting.

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

<b>Business-type Activities:</b>	
Water	\$ 1,156,345
Sewer	570,737
Electric	815,264
Storm drain	271,714
Irrigation	84,517
Total depreciation expense - business-type activities	<u>\$ 2,898,577</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 6. Long-term Liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

<b>Governmental Activities:</b>	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016	Current Portion
General obligation bonds (Coral Canyon)	\$ 8,899,000	\$ -	\$ 274,000	\$ 8,625,000	\$ 360,000
Lease revenue bonds (MBA)	12,743,000	-	796,000	11,947,000	974,000
Sales tax and excise tax road revenue bonds	3,023,000	-	384,000	2,639,000	395,000
Capital leases payable	534,692	270,500	71,384	733,808	35,064
Notes payable	68,675	-	68,675	-	-
Net pension liability	1,571,513	474,895	-	2,046,408	-
Compensated absences	479,006	357,911	351,682	485,235	356,255
<b>Total governmental activities</b>	<b>27,318,886</b>	<b>1,103,306</b>	<b>1,945,741</b>	<b>26,476,451</b>	<b>2,120,319</b>
<b>Business-type Activities:</b>					
Revenue bonds	18,999,139	-	796,963	18,202,176	820,404
Capital leases payable	1,141,221	-	104,614	1,036,607	108,987
Net pension liability	913,229	281,717	-	1,194,946	-
Compensated absences	236,433	262,445	238,297	260,581	239,505
<b>Total business-type activities</b>	<b>21,290,022</b>	<b>544,162</b>	<b>1,139,874</b>	<b>20,694,310</b>	<b>1,168,896</b>
<b>Total long-term liabilities</b>	<b>\$ 48,608,908</b>	<b>\$ 1,647,468</b>	<b>\$ 3,085,615</b>	<b>\$ 47,170,761</b>	<b>\$ 3,289,215</b>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

Long-term liabilities for the City at June 30, 2016 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%. These bonds were partially refunded in fiscal year 2015. The remaining balance will be paid in fiscal years 2016 and 2017 with final payment due July 15, 2016.	\$ 55,000
General Obligation Refunding Bonds - Series 2012 issued December 13, 2012 in the amount of \$5,817,000 payable in annual installments of \$190,000 to \$505,000 with final payment due July 15, 2028. Interest is paid semi-annually at a rate of 1.10% to 4.00% (after a FY15 rate reduction). These bonds were reissued December 3, 2014 in the amount of \$5,433,000.	5,243,000
General Obligation Refunding Bonds - Series 2014 issued December 3, 2014 in the amount of \$3,361,000 payable in annual installments of \$34,000 to \$734,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 1.00% to 4.00%.	<u>3,327,000</u>
Total general obligation bonds, governmental activities	<u>8,625,000</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.	5,402,000
Lease Revenue Bonds Series 2014 issued by the Municipal Building Authority in the amount of \$3,297,000 payable in annual installments of \$452,000 to \$497,000 with final payment due December 15, 2021. The bond bears interest of 0.90% to 2.40%. Interest is paid semi-annually.	2,845,000
Lease Revenue Bonds Series 2015 issued by the Municipal Building Authority in the amount of \$3,700,000 payable in annual installments of \$160,000 to \$261,000 with final payment due December 15, 2034. The bond bears interest of 0.75% to 5.02%. Interest is paid semi-annually.	<u>3,700,000</u>
Total lease revenue bonds (MBA), governmental activities	<u>11,947,000</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%.	89,000
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.	2,081,000
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>469,000</u>
Total sales tax and excise tax road revenue bonds, governmental activities	<u>2,639,000</u>

(Continued)

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

<b>Business-type Activities:</b>	
Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	\$ 700,469
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	253,386
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.	1,251,894
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.	330,000
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%.	2,009,550
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.	281,000
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%.	3,566,931
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%.	2,829,946
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>6,979,000</u>
Total revenue bonds, business-type activities	<u>18,202,176</u>
<b>Leases Payable:</b>	
<b>Governmental Activities:</b>	
Leases payable in various installment amounts through fiscal year 2027. The leases bear interest ranging from 2.23% to 3.34%.	<u>733,808</u>
Total leases payable, governmental activities	<u>733,808</u>
<b>Business-type Activities:</b>	
Leases payable in various installment amounts through fiscal year 2027. The leases bear interest ranging from 1.43% to 3.34%.	<u>1,036,607</u>
Total leases payable, business-type activities	<u>1,036,607</u>
<b>Net Pension Liability</b>	<u>3,241,354</u>
<b>Accrued Compensated Absences</b>	<u>745,816</u>
Total long-term liabilities	<u>\$ 47,170,761</u>
Due within one year	\$ 3,289,215
Due in more than one year	<u>43,881,546</u>
Total long-term liabilities	<u>\$ 47,170,761</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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

