



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

With Report of

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2017, 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, 2017, 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 1, 2017, 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 1, 2017

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Washington City, Utah
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. 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, 2017 by \$214,812,173 (net position). Of this amount, \$20,801,341 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$19,865,318, which includes a prior period adjustment of \$313,841. Of this amount, \$12,899,972 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 \$9,346,569, which is an increase of \$2,769,775 from the prior year. Approximately 25.3% (or \$2,367,676) of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,367,676 or approximately 17.2% of total general fund expenditures.
- For the current fiscal year, general fund revenues exceeded general fund expenditures by \$2,807,107 before interfund transfers and other financings sources and uses.
- Total long-term debt (excluding net pension liability and compensated absences) decreased by \$3,347,745 or 7.8% during the current fiscal year.
- The City issued water revenue refunding bonds for a current refunding of water revenue bonds and CCSSD general obligation refunding bonds for a current refunding of CCSSD general obligation refunding bonds during fiscal year 2017. These refundings resulted in net present value savings of \$1,752,777 and \$906,201, respectively.

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 \$214,812,173 at the close of the fiscal year. By far the largest portion of Washington City's net position, (93.04% for governmental activities and 77.70% 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 | |
|-----------------------------------|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
| | 6/30/2017 | 6/30/2016 | 6/30/2017 | 6/30/2016 | 6/30/2017 | 6/30/2016 |
| Current and other assets | \$ 15,129,747 | \$ 12,049,772 | \$ 28,655,680 | \$ 25,656,093 | \$ 43,785,427 | \$ 37,705,865 |
| Capital assets | 120,926,934 | 116,413,695 | 101,687,003 | 94,189,940 | 222,613,937 | 210,603,635 |
| Total assets | 136,056,681 | 128,463,467 | 130,342,683 | 119,846,033 | 266,399,364 | 248,309,500 |
| Deferred outflows of resources | 1,744,442 | 1,530,697 | 918,186 | 791,713 | 2,662,628 | 2,322,410 |
| Long-term liabilities outstanding | 25,136,971 | 26,476,451 | 19,122,918 | 20,694,310 | 44,259,889 | 47,170,761 |
| Other liabilities | 2,390,302 | 2,286,216 | 3,566,165 | 2,556,764 | 5,956,467 | 4,842,980 |
| Total liabilities | 27,527,273 | 28,762,667 | 22,689,083 | 23,251,074 | 50,216,356 | 52,013,741 |
| Deferred inflows of resources | 3,799,638 | 3,495,415 | 233,825 | 175,899 | 4,033,463 | 3,671,314 |
| Net position: | | | | | | |
| Net investment in capital assets | 99,060,621 | 93,513,649 | 84,182,758 | 74,951,157 | 183,243,379 | 168,464,806 |
| Restricted | 5,852,425 | 4,272,947 | 4,915,028 | 4,013,847 | 10,767,453 | 8,286,794 |
| Unrestricted | 1,561,166 | (50,514) | 19,240,175 | 18,245,769 | 20,801,341 | 18,195,255 |
| Total net position | \$ 106,474,212 | \$ 97,736,082 | \$ 108,337,961 | \$ 97,210,773 | \$ 214,812,173 | \$ 194,946,855 |

Percentage of Net Position

| <u>Net position type</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----------------------------------|--------------------------------|---------------------------------|--------------|
| Net investment in capital assets | 93.04% | 77.70% | 85.30% |
| Restricted net position | 5.49% | 4.54% | 5.02% |
| Unrestricted net position | 1.47% | 17.76% | 9.68% |
| Total net position | 100.00% | 100.00% | 100.00% |

An additional portion of Washington City's governmental net position (5.49% and 4.54%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$20,801,341 (1.47% and 17.76%, respectively), may be used to meet the government's ongoing obligations to citizens and creditors.

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

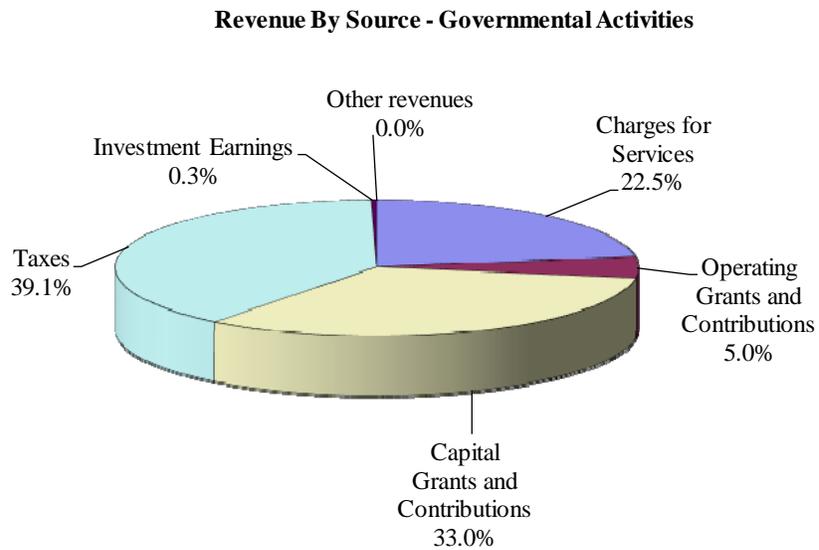
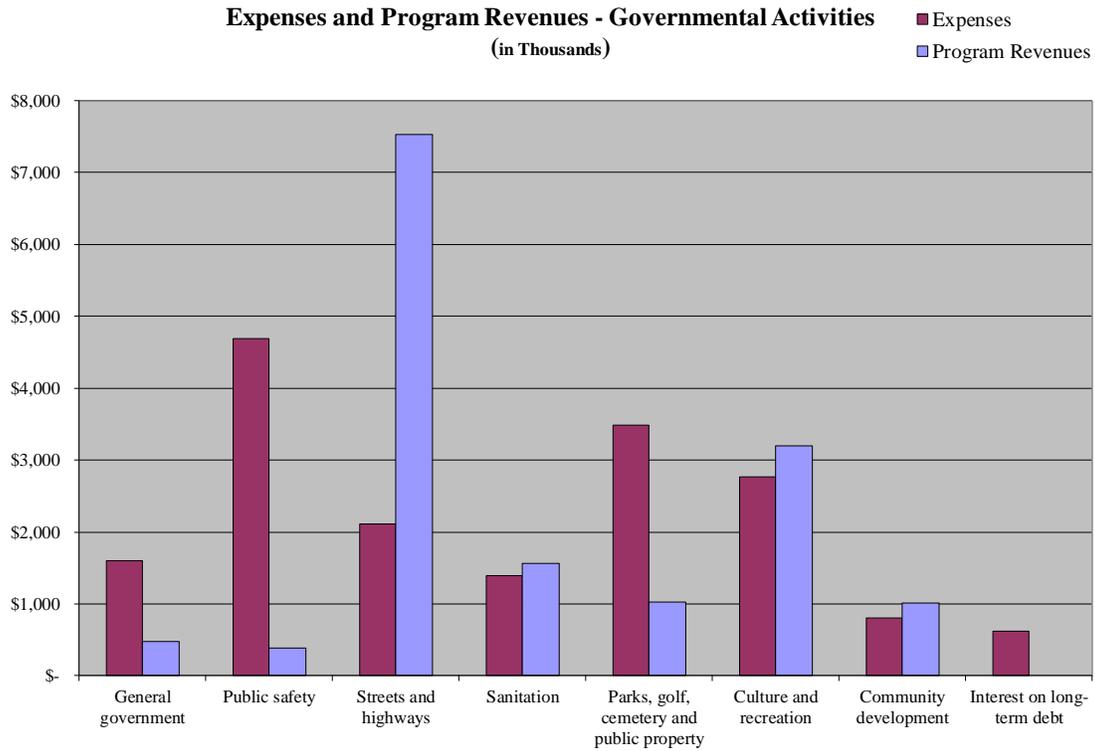
Governmental activities. Governmental activities increased Washington City's net position by \$8,738,130. See below table for details.

Business-type activities. Business-type activities increased Washington City's net position by \$10,813,347. See below table for details.

Washington City's Changes in Net Position

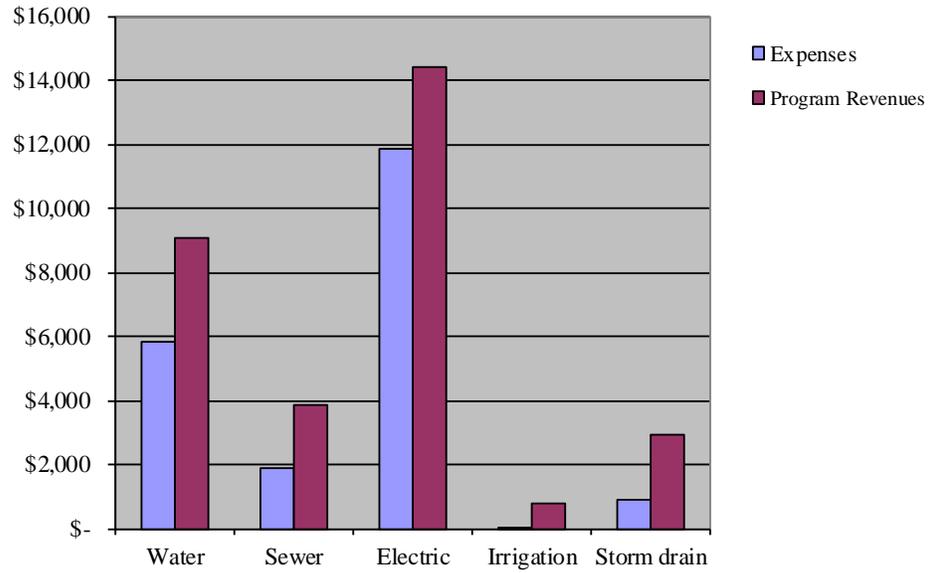
| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 6/30/2017 | 6/30/2016 | 6/30/2017 | 6/30/2016 | 6/30/2017 | 6/30/2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,644,028 | \$ 5,163,467 | \$ 20,426,278 | \$ 18,449,609 | \$ 26,070,306 | \$ 23,613,076 |
| Operating grants and contributions | 1,250,783 | 1,062,447 | - | - | 1,250,783 | 1,062,447 |
| Capital grants and contributions | 8,274,575 | 5,857,831 | 10,665,222 | 5,456,911 | 18,939,797 | 11,314,742 |
| General revenues: | | | | | | |
| Taxes | 10,605,716 | 9,864,757 | - | - | 10,605,716 | 9,864,757 |
| Unrestricted investment earnings | 84,053 | 130,261 | 249,994 | 385,186 | 334,047 | 515,447 |
| Other | 353,970 | 268,305 | - | - | 353,970 | 268,305 |
| Total revenues | <u>26,213,125</u> | <u>22,347,068</u> | <u>31,341,494</u> | <u>24,291,706</u> | <u>57,554,619</u> | <u>46,638,774</u> |
| Expenses: | | | | | | |
| General government | 1,603,615 | 1,515,829 | - | - | 1,603,615 | 1,515,829 |
| Public safety | 4,685,666 | 4,343,039 | - | - | 4,685,666 | 4,343,039 |
| Streets and highways | 2,106,022 | 1,251,511 | - | - | 2,106,022 | 1,251,511 |
| Sanitation | 1,385,279 | 1,171,414 | - | - | 1,385,279 | 1,171,414 |
| Parks, golf, cemetery and public property | 3,490,623 | 3,289,891 | - | - | 3,490,623 | 3,289,891 |
| Culture and recreation | 2,767,523 | 2,770,929 | - | - | 2,767,523 | 2,770,929 |
| Community development | 807,385 | 649,932 | - | - | 807,385 | 649,932 |
| Interest on long-term debt | 614,306 | 685,371 | - | - | 614,306 | 685,371 |
| Water | - | - | 5,817,486 | 5,310,848 | 5,817,486 | 5,310,848 |
| Sewer | - | - | 1,891,752 | 1,756,798 | 1,891,752 | 1,756,798 |
| Electric | - | - | 11,853,574 | 10,489,862 | 11,853,574 | 10,489,862 |
| Irrigation | - | - | 62,004 | 120,778 | 62,004 | 120,778 |
| Storm drain | - | - | 917,907 | 719,092 | 917,907 | 719,092 |
| Total expenses | <u>17,460,419</u> | <u>15,677,916</u> | <u>20,542,723</u> | <u>18,397,378</u> | <u>38,003,142</u> | <u>34,075,294</u> |
| Change in net position before transfers | 8,752,706 | 6,669,152 | 10,798,771 | 5,894,328 | 19,551,477 | 12,563,480 |
| Transfers | (14,576) | 108,760 | 14,576 | (108,760) | - | - |
| Change in net position | 8,738,130 | 6,777,912 | 10,813,347 | 5,785,568 | 19,551,477 | 12,563,480 |
| Net position, beginning | 97,736,082 | 90,958,170 | 97,210,773 | 91,425,205 | 194,946,855 | 182,383,375 |
| Prior period adjustment | - | - | 313,841 | - | 313,841 | - |
| Net position, ending | <u>\$ 106,474,212</u> | <u>\$ 97,736,082</u> | <u>\$ 108,337,961</u> | <u>\$ 97,210,773</u> | <u>\$ 214,812,173</u> | <u>\$ 194,946,855</u> |

The following graphs compare program expenses and program revenues and provide a breakdown of revenues by source for all 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 balance of \$9,346,569, an increase of \$2,769,775 from the prior year; \$2,367,676 or approximately 25.33% 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* (\$6,568,740), *committed* (\$20,408), and *assigned* (\$389,745).

