



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

With Report of

Certified Public Accountants

Table of Contents

	Page
Financial Section:	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Notes to the Financial Statements	22
Combining Statements:	
Combining Balance Sheet – Non-major Governmental Funds	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	48
Capital Assets Used In Governmental Funds:	
Schedule by Function and Activity	49
Schedule of Changes by Function and Activity	50
Supplementary Information	52
Federal and State Reports:	
Report on Compliance and on Internal Control over Financial Reporting	55
Report on Compliance with State Fiscal Laws	57
Findings and Recommendations	59
Responses to the Findings and Recommendations	63

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
City of Santa Clara, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santa Clara's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the City of Santa Clara, Utah as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the City of Santa Clara's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Clara Utah's financial statements as a whole. The combining and individual fund financial statements and capital asset schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in an audit of the basic financial statements and accordingly, we express no opinion on it.



HintonBurdick, PLLC
December 12, 2012

City of Santa Clara City, Utah Management's Discussion and Analysis

This section of Santa Clara's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights/Executive Summary

- The assets of Santa Clara City exceeded its liabilities at the close of the most recent fiscal year by \$30,762,131 (net position). Of this amount, \$4,243,623 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the City's net position was reduced by (\$2,021,156), due to a planned use of fund balance and the economy.
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$928,148.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$0. All the fund resources were nonspendable, restricted, committed or assigned.
- Santa Clara City's total bonds payable decreased by \$558,000 or 3.6 % during the current fiscal year.
- At the end of the current fiscal year, Santa Clara City's general fund expenditures exceed general fund revenues by \$890,195.

Overview of Financial Statements

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required 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. Santa Clara City, utilizing four proprietary funds, manages four business activities: water, sewer, electric and storm drains.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how they have changed. Net position- the difference between the City's assets and liabilities- is one way to measure the city's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To access the overall health of the City you need to 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, public works, parks department and general administration. Property taxes, sales taxes, franchise fees and state and federal grants finance most of these activities.
- *Business-type activities*-The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer and electric activities are included here.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's most significant *funds*--not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources (revenues) and uses (expenditures) of funding for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes (like the City's special impact fee fund used to track collection and expenditure of certain impact fees).

The City has two kinds of funds:

- *Governmental funds*-Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer 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, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
-In fact, the City's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Santa Clara, assets exceed liabilities by \$30,762,131 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net assets, (95.8% for Government Activities & 62.91% for Business-Type Activities) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Santa Clara City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Santa Clara'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.

SANTA CLARA CITY
Statement of Net Position

	Governmental activities		Business-type activities	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Current and other assets	\$ 1,158,821	\$ 1,914,286	\$ 5,731,669	\$ 5,510,050
Capital assets	23,236,229	24,617,820	16,996,962	17,914,629
Total assets	<u>24,395,050</u>	<u>26,532,106</u>	<u>22,728,631</u>	<u>23,424,679</u>
Long-term liabilities outstanding	5,831,439	6,029,604	9,458,750	9,975,578
Other liabilities	253,042	277,448	818,319	890,868
Total liabilities	<u>6,084,481</u>	<u>6,307,052</u>	<u>10,277,069</u>	<u>10,866,446</u>
Net position:				
Net investment in capital assets	17,541,727	18,740,066	7,832,911	8,142,480
Restricted	57,437	10,045	1,086,433	1,132,401
Unrestricted	711,405	1,474,943	3,532,218	3,283,352
Total net position	<u>\$ 18,310,569</u>	<u>\$ 20,225,054</u>	<u>\$ 12,451,562</u>	<u>\$ 12,558,233</u>

Percentages of Net Position

<u>Net position type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets	95.80%	62.91%	82.49%
Restricted net position	0.31%	8.73%	3.72%
Unrestricted net position	<u>3.89%</u>	<u>28.37%</u>	<u>13.79%</u>
Total net position	100.0%	100.0%	100.0%

An additional portion of Santa Clara's net position (.31% & 8.73% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$1,418,585 (3.89% and 28.37% respectfully) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities decreased Santa Clara's net position by \$1,914,485.

Business-type activities. Business-type activities decreased Santa Clara's net position by \$106,671.