The annual requirements to amortize bonds and notes payable at June 30, 2016 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	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 360,000	\$ 246,358	\$ 974,000	\$ 227,937	\$ 395,000	\$ 89,387
2018	488,000	240,141	998,000	205,399	319,000	62,466
2019	497,000	233,456	1,021,000	186,755	324,000	53,086
2020	510,000	225,389	1,048,000	172,157	337,000	43,249
2021	520,000	215,618	1,076,000	155,472	343,000	32,930
2022-2026	2,846,000	862,886	3,755,000	535,361	921,000	38,830
2027-2031	3,404,000	334,930	2,102,000	330,346	-	-
2032-2035	-	-	973,000	96,141	-	-
Totals	<u>\$ 8,625,000</u>	<u>\$ 2,358,778</u>	<u>\$ 11,947,000</u>	<u>\$ 1,909,568</u>	<u>\$ 2,639,000</u>	<u>\$ 319,948</u>

**Business-type Activities**

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	
2017	\$ 464,000	\$ 160,579	\$ 356,404	\$ 447,081	\$ 820,404
2018	475,000	149,405	370,135	434,163	845,135
2019	487,000	137,957	383,318	420,728	870,318
2020	498,000	126,235	396,297	407,452	894,297
2021	510,000	114,240	412,091	392,316	922,091
2022-2026	2,742,000	380,800	1,796,711	1,741,516	4,538,711
2027-2031	1,803,000	57,666	2,101,137	1,347,723	3,904,137
2032-2036	-	-	2,449,001	869,767	2,449,001
2037-2041	-	-	1,729,343	435,295	1,729,343
2042-2046	-	-	1,192,734	125,983	1,192,734
2047	-	-	36,005	249	36,005
Totals	<u>\$ 6,979,000</u>	<u>\$ 1,126,882</u>	<u>\$ 11,223,176</u>	<u>\$ 6,622,273</u>	<u>\$ 18,202,176</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 7. Capital Leases**

The City has entered into lease agreements that are considered capital leases in accordance with accounting standards. The leases are for the acquisition of the items listed below and have varying annual payments through fiscal year 2027.

The following is a schedule of future minimum lease payments with the present value of the net minimum lease payments:

Year Ending June 30,	Energy Equipment**	Digger Derrick Truck	Golf Course & Fitness Equip.	Total
2017	\$ 142,501	\$ 49,211	\$ 57,196	\$ 248,908
2018	138,734	49,210	57,198	245,142
2019	142,530	49,210	57,198	248,938
2020	146,433	-	57,195	203,628
2021	150,445	-	14,299	164,744
2022-2026	816,473	-	-	816,473
2027	139,412	-	-	139,412
<hr/>				
Total remaining lease payments:	1,676,528	147,631	243,086	2,067,245
Less amount representing interest:	(281,839)	(3,625)	(11,366)	(296,830)
<hr/>				
Present value of net remaining minimum lease payments:	<u>\$ 1,394,689</u>	<u>\$ 144,006</u>	<u>\$ 231,720</u>	<u>\$ 1,770,415</u>
<hr/>				
Governmental activities	\$ 502,088	\$ -	\$ 231,720	\$ 733,808
Business-type activities	892,601	144,006	-	1,036,607
	<u>\$ 1,394,689</u>	<u>\$ 144,006</u>	<u>\$ 231,720</u>	<u>\$ 1,770,415</u>

\*\*The energy equipment lease is allocated among three funds of the City as follows: general fund - 36%; water fund - 2%; electric fund - 62%.