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$2,367,676 or approximately 95.15% of the total fund balance of \$2,488,299. 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 17.17% of total general fund expenditures, while total fund balance represents approximately 18.05% of that same amount.

The Coral Canyon SSD debt service fund has a total fund balance of \$860,398, which is restricted for debt service.

All other governmental funds (capital projects funds, special revenue fund, and debt service funds) have a total fund balance of \$5,997,872, which is restricted for, committed to, or assigned to various purposes.

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 \$19,240,175 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 \$331,129 net increase in appropriations. The general fund revenues were more than the final budget by \$436,300. The general fund expenditures were less than the final budget by \$258,449. The general fund transfers out were less than the final budget by \$10,257.

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, 2017, amounts to \$222,613,937 (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 | \$ 2,395,563 | \$ 5,308,942 |
| Infrastructure | 82,527,455 | - | 82,527,455 |
| Construction in progress | 914,293 | 708,464 | 1,622,757 |
| Buildings and improvements | 33,429,258 | 5,760,235 | 39,189,493 |
| Improvements and systems | - | 91,543,376 | 91,543,376 |
| Machinery and equipment | 749,120 | 775,115 | 1,524,235 |
| Automobiles and trucks | 393,429 | 504,250 | 897,679 |
| Total | \$ 120,926,934 | \$ 101,687,003 | \$ 222,613,937 |

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

- Acquisition of automobiles and trucks for various funds
- Acquisition of fire engine
- 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 15.44 exceeds the City's minimum of 12.60.

Long-term debt. At fiscal year-end, the City had \$39,835,846 in outstanding debt (excluding net pension liability and compensated absences)—a decrease of 7.75% 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 |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| General obligation bonds | \$ 7,370,000 | \$ 8,625,000 | \$ - | \$ - | \$ 7,370,000 | \$ 8,625,000 | -14.55% |
| Lease revenue bonds | 10,973,000 | 11,947,000 | - | - | 10,973,000 | 11,947,000 | -8.15% |
| Sales/Excise tax revenue bonds | 2,244,000 | 2,639,000 | - | - | 2,244,000 | 2,639,000 | -14.97% |
| Revenue bonds | - | - | 15,660,000 | 18,202,176 | 15,660,000 | 18,202,176 | -13.97% |
| Deferred issuance premium | 496,575 | - | 917,294 | - | 1,413,869 | - | |
| Capital leases obligation | 1,248,026 | 733,808 | 926,951 | 1,036,607 | 2,174,977 | 1,770,415 | 22.85% |
| Total | \$ 22,331,601 | \$ 23,944,808 | \$ 17,504,245 | \$ 19,238,783 | \$ 39,835,846 | \$ 43,183,591 | -7.75% |

Next Year's Budget and Economic Factors

Fiscal year 2017 continued to be a growth year for Washington City. Our residential population expanded by an estimated 4.99% as we welcomed an estimated 1,300 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) The unemployment rate for the County (of which Washington City is the second largest city) was 3.3% for the month ended October 2017 compared with a state unemployment rate of 3.3% and a national rate of 4.2%. This compares with the County unemployment rate of 3.5% in October of 2016 (Source: Utah Department of Workforce Services).

There were no major policy changes for the 2018 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 general fund 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, 2017

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 4,935,265 | \$ 3,239,207 | \$ 8,174,472 |
| Investments | 3,648,203 | 19,581,952 | 23,230,155 |
| Receivables, net | 5,207,531 | 3,701,267 | 8,908,798 |
| Internal balances | (818,077) | 818,077 | - |
| Inventories | 21,711 | 574,330 | 596,041 |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents | 2,128,690 | 489,166 | 2,617,856 |
| Investments | - | 248,694 | 248,694 |
| Net pension asset | 6,424 | 2,987 | 9,411 |
| Capital assets not being depreciated: | | | |
| Land, easements and water rights | 2,913,379 | 2,395,563 | 5,308,942 |
| Infrastructure | 82,527,455 | - | 82,527,455 |
| Construction in progress | 914,293 | 708,464 | 1,622,757 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings and improvements | 33,429,258 | 5,760,235 | 39,189,493 |
| Improvements and systems | - | 91,543,376 | 91,543,376 |
| Machinery and equipment | 749,120 | 775,115 | 1,524,235 |
| Automobiles and trucks | 393,429 | 504,250 | 897,679 |
| Total assets | <u>136,056,681</u> | <u>130,342,683</u> | <u>266,399,364</u> |
| Deferred Outflows of Resources | | | |
| Deferred charge on refunding | 465,288 | 139,044 | 604,332 |
| Deferred outflows related to pensions | 1,279,154 | 779,142 | 2,058,296 |
| Total deferred outflows of resources | <u>1,744,442</u> | <u>918,186</u> | <u>2,662,628</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 2,266,104 | 3,363,233 | 5,629,337 |
| Unearned revenue | - | 123,127 | 123,127 |
| Accrued interest payable | 124,198 | 79,805 | 204,003 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,378,133 | 1,231,099 | 3,609,232 |
| Due in more than one year | 22,758,838 | 17,891,819 | 40,650,657 |
| Total liabilities | <u>27,527,273</u> | <u>22,689,083</u> | <u>50,216,356</u> |
| Deferred Inflows of Resources | | | |
| Deferred revenue - property taxes | 3,406,122 | - | 3,406,122 |
| Deferred inflows related to pensions | 393,516 | 233,825 | 627,341 |
| Total deferred inflows of resources | <u>3,799,638</u> | <u>233,825</u> | <u>4,033,463</u> |
| Net Position | | | |
| Net investment in capital assets | 99,060,621 | 84,182,758 | 183,243,379 |
| Restricted for: | | | |
| Debt service | 736,220 | 315,570 | 1,051,790 |
| Capital outlay | 4,436,738 | 4,599,458 | 9,036,196 |
| Other | 679,467 | - | 679,467 |
| Unrestricted | 1,561,166 | 19,240,175 | 20,801,341 |
| Total net position | <u>\$ 106,474,212</u> | <u>\$ 108,337,961</u> | <u>\$ 214,812,173</u> |

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

WASHINGTON CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,603,615 | \$ 469,984 | \$ - | \$ - | \$ (1,133,631) | \$ - | \$ (1,133,631) |
| Public safety | 4,685,666 | 61,088 | 125,709 | 200,128 | (4,298,741) | - | (4,298,741) |
| Streets and highways | 2,106,022 | - | 1,125,074 | 6,398,926 | 5,417,978 | - | 5,417,978 |
| Sanitation | 1,385,279 | 1,557,386 | - | - | 172,107 | - | 172,107 |
| Parks, golf, cemetery and public property | 3,490,623 | 1,027,446 | - | - | (2,463,177) | - | (2,463,177) |
| Culture and recreation | 2,767,523 | 1,520,804 | - | 1,675,521 | 428,802 | - | 428,802 |
| Community development | 807,385 | 1,007,320 | - | - | 199,935 | - | 199,935 |
| Interest on long-term debt | 614,306 | - | - | - | (614,306) | - | (614,306) |
| Total governmental activities | <u>17,460,419</u> | <u>5,644,028</u> | <u>1,250,783</u> | <u>8,274,575</u> | <u>(2,291,033)</u> | <u>-</u> | <u>(2,291,033)</u> |
| Business-type activities: | | | | | | | |
| Water | 5,817,486 | 5,455,183 | - | 3,643,758 | - | 3,281,455 | 3,281,455 |
| Sewer | 1,891,752 | 1,656,509 | - | 2,186,698 | - | 1,951,455 | 1,951,455 |
| Electric | 11,853,574 | 12,264,988 | - | 2,165,638 | - | 2,577,052 | 2,577,052 |
| Irrigation | 62,004 | 17,334 | - | 761,391 | - | 716,721 | 716,721 |
| Storm drain | 917,907 | 1,032,264 | - | 1,907,737 | - | 2,022,094 | 2,022,094 |
| Total business-type activities | <u>20,542,723</u> | <u>20,426,278</u> | <u>-</u> | <u>10,665,222</u> | <u>-</u> | <u>10,548,777</u> | <u>10,548,777</u> |
| Total primary government | <u>\$ 38,003,142</u> | <u>\$ 26,070,306</u> | <u>\$ 1,250,783</u> | <u>\$ 18,939,797</u> | <u>(2,291,033)</u> | <u>10,548,777</u> | <u>8,257,744</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 3,551,958 | - | 3,551,958 |
| Sales taxes | | | | | 5,809,773 | - | 5,809,773 |
| Franchise taxes | | | | | 437,640 | - | 437,640 |
| Energy taxes | | | | | 806,345 | - | 806,345 |
| Unrestricted investment earnings | | | | | 84,053 | 249,994 | 334,047 |
| Other revenues not restricted to specific programs | | | | | 353,970 | - | 353,970 |
| Transfers | | | | | (14,576) | 14,576 | - |
| Total general revenues and transfers | | | | | <u>11,029,163</u> | <u>264,570</u> | <u>11,293,733</u> |
| Change in net position | | | | | 8,738,130 | 10,813,347 | 19,551,477 |
| Net position - beginning | | | | | 97,736,082 | 97,210,773 | 194,946,855 |
| Prior period adjustment | | | | | - | 313,841 | 313,841 |
| Net position - ending | | | | | <u>\$ 106,474,212</u> | <u>\$ 108,337,961</u> | <u>\$ 214,812,173</u> |

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

WASHINGTON CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2017

| | <u>General Fund</u> | <u>Coral Canyon SSD</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|---|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,087,050 | \$ - | \$ 3,729,396 | \$ 4,816,446 |
| Investments | 1,552,812 | - | 2,095,391 | 3,648,203 |
| Receivables, net | 285,514 | - | 2,468 | 287,982 |
| Property taxes receivable | 2,528,289 | 877,833 | - | 3,406,122 |
| Due from other governments | 1,452,433 | 219 | 58,064 | 1,510,716 |
| Restricted cash and cash equivalents | 676,374 | 860,179 | 592,137 | 2,128,690 |
| Total assets | <u>\$ 7,582,472</u> | <u>\$ 1,738,231</u> | <u>\$ 6,477,456</u> | <u>\$ 15,798,159</u> |
| Liabilities, deferred inflows, and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 807,021 | \$ - | \$ 479,584 | \$ 1,286,605 |
| Accrued wages and taxes | 102,689 | - | - | 102,689 |
| Other payables | 165,668 | - | - | 165,668 |
| Construction bonds payable | 672,429 | - | - | 672,429 |
| Due to other funds | 818,077 | - | - | 818,077 |
| Total liabilities | <u>2,565,884</u> | <u>-</u> | <u>479,584</u> | <u>3,045,468</u> |
| Deferred inflow of resources: | | | | |
| Deferred revenue - property taxes | 2,528,289 | 877,833 | - | 3,406,122 |
| Total deferred inflows of resources | <u>2,528,289</u> | <u>877,833</u> | <u>-</u> | <u>3,406,122</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | 860,398 | 20 | 860,418 |
| Capital outlay - impact fees | - | - | 3,692,338 | 3,692,338 |
| Capital outlay - other | - | - | 1,336,517 | 1,336,517 |
| Class C roads | 120,623 | - | - | 120,623 |
| Culture and recreation | - | - | 557,694 | 557,694 |
| Other purposes | - | - | 1,150 | 1,150 |
| Committed to: | | | | |
| Cemetery | - | - | 20,408 | 20,408 |
| Assigned to: | | | | |
| Capital outlay | - | - | 389,745 | 389,745 |
| Unassigned | 2,367,676 | - | - | 2,367,676 |
| Total fund balances | <u>2,488,299</u> | <u>860,398</u> | <u>5,997,872</u> | <u>9,346,569</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 7,582,472</u> | <u>\$ 1,738,231</u> | <u>\$ 6,477,456</u> | <u>\$ 15,798,159</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, 2017