Changes in Net Position

	Governmental activities		Business-type activities	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues:				
Program revenues:				
Charges for services	\$ 692,032	\$ 915,851	\$ 5,950,227	5,569,338
Operating grants and contributions	367,721	400,270	-	-
Capital grants and contributions	101,683	289,167	144,767	175,079
General revenues:				
Taxes	1,714,392	1,511,493	-	-
Unrestricted investment earnings	16,584	10,230	10,998	8,535
Gain (loss) on disposal of assets	1,000	1,479,358	-	-
Total revenues	<u>2,893,412</u>	<u>4,606,369</u>	<u>6,105,992</u>	<u>5,752,952</u>
Expenses:				
General government	1,015,438	986,141	-	-
Public safety	1,590,603	1,610,599	-	-
Public works	1,395,010	1,354,554	-	-
Parks and recreation	494,858	553,505	-	-
Community development	62,226	59,329	-	-
Interest on long-term debt	249,762	255,227	-	-
Water	-	-	1,416,817	1,443,717
Sewer	-	-	574,196	587,212
Electric	-	-	3,972,027	3,674,418
Storm drain	-	-	249,623	266,050
Total expenses	<u>4,807,897</u>	<u>4,819,355</u>	<u>6,212,663</u>	<u>5,971,397</u>
Increase in net position before transfers	(1,914,485)	(212,986)	(106,671)	(218,445)
Transfers	-	-	-	-
Increase in net position	(1,914,485)	(212,986)	(106,671)	(218,445)
Net position, beginning	20,225,054	20,438,040	12,558,233	12,776,678
Net position, ending	<u>\$ 18,310,569</u>	<u>\$ 20,225,054</u>	<u>\$ 12,451,562</u>	<u>\$ 12,558,233</u>

Financial Analysis of the Government's Funds

As noted earlier, Santa Clara uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Santa Clara's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Santa Clara'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 June 30, 2012, the unassigned fund balance was \$0.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$928,148, a decrease of \$721,726 in comparison with the prior year or 76.8% of the fund balance constitutes *committed* fund balance, which has been designated by the board for debt service. Of the remaining fund balance, \$12,943 is *nonspendable* (prepaid expenses), \$202,327 is *restricted* (impact fees and debt service), and \$220 is *assigned* (Swiss Days and Princess Pageant). The nonspendable, restricted, committed and assigned fund balances indicate that the balances are not available for new spending because they have already been committed.

The general fund is the chief operating fund of Santa Clara. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$0.

Other governmental funds (impact fee fund) have a total fund balance of \$57437, all of which is restricted for designated capital expenditures and the procurement of impact fee related items.

Proprietary funds. Santa Clara City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for Water, Sewer, Electric, and Storm Water utilities at the end of the year totaled \$3,532,218.

General Fund Budgetary Highlights

The general fund was amended once during the year. The amendment was completed on July 11, 2012, increasing budgeted revenues and expenditures by \$226,500 and \$335,450, respectively for the following purposes: 1) increase the budget due to an increase in revenues; and 2) account for revenues and expenditures in the General Fund primarily maintenance work, supplies, engineering, legal work.

In June, 2012, the City Council adopted the 2012-2013 budget.

Capital Asset and Debt Administration

Capital assets. Santa Clara City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$42,233,191 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines, power lines, and storm water lines), autos and trucks, machinery and equipment, office.

SANTA CLARA CITY Net Capital Assets (Net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and water rights	\$ 2,602,451	\$ 830,875	\$ 3,433,326
Buildings	5,696,943	57,042	5,753,985
Improvements	1,642,111	-	1,642,111
Autos & trucks	40,658	10,283	50,941
Machinery and equipment	230,671	298,618	529,289
Office equipment	258,002	-	258,002
Artwork	174,175	-	174,175
Infrastructure	12,580,698	15,750,144	28,330,842
Total	<u>\$ 23,236,229</u>	<u>\$ 16,996,962</u>	<u>\$ 40,233,191</u>

This year's major capital asset additions included:

- Land purchase
- Traffic light

Santa Clara City in subsequent years intends to depreciate road infrastructure and expense maintenance work done on the roads. Any maintenance project(s) that would extend the life of the road will be captured as a fixed asset and depreciated in subsequent years. All new roads received by the City from new subdivision development will be added to the City's road infrastructure assets.