A summary of assets acquired through capital leases as of June 30, 2016 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Buildings and improvements	\$ 597,117	\$ 59,875	\$ 59,875
Improvements and systems	974,245	97,691	97,691
Automobiles and trucks	234,420	23,443	53,437
Machinery and equipment	245,055	-	-
	<u>\$ 2,050,837</u>	<u>\$ 181,009</u>	<u>\$ 211,003</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 8. Operating Leases**

Effective August 2014, Washington City entered into a 72 month equipment lease with Zion's Credit Corp to rent 70 Club Car golf carts. The lease is payable in monthly installments and expires in September 2020. Total payments made during the fiscal year ended June 30, 2016 were \$99,269. The future minimum rental payments for this lease are as follows:

Year Ending June 30,	
2017	\$ 99,120
2018	99,120
2019	99,120
2020	99,120
2021	24,780
	<u>\$ 421,260</u>

**NOTE 9. Interfund Transfers and Balances**

Interfund transfers for the fiscal year ended June 30, 2016 are as follows:

		Transfers In							
		General Fund	Municipal Building Authority	Nonmajor Govt'l	Nonmajor Business-type	Water Fund	Sewer Fund	Internal Service Fund - Fleet	Total
Transfers Out	General Fund	\$ -	\$ 81,579	\$ 1,116,422	\$ 19,734	\$ -	\$ -	\$ -	\$ 1,217,735
	Water Fund	-	-	-	-	-	5,259	12,382	17,641
	Sewer Fund	-	-	-	-	13,166	-	669	13,835
	Electric Fund	-	-	115,443	-	-	-	-	115,443
	Nonmajor Govt'l	9,482	969,850	538,174	-	-	-	-	1,517,506
	Total	<u>\$ 9,482</u>	<u>\$ 1,051,429</u>	<u>\$ 1,770,039</u>	<u>\$ 19,734</u>	<u>\$ 13,166</u>	<u>\$ 5,259</u>	<u>\$ 13,051</u>	<u>\$ 2,882,160</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.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 9. Interfund Transfers and Balances, Continued**

Interfund balances at June 30, 2016 are as follows:

		Due From	
		General Fund	Total
Due To	Sewer Fund	910,108	910,108
	Total	\$ 910,108	\$ 910,108

In May 2015 the City authorized a \$1,000,000 loan from the sewer fund to the general fund for a term not to exceed 10 years beginning June 30, 2015. The purpose of this loan relates to the accumulated operating losses of the City’s golf course. The interest rate is a fixed rate of 2.38%. Principal and interest will be paid back monthly on the last day of each month beginning July 2015.

**NOTE 10. Defined Benefit Pension Plan**

**General Information about the Pension Plan**

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); Firefighters Retirement System (Firefighters System); are multiple employer cost-sharing retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system.
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer cost-sharing public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems’ defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10. Defined Benefit Pension Plan, Continued**

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial deductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10. Defined Benefit Pension Plan, Continued**

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

**Utah Retirement Systems**

	<b>Employee Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rates</b>	<b>Employer Rate for 401(k) Plan</b>
<b>Contributory System</b>				
111 – Local Governmental Div Tier 2	N/A	N/A	16.67 %	1.78 %
<b>Noncontributory System</b>				
15 – Local Governmental Div Tier 1	N/A	N/A	18.47 %	N/A
<b>Public Safety System (Contributory)</b>				
23 – Other Div A with 2.5% COLA	12.29 %	N/A	22.75 %	N/A
122 – Tier 2 DB Hybrid Public Safety	N/A	N/A	23.50 %	N/A
<b>Firefighters System</b>				
31 – Other Division A	N/A	15.05 %	3.99 %	N/A
132 – Tier 2 DB Hybrid Firefighters	N/A	N/A	10.75 %	1.33 %
<b>Tier 2 DC Only</b>				
211 – Local Government	N/A	N/A	6.69 %	10.00 %
222 – Public Safety	N/A	N/A	N/A	N/A

Tier 2 rates include a statutory contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2016 the employer and employee contributions to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 699,225	N/A
Public Safety System	166,136	-
Firefighters System	8,193	-
Tier 2 Public Employees System	102,574	-
Tier 2 Public Safety and Firefighter System	56,399	-
Tier 2 DC Only System	3,878	N/A
Tier 2 DC Public Safety and Firefighter System	8,323	N/A
Total Contributions	\$ 1,044,728	\$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10. Defined Benefit Pension Plan, Continued**

**Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the City reported a net pension asset of \$23,848 and a net pension liability of \$3,241,354.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.4504741%	\$ -	\$ 2,549,002
Public Safety System	0.3865187%	-	692,352
Firefighters System	0.8735054%	15,821	-
Tier 2 Public Employees System	0.0966741%	211	-
Tier 2 Public Safety and Firefighter System	0.5349819%	7,816	-
Total net pension asset / liability		<u>\$ 23,848</u>	<u>\$ 3,241,354</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contribution so the System during the plan year.