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

| | | |
|--|---------------------|------------------------------|
| Total fund balances - total governmental funds | | \$ 9,346,569 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental capital assets | \$ 139,595,888 | |
| Accumulated depreciation | <u>(18,668,954)</u> | 120,926,934 |
| Net pension asset is not an available resource and, therefore, is not reported in the funds. | | |
| | | 6,424 |
| 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 | (20,587,000) | |
| Bond issuance premium | (496,575) | |
| Capital leases payable | (1,248,026) | |
| Net pension liability | (2,273,174) | |
| Compensated absences | (532,196) | |
| Accrued interest payable | <u>(124,198)</u> | (25,261,169) |
| 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) | 465,288 | |
| Deferred outflows related to pensions | 1,279,154 | |
| Deferred inflows related to pensions | <u>(393,516)</u> | 1,350,926 |
| 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 | 209,461 | |
| Plus (less) items included in balances above: | | |
| Capital assets, net | (158,033) | |
| Net pension asset, liability and related deferrals | 47,783 | |
| Compensated absences included above | <u>5,317</u> | 104,528 |
| Net position of governmental activities | | <u><u>\$ 106,474,212</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, 2017

| | <u>General Fund</u> | <u>Coral Canyon SSD</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|---------------------------------|---------------------------------|
| Revenues | | | | |
| Current year property taxes | \$ 2,574,185 | \$ 866,194 | \$ - | \$ 3,440,379 |
| Prior year property taxes | 111,579 | - | - | 111,579 |
| General sales, use and other taxes | 5,454,969 | - | 354,804 | 5,809,773 |
| Energy taxes | 806,345 | - | - | 806,345 |
| Franchise taxes | 437,640 | - | - | 437,640 |
| Licenses and permits | 887,882 | - | - | 887,882 |
| Intergovernmental revenues | 1,250,783 | - | - | 1,250,783 |
| Charges for services | 4,377,892 | - | - | 4,377,892 |
| Impact fees | - | - | 3,415,555 | 3,415,555 |
| Fines and forfeitures | 304,160 | - | - | 304,160 |
| Investment earnings | 37,622 | 8,732 | 52,796 | 99,150 |
| Miscellaneous | 351,611 | - | 10,359 | 361,970 |
| Total revenues | <u>16,594,668</u> | <u>874,926</u> | <u>3,833,514</u> | <u>21,303,108</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,377,664 | 19,215 | - | 1,396,879 |
| Public safety | 4,471,899 | - | - | 4,471,899 |
| Streets and highways | 759,553 | - | 472,374 | 1,231,927 |
| Sanitation | 1,385,279 | - | - | 1,385,279 |
| Parks, golf, cemetery and public property | 2,737,147 | - | - | 2,737,147 |
| Culture and recreation | 2,138,948 | - | 76,426 | 2,215,374 |
| Community and economic development | 788,134 | - | - | 788,134 |
| Debt service: | | | | |
| Principal | 87,630 | 8,625,000 | 1,369,000 | 10,081,630 |
| Interest | 41,307 | 242,772 | 312,292 | 596,371 |
| Bond issuance costs | - | 85,316 | - | 85,316 |
| Capital outlay | - | - | 2,042,367 | 2,042,367 |
| Total expenditures | <u>13,787,561</u> | <u>8,972,303</u> | <u>4,272,459</u> | <u>27,032,323</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,807,107</u> | <u>(8,097,377)</u> | <u>(438,945)</u> | <u>(5,729,215)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 3,882,628 | 3,882,628 |
| Transfers out | (1,719,504) | - | (2,177,700) | (3,897,204) |
| Capital lease | - | - | 601,848 | 601,848 |
| Refunding bonds issued | - | 7,370,000 | - | 7,370,000 |
| Premium on refunding bonds issued | - | 541,718 | - | 541,718 |
| Total other financing sources and (uses) | <u>(1,719,504)</u> | <u>7,911,718</u> | <u>2,306,776</u> | <u>8,498,990</u> |
| Net change in fund balances | 1,087,603 | (185,659) | 1,867,831 | 2,769,775 |
| Fund balances - beginning | <u>1,400,696</u> | <u>1,046,057</u> | <u>4,130,041</u> | <u>6,576,794</u> |
| Fund balances - ending | <u>\$ 2,488,299</u> | <u>\$ 860,398</u> | <u>\$ 5,997,872</u> | <u>\$ 9,346,569</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, 2017

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

Net change in fund balances-total governmental funds \$ 2,769,775

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

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 1,258,114 | |
| Depreciation expense | <u>(1,580,798)</u> | (322,684) |

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. 4,835,923

Repayment of principal on long-term debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 10,081,630

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

| | | |
|---|---------------|-------------|
| Debt issued or incurred, including refundings | (8,513,566) | |
| Less deferred charges on refunding, net | <u>54,727</u> | (8,458,839) |

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | | |
|----------------------------------|---------------|--------|
| Amortization of premium on bonds | <u>45,143</u> | 45,143 |
|----------------------------------|---------------|--------|

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 | (48,420) | |
| Accrued interest, net change | 15,931 | |
| Compensated absences, net change | <u>(46,317)</u> | (78,806) |

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 | 339,850 | |
| Pension expense | <u>(455,684)</u> | (115,834) |

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 | (31,791) | |
| Net activity included in balances above | <u>13,613</u> | (18,178) |

Change in net position of governmental activities \$ 8,738,130

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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Revenues | | | | |
| Current year property taxes | \$ 2,578,405 | \$ 2,578,405 | \$ 2,574,185 | \$ (4,220) |
| Prior-years property taxes | 90,000 | 110,000 | 111,579 | 1,579 |
| General sales and use taxes | 5,300,000 | 5,332,000 | 5,454,969 | 122,969 |
| Energy taxes | 730,000 | 729,900 | 806,345 | 76,445 |
| Franchise taxes | 430,000 | 435,000 | 437,640 | 2,640 |
| Licenses and permits | 668,998 | 842,198 | 887,882 | 45,684 |
| Intergovernmental revenues | 872,848 | 1,162,901 | 1,250,783 | 87,882 |
| Charges for services | 4,295,650 | 4,289,210 | 4,377,892 | 88,682 |
| Fines and forfeitures | 350,000 | 300,800 | 304,160 | 3,360 |
| Investment earnings | 10,000 | 31,643 | 37,622 | 5,979 |
| Miscellaneous | 118,502 | 346,311 | 351,611 | 5,300 |
| Total revenues | <u>15,444,403</u> | <u>16,158,368</u> | <u>16,594,668</u> | <u>436,300</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,458,860 | 1,445,195 | 1,377,664 | 67,531 |
| Public safety | 4,558,417 | 4,528,922 | 4,471,899 | 57,023 |
| Streets and highways | 750,857 | 781,857 | 759,553 | 22,304 |
| Sanitation | 1,410,600 | 1,395,600 | 1,385,279 | 10,321 |
| Parks, golf, cemetery and public property | 2,890,683 | 2,759,869 | 2,737,147 | 22,722 |
| Culture and recreation | 2,267,238 | 2,197,131 | 2,138,948 | 58,183 |
| Community and economic development | 817,913 | 808,227 | 788,134 | 20,093 |
| Debt service: | | | | |
| Principal | - | 87,902 | 87,630 | 272 |
| Interest | - | 41,307 | 41,307 | - |
| Total debt service | <u>-</u> | <u>129,209</u> | <u>128,937</u> | <u>272</u> |
| Total expenditures | <u>14,154,568</u> | <u>14,046,010</u> | <u>13,787,561</u> | <u>258,449</u> |
| Excess of revenues over (under) expenditures | <u>1,289,835</u> | <u>2,112,358</u> | <u>2,807,107</u> | <u>694,749</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 132,000 | - | - | - |
| Transfers out | <u>(1,290,074)</u> | <u>(1,729,761)</u> | <u>(1,719,504)</u> | <u>10,257</u> |
| Total other financing sources and (uses) | <u>(1,158,074)</u> | <u>(1,729,761)</u> | <u>(1,719,504)</u> | <u>10,257</u> |
| Net change in fund balances | 131,761 | 382,597 | 1,087,603 | 705,006 |
| Fund balance - beginning | <u>1,400,696</u> | <u>1,400,696</u> | <u>1,400,696</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,532,457</u> | <u>\$ 1,783,293</u> | <u>\$ 2,488,299</u> | <u>\$ 705,006</u> |

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

WASHINGTON CITY, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-type Activities | | | | | Total Enterprise Funds | Governmental Activities |
|---------------------------------------|--------------------------|-------------------|-------------------|-------------------|----------------------------|------------------------------|-----------------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | | Internal Service Fund |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,262,739 | \$ 1,176,601 | \$ - | \$ 795,501 | \$ 4,366 | \$ 3,239,207 | \$ 118,819 |
| Investments | 4,779,247 | 6,554,730 | 5,090,665 | 3,157,310 | - | 19,581,952 | - |
| Accounts receivable, net | 968,281 | 120,171 | 2,523,289 | 86,813 | 2,713 | 3,701,267 | - |
| Due from other funds | - | 818,077 | - | - | - | 818,077 | - |
| Due from other governments | - | - | - | - | - | - | 2,711 |
| Inventory | - | - | 574,330 | - | - | 574,330 | 21,711 |
| Total current assets | <u>7,010,267</u> | <u>8,669,579</u> | <u>8,188,284</u> | <u>4,039,624</u> | <u>7,079</u> | <u>27,914,833</u> | <u>143,241</u> |
| Noncurrent assets: | | | | | | | |
| Restricted cash and cash equivalents | 218,453 | - | 270,713 | - | - | 489,166 | - |
| Restricted investments | - | - | 248,694 | - | - | 248,694 | - |
| Net pension asset | 888 | 887 | 1,113 | 130 | (31) | 2,987 | 223 |
| Capital assets: | | | | | | | |
| Land | 821,613 | 107,055 | 1,367,687 | 99,208 | - | 2,395,563 | - |
| Buildings | 1,216,922 | 2,070,689 | 3,300,239 | - | - | 6,587,850 | 324,370 |
| Improvements and systems | 52,949,045 | 22,691,942 | 28,253,515 | 14,536,865 | 3,102,552 | 121,533,919 | - |
| Machinery and equipment | 789,121 | 891,720 | 568,526 | 68,196 | 4,990 | 2,322,553 | 46,625 |
| Automobiles and trucks | 595,490 | 199,236 | 1,083,668 | 39,801 | - | 1,918,195 | 177,376 |
| Construction in progress | - | 38,078 | 139,810 | 530,576 | - | 708,464 | - |
| Less accumulated depreciation | (16,070,934) | (6,524,366) | (9,260,493) | (1,818,393) | (105,355) | (33,779,541) | (390,338) |
| Total capital assets, net | <u>40,301,257</u> | <u>19,474,354</u> | <u>25,452,952</u> | <u>13,456,253</u> | <u>3,002,187</u> | <u>101,687,003</u> | <u>158,033</u> |
| Total noncurrent assets | <u>40,520,598</u> | <u>19,475,241</u> | <u>25,973,472</u> | <u>13,456,383</u> | <u>3,002,156</u> | <u>102,427,850</u> | <u>158,256</u> |
| Total assets | <u>47,530,865</u> | <u>28,144,820</u> | <u>34,161,756</u> | <u>17,496,007</u> | <u>3,009,235</u> | <u>130,342,683</u> | <u>301,497</u> |
| Deferred outflow of resources | | | | | | | |
| Deferred charge on refunding | - | - | 139,044 | - | - | 139,044 | - |
| Deferred outflows related to pensions | 246,841 | 163,631 | 317,209 | 46,245 | 5,216 | 779,142 | 44,414 |
| Total deferred outflow of resources | <u>246,841</u> | <u>163,631</u> | <u>456,253</u> | <u>46,245</u> | <u>5,216</u> | <u>918,186</u> | <u>44,414</u> |