Long-term debt. At year-end the City had \$14,607,000 in bonds outstanding—an decrease of 4.53% over the last year—as shown in the table below. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

SANTA CLARA CITY Outstanding General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total		% Change
	2012	2011	2012	2011	2012	2011	
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Revenue bonds	5,295,000	5,525,000	9,312,000	9,775,000	14,607,000	15,300,000	-4.53%
Total	<u>\$ 5,295,000</u>	<u>\$ 5,525,000</u>	<u>\$ 9,312,000</u>	<u>\$ 9,775,000</u>	<u>\$ 14,607,000</u>	<u>\$ 15,300,000</u>	-4.53%

Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2012-2013 is .002349 mills.
- The national, state, and local economies are weak and may affect revenues from building and development and sales taxes.
- In considering the City's budget for FY 2012-2013, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as FY2011-2012 or lower.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 2603 Santa Clara Drive, Santa Clara, Utah, 84765.

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BASIC FINANCIAL STATEMENTS

CITY OF SANTA CLARA, UTAH
Statement of Net Position
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 783,333	\$ 2,521,899	\$ 3,305,232
Receivables (net of allowance)	90,386	1,089,919	1,180,305
Interest receivable	-	-	-
Inventory	-	741,794	741,794
Prepays	12,943	31,185	44,128
Deferred charges	69,832	260,439	330,271
Notes receivables	-	-	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	202,327	1,086,433	1,288,760
Capital assets not being depreciated:			
Land and water rights	2,602,451	830,875	3,433,326
Construction in progress	10,520	50,000	60,520
Capital assets, net of accumulated depreciation:			
Buildings	5,696,943	57,042	5,753,985
Improvements	1,642,111	-	1,642,111
Autos & trucks	40,658	10,283	50,941
Machinery and equipment	230,671	298,618	529,289
Office equipment	258,002	-	258,002
Artwork	174,175	-	174,175
Infrastructure	12,580,698	15,750,144	28,330,842
Total assets	<u>24,395,050</u>	<u>22,728,631</u>	<u>47,123,681</u>
Liabilities			
Accounts payable and other current liabilities	160,841	567,589	728,430
Deferred revenue	-	154,280	154,280
Interest payable	92,201	96,450	188,651
Noncurrent liabilities:			
Due within one year	382,786	723,938	1,106,724
Due in more than one year	5,448,653	8,734,812	14,183,465
Total liabilities	<u>6,084,481</u>	<u>10,277,069</u>	<u>16,361,550</u>
Net Position			
Net investment in capital assets	17,541,727	7,832,911	25,374,638
Restricted for:			
Debt service	-	744,446	744,446
Capital outlay	57,437	341,987	399,424
Unrestricted	711,405	3,532,218	4,243,623
Total net position	<u>\$ 18,310,569</u>	<u>\$ 12,451,562</u>	<u>\$ 30,762,131</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,015,438	\$ 501,560	\$ 3,535	\$ -	\$ (510,343)	\$ -	\$ (510,343)
Public safety	1,590,603	118,258	48,175	29,807	(1,394,363)	-	(1,394,363)
Public works	1,395,010	862	283,934	40,332	(1,069,882)	-	(1,069,882)
Parks and recreation	494,858	57,546	32,077	31,544	(373,691)	-	(373,691)
Community development	62,226	13,806	-	-	(48,420)	-	(48,420)
Interest on long-term debt	249,762	-	-	-	(249,762)	-	(249,762)
Total governmental activities	<u>4,807,897</u>	<u>692,032</u>	<u>367,721</u>	<u>101,683</u>	<u>(3,646,461)</u>	<u>-</u>	<u>(3,646,461)</u>
Business-type activities:							
Water	1,416,817	1,210,156	-	70,323	-	(136,338)	(136,338)
Sewer	574,196	649,524	-	1,320	-	76,648	76,648
Electric	3,972,027	3,833,193	-	50,260	-	(88,574)	(88,574)
Storm drain	249,623	257,354	-	22,864	-	30,595	30,595
Total business-type activities	<u>6,212,663</u>	<u>5,950,227</u>	<u>-</u>	<u>144,767</u>	<u>-</u>	<u>(117,669)</u>	<u>(117,669)</u>
Total primary government	<u>\$ 11,020,560</u>	<u>\$ 6,642,259</u>	<u>\$ 367,721</u>	<u>\$ 246,450</u>	<u>(3,646,461)</u>	<u>(117,669)</u>	<u>(3,764,130)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					738,193	-	738,193
Sales and use taxes					611,701	-	611,701
Franchise taxes					283,282	-	283,282
Telecommunications tax					81,216	-	81,216
Unrestricted investment earnings					16,584	10,998	27,582
Gain (loss) on disposal of assets					1,000	-	1,000
Total general revenues & transfers					<u>1,731,976</u>	<u>10,998</u>	<u>1,742,974</u>
Change in net position					(1,914,485)	(106,671)	(2,021,156)
Net position - beginning					<u>20,225,054</u>	<u>12,558,233</u>	<u>32,783,287</u>
Net position - ending					<u>\$ 18,310,569</u>	<u>\$ 12,451,562</u>	<u>\$ 30,762,131</u>