For the year ended June 30, 2016, the City recognized pension expense of \$778,611.

At June 30, 2016, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,357	\$ 206,203
Changes in assumptions	-	216,596
Net difference between projected and actual earnings on pension plan investments	1,163,023	-
Changes in proportion and differences between contributions and proportional share of contributions	15,434	54,937
Contributions subsequent to the measurement date	527,191	-
Total	<u>\$ 1,707,005</u>	<u>\$ 477,736</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10. Defined Benefit Pension Plan, Continued**

\$527,191 was reported as deferred outflows of resources related to pension results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ 148,367
2017	148,367
2018	169,377
2019	250,662
2020	(7,277)
Thereafter	(7,420)

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50- 10.50 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five year period ended December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by the target asset allocation percentage and by adding expected inflation.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10. Defined Benefit Pension Plan, Continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</b>		
	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 10. Defined Benefit Pension Plan, Continued**

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

<b>System</b>	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Noncontributory System	\$ 5,385,787	\$ 2,549,002	\$ 180,854
Public Safety System	1,466,110	692,352	62,371
Firefighters System	215,532	(15,821)	(203,581)
Tier 2 Public Employees System	38,701	(211)	(29,703)
Tier 2 Public Safety and Firefighter System	13,287	(7,816)	(24,022)
Total	<u>\$ 7,119,417</u>	<u>\$ 3,217,506</u>	<u>\$ (14,081)</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

**NOTE 11. Defined Contribution Plan**

**Defined Contribution Plan**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The City participates in the 401(k) and 457(b) defined contribution plans. The City contributes 4.5% of the salaries of full-time employees and 11.66% of elected officials. However employees in the Public Safety and Firefighters Retirement Systems are ineligible for this benefit.

All full-time employees and elected officials can make additional contributions to the 401(k) plan and/or the 457 plan up to specified limits. The 401(k) and 457(b) plan funds are fully vested to participants at the time of deposit.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 11. Defined Contribution Plan, Continued**

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Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans 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>
Defined Contribution System:		
457 Plan		
2016	\$ 19,352	\$ -
2015	16,827	-
2014	10,257	-
401(k) Plan		
2016	88,327	270,578
2015	88,403	265,096
2014	68,747	250,318

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**NOTE 12. 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.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 13. 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. Furthermore, in fiscal year 2015, the Authority issued Lease Revenue Bonds, Series 2014 in the amount of \$3,297,000 and Lease Revenue Bonds, Series 2015 in the amount of \$3,700,000 to finance additional city facilities.

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.

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**NOTE 14. 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 2016, the City collected \$878,843.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 14. Commitments, Continued**

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The Washington County Solid Waste District for the collection and disposal of solid waste and for curbside residential recycling collection services. The current agreement for the collection and disposal of solid waste was entered into on January 1, 2010 and expires on December 31, 2020. The agreement for curbside residential recycling collection services was entered into on August 26, 2015 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 2014) with automatic extensions of 50 year terms unless terminated as set forth in the agreement.

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**NOTE 15. 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 \$6,042,633 during the fiscal year ended June 30, 2016.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 16. 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 17. 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 2016 was \$73,804.

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**NOTE 18. Advance Refunding**

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In the year ended June 30, 2015, the City issued \$3,361,000 of general obligation refunding bonds (Series 2014) for resources placed in an escrow account to cover all future debt service payments of \$3,015,000 of general obligation bonds (CCSSD Series 2006). As a result, the refunded bonds are considered to be defeased as of June 30, 2015. However, as disclosed in Note 6, not all of the series 2006 general obligation bonds were refunded and defeased as of June 30, 2015 and June 30, 2016. The advanced refunding defeased debt still outstanding at June 30, 2016 is \$3,015,000.

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**NOTE 19. Subsequent Events**

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In October 2016 the City issued \$1,495,000 of taxable water revenue refunding bonds (Series 2016A) and \$8,770,000 of tax exempt water revenue refunding bonds (Series 2016B) in connection with refunding all of the City's outstanding water revenue bonds.