(Continued)

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

WASHINGTON CITY, UTAH
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

| | Business-type Activities | | | | | Governmental Activities | |
|--|--------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|-----------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| Liabilities | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 398,146 | \$ 575,122 | \$ 1,574,301 | \$ 340,516 | \$ 1,812 | \$ 2,889,897 | \$ 35,770 |
| Accrued wages and taxes | 16,310 | 10,035 | 20,910 | 3,494 | 297 | 51,046 | 2,943 |
| Accrued interest payable | 26,272 | - | 53,533 | - | - | 79,805 | - |
| Customer deposits | 218,400 | - | 203,890 | - | - | 422,290 | - |
| Unearned revenue | 91,396 | 9,243 | 20,156 | 2,332 | - | 123,127 | - |
| Compensated absences payable - current | 84,668 | 49,560 | 105,928 | 15,890 | 730 | 256,776 | 5,317 |
| Capital leases payable - current | 1,938 | - | 107,385 | - | - | 109,323 | - |
| Revenue bonds payable - current | 390,000 | - | 475,000 | - | - | 865,000 | - |
| Total current liabilities | <u>1,227,130</u> | <u>643,960</u> | <u>2,561,103</u> | <u>362,232</u> | <u>2,839</u> | <u>4,797,264</u> | <u>44,030</u> |
| Noncurrent liabilities: | | | | | | | |
| Compensated absences payable | - | 18,296 | 2,473 | 2,899 | - | 23,668 | - |
| Capital leases payable | 24,008 | - | 793,620 | - | - | 817,628 | - |
| Revenue bonds payable | 9,672,294 | - | 6,040,000 | - | - | 15,712,294 | - |
| Net pension liability | 422,150 | 293,515 | 541,486 | 73,974 | 7,104 | 1,338,229 | 78,759 |
| Total noncurrent liabilities | <u>10,118,452</u> | <u>311,811</u> | <u>7,377,579</u> | <u>76,873</u> | <u>7,104</u> | <u>17,891,819</u> | <u>78,759</u> |
| Total liabilities | <u>11,345,582</u> | <u>955,771</u> | <u>9,938,682</u> | <u>439,105</u> | <u>9,943</u> | <u>22,689,083</u> | <u>122,789</u> |
| Deferred inflows of resources | | | | | | | |
| Deferred inflows related to pensions | 73,713 | 50,752 | 94,548 | 13,566 | 1,246 | 233,825 | 13,661 |
| Total deferred inflow of resources | <u>73,713</u> | <u>50,752</u> | <u>94,548</u> | <u>13,566</u> | <u>1,246</u> | <u>233,825</u> | <u>13,661</u> |
| Net position | | | | | | | |
| Net investment in capital assets | 30,213,017 | 19,474,354 | 18,036,947 | 13,456,253 | 3,002,187 | 84,182,758 | 158,033 |
| Restricted for: | | | | | | | |
| Debt service | 53 | - | 315,517 | - | - | 315,570 | - |
| Capital outlay | 1,139,102 | 2,120,299 | - | 1,340,057 | - | 4,599,458 | - |
| Unrestricted | 5,006,239 | 5,707,275 | 6,232,315 | 2,293,271 | 1,075 | 19,240,175 | 51,428 |
| Total net position | <u>\$ 36,358,411</u> | <u>\$ 27,301,928</u> | <u>\$ 24,584,779</u> | <u>\$ 17,089,581</u> | <u>\$ 3,003,262</u> | <u>\$ 108,337,961</u> | <u>\$ 209,461</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, 2017

| | Business-type Activities | | | | | Governmental Activities | |
|--|--------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|-----------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| Operating revenues: | | | | | | | |
| Charges for services | \$ 5,445,290 | \$ 1,655,957 | \$ 12,176,630 | \$ 989,858 | \$ 17,310 | \$ 20,285,045 | \$ 534,643 |
| Miscellaneous | 9,893 | 552 | 88,358 | 42,406 | 24 | 141,233 | 1,389 |
| Total operating revenues | <u>5,455,183</u> | <u>1,656,509</u> | <u>12,264,988</u> | <u>1,032,264</u> | <u>17,334</u> | <u>20,426,278</u> | <u>536,032</u> |
| Operating expenses: | | | | | | | |
| Salaries and wages | 781,897 | 526,638 | 1,039,880 | 177,960 | 16,031 | 2,542,406 | 140,438 |
| Employee benefits | 505,273 | 354,976 | 590,951 | 122,172 | 14,438 | 1,587,810 | 91,981 |
| Utilities | 428,821 | 33,435 | 63,733 | 6,894 | - | 532,883 | 11,958 |
| Professional services | 40,346 | 35,620 | 127,044 | 200,950 | 700 | 404,660 | 2,187 |
| Repairs and maintenance | 417,138 | 155,183 | 697,858 | 22,964 | - | 1,293,143 | 6,079 |
| Water purchased | 1,490,869 | - | - | - | - | 1,490,869 | - |
| Power purchased | - | - | 6,723,532 | - | - | 6,723,532 | - |
| Transmission expense | - | - | 1,124,793 | - | - | 1,124,793 | - |
| Miscellaneous | 42,484 | 3,625 | 78,660 | 3,818 | - | 128,587 | 3,091 |
| Administrative cost allocation | 269,010 | 96,075 | 332,981 | 38,430 | - | 736,496 | 19,215 |
| Supplies | 81,819 | 80,072 | 77,949 | 13,678 | 1,646 | 255,164 | 279,263 |
| Depreciation/amortization | 1,285,315 | 620,777 | 821,171 | 333,741 | 29,189 | 3,090,193 | 13,611 |
| Total operating expenses | <u>5,342,972</u> | <u>1,906,401</u> | <u>11,678,552</u> | <u>920,607</u> | <u>62,004</u> | <u>19,910,536</u> | <u>567,823</u> |
| Operating income (loss) | <u>112,211</u> | <u>(249,892)</u> | <u>586,436</u> | <u>111,657</u> | <u>(44,670)</u> | <u>515,742</u> | <u>(31,791)</u> |
| Nonoperating revenues (expenses): | | | | | | | |
| Investment earnings | 60,093 | 95,666 | 55,499 | 38,736 | - | 249,994 | - |
| Impact fees | 1,048,106 | 552,878 | 558,166 | 442,023 | - | 2,601,173 | - |
| Gain (loss) on disposal of capital assets | - | 14,649 | 1,409 | 2,700 | - | 18,758 | - |
| Interest and fiscal charges | (353,843) | - | (176,431) | - | - | (530,274) | - |
| Bond issuance costs | (120,671) | - | - | - | - | (120,671) | - |
| Total nonoperating revenues (expenses) | <u>633,685</u> | <u>663,193</u> | <u>438,643</u> | <u>483,459</u> | <u>-</u> | <u>2,218,980</u> | <u>-</u> |
| Income (loss) before transfers and capital contributions | 745,896 | 413,301 | 1,025,079 | 595,116 | (44,670) | 2,734,722 | (31,791) |
| Transfers in | - | - | - | - | 14,576 | 14,576 | - |
| Capital contributions | 2,595,652 | 1,633,820 | 1,607,472 | 1,465,714 | 761,391 | 8,064,049 | - |
| Change in net position | <u>3,341,548</u> | <u>2,047,121</u> | <u>2,632,551</u> | <u>2,060,830</u> | <u>731,297</u> | <u>10,813,347</u> | <u>(31,791)</u> |
| Total net position - beginning | 33,016,863 | 25,254,807 | 21,952,228 | 15,028,751 | 1,958,124 | 97,210,773 | 241,252 |
| Prior period adjustment | - | - | - | - | 313,841 | 313,841 | - |
| Total net position - ending | <u>\$ 36,358,411</u> | <u>\$ 27,301,928</u> | <u>\$ 24,584,779</u> | <u>\$ 17,089,581</u> | <u>\$ 3,003,262</u> | <u>\$ 108,337,961</u> | <u>\$ 209,461</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, 2017

| | Business-type Activities | | | | | Governmental Activities | |
|---|--------------------------|---------------------|--------------------|-------------------|----------------------|-------------------------|-----------------------|
| | Water | Sewer | Electric | Storm Drain | Non Major Irrigation | Total Enterprise Funds | Internal Service Fund |
| Cash flows from operating activities: | | | | | | | |
| Cash received from customers and users | \$ 5,362,286 | \$ 1,675,764 | \$ 11,809,936 | \$ 1,024,856 | \$ 16,321 | \$ 19,889,163 | \$ 18,865 |
| Cash received from interfund charges for fleet services | - | - | - | - | - | - | 515,778 |
| Cash received (paid) from (to) others | - | - | - | - | - | - | 829 |
| Cash collected (remitted) for pass through fees | - | 400,508 | - | - | - | 400,508 | - |
| Cash paid to suppliers | (2,641,531) | (408,026) | (9,127,287) | (272,455) | (1,496) | (12,450,795) | (307,240) |
| Cash paid to employees | (1,256,330) | (863,920) | (1,610,544) | (297,085) | (30,122) | (4,058,001) | (228,413) |
| Net cash flows from operating activities | <u>1,464,425</u> | <u>804,326</u> | <u>1,072,105</u> | <u>455,316</u> | <u>(15,297)</u> | <u>3,780,875</u> | <u>(181)</u> |
| Cash flows from noncapital financing activities: | | | | | | | |
| Transfers (to) from other funds | - | - | - | - | 14,576 | 14,576 | - |
| Cash received (paid) from (to) other funds | - | 92,031 | - | - | - | 92,031 | - |
| Net cash flows from noncapital financing activities | - | <u>92,031</u> | - | - | <u>14,576</u> | <u>106,607</u> | - |
| Cash flows from capital and related financing activities: | | | | | | | |
| Proceeds from capital debt | 11,315,847 | - | - | - | - | 11,315,847 | - |
| Principal paid on capital debt | (12,445,917) | - | (571,708) | - | - | (13,017,625) | - |
| Interest paid on capital debt | (498,595) | - | (163,079) | - | - | (661,674) | - |
| Purchase and acquisition of capital assets | (245,621) | (451,761) | (1,100,485) | (187,938) | - | (1,985,805) | - |
| Proceeds from sales of capital assets | - | 51,000 | 31,004 | 39,051 | - | 121,055 | - |
| Impact fees | 1,048,106 | 552,878 | 558,166 | 442,023 | - | 2,601,173 | - |
| Net cash flows from capital and related financing activities | <u>(826,180)</u> | <u>152,117</u> | <u>(1,246,102)</u> | <u>293,136</u> | <u>-</u> | <u>(1,627,029)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | | | | |
| Net change in investments | (594,568) | (785,567) | (168,156) | (256,729) | - | (1,805,020) | - |
| Interest and dividends received | 98,010 | 142,539 | 100,198 | 63,632 | - | 404,379 | - |
| Net cash flows from investing activities | <u>(496,558)</u> | <u>(643,028)</u> | <u>(67,958)</u> | <u>(193,097)</u> | <u>-</u> | <u>(1,400,641)</u> | <u>-</u> |
| Net change in cash and cash equivalents | 141,687 | 405,446 | (241,955) | 555,355 | (721) | 859,812 | (181) |
| Cash and cash equivalents, including restricted, beginning of year | <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> |
| Cash and cash equivalents, including restricted, end of year | <u>\$ 1,481,192</u> | <u>\$ 1,176,601</u> | <u>\$ 519,407</u> | <u>\$ 795,501</u> | <u>\$ 4,366</u> | <u>\$ 3,977,067</u> | <u>\$ 118,819</u> |