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

CITY OF SANTA CLARA, UTAH
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 771,677	\$ 11,656	\$ 783,333
Receivables	37,416	-	37,416
Due from other governments	52,970	-	52,970
Prepaid expenses	12,943	-	12,943
Restricted cash and cash equivalents	144,890	57,437	202,327
Total assets	<u>\$ 1,019,896</u>	<u>\$ 69,093</u>	<u>\$ 1,088,989</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 59,498	\$ 11,656	\$ 71,154
Accrued liabilities	12,050	-	12,050
Customer deposits	33,669	-	33,669
Security holdings	43,968	-	43,968
Total liabilities	<u>149,185</u>	<u>11,656</u>	<u>160,841</u>
Fund Balances:			
Nonspendable	12,943	-	12,943
Restricted	144,890	57,437	202,327
Committed	712,658	-	712,658
Assigned	220	-	220
Total fund balances	<u>870,711</u>	<u>57,437</u>	<u>928,148</u>
Total liabilities and fund balances	<u>\$ 1,019,896</u>	<u>\$ 69,093</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			23,236,229
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.			(5,853,808)
Net position of governmental activities			<u>\$ 18,310,569</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 1,714,393	\$ -	\$ 1,714,393
Licenses, permits and fees	66,524	-	66,524
Intergovernmental revenue	281,961	-	281,961
Charges for services	494,421	-	494,421
Fines and forfeitures	60,835	-	60,835
Investment earnings	16,581	1,774	18,355
Other revenues	178,879	-	178,879
Total revenues	<u>2,813,594</u>	<u>1,774</u>	<u>2,815,368</u>
Expenditures:			
Current:			
General government	756,831	-	756,831
Public safety	1,458,422	-	1,458,422
Public works	334,516	-	334,516
Parks, recreation & public property	360,650	-	360,650
Community and economic development	62,226	-	62,226
Debt service:			
Principal	333,165	-	333,165
Interest	240,429	-	240,429
Capital outlay:			
General government	150,170	-	150,170
Public works	7,380	-	7,380
Parks, recreation & public property	-	46,349	46,349
Total expenditures	<u>3,703,789</u>	<u>46,349</u>	<u>3,750,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(890,195)</u>	<u>(44,575)</u>	<u>(934,770)</u>
Other Financing Sources (Uses)			
Sale of capital assets	1,000	-	1,000
Debt proceeds	135,000	-	135,000
Impact fees	-	77,044	77,044
Transfers in	-	14,923	14,923
Transfers out	(14,923)	-	(14,923)
Total other financing sources and uses	<u>121,077</u>	<u>91,967</u>	<u>213,044</u>
Net change in fund balances	(769,118)	47,392	(721,726)
Fund balances, beginning of year	<u>1,639,829</u>	<u>10,045</u>	<u>1,649,874</u>
Fund balances, end of year	<u>\$ 870,711</u>	<u>\$ 57,437</u>	<u>\$ 928,148</u>

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

CITY OF SANTA CLARA, UTAH
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To The Statement of Activities
June 30, 2012

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

Net change in fund balances - total governmental funds	\$ (721,726)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,315,663)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	117,324
Accrued interest on long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.	5,580
Change in net position of governmental activities	<u><u>\$ (1,914,485)</u></u>