In October 2016 the City issued \$7,370,000 of general obligation refunding bonds (CCSSD Series 2016) in connection with refunding general obligation refunding bonds (CCSSD Series 2012 and 2014).

**REQUIRED SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2016**

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

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

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

The most recent condition assessment, completed for June 30, 2016, showed that the City had overall average condition ratings of 16.01 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	0.00
1-2	0.00
3-4	0.60
5-6	0.00
7-8	1.37
9-10	0.72
11-12	1.30
13-14	27.76
15-16	43.48
17-18	12.39
19-20	12.38
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 16.19 (June 2015) and 16.84 (June 2014).

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2016**

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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.

<u>For the Year Ended June 30,</u>	<u>Originally Budgeted</u>	<u>Actually Expensed</u>
2016	\$ 700,000	\$ 544,188
2015	700,000	690,059
2014	700,000	1,037,448
2013	700,000	561,113
2012	700,000	599,443

In fiscal year 2015, 2.85% of roads had an RLS of 10 years or less. In fiscal year 2016, the percent of roads with an RLS of 10 years or less decreased to 2.69%. The City is committed to maintain its infrastructure assets at required conditions.

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Utah Retirement Systems**  
**June 30, 2016**  
**Last 10 Fiscal Years**

As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<b>Noncontributory System</b>					
2015	0.4627242%	\$ 2,009,257	\$ 3,879,945	51.79%	90.2%
2016	0.4504741%	\$ 2,549,002	\$ 3,801,938	67.04%	87.8%
<b>Public Safety System</b>					
2015	0.3780941%	\$ 475,485	\$ 963,677	49.34%	90.5%
2016	0.3865187%	\$ 692,352	\$ 949,123	72.95%	87.1%
<b>Firefighters System</b>					
2015	0.8676603%	\$ (49,512)	\$ 299,332	-16.54%	103.5%
2016	0.8735054%	\$ (15,821)	\$ 306,772	-5.16%	101.0%
<b>Tier 2 Public Employees System</b>					
2015	0.1058581%	\$ (3,207)	\$ 519,405	-0.62%	103.5%
2016	0.0966741%	\$ (211)	\$ 624,550	-0.03%	100.2%
<b>Tier 2 Public Safety and Firefighter System</b>					
2015	0.6825520%	\$ (10,097)	\$ 282,173	-3.58%	120.5%
2016	0.5349819%	\$ (7,816)	\$ 318,257	-2.46%	110.7%

Note: The City implemented GASB 68 in fiscal year 2015. Some prior year information is not available.

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Utah Retirement Systems**  
**June 30, 2016**  
**Last 10 Fiscal Years**

<u>As of fiscal year ended June 30,</u>	<u>Actuarial determined contributions</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
<b>Noncontributory System</b>					
2014	\$ 654,253	\$ 654,253	\$ -	\$ 3,777,437	17.32%
2015	707,382	707,382	-	3,838,061	18.43%
2016	699,225	699,225	-	3,872,307	18.06%
<b>Public Safety System</b>					
2014	\$ 146,732	\$ 146,732	\$ -	\$ 914,914	16.04%
2015	170,915	170,915	-	962,327	17.76%
2016	166,136	166,136	-	936,188	17.75%
<b>Firefighters System</b>					
2014	\$ 6,312	\$ 6,312	\$ -	\$ 285,078	2.21%
2015	9,101	9,101	-	310,410	2.93%
2016	8,193	8,193	-	279,844	2.93%
<b>Tier 2 Public Employees System*</b>					
2014	\$ 55,550	\$ 55,550	\$ -	\$ 390,516	14.22%
2015	86,666	86,666	-	580,568	14.93%
2016	102,574	102,574	-	685,240	14.97%
<b>Tier 2 Public Safety and Firefighter System*</b>					
2014	\$ 33,612	\$ 33,612	\$ -	\$ 210,831	15.94%
2015	55,935	55,935	-	319,625	17.50%
2016	56,399	56,399	-	331,324	17.02%
<b>Tier 2 Public Employees DC Only System*</b>					
2014	3,400	\$ 3,400	\$ -	58,808	5.78%
2015	5,075	5,075	-	58,629	8.66%
2016	3,878	3,878	-	56,621	6.85%
<b>Tier 2 Public Safety and Firefighter DC Only System*</b>					
2014	\$ 3,999	\$ 3,999	\$ -	\$ 40,235	9.94%
2015	7,343	7,343	-	60,965	12.04%
2016	8,323	8,323	-	69,016	12.06%

Note: The City implemented GASB 68 in fiscal year 2015. Some prior year information is not available.