(Continued)

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

WASHINGTON CITY, UTAH
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

| | Business-type Activities | | | | | Governmental Activities | |
|---|--------------------------|-------------------|---------------------|-------------------|------------------------|-------------------------|-----------------------|
| | Water | Sewer | Electric | Storm Drain | Other Enterprise Funds | Total Enterprise Funds | Internal Service Fund |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | | | |
| Net operating income (loss) | \$ 112,211 | \$ (249,892) | \$ 586,436 | \$ 111,657 | \$ (44,670) | \$ 515,742 | \$ (31,791) |
| Adjustments to reconcile net operating income (loss) to net cash flows from operating activities: | | | | | | | |
| Depreciation/amortization | 1,285,315 | 620,777 | 821,171 | 333,741 | 29,189 | 3,090,193 | 13,611 |
| Pension expense | 90,545 | 60,429 | 116,402 | 16,180 | 1,935 | 285,491 | 16,401 |
| Employer pension contributions | (70,235) | (44,888) | (90,236) | (15,748) | (1,437) | (222,544) | (12,380) |
| Changes in operating assets and liabilities: | | | | | | | |
| (Increase) decrease in receivables | (143,557) | 13,766 | (465,679) | (7,906) | (1,013) | (604,389) | - |
| (Increase) decrease in inventory | - | - | 17,625 | - | - | 17,625 | (655) |
| (Increase) decrease in due from other governments | - | - | - | - | - | - | (560) |
| Increase (decrease) in accounts payable | 128,956 | 396,492 | 81,638 | 14,279 | 850 | 622,215 | 15,208 |
| Increase (decrease) in accrued payroll | (2,207) | (3,298) | (4,617) | (423) | (50) | (10,595) | (659) |
| Increase (decrease) in customer deposits | 25,795 | - | (3,471) | - | - | 22,324 | - |
| Increase (decrease) in unearned revenues | 24,865 | 5,489 | 14,098 | 498 | - | 44,950 | - |
| Increase (decrease) in compensated absences | 12,737 | 5,451 | (1,262) | 3,038 | (101) | 19,863 | 644 |
| Net cash flows from operating activities | <u>\$ 1,464,425</u> | <u>\$ 804,326</u> | <u>\$ 1,072,105</u> | <u>\$ 455,316</u> | <u>\$ (15,297)</u> | <u>\$ 3,780,875</u> | <u>\$ (181)</u> |
| Noncash investing, capital, and financing activities | | | | | | | |
| Contributions of capital assets | \$ 2,595,652 | \$ 1,633,820 | \$ 1,607,472 | \$ 1,465,714 | \$ 761,391 | \$ 8,064,049 | \$ - |
| Increase (decrease) in fair value of investments | (37,917) | (46,873) | (44,699) | (24,896) | - | (154,385) | - |
| Purchase of capital assets on account | - | 22,297 | - | 303,561 | - | 325,858 | - |

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

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 **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 the District and the Authority are governed by boards of trustees comprised of the elected officials of the City and both are treated as governmental debt service funds in these financial statements.

The **Washington City Foundation** (the Foundation) was created on August 10, 2016 to account for various activities related to the award of grants and other qualified tax-exempt funding and donations made to the Foundation. The Foundation is a separate, nonprofit entity (501c3) that has the same governing body as the City. The Foundation is treated as a blended component unit in these financial statements as a special revenue fund.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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 **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).

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, energy taxes, state road funds and unreimbursed, earned grant funds associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City. The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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, 2017 are as follows: general fund (garbage service) - \$7,329; water - \$21,591; sewer - \$4,772; electric - \$76,088; and storm drain - \$3,424.

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.

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 acquisition 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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

| | |
|----------------------------|------------------|
| Buildings and improvements | 10-50 years |
| Improvements and systems | 10-100 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.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 3. Stewardship, Compliance, and Accountability

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.

NOTE 4. Deposits and Investments

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

| | |
|--------------------------------------|----------------------|
| Cash and cash equivalents | \$ 8,174,472 |
| Investments | 23,230,155 |
| Restricted cash and cash equivalents | 2,617,856 |
| Restricted investments | 248,694 |
| Total | <u>\$ 34,271,177</u> |

Restricted cash and cash equivalents and restricted investments 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 4. Deposits and Investments, Continued

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, 2017, \$640,618 of the City's bank balance of \$890,618 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.

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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 4. Deposits and Investments, Continued

As of June 30, 2017, the City's deposits and investments consist of the following:

| | Value | Moody's | S&P | Maturity (2) |
|--|----------------------|------------|------------|--------------|
| Cash on hand | \$ 1,450 | N/A | N/A | N/A |
| Cash deposits | 1,350,960 | N/A | N/A | N/A |
| Utah Public Treasurers' Investment Fund | 9,439,919 | N/A | N/A | 54.71 |
| Moreton Capital Markets US Govt MMF (RBC Reserve) | 14,897 | Aaa-mf | AAAm | 52 |
| Bonds - U.S. Agencies | 8,331,380 | N/A | AAA | 1,237 |
| Bonds - municipal | 621,927 | Aa2 to A2 | AA+ to AA- | 837 |
| Bonds - corporate | 14,510,644 | A1 to Baa1 | A+ to BBB+ | 476 |
| Total Fair Value | <u>\$ 34,271,177</u> | | | |

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

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

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

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, 2017

NOTE 5. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

| Governmental Activities: | Balance 6/30/16 | Additions | Deletions | Balance 6/30/17 |
|--|----------------------------|---------------------|--------------------|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land, easements and water rights | \$ 2,913,379 | \$ - | \$ - | \$ 2,913,379 |
| Construction in progress | 144,241 | 839,046 | (68,994) | 914,293 |
| Infrastructure | 77,281,533 | 5,245,922 | - | 82,527,455 |
| Total capital assets, not being depreciated: | <u>80,339,153</u> | <u>6,084,968</u> | <u>(68,994)</u> | <u>86,355,127</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and other improvements | 47,246,629 | - | - | 47,246,629 |
| Machinery and equipment | 3,226,839 | 5,455 | - | 3,232,294 |
| Automobiles and trucks | 2,689,230 | 72,608 | - | 2,761,838 |
| Total capital assets, being depreciated: | <u>53,162,698</u> | <u>78,063</u> | <u>-</u> | <u>53,240,761</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and other improvements | (12,495,153) | (1,322,218) | - | (13,817,371) |
| Machinery and equipment | (2,341,427) | (141,747) | - | (2,483,174) |
| Automobiles and trucks | (2,251,576) | (116,833) | - | (2,368,409) |
| Total accumulated depreciation | <u>(17,088,156)</u> | <u>(1,580,798)</u> | <u>-</u> | <u>(18,668,954)</u> |
| Total capital assets, being depreciated, net | <u>36,074,542</u> | <u>(1,502,735)</u> | <u>-</u> | <u>34,571,807</u> |
| Governmental activities capital assets, net | <u>\$ 116,413,695</u> | <u>\$ 4,582,233</u> | <u>\$ (68,994)</u> | <u>\$ 120,926,934</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 184,863 |
| Public safety | 220,508 |
| Streets and highways | 58,955 |
| Parks, golf, cemetery and public property | 654,057 |
| Culture and recreation | 457,912 |
| Community and economic development | 4,503 |
| Total depreciation expense - governmental activities | <u>\$ 1,580,798</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 5. Capital Assets, Continued

Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

| Business-type Activities: | Balance 6/30/16 | Additions | Deletions | Prior Period Adjustment* | Balance 6/30/17 |
|--|----------------------------|---------------------|-----------------------|-------------------------------------|----------------------------|
| Capital assets not being depreciated: | | | | | |
| Land, easements and water rights | \$ 2,297,563 | \$ 98,000 | \$ - | \$ - | \$ 2,395,563 |
| Construction in progress | 130,535 | 1,531,071 | (953,142) | - | 708,464 |
| Total capital assets, not being depreciated | <u>2,428,098</u> | <u>1,629,071</u> | <u>(953,142)</u> | <u>-</u> | <u>3,104,027</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 6,470,337 | 117,513 | - | - | 6,587,850 |
| Improvements and systems | 112,363,305 | 9,170,614 | - | - | 121,533,919 |
| Machinery and equipment | 2,176,703 | 233,695 | (87,845) | - | 2,322,553 |
| Automobiles and trucks | 1,859,636 | 177,961 | (119,402) | - | 1,918,195 |
| Total capital assets, being depreciated | <u>122,869,981</u> | <u>9,699,783</u> | <u>(207,247)</u> | <u>-</u> | <u>132,362,517</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (689,149) | (138,466) | - | - | (827,615) |
| Improvements and systems | (27,528,686) | (2,775,698) | - | 313,841 | (29,990,543) |
| Machinery and equipment | (1,553,682) | (81,601) | 87,845 | - | (1,547,438) |
| Automobiles and trucks | (1,336,622) | (94,428) | 17,105 | - | (1,413,945) |
| Total accumulated depreciation | <u>(31,108,139)</u> | <u>(3,090,193)</u> | <u>104,950</u> | <u>313,841</u> | <u>(33,779,541)</u> |
| Total capital assets, being depreciated, net | <u>91,761,842</u> | <u>6,609,590</u> | <u>(102,297)</u> | <u>313,841</u> | <u>98,582,976</u> |
| Business-type activities capital assets, net | <u>\$ 94,189,940</u> | <u>\$ 8,238,661</u> | <u>\$ (1,055,439)</u> | <u>\$ 313,841</u> | <u>\$ 101,687,003</u> |

*See Note 19 for additional information on the prior period adjustment.

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

| Business-type Activities: | |
|---|---------------------|
| Water | \$ 1,285,315 |
| Sewer | 620,777 |
| Electric | 821,171 |
| Storm drain | 333,741 |
| Irrigation | 29,189 |
| Total depreciation expense - business-type activities | <u>\$ 3,090,193</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 6. Long-term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

| Governmental Activities: | Balance 6/30/16 | Additions | Retirements | Balance 6/30/17 | Current Portion |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|
| General obligation bonds (Coral Canyon) | \$ 8,625,000 | \$ 7,370,000 | \$ 8,625,000 | \$ 7,370,000 | \$ 625,000 |
| Lease revenue bonds (MBA) | 11,947,000 | - | 974,000 | 10,973,000 | 998,000 |
| Sales tax and excise tax road revenue bonds | 2,639,000 | - | 395,000 | 2,244,000 | 319,000 |
| Deferred amounts: | | | | | |
| For issuance premium | - | 541,718 | 45,143 | 496,575 | - |
| Capital leases payable | 733,808 | 601,848 | 87,630 | 1,248,026 | 35,064 |
| Net pension liability | 2,046,408 | 226,766 | - | 2,273,174 | - |
| Compensated absences | 485,235 | 412,640 | 365,679 | 532,196 | 401,069 |
| Total governmental activities | 26,476,451 | 9,152,972 | 10,492,452 | 25,136,971 | 2,378,133 |
| Business-type Activities: | | | | | |
| Revenue bonds | 18,202,176 | 10,265,000 | 12,807,176 | 15,660,000 | 865,000 |
| Deferred amounts: | | | | | |
| For issuance premium | - | 1,050,847 | 133,553 | 917,294 | - |
| Capital leases payable | 1,036,607 | - | 109,656 | 926,951 | 109,323 |
| Net pension liability | 1,194,946 | 143,283 | - | 1,338,229 | - |
| Compensated absences | 260,581 | 272,131 | 252,268 | 280,444 | 256,776 |
| Total business-type activities | 20,694,310 | 11,731,261 | 13,302,653 | 19,122,918 | 1,231,099 |
| Total long-term liabilities | \$ 47,170,761 | \$ 20,884,233 | \$ 23,795,105 | \$ 44,259,889 | \$ 3,609,232 |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 6. Long-term Liabilities, Continued

Long-term liabilities for the City at June 30, 2017 consist of the following:

General Obligation Bonds:

Governmental Activities:

Coral Canyon Special Service District:

| | |
|--|---------------------|
| General Obligation Refunding Bonds Series 2016 issued October 6, 2016 in the amount of \$7,370,000 payable in annual principal installments of \$595,000 to \$755,000 with final payment due July 15, 2027. Interest is paid semi-annually at a rate of 3.00%. | <u>\$ 7,370,000</u> |
|--|---------------------|

| | |
|---|------------------|
| Total general obligation bonds, governmental activities | <u>7,370,000</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. | 5,044,000 |
|--|-----------|

| | |
|---|-----------|
| 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. | 2,389,000 |
|---|-----------|

| | |
|---|------------------|
| 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>3,540,000</u> |
|---|------------------|

| | |
|--|-------------------|
| Total lease revenue bonds (MBA), governmental activities | <u>10,973,000</u> |
|--|-------------------|

| | |
|--|-----------|
| 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. | 1,848,000 |
|--|-----------|

| | |
|---|----------------|
| 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>396,000</u> |
|---|----------------|

| | |
|--|------------------|
| Total sales tax and excise tax road revenue bonds, governmental activities | <u>2,244,000</u> |
|--|------------------|

(Continued)

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 6. Long-term Liabilities, Continued

Business-type Activities:

| | |
|---|-------------------|
| Water Revenue Refunding Bonds - Series 2016 A payable in annual principal installments of \$310,000 to \$400,000 with a final payment due June 1, 2020. The bond interest of 1.00% to 1.60%. Interest is paid semi-annually. | \$ 1,185,000 |
| Water Revenue Refunding Bonds - Series 2016 B payable in annual principal installments of \$0 to \$495,000 with a final payment due June 1, 2046. The bond bears interest of 3.00% to 4.00%. Interest is paid semi-annually. | 7,960,000 |
| Electric Revenue Bonds - Series 2013 issued May 1, 2013 in the amount of \$7,621,000. Principal payable in annual installments of \$80,000 to \$617,000 with final payment due March 1, 2028. The bonds bear interest of 2.38%. | <u>6,515,000</u> |
| Total revenue bonds, business-type activities | <u>15,660,000</u> |

Leases Payable:

Governmental Activities:

| | |
|---|------------------|
| Leases payable in various installment amounts through fiscal year 2027. The leases bear interest ranging from 2.05% to 3.34%. | <u>1,248,026</u> |
| Total leases payable, governmental activities | <u>1,248,026</u> |

Business-type Activities:

| | |
|---|----------------|
| Leases payable in various installment amounts through fiscal year 2027. The leases bear interest ranging from 1.43% to 3.34%. | <u>926,951</u> |
| Total leases payable, business-type activities | <u>926,951</u> |

Net Pension Liability

3,611,403

Accrued Compensated Absences

812,640

Bond Premiums

1,413,869

| | |
|-----------------------------|----------------------|
| Total long-term liabilities | <u>\$ 44,259,889</u> |
| Due within one year | \$ 3,609,232 |
| Due in more than one year | <u>40,650,657</u> |
| Total long-term liabilities | <u>\$ 44,259,889</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 6. Long-term Liabilities, Continued

The annual requirements to amortize bonds and notes payable at June 30, 2017 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 |
| 2018 | \$ 625,000 | \$ 211,725 | \$ 998,000 | \$ 205,399 | \$ 319,000 | \$ 62,466 |
| 2019 | 595,000 | 193,425 | 1,021,000 | 186,755 | 324,000 | 53,086 |
| 2020 | 615,000 | 175,275 | 1,048,000 | 172,157 | 337,000 | 43,249 |
| 2021 | 630,000 | 156,600 | 1,076,000 | 155,472 | 343,000 | 32,930 |
| 2022 | 650,000 | 137,400 | 1,106,000 | 96,920 | 355,000 | 22,129 |
| 2023-2027 | 3,555,000 | 377,925 | 3,371,000 | 523,417 | 566,000 | 16,701 |
| 2028-2032 | 700,000 | 10,500 | 1,607,000 | 285,752 | - | - |
| 2033-2035 | - | - | 746,000 | 55,758 | - | - |
| Totals | \$ 7,370,000 | \$ 1,262,850 | \$ 10,973,000 | \$ 1,681,630 | \$ 2,244,000 | \$ 230,561 |

Business-type Activities

| Year Ending June 30, | Electric Revenue Bonds | | Water Revenue Bonds | | Total Principal |
|-------------------------|------------------------|-------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2018 | \$ 475,000 | \$ 149,405 | \$ 390,000 | \$ 314,746 | \$ 865,000 |
| 2019 | 487,000 | 137,957 | 395,000 | 310,066 | 882,000 |
| 2020 | 498,000 | 126,235 | 400,000 | 304,678 | 898,000 |
| 2021 | 510,000 | 114,240 | 395,000 | 298,294 | 905,000 |
| 2022 | 523,000 | 101,947 | 340,000 | 282,494 | 863,000 |
| 2023-2027 | 2,809,000 | 314,743 | 1,120,000 | 1,242,669 | 3,929,000 |
| 2028-2032 | 1,213,000 | 21,777 | 2,065,000 | 961,869 | 3,278,000 |
| 2033-2037 | - | - | 2,220,000 | 516,269 | 2,220,000 |
| 2038-2042 | - | - | 1,260,000 | 197,869 | 1,260,000 |
| 2043-2047 | - | - | 560,000 | 34,060 | 560,000 |
| Totals | \$ 6,515,000 | \$ 966,304 | \$ 9,145,000 | \$ 4,463,014 | \$ 15,660,000 |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

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. | Fire Truck | Total |
|---|-----------------------|-------------------------|---------------------------------|-------------------|---------------------|
| 2018 | \$ 138,734 | \$ 49,211 | \$ 57,198 | \$ 93,172 | \$ 338,315 |
| 2019 | 142,530 | 49,210 | 57,198 | 93,172 | 342,110 |
| 2020 | 146,433 | - | 57,195 | 93,172 | 296,800 |
| 2021 | 150,445 | - | 14,299 | 93,172 | 257,916 |
| 2022 | 154,570 | - | - | 93,172 | 247,742 |
| 2023-2027 | 801,314 | - | - | 186,339 | 987,653 |
| Total remaining lease payments: | 1,534,026 | 98,421 | 185,890 | 652,199 | 2,470,536 |
| Less amount representing interest: | <u>(236,738)</u> | <u>(1,734)</u> | <u>(6,734)</u> | <u>(50,353)</u> | <u>(295,559)</u> |
| Present value of net remaining minimum lease payments: | <u>\$ 1,297,288</u> | <u>\$ 96,687</u> | <u>\$ 179,156</u> | <u>\$ 601,846</u> | <u>\$ 2,174,977</u> |
| Governmental activities | \$ 467,024 | \$ - | \$ 179,156 | \$ 601,846 | \$ 1,248,026 |
| Business-type activities | 830,264 | 96,687 | - | - | 926,951 |
| | <u>\$ 1,297,288</u> | <u>\$ 96,687</u> | <u>\$ 179,156</u> | <u>\$ 601,846</u> | <u>\$ 2,174,977</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, 2017 is as follows:

| | Cost | Depreciation Expense | Accumulated Depreciation |
|----------------------------|---------------------|-------------------------|-----------------------------|
| Buildings and improvements | \$ 597,117 | \$ 59,714 | \$ 119,589 |
| Improvements and systems | 974,245 | 97,428 | 195,119 |
| Automobiles and trucks | 234,420 | 23,443 | 76,880 |
| Machinery and equipment | 245,055 | 35,013 | 35,013 |
| Construction in progress | 658,926 | - | - |
| | <u>\$ 2,709,763</u> | <u>\$ 215,598</u> | <u>\$ 426,601</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

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, 2017 were \$100,111. The future minimum rental payments for this lease are as follows:

| Year Ending June 30, | | |
|-------------------------|-----------|----------------|
| 2018 | \$ | 99,120 |
| 2019 | | 99,120 |
| 2020 | | 99,120 |
| 2021 | | 24,780 |
| 2022 | | - |
| | <u>\$</u> | <u>322,140</u> |

NOTE 9. Interfund Transfers and Balances

Interfund transfers for the fiscal year ended June 30, 2017 are as follows:

| | | <u>Transfers In</u> | | |
|--------------------------|-----------------------|--------------------------|---------------------------|---------------------|
| | | Nonmajor Governmental | Nonmajor Business-type | Total |
| Transfers Out | General Fund | \$ 1,704,928 | \$ 14,576 | \$ 1,719,504 |
| | Nonmajor Governmental | 2,177,700 | - | 2,177,700 |
| | Total | <u>\$ 3,882,628</u> | <u>\$ 14,576</u> | <u>\$ 3,897,204</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, 2017

NOTE 9. Interfund Transfers and Balances, Continued

Interfund balances at June 30, 2017 are as follows:

| | | Due From | |
|--------|------------|--------------|------------|
| | | General Fund | Total |
| Due To | Sewer Fund | \$ 818,077 | \$ 818,077 |
| | Total | \$ 818,077 | \$ 818,077 |

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 is 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.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

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

| System | Final average salary | Years of service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|---|-----------------------------|---|--|--|
| 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, 2017

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

| | <u>Employee</u> | <u>Employer</u> | <u>Employer 401(k) Plan</u> |
|--|-----------------|-----------------|-------------------------------------|
| Contributory System | | | |
| 111 – Local Governmental Div Tier 2 | N/A | 14.91 % | 1.78 % |
| Noncontributory System | | | |
| 15 – Local Governmental Div Tier 1 | N/A | 18.47 % | N/A |
| Public Safety System (Contributory) | | | |
| 23 – Other Div A with 2.5% COLA | 12.29 % | 22.75 % | N/A |
| 122 – Tier 2 DB Hybrid Public Safety | N/A | 22.50 % | 1.33 % |
| Firefighters System | | | |
| 31 – Other Division A | 15.05 % | 3.89 % | N/A |
| 132 – Tier 2 DB Hybrid Firefighters | N/A | 10.75 % | 1.33 % |
| Tier 2 DC Only | | | |
| 211 – Local Government | N/A | 6.69 % | 10.00 % |
| 222 – Public Safety | N/A | 11.83 % | 12.00 % |
| 232 – Firefighters | N/A | 0.08 % | 12.00 % |

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, 2017 the employer and employee contributions to the Systems were as follows:

| <u>System</u> | <u>Employer Contributions</u> | <u>Employee Contributions</u> |
|--|-----------------------------------|-----------------------------------|
| Noncontributory System | \$ 720,360 | N/A |
| Public Safety System | 166,232 | - |
| Firefighters System | 7,536 | - |
| Tier 2 Public Employees System | 128,353 | - |
| Tier 2 Public Safety and Firefighter System | 77,646 | - |
| Tier 2 DC Only System | 5,244 | N/A |
| Tier 2 DC Public Safety and Firefighter System | 6,205 | N/A |
| Total Contributions | <u>\$ 1,111,576</u> | <u>\$ -</u> |

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, 2017

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, 2017, the City reported a net pension asset of \$9,411 and a net pension liability of \$3,611,403.

| | <u>Proportionate Share</u> | <u>Net Pension Asset</u> | <u>Net Pension Liability</u> |
|---|--------------------------------|------------------------------|----------------------------------|
| Noncontributory System | 0.4423665% | \$ - | \$ 2,840,534 |
| Public Safety System | 0.3748773% | - | 760,730 |
| Firefighters System | 0.6584776% | 5,191 | - |
| Tier 2 Public Employees System | 0.0908929% | - | 10,139 |
| Tier 2 Public Safety and Firefighter System | 0.4862928% | 4,220 | - |
| Total net pension asset / liability | | <u>\$ 9,411</u> | <u>\$ 3,611,403</u> |

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017, the City recognized pension expense of \$1,293,654.