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

CITY OF SANTA CLARA, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General property taxes	\$ 659,893	\$ 668,933	\$ 689,389	\$ 20,456
Prior year's delinquent taxes	15,000	48,250	48,805	555
General sales and use taxes	660,063	660,063	611,701	(48,362)
Franchise taxes	285,002	289,242	283,282	(5,960)
Telecommunications tax	85,000	85,000	81,216	(3,784)
Total taxes	<u>1,704,958</u>	<u>1,751,488</u>	<u>1,714,393</u>	<u>(37,095)</u>
Licenses & permits:				
Business license & permits	12,500	12,500	11,830	(670)
Non-business license & permits	45,633	55,233	54,694	(539)
Total license & permits	<u>58,133</u>	<u>67,733</u>	<u>66,524</u>	<u>(1,209)</u>
Intergovernmental revenues:				
Federal & state grants	23,500	23,500	7,786	(15,714)
Class "C" roads	225,000	225,000	222,465	(2,535)
State liquor allotment	5,000	5,000	3,535	(1,465)
SRO Reimbursement	45,017	48,167	48,175	8
Total intergovernmental revenues	<u>298,517</u>	<u>301,667</u>	<u>281,961</u>	<u>(19,706)</u>
Charges for services:				
Refuse collection	261,675	261,675	266,410	4,735
Public safety	166,500	172,500	82,054	(90,446)
Parks & public property	99,269	123,829	118,482	(5,347)
Cemetery	25,000	25,000	13,045	(11,955)
Other	15,000	15,000	14,430	(570)
Total charges for services	<u>567,444</u>	<u>598,004</u>	<u>494,421</u>	<u>(103,583)</u>
Fines and forfeitures:				
Court fines & forfeitures	81,500	81,500	60,835	(20,665)
Miscellaneous:				
Investment earnings	8,000	14,770	16,581	1,811
Administrative service revenue	93,787	93,787	93,787	-
Community development	39,330	45,730	42,630	(3,100)
Contributions	-	5,940	5,943	3
Other	54,000	54,000	36,519	(17,481)
Total miscellaneous	<u>195,117</u>	<u>214,227</u>	<u>195,460</u>	<u>(18,767)</u>
TOTAL REVENUES	<u>2,905,669</u>	<u>3,014,619</u>	<u>2,813,594</u>	<u>(201,025)</u>

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

CITY OF SANTA CLARA, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Expenditures:				
General government	<u>661,963</u>	<u>749,463</u>	<u>907,001</u>	<u>(157,538)</u>
Public safety				
Judicial	48,448	48,448	44,615	3,833
Law enforcement	1,084,777	1,284,527	1,247,650	36,877
Building inspection	170,441	170,441	166,157	4,284
Total public safety	<u>1,303,666</u>	<u>1,503,416</u>	<u>1,458,422</u>	<u>44,994</u>
Highways and public improvements				
Public works	339,340	368,540	341,896	26,644
Total highways and public improvements	<u>339,340</u>	<u>368,540</u>	<u>341,896</u>	<u>26,644</u>
Parks, recreation & public property				
Parks, trails & cemetery	405,252	405,252	360,650	44,602
Swiss days	43,850	62,850	62,226	624
Total parks, recreation & public property	<u>449,102</u>	<u>468,102</u>	<u>422,876</u>	<u>45,226</u>
Debt service:				
Principal	303,618	303,618	333,165	(29,547)
Interest	261,440	261,440	240,429	21,011
Total debt service	<u>565,058</u>	<u>565,058</u>	<u>573,594</u>	<u>(8,536)</u>
TOTAL EXPENDITURES	<u>3,319,129</u>	<u>3,654,579</u>	<u>3,703,789</u>	<u>(49,210)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(413,460)</u>	<u>(639,960)</u>	<u>(890,195)</u>	<u>(250,235)</u>
Other Financing Sources (Uses)				
Sale of capital assets	10,000	10,000	1,000	(9,000)
Debt proceeds	-	-	135,000	135,000