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.



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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.

**Public Safety Fund** – This fund is used to account for the collection of public safety 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.

### Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**RAP Tax Fund** (new for fiscal year 2016) – This fund is used to account for the collection of RAP taxes and the expenditure of these funds on recreation, arts, and parks.

### Debt Service Funds

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

**Coral Canyon Special Service District (Blended Component Unit)**– 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 (CCSSD).

**Debt Service Fund** (new for fiscal year 2016) – 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 City.

**WASHINGTON CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Capital Projects					Special Revenue		Debt Service		Total Nonmajor Governmental Funds
	Property Acquisition	Public Safety	General Projects	Recreation	Streets	RAP Tax	Coral Canyon Special Service District	Debt Service		
<b>Assets</b>										
Cash and cash equivalents	\$ 36,417	\$ 142,304	\$ 78,313	\$ 117,493	\$ 1,260,123	\$ 207,752	\$ -	\$ -	\$ -	\$ 1,842,402
Investments	-	-	283,221	469,327	1,387,949	-	-	-	-	2,140,497
Receivables, net	-	-	45	104	462	-	-	-	-	611
Property taxes receivable	-	-	-	-	-	-	810,173	-	-	810,173
Due from other governments	-	-	-	-	-	76,004	4,705	-	-	80,709
Restricted cash and cash equivalents	-	-	-	-	-	-	1,041,352	90,329	-	1,131,681
Total assets	\$ 36,417	\$ 142,304	\$ 361,579	\$ 586,924	\$ 2,648,534	\$ 283,756	\$ 1,856,230	\$ 90,329	\$ -	\$ 6,006,073
<b>Liabilities, deferred inflows, and fund balances</b>										
<b>Liabilities:</b>										
Accounts payable	\$ -	\$ -	\$ 3,184	\$ 195,408	\$ 398,548	\$ 8,443	\$ -	\$ -	\$ -	\$ 605,583
Total liabilities	-	-	3,184	195,408	398,548	8,443	-	-	-	605,583
Deferred inflow of resources:										
Deferred revenue - property tax	-	-	-	-	-	-	810,173	-	-	810,173
Total deferred inflows of resources	-	-	-	-	-	-	810,173	-	-	810,173
Fund balances:										
Restricted for:										
Debt service	-	-	-	-	-	-	1,046,057	90,329	-	1,136,386
Capital outlay - impact fees	-	142,304	-	369,829	1,762,668	-	-	-	-	2,274,801
Capital outlay - other	-	-	-	9,280	487,318	-	-	-	-	496,598
Culture and recreation	-	-	-	-	-	275,313	-	-	-	275,313
Assigned to:										
Capital outlay	36,417	-	358,395	12,407	-	-	-	-	-	407,219
Total fund balances	36,417	142,304	358,395	391,516	2,249,986	275,313	1,046,057	90,329	-	4,590,317
Total liabilities, deferred inflows of resources, and fund balances	\$ 36,417	\$ 142,304	\$ 361,579	\$ 586,924	\$ 2,648,534	\$ 283,756	\$ 1,856,230	\$ 90,329	\$ -	\$ 6,006,073