At June 30, 2017, 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 | \$ 64,819 | \$ 158,689 |
| Changes in assumptions | 552,055 | 136,973 |
| Net difference between projected and actual earnings on pension plan investments | 838,149 | 247,464 |
| Changes in proportion and differences between contributions and proportional share of contributions | 28,522 | 84,215 |
| Contributions subsequent to the measurement date | 574,751 | - |
| Total | <u>\$ 2,058,296</u> | <u>\$ 627,341</u> |

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 10. Defined Benefit Pension Plan, Continued

\$574,751 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, 2016. 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:

| <u>Year Ended December 31,</u> | <u>Deferred Outflows (Inflows) of Resources</u> |
|------------------------------------|---|
| 2017 | \$ 249,009 |
| 2018 | 269,416 |
| 2019 | 337,626 |
| 2020 | (18,087) |
| 2021 | 1,548 |
| Thereafter | 16,689 |

Actuarial assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.60 Percent |
| Salary increases | 3.35- 10.35 percent, average, including inflation |
| Investment rate of return | 7.2 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, 2016 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, 2017

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:

| Asset Class | Expected Return Arithmetic Basis | | |
|---------------------------|---|-------------------------------------|---|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| 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 | 2.60% |
| | | Expected arithmetic nominal return | 7.83% |

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.20 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| System | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System | \$ 5,883,709 | \$ 2,840,534 | \$ 301,171 |
| Public Safety System | 1,582,145 | 760,730 | 93,031 |
| Firefighters System | 187,722 | (5,191) | (161,721) |
| Tier 2 Public Employees System | 69,013 | 10,139 | (34,649) |
| Tier 2 Public Safety and Firefighter System | 29,534 | (4,221) | (30,161) |
| Total | <u>\$ 7,752,123</u> | <u>\$ 3,601,991</u> | <u>\$ 167,671</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), 457(b) and Roth IRA 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, the 457 plan and/or the Roth IRA plan up to specified limits. These plan funds are fully vested to participants at the time of deposit.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 11. Defined Contribution Plan, Continued

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 | | |
| 2017 | \$ 30,112 | \$ - |
| 2016 | 19,352 | - |
| 2015 | 16,827 | - |
| 401(k) Plan | | |
| 2017 | 96,740 | 286,363 |
| 2016 | 88,327 | 270,578 |
| 2015 | 88,403 | 265,096 |
| Roth IRA Plan | | |
| 2017 | 3,440 | N/A |
| 2016 | - | N/A |
| 2015 | - | N/A |

NOTE 12. Risk Management

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

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

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 13. Municipal Building Authority Lease Agreement

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

Pursuant to the lease arrangement, the Authority is to construct a community center and related improvements and refund all of the Authority's outstanding Lease Revenue Bonds, Series 1995 and its Lease Revenue Bonds, Series 1996, which were originally issued to finance the costs of acquisition and construction of the City's existing municipal office facility. In order to accomplish these items, the Authority issued Lease Revenue and Refunding Bonds, Series 2008 in the amount of \$8,321,000. 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 2016 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.

NOTE 14. Commitments

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

The City of St. George for the purpose of transportation and treatment of wastewater 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 2017, the City collected \$914,912.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 14. Commitments, Continued

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.

NOTE 15. Jointly Governed Organization

The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power with transmission delivery totaling \$6,414,326 during the fiscal year ended June 30, 2017.

WASHINGTON CITY, UTAH
Notes to the Financial Statements
June 30, 2017

NOTE 16. Contingencies

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.

NOTE 17. Leisure Services Trade Sales

In connection with its leisure services operations (community center), the City occasionally trades services with various outside parties. These transactions have not been recorded in the fund financial statements; however, they are included in the government-wide financial statements. The revenue from such trades for fiscal year 2017 was \$74,094.

NOTE 18. Current Bond Refunding

In the year ended June 30, 2017, 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. As a result, the refunded bonds are considered to be defeased as of June 30, 2017. The transaction resulted in an economic gain of \$1,752,777 and a reduction of \$2,352,140 in future debt service payments.

In the year ended June 30, 2017, 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). As a result, the refunded bonds are considered to be defeased as of June 30, 2017. The reacquisition price exceeded the net carrying amount of the old debt by \$379,037. This amount is being amortized over the life of the new debt and is recorded as a deferred outflow of resources on the statement of net position. The transaction resulted in an economic gain of \$906,201 and a reduction of \$1,305,382 in future debt service payments.

NOTE 19. Prior Period Adjustment

A prior period adjustment is made in these financial statements in the irrigation fund. The adjustment of \$313,841, as shown in the statement of revenues, expenses, and changes in net position – proprietary funds, relates to an adjustment of accumulated depreciation. One of the City's irrigation systems is not used, and as such, there is no deterioration of the asset occurring because the lines are not pressurized. Accumulated depreciation was adjusted to more accurately reflect the remaining life of the irrigation system.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2017

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, 2017, showed that the City had overall average condition ratings of 15.44 years as shown below:

| Remaining Service Life (Years) | Percent of Streets |
|--------------------------------------|-----------------------|
| 0 | 0.00 |
| 1-2 | 0.00 |
| 3-4 | 0.57 |
| 5-6 | 0.70 |
| 7-8 | 0.92 |
| 9-10 | 0.79 |
| 11-12 | 9.00 |
| 13-14 | 34.48 |
| 15-16 | 27.47 |
| 17-18 | 13.96 |
| 19-20 | 12.11 |
| Total | 100.00 |

The two most recent, previous condition assessments had overall average condition ratings of 16.01 (June 2016) and 16.19 (June 2015).

WASHINGTON CITY, UTAH
Required Supplementary Information
Infrastructure Reporting – Modified Approach
For the Year Ended June 30, 2017

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

| For the Year Ended June 30, | Originally Budgeted | Actually Expensed |
|-----------------------------------|------------------------|----------------------|
| 2017 | \$ 700,000 | \$ 472,374 |
| 2016 | 700,000 | 544,188 |
| 2015 | 700,000 | 690,059 |
| 2014 | 700,000 | 1,037,448 |
| 2013 | 700,000 | 561,113 |

In fiscal year 2016, 2.69% of roads had an RLS of 10 years or less. In fiscal year 2017, the percent of roads with an RLS of 10 years or less increased to 2.98%. 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, 2017
Last 10 Fiscal Years

| <u>As of fiscal year ended June 30,</u> | <u>Proportion of the net pension liability (asset)</u> | <u>Proportionate share of the net pension liability (asset)</u> | <u>Covered payroll</u> | <u>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|--|--|---|------------------------|--|---|
| Noncontributory System | | | | | |
| 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% |
| 2017 | 0.4423665% | \$ 2,840,534 | \$ 3,883,579 | 73.14% | 87.3% |
| Public Safety System | | | | | |
| 2015 | 0.3780941% | \$ 475,485 | \$ 963,677 | 49.34% | 90.5% |
| 2016 | 0.3865187% | \$ 692,352 | \$ 949,123 | 72.95% | 87.1% |
| 2017 | 0.3748773% | \$ 760,730 | \$ 918,515 | 82.82% | 86.5% |
| Firefighters System | | | | | |
| 2015 | 0.8676603% | \$ (49,512) | \$ 299,332 | -16.54% | 103.5% |
| 2016 | 0.8735054% | \$ (15,821) | \$ 306,772 | -5.16% | 101.0% |
| 2017 | 0.6584776% | \$ (5,191) | \$ 256,713 | -2.02% | 100.4% |
| Tier 2 Public Employees System | | | | | |
| 2015 | 0.1058581% | \$ (3,207) | \$ 519,405 | -0.62% | 103.5% |
| 2016 | 0.0966741% | \$ (211) | \$ 624,550 | -0.03% | 100.2% |
| 2017 | 0.0908929% | \$ 10,139 | \$ 745,388 | 1.36% | 95.1% |
| Tier 2 Public Safety and Firefighter System | | | | | |
| 2015 | 0.6825520% | \$ (10,097) | \$ 282,173 | -3.58% | 120.5% |
| 2016 | 0.5349819% | \$ (7,816) | \$ 318,257 | -2.46% | 110.7% |
| 2017 | 0.4862928% | \$ (4,221) | \$ 401,790 | -1.05% | 103.6% |

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, 2017
Last 10 Fiscal Years

| As of fiscal year ended June 30, | Actuarial determined contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|----------------------------|---|
| Noncontributory System | | | | | |
| 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% |
| 2017 | 720,360 | 720,360 | - | 3,974,438 | 18.12% |
| Public Safety System | | | | | |
| 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% |
| 2017 | 166,232 | 166,232 | - | 937,710 | 17.73% |
| Firefighters System | | | | | |
| 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% |
| 2017 | 7,536 | 7,536 | - | 257,878 | 2.92% |
| Tier 2 Public Employees System* | | | | | |
| 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% |
| 2017 | 128,353 | 128,353 | - | 860,851 | 14.91% |
| Tier 2 Public Safety and Firefighter System* | | | | | |
| 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% |
| 2017 | 77,646 | 77,646 | - | 437,033 | 17.77% |
| Tier 2 Public Employees DC Only System* | | | | | |
| 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% |
| 2017 | 5,244 | 5,244 | - | 78,391 | 6.69% |
| Tier 2 Public Safety and Firefighter DC Only System* | | | | | |
| 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% |
| 2017 | 6,205 | 6,205 | - | 47,870 | 12.96% |

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 – This fund is used to account for the collection of RAP taxes and the expenditure of these funds on recreation, arts, and parks.

Washington City Foundation Fund (Blended component unit) (new for fiscal year 2017) – This fund is used to account for various activities related to the award of grants and other qualified tax-exempt funding and donations made to the Washington City Foundation.

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.

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

Debt Service Fund – 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, 2017

| | Capital Projects | | | | |
|--|---------------------------------|--------------------------|-----------------------------|---------------------|---------------------|
| | Property Acquisition | Public Safety | General Projects | Recreation | Streets |
| Assets | | | | | |
| Cash and cash equivalents | \$ 36,843 | \$ 200,799 | \$ 32,670 | \$ 865,455 | \$ 2,092,849 |
| Investments | - | - | 287,415 | 203,598 | 1,604,378 |
| Receivables, net | - | - | 196 | 290 | 1,982 |
| Due from other governments | - | - | - | - | - |
| Restricted cash and cash equivalents | - | - | - | - | - |
| Total assets | <u>\$ 36,843</u> | <u>\$ 200,799</u> | <u>\$ 320,281</u> | <u>\$ 1,069,343</u> | <u>\$ 3,699,209</u> |
| Liabilities, deferred inflows, and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 479,584 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>479,584</u> |
| Deferred inflow of resources: | | | | | |
| Deferred revenue - property tax | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Debt service | - | - | - | - | - |
| Capital outlay - impact fees | - | 168,178 | - | 1,039,655 | 2,484,505 |
| Capital outlay - other | - | - | - | 9,280 | 735,120 |
| Culture and recreation | - | - | - | - | - |
| Other purposes | - | - | - | - | - |
| Committed to: | | | | | |
| Cemetery | - | - | - | 20,408 | - |
| Assigned to: | | | | | |
| Capital outlay | 36,843 | 32,621 | 320,281 | - | - |
| Total fund balances | <u>36,843</u> | <u>200,799</u> | <u>320,281</u> | <u>1,069,343</u> | <u>3,219,625</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 36,843</u> | <u>\$ 200,799</u> | <u>\$ 320,281</u> | <u>\$ 1,069,343</u> | <u>\$ 3,699,209</u> |

Continued

WASHINGTON CITY, UTAH
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

| | <u>Special Revenue</u> | | <u>Debt Service</u> | | Total Nonmajor Governmental Funds |
|--|------------------------|---------------------------------------|---|---------------------|--|
| | <u>RAP Tax</u> | <u>Washington City Foundation</u> | <u>Municipal Building Authority</u> | <u>Debt Service</u> | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 499,630 | \$ 1,150 | \$ - | \$ - | \$ 3,729,396 |
| Investments | - | - | - | - | 2,095,391 |
| Receivables, net | - | - | - | - | 2,468 |
| Due from other governments | 58,064 | - | - | - | 58,064 |
| Restricted cash and cash equivalents | - | - | 592,117 | 20 | 592,137 |
| Total assets | <u>\$ 557,694</u> | <u>\$ 1,150</u> | <u>\$ 592,117</u> | <u>\$ 20</u> | <u>\$ 6,477,456</u> |
| Liabilities, deferred inflows, and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 479,584 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>479,584</u> |
| Deferred inflow of resources: | | | | | |
| Deferred revenue - property tax | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Debt service | - | - | - | 20 | 20 |
| Capital outlay - impact fees | - | - | - | - | 3,692,338 |
| Capital outlay - other | - | - | 592,117 | - | 1,336,517 |
| Culture and recreation | 557,694 | - | - | - | 557,694 |
| Other purposes | - | 1,150 | - | - | 1,150 |
| Committed to: | | | | | |
| Cemetery | - | - | - | - | 20,408 |
| Assigned to: | | | | | |
| Capital outlay | - | - | - | - | 389,745 |
| Total fund balances | <u>557,694</u> | <u>1,150</u> | <u>592,117</u> | <u>20</u> | <u>5,997,872</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 557,694</u> | <u>\$ 1,150</u> | <u>\$ 592,117</u> | <u>\$ 20</u> | <u>\$ 6,477,456</u> |