Transfers in	-	-	-	-
Transfers out	-	-	(14,923)	(14,923)
Total other financing sources and uses	<u>10,000</u>	<u>10,000</u>	<u>121,077</u>	<u>111,077</u>
Net change in fund balances	(403,460)	(629,960)	(769,118)	(139,158)
Fund balances, beginning of year	<u>1,639,829</u>	<u>1,639,829</u>	<u>1,639,829</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,236,369</u>	<u>\$ 1,009,869</u>	<u>\$ 870,711</u>	<u>\$ (139,158)</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Drain</u>	<u>Totals Current Year</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 258,794	\$ 382,505	\$ 1,872,641	\$ 7,959	\$ 2,521,899
Receivables, net of allowance	327,858	66,227	651,148	26,686	1,071,919
Prepaid	8,629	5,299	12,943	4,314	31,185
Inventory	-	-	741,794	-	741,794
Total current assets	<u>595,281</u>	<u>454,031</u>	<u>3,278,526</u>	<u>38,959</u>	<u>4,366,797</u>
Noncurrent assets:					
Restricted cash and cash equivalents	535,215	341,987	-	209,231	1,086,433
Assessments receivable	-	18,000	-	-	18,000
Bond discounts and issuance costs, net of accumulated amortization	124,074	-	93,765	42,600	260,439
Capital assets:					
Land and water rights	830,875	-	-	-	830,875
Construction in progress	50,000	-	-	-	50,000
Buildings	14,594	29,695	46,940	-	91,229
Distribution and collection systems	11,095,080	1,941,674	12,399,927	2,110,208	27,546,889
Machinery and equipment	59,047	209,104	493,594	92,136	853,881
Automobiles and trucks	89,647	59,824	139,685	-	289,156
Less: Accumulated depreciation	(5,530,360)	(1,274,994)	(5,421,422)	(438,292)	(12,665,068)
Total capital assets (net of accumulated depreciation)	<u>6,608,883</u>	<u>965,303</u>	<u>7,658,724</u>	<u>1,764,052</u>	<u>16,996,962</u>
Total noncurrent assets	<u>7,268,172</u>	<u>1,325,290</u>	<u>7,752,489</u>	<u>2,015,883</u>	<u>18,361,834</u>
Total assets	<u>7,863,453</u>	<u>1,779,321</u>	<u>11,031,015</u>	<u>2,054,842</u>	<u>22,728,631</u>
Liabilities					
Current liabilities:					
Accounts payable	41,747	9,071	425,407	-	476,225
Accrued liabilities	-	-	9,801	-	9,801
Customer deposits	81,563	-	-	-	81,563
Deferred revenue	-	-	154,280	-	154,280
Interest payable	18,656	167	73,516	4,111	96,450
Current portion of noncurrent liabilities	358,554	4,062	279,474	81,848	723,938
Total current liabilities	<u>500,520</u>	<u>13,300</u>	<u>942,478</u>	<u>85,959</u>	<u>1,542,257</u>
Noncurrent liabilities:					
Compensated absences payable	12,650	4,093	13,479	4,038	34,260
Bonds payable	3,183,000	-	4,824,000	1,305,000	9,312,000
Capital lease payable	-	-	93,649	18,841	112,490
Less current portion of noncurrent liabilities	(358,554)	(4,062)	(279,474)	(81,848)	(723,938)
Total noncurrent liabilities	<u>2,837,096</u>	<u>31</u>	<u>4,651,654</u>	<u>1,246,031</u>	<u>8,734,812</u>
Total liabilities	<u>3,337,616</u>	<u>13,331</u>	<u>5,594,132</u>	<u>1,331,990</u>	<u>10,277,069</u>
Net Position					
Net investment in capital assets	3,549,957	965,303	2,834,840	482,811	7,832,911
Restricted for debt service	535,215	-	-	209,231	744,446
Restricted for capital outlay	-	341,987	-	-	341,987
Unrestricted	440,665	458,700	2,602,043	30,810	3,532,218
Total net position	<u>\$ 4,525,837</u>	<u>\$ 1,765,990</u>	<u>\$ 5,436,883</u>	<u>\$ 722,852</u>	<u>\$ 12,451,562</u>

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

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

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals Current Year</u>
Operating revenues:					
Charges for services	\$ 1,184,725	\$ 638,608	\$ 3,685,189	\$ 254,625	\$ 5,763,147
Other revenues	25,431	10,916	148,004	2,729	187,080
Total operating revenues	<u>1,210,156</u>	<u>649,524</u>	<u>3,833,193</u>	<u>257,354</u>	<u>5,950,227</u>
Operating expenses:					
Sewer treatment	-	330,488	-	-	330,488
Wholesale power purchases	-	-	2,083,679	-	2,083,679
Salaries and wages	219,545	59,694	300,566	58,448	638,253
Supplies and operating costs	416,770	10,227	200,136	8,419	635,552
Depreciation	431,062	77,916	453,455	77,914	1,040,347
Payroll taxes & employee benefits	90,442	23,979	108,504	23,390	246,315
Office & department supplies	2,994	-	21,130	-	24,124
Professional services	23,597	11,863	23,121	17,649	76,230
Insurance and surety bonds	29,438	29,438	44,028	-	102,904
Miscellaneous	1,861	-	8,430	723	11,014
Franchise fees	-	-	204,002	-	204,002
Billing and administration	33,817	30,337	29,633	-	93,787
Bad debt expense	-	-	279,648	-	279,648
Total operating expenses	<u>1,249,526</u>	<u>573,942</u>	<u>3,756,332</u>	<u>186,543</u>	<u>5,766,343</u>
Operating income (loss)	<u>(39,370)</u>	<u>75,582</u>	<u>76,861</u>	<u>70,811</u>	<u>183,884</u>
Non-operating revenues (expenses):					
Interest income	5,754	497	3,784	963	10,998
Impact fees	70,323	1,320	50,260	22,864	144,767
Gain (loss) on disposal of assets	-	-	-	-	-
Interest expense	(167,291)	(254)	(215,695)	(63,080)	(446,320)
Total non-operating revenues (expenses)	<u>(91,214)</u>	<u>1,563</u>	<u>(161,651)</u>	<u>(39,253)</u>	<u>(290,555)</u>
Income before contributions and transfers	<u>(130,584)</u>	<u>77,145</u>	<u>(84,790)</u>	<u>31,558</u>	<u>(106,671)</u>
Change in net position	<u>(130,584)</u>	<u>77,145</u>	<u>(84,790)</u>	<u>31,558</u>	<u>(106,671)</u>
Total net position, beginning of year	<u>4,656,421</u>	<u>1,688,845</u>	<u>5,521,673</u>	<u>691,294</u>	<u>12,558,233</u>
Total net position, end of year	<u>\$ 4,525,837</u>	<u>\$ 1,765,990</u>	<u>\$ 5,436,883</u>	<u>\$ 722,852</u>	<u>\$ 12,451,562</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals Current Year</u>
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 1,191,169	\$ 636,472	\$ 3,813,524	\$ 249,486	\$ 5,890,651
Cash received from customers, capacity fees and other	25,431	10,916	148,004	2,729	187,080
Cash paid to suppliers	(524,352)	(442,163)	(2,819,380)	(26,824)	(3,812,719)
Cash paid to employees	(309,987)	(83,673)	(409,070)	(81,838)	(884,568)
Net cash flows from operating activities	<u>382,261</u>	<u>121,552</u>	<u>733,078</u>	<u>143,553</u>	<u>1,380,444</u>
Cash flows from capital and related financing activities:					
Bond proceeds, net of issuance costs	2,974,499	-	820,372	1,274,859	5,069,730
Principal payments on long-term debt	(3,206,000)	(13,366)	(1,104,373)	(1,354,088)	(5,677,827)
Interest paid	(195,809)	(254)	(237,530)	(78,810)	(512,403)
Purchase of capital assets	(117,021)	-	(5,660)	-	(122,681)
Proceeds from the sale of capital assets	-	-	-	-	-
Impact fees and capital contributions	70,323	1,320	50,260	22,864	144,767
Net cash flows from capital and related financing activities:	<u>(474,008)</u>	<u>(12,300)</u>	<u>(476,931)</u>	<u>(135,175)</u>	<u>(1,098,414)</u>
Cash flows from investing activities:					
Interest on investments	5,754	497	3,784	963	10,998
Net change in cash and cash equivalents	(85,993)	109,749	259,931	9,341	293,028
Cash and cash equivalents, including restricted cash - beginning of year	880,002	614,743	1,612,710	207,849	3,315,304
Cash and cash equivalents, including restricted cash - end of year	<u>\$ 794,009</u>	<u>\$ 724,492</u>	<u>\$ 1,872,641</u>	<u>\$ 217,190</u>	<u>\$ 3,608,332</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ (39,370)	\$ 75,582	\$ 76,861	\$ 70,811	\$ 183,884
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	431,062	77,916	453,455	77,914	1,040,347
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	207	(2,136)	128,335	(5,139)	121,267
(Increase) Decrease in inventory	-	-	41,413	-	41,413
(Increase) Decrease in prepaid expenses	-	(985)	-	-	(985)
Increase (Decrease) in accounts payable	(15,875)	(29,809)	30,189	(33)	(15,528)
Increase (Decrease) in accrued liabilities	-	984	2,825	-	3,809
Increase (Decrease) in customer deposits	6,237	-	-	-	6,237
Increase (Decrease) in deferred revenues	-	-	-	-	-
Increase (Decrease) in compensated absences	-	-	-	-	-
Net cash flows from operating activities	<u>\$ 382,261</u>	<u>\$ 121,552</u>	<u>\$ 733,078</u>	<u>\$ 143,553</u>	<u>\$ 1,380,444</u>

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies

General

The City of Santa Clara (the “City”) is organized as a Mayor/Council form of government. Santa Clara is located in the southwestern part of Washington County, Utah.

The financial statements of the City of Santa Clara, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Reporting Entity

A reporting entity consists of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Santa Clara, this includes various services including police protection, recreation (including parks), planning and zoning, street maintenance and repair, sanitation, water distribution, sewer collection, electric distribution, and general administrative services. The City Council directly controls the operation of each of these activities through the budgetary process. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City.

The accompanying financial statements include all activities of the City of Santa Clara (the primary government) and its component units. Blended component units, although legally separate entities, are in substance, part of the government’s operations. Data from these units are combined with data of the primary government.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

The following **blended component unit's** transactions are blended into the audit report issued by the City. No separate audit report is issued:

The Municipal Building Authority of The City of Santa Clara (the Authority) was formally recognized by the State of Utah as an incorporated entity in 2006. The Authority was formed for the purpose of accomplishing the public purposes for which the City of Santa Clara exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of the City of Santa Clara. The Authority is governed by the board of trustees comprised of the elected officials of the City of Santa Clara.

Government-Wide and Fund 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 non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Property taxes, licenses and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

The City reports the following major proprietary funds:

The Water Fund is used to account for the activities of the City's water production, treatment, and distribution operation.

The Sewer Fund accounts for the activities of the City's sewer system which provides services to residential and commercial users within the City.

The Electric Fund accounts for the activities of the City's electric distribution operations.

The Storm Water Fund accounts for the activities of the City's storm water operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to" or "due from other funds." In the Water, Sewer, Electric, and Storm Water funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2012 were estimated based upon July billings and are included in the operating revenues and accounts receivable at year end. Due to the nature of the accounts receivable in the governmental and business-type activities of the City, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business-type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Machinery and equipment	5-20 years
Autos & trucks	5-8 years
Infrastructure	15-40 years

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Accumulated unpaid vacation pay and comp time are accrued based upon the City's expected legal obligation as of the statement date. No provision is made for accumulated sick leave because the City is not obligated to pay accumulated sick leave upon termination or retirement.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

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.

Net Position and Fund Equity

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed. The City does reserve the right to be selective in the use of such restricted assets that best fit the City's needs.

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

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

Restricted net position is net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies, Continued

Unrestricted net position is all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

Restricted fund balance is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

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

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

Minimum Fund Balance

Utah Code 10-6-116(4) indicates that only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The City does not currently have any other fund balance stabilization arrangement.

Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes 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. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (5,430,000)
Plus: unamortized costs of issuance	69,832
Capital leases payable	(334,334)
Compensated absences	(67,105)
Accrued interest payable	<u>(92,201)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities.	<u>\$ (5,853,808)</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes 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. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 233,998
Depreciation Expense	<u>(1,549,661)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental funds	<u>\$ (1,315,663)</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year. The budget was amended during the current fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at 55 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ending June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are generally remitted on a monthly or quarterly basis. Again, an accrual has been made for all fees due and payable to the City as of June 30th.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 4. Deposits and Investments

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

Deposits:		
Cash on hand	\$	274
Cash in bank		705,585
Investments:		
US Government Securities		13,976
State Treasurer's Investment Pool		<u>3,874,157</u>
Total Deposits and Investments	<u>\$</u>	<u>4,593,992</u>

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

Cash and cash equivalents	\$	3,305,232
Restricted cash and cash equivalents		<u>1,288,760</u>
	<u>\$</u>	<u>4,593,992</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2012, none of the City's bank balance of \$655,736 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 4. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s, bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund

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

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

As of June 30, 2012 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$3,874,157	\$3,874,157	\$ -	\$ -	\$ -
US Government Securities	13,976	13,976	-	-	-
Total Fair Value	\$3,888,133	\$3,888,133	\$ -	\$ -	\$ -

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 4. Deposits and Investments, Continued

Interest rate risk

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

Credit risk

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

At June 30, 2012 the City had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$3,874,157	\$ -	\$ -	\$ -	\$3,874,157
US Government Securities	13,976	13,976	-	-	-
Total Fair Value	<u><u>\$3,888,133</u></u>	<u><u>\$ 13,976</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,874,157</u></u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 5. Capital Assets

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

Governmental Activities:	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital assets, not being depreciated:				
Land	\$ 2,452,280	\$ 150,170	\$ -	\$ 2,602,450
Construction in progress	-	10,520	-	10,520
Total capital assets, not being depreciated:	<u>2,452,280</u>	<u>160,690</u>	<u>-</u>	<u>2,612,970</u>
Capital assets, being depreciated:				
Buildings	7,107,945	-	-	7,107,945
Improvements	2,573,319	-	-	2,573,319
Autos and