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Capital Projects							Special Revenue		Debt Service		Total Nonmajor Governmental Funds
	Property Acquisition	Public Safety	General Projects	Recreation	Streets	RAP Tax	Coral Canyon Special Service District	Debt Service	Debt Service			
									\$	\$		
<b>Revenues</b>												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	
General sales, use and other taxes	-	-	-	-	-	320,650	-	-	-	-	-	
Impact fees	-	161,364	-	1,332,600	1,241,295	-	-	-	-	-	-	
Investment earnings	257	673	5,973	17,491	52,994	408	-	810	-	-	85,461	
Miscellaneous	-	-	-	10,399	14,570	-	-	-	-	-	24,969	
Total revenues	257	162,037	5,973	1,360,490	1,308,859	321,058	800,531	810	-	-	3,960,015	
<b>Expenditures</b>												
Current:												
General government	-	-	-	-	-	-	19,799	-	-	-	19,799	
Streets and highways	-	-	-	-	544,188	-	-	-	-	-	544,188	
Culture and recreation	-	-	-	-	-	60,000	-	-	-	-	60,000	
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	15,171	1,589,027	1,935,310	34,334	-	-	-	-	726,675	
Total expenditures	-	-	15,171	1,589,027	2,479,498	94,334	549,213	543,674	-	-	3,573,842	
Excess (deficiency) of revenues over (under) expenditures	257	162,037	(9,198)	(228,537)	(1,170,639)	226,724	251,318	(542,864)	-	-	(1,310,902)	
<b>Other financing sources (uses)</b>												
Transfers in	-	-	115,443	3,005	969,809	48,589	-	633,193	-	-	1,770,039	
Transfers out	-	(131,836)	(41,422)	(999,800)	(344,448)	-	-	-	-	-	(1,517,506)	
Capital lease	-	-	-	270,500	-	-	-	-	-	-	270,500	
Total other financing sources and (uses)	-	(131,836)	74,021	(726,295)	625,361	48,589	-	633,193	-	-	523,033	
Net change in fund balances	257	30,201	64,823	(954,832)	(545,278)	275,313	251,318	90,329	-	-	(787,869)	
Fund balances - beginning	36,160	112,103	293,572	1,346,348	2,795,264	-	794,739	-	-	-	5,378,186	
Fund balances - ending	\$ 36,417	\$ 142,304	\$ 358,395	\$ 391,516	\$ 2,249,986	\$ 275,313	\$ 1,046,057	\$ 90,329	-	-	\$ 4,590,317	

**OTHER SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2016**

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:

**WATER RATES**

Meter Size	Monthly Base Rate	Tier	Threshold gallons		Rate per 1,000 gallons
5/8"	\$18.25	1	0	5,000	\$1.00
		2	5,001	10,000	\$1.10
		3	10,001	15,000	\$1.20
		4	15,001	20,000	\$1.30
		5	20,001	25,000	\$1.40
		6	25,001	30,000	\$1.50
		7	30,001	35,000	\$1.65
		8	35,001	40,000	\$1.80
		9	40,001	Unlimited	\$1.95
3/4"	\$18.25	1	0	5,000	\$1.00
		2	5,001	10,000	\$1.10
		3	10,001	15,000	\$1.20
		4	15,001	20,000	\$1.30
		5	20,001	25,000	\$1.40
		6	25,001	30,000	\$1.50
		7	30,001	35,000	\$1.65
		8	35,001	40,000	\$1.80
		9	40,001	Unlimited	\$1.95
1"	\$33	1	0	9,000	\$1.00
		2	9,001	18,000	\$1.10
		3	18,001	27,000	\$1.20
		4	27,001	36,000	\$1.30
		5	36,001	45,000	\$1.40
		6	45,001	54,000	\$1.50
		7	54,001	63,000	\$1.65
		8	63,001	72,000	\$1.80
		9	72,001	Unlimited	\$1.95
1 1/2"	\$73	1	0	20,000	\$1.00
		2	20,001	40,000	\$1.10
		3	40,001	60,000	\$1.20
		4	60,001	80,000	\$1.30
		5	80,001	100,000	\$1.40
		6	100,001	120,000	\$1.50
		7	120,001	140,000	\$1.65
		8	140,001	160,000	\$1.80
		9	160,001	Unlimited	\$1.95
2"	\$130	1	0	36,000	\$1.00
		2	36,001	71,000	\$1.10
		3	71,001	107,000	\$1.20
		4	107,001	142,000	\$1.30
		5	142,001	178,000	\$1.40
		6	178,001	213,000	\$1.50
		7	213,001	249,000	\$1.65
		8	249,001	284,000	\$1.80
		9	284,001	Unlimited	\$1.95
3"	\$292	1	0	80,000	\$1.00
		2	80,001	160,000	\$1.10
		3	160,001	240,000	\$1.20
		4	240,001	320,000	\$1.30
		5	320,001	400,000	\$1.40
		6	400,001	480,000	\$1.50
		7	480,001	560,000	\$1.65
		8	560,001	640,000	\$1.80
		9	640,001	Unlimited	\$1.95

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2016**

**WATER RATES (Continued)**

Meter Size	Monthly Base Rate	Tier	Threshold gallons		
4"	\$518	1	0	142,000	\$1.00
		2	142,001	284,000	\$1.10
		3	284,001	426,000	\$1.20
		4	426,001	568,000	\$1.30
		5	568,001	710,000	\$1.40
		6	710,001	852,000	\$1.50
		7	852,001	994,000	\$1.65
		8	994,001	1,136,000	\$1.80
		9	1,136,001	Unlimited	\$1.95
6"	\$1,168	1	0	320,000	\$1.00
		2	320,001	640,000	\$1.10
		3	640,001	960,000	\$1.20
		4	960,001	1,280,000	\$1.30
		5	1,280,001	1,600,000	\$1.40
		6	1,600,001	1,920,000	\$1.50
		7	1,920,001	2,240,000	\$1.65
		8	2,240,001	2,560,000	\$1.80
		9	2,560,001	Unlimited	\$1.95

**ADMINISTRATIVE FEES**

	Amount		
Late Fee	5%	Of Unpaid Balance	
Collection Fees	100%	Of Collection Agent Fee	

**Water**

	Meter Size		
Water Connection	3/4"		\$225.00
	1"		\$275.00
	1 1/2"		\$520.50
	2"		\$661.00
	3"		\$1,982.67
	4"		\$1,982.67
Water Impact:	6"		TBD
	Meter Size	ERU's	
	3/4"	1	\$2,121.00
	1"	1.65	\$3,499.65
	1 1/2"	3.73	\$7,911.33
	2"	6.55	\$13,892.33
	3"	14.73	\$31,242.33
4"	26.17	\$55,506.57	
6"	58.88	\$124,884.48	



**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2016**

Insurance coverage in effect at June 30, 2016:

Provider	Type	Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2014	07/01/15	06/30/16	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2014	07/01/15	06/30/16	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2014	07/01/15	06/30/16	80,000
Utah Local Government Trust	Auto - uninsured	14680-GL2014	07/01/15	06/30/16	80,000
Utah Local Government Trust	No fault sewer cleanup (per claim)	14680-GL2014	07/01/15	06/30/16	5,000
Utah Local Government Trust	General liability	14680-GL2014	07/01/15	06/30/16	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2014	07/01/15	06/30/16	62,500,074

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

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**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, 2016, 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 2, 2016.

**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. 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.

## **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*.

## **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 2, 2016

**Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* On:**

- **Compliance with General State Compliance Requirements**
- **Internal Control Over Compliance**

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

**Report on Compliance with General State Compliance Requirements**

We have audited Washington City, Utah's compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Budgetary Compliance  
Fund Balance  
Justice Courts  
Utah Retirement Systems  
Restricted Taxes  
Open and Public Meetings Act  
Treasurer's Bond  
Enterprise Fund Transfers, Reimbursements, Loans and Services

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above.

***Auditor's Responsibility***

Our responsibility is to express an opinion on Washington City's compliance based on our audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those standards and the *State 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 that could have a direct and material effect on Washington City or its major state programs occurred. An audit includes examining, on a test basis, evidence about Washington 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on General State Compliance Requirements***

In our opinion, Washington City, Utah, complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on Washington City for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings and recommendations as item 2016-001. Our opinion on compliance is not modified with respect to this matter.

Washington City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of responses to the findings and recommendations. Washington 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.

### **Report on Internal Control Over Compliance**

Management of Washington 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 of compliance, we considered Washington City's internal control over compliance with the compliance requirements that could have a direct and material effect on Washington City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 Washington City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement 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 general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
December 2, 2016



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**WASHINGTON CITY**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2016**

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 year ended June 30, 2016, we noted an area needing corrective action for the City to be in compliance with laws and regulations. This item is discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

2016-001      Budgetary Compliance

Utah Code states that city officers shall not make or incur expenditures in excess of total appropriation for any department. For the year ended June 30, 2016, the capital projects fund—leisure services was over budget. There electric and irrigation enterprise funds were also over budget because there were no budget amounts for depreciation expense (non-cash expense).

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.

**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 2, 2016



December 9, 2016

HintonBurdick, 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, 2016" and provide the following response.

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. All enterprise fund budgets will account for depreciation expense beginning with the current fiscal year and each year thereafter.

Please let me know if you have any additional questions.

Sincerely,

Roger Carter  
City Manager