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | Capital Projects | | | | |
|--|---------------------------------|--------------------------|-----------------------------|---------------------|---------------------|
| | Property Acquisition | Public Safety | General Projects | Recreation | Streets |
| Revenues | | | | | |
| General sales, use and other taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Impact fees | - | 198,653 | - | 1,665,000 | 1,551,902 |
| Investment earnings | 426 | 1,486 | 3,371 | 6,735 | 28,882 |
| Miscellaneous | - | - | - | 8,028 | 1,181 |
| Total revenues | <u>426</u> | <u>200,139</u> | <u>3,371</u> | <u>1,679,763</u> | <u>1,581,965</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Streets and highways | - | - | - | - | 472,374 |
| Culture and recreation | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Capital outlay | - | 658,926 | (75) | 3,500 | 1,380,016 |
| Total expenditures | <u>-</u> | <u>658,926</u> | <u>(75)</u> | <u>3,500</u> | <u>1,852,390</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>426</u> | <u>(458,787)</u> | <u>3,446</u> | <u>1,676,263</u> | <u>(270,425)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | - | 691,536 | - | - | 1,511,978 |
| Transfers out | - | (174,254) | (41,560) | (998,436) | (271,914) |
| Capital lease | - | - | - | - | - |
| Total other financing sources and (uses) | <u>-</u> | <u>517,282</u> | <u>(41,560)</u> | <u>(998,436)</u> | <u>1,240,064</u> |
| Net change in fund balances | 426 | 58,495 | (38,114) | 677,827 | 969,639 |
| Fund balances - beginning | 36,417 | 142,304 | 358,395 | 391,516 | 2,249,986 |
| Fund balances - ending | <u>\$ 36,843</u> | <u>\$ 200,799</u> | <u>\$ 320,281</u> | <u>\$ 1,069,343</u> | <u>\$ 3,219,625</u> |

Continued

WASHINGTON CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | <u>Special Revenue</u> | | <u>Debt Service</u> | | Total Nonmajor Governmental Funds |
|--|------------------------|---------------------------------------|---|---------------------|--|
| | <u>RAP Tax</u> | <u>Washington City Foundation</u> | <u>Municipal Building Authority</u> | <u>Debt Service</u> | |
| Revenues | | | | | |
| General sales, use and other taxes | \$ 354,804 | \$ - | \$ - | \$ - | \$ 354,804 |
| Impact fees | - | - | - | - | 3,415,555 |
| Investment earnings | 4,003 | - | 7,235 | 658 | 52,796 |
| Miscellaneous | - | 1,150 | - | - | 10,359 |
| Total revenues | <u>358,807</u> | <u>1,150</u> | <u>7,235</u> | <u>658</u> | <u>3,833,514</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Streets and highways | - | - | - | - | 472,374 |
| Culture and recreation | 76,426 | - | - | - | 76,426 |
| Debt service: | | | | | |
| Principal | - | - | 974,000 | 395,000 | 1,369,000 |
| Interest and fiscal charges | - | - | 236,147 | 76,145 | 312,292 |
| Capital outlay | - | - | - | - | 2,042,367 |
| Total expenditures | <u>76,426</u> | <u>-</u> | <u>1,210,147</u> | <u>471,145</u> | <u>4,272,459</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>282,381</u> | <u>1,150</u> | <u>(1,202,912)</u> | <u>(470,487)</u> | <u>(438,945)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | 1,209,248 | 469,866 | 3,882,628 |
| Transfers out | - | - | - | (691,536) | (2,177,700) |
| Capital lease | - | - | - | 601,848 | 601,848 |
| Total other financing sources and (uses) | <u>-</u> | <u>-</u> | <u>1,209,248</u> | <u>380,178</u> | <u>2,306,776</u> |
| Net change in fund balances | 282,381 | 1,150 | 6,336 | (90,309) | 1,867,831 |
| Fund balances - beginning | 275,313 | - | 585,781 | 90,329 | 4,130,041 |
| Fund balances - ending | <u>\$ 557,694</u> | <u>\$ 1,150</u> | <u>\$ 592,117</u> | <u>\$ 20</u> | <u>\$ 5,997,872</u> |

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2017

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 | \$1.04 |
| | | 2 | 5,001 | 10,000 | \$1.14 |
| | | 3 | 10,001 | 15,000 | \$1.24 |
| | | 4 | 15,001 | 20,000 | \$1.34 |
| | | 5 | 20,001 | 25,000 | \$1.44 |
| | | 6 | 25,001 | 30,000 | \$1.54 |
| | | 7 | 30,001 | 35,000 | \$1.69 |
| | | 8 | 35,001 | 40,000 | \$1.84 |
| | | 9 | 40,001 | Unlimited | \$1.99 |
| 3/4" | \$18.25 | 1 | 0 | 5,000 | \$1.04 |
| | | 2 | 5,001 | 10,000 | \$1.14 |
| | | 3 | 10,001 | 15,000 | \$1.24 |
| | | 4 | 15,001 | 20,000 | \$1.34 |
| | | 5 | 20,001 | 25,000 | \$1.44 |
| | | 6 | 25,001 | 30,000 | \$1.54 |
| | | 7 | 30,001 | 35,000 | \$1.69 |
| | | 8 | 35,001 | 40,000 | \$1.84 |
| | | 9 | 40,001 | Unlimited | \$1.99 |
| 1" | \$33 | 1 | 0 | 9,000 | \$1.04 |
| | | 2 | 9,001 | 18,000 | \$1.14 |
| | | 3 | 18,001 | 27,000 | \$1.24 |
| | | 4 | 27,001 | 36,000 | \$1.34 |
| | | 5 | 36,001 | 45,000 | \$1.44 |
| | | 6 | 45,001 | 54,000 | \$1.54 |
| | | 7 | 54,001 | 63,000 | \$1.69 |
| | | 8 | 63,001 | 72,000 | \$1.84 |
| | | 9 | 72,001 | Unlimited | \$1.99 |
| 1 1/2" | \$73 | 1 | 0 | 20,000 | \$1.04 |
| | | 2 | 20,001 | 40,000 | \$1.14 |
| | | 3 | 40,001 | 60,000 | \$1.24 |
| | | 4 | 60,001 | 80,000 | \$1.34 |
| | | 5 | 80,001 | 100,000 | \$1.44 |
| | | 6 | 100,001 | 120,000 | \$1.54 |
| | | 7 | 120,001 | 140,000 | \$1.69 |
| | | 8 | 140,001 | 160,000 | \$1.84 |
| | | 9 | 160,001 | Unlimited | \$1.99 |
| 2" | \$130 | 1 | 0 | 36,000 | \$1.04 |
| | | 2 | 36,001 | 71,000 | \$1.14 |
| | | 3 | 71,001 | 107,000 | \$1.24 |
| | | 4 | 107,001 | 142,000 | \$1.34 |
| | | 5 | 142,001 | 178,000 | \$1.44 |
| | | 6 | 178,001 | 213,000 | \$1.54 |
| | | 7 | 213,001 | 249,000 | \$1.69 |
| | | 8 | 249,001 | 284,000 | \$1.84 |
| | | 9 | 284,001 | Unlimited | \$1.99 |
| 3" | \$292 | 1 | 0 | 80,000 | \$1.04 |
| | | 2 | 80,001 | 160,000 | \$1.14 |
| | | 3 | 160,001 | 240,000 | \$1.24 |
| | | 4 | 240,001 | 320,000 | \$1.34 |
| | | 5 | 320,001 | 400,000 | \$1.44 |
| | | 6 | 400,001 | 480,000 | \$1.54 |
| | | 7 | 480,001 | 560,000 | \$1.69 |
| | | 8 | 560,001 | 640,000 | \$1.84 |
| | | 9 | 640,001 | Unlimited | \$1.99 |

WASHINGTON CITY, UTAH
Other Supplementary Information
Bond Disclosures, Continued
For the Year Ended June 30, 2017

WATER RATES (Continued)

| Meter Size | Monthly Base Rate | Tier | Threshold gallons | | |
|------------|-------------------|------|-------------------|-----------|--------|
| 4" | \$518 | 1 | 0 | 142,000 | \$1.04 |
| | | 2 | 142,001 | 284,000 | \$1.14 |
| | | 3 | 284,001 | 426,000 | \$1.24 |
| | | 4 | 426,001 | 568,000 | \$1.34 |
| | | 5 | 568,001 | 710,000 | \$1.44 |
| | | 6 | 710,001 | 852,000 | \$1.54 |
| | | 7 | 852,001 | 994,000 | \$1.69 |
| | | 8 | 994,001 | 1,136,000 | \$1.84 |
| | | 9 | 1,136,001 | Unlimited | \$1.99 |
| 6" | \$1,168 | 1 | 0 | 320,000 | \$1.04 |
| | | 2 | 320,001 | 640,000 | \$1.14 |
| | | 3 | 640,001 | 960,000 | \$1.24 |
| | | 4 | 960,001 | 1,280,000 | \$1.34 |
| | | 5 | 1,280,001 | 1,600,000 | \$1.44 |
| | | 6 | 1,600,001 | 1,920,000 | \$1.54 |
| | | 7 | 1,920,001 | 2,240,000 | \$1.69 |
| | | 8 | 2,240,001 | 2,560,000 | \$1.84 |
| | | 9 | 2,560,001 | Unlimited | \$1.99 |

ADMINISTRATIVE FEES

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

| Water | Meter Size | | |
|------------------|-------------------|--------------|-------------|
| Water Connection | 5/8 x 3/4 & 3/4" | | \$225.00 |
| | 1" | | \$275.00 |
| | 1 1/2" | | \$520.50 |
| | 2" | | \$661.00 |
| | 3" | | \$1,982.67 |
| | 4" | | \$1,982.67 |
| | 6" | | TBD |
| Water Impact: | Meter Size | ERU's | |
| | 5/8 x 3/4 & 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, 2017

Insurance coverage in effect at June 30, 2017:

| Provider | Type | Policy Number | Effective | Expires | Limits |
|-----------------------------|------------------------------------|---------------|-----------|----------|--------------|
| Utah Local Government Trust | Auto - bodily injury liability | 14680-GL2016 | 07/01/16 | 06/30/17 | \$ 2,000,000 |
| Utah Local Government Trust | Auto - property damage liability | 14680-GL2016 | 07/01/16 | 06/30/17 | 2,000,000 |
| Utah Local Government Trust | Auto - underinsured | 14680-GL2016 | 07/01/16 | 06/30/17 | 80,000 |
| Utah Local Government Trust | Auto - uninsured | 14680-GL2016 | 07/01/16 | 06/30/17 | 80,000 |
| Utah Local Government Trust | No fault sewer cleanup (per claim) | 14680-GL2016 | 07/01/16 | 06/30/17 | 5,000 |
| Utah Local Government Trust | General liability | 14680-GL2016 | 07/01/16 | 06/30/17 | 2,000,000 |
| Utah Local Government Trust | Property coverage - all risk | 14680-GL2016 | 07/01/16 | 06/30/17 | 62,663,580 |

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, 2017, 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 1, 2017.

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 1, 2017

**Independent Auditor's Report on Compliance and
Report on Internal Control over Compliance
As Required by the *State Compliance Audit Guide***

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, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management
- Impact Fees

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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, Washington City, Utah, complied, in all material aspects, with the state compliance requirements referred to above for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Washington City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington City's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 state 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 state 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 state 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 1, 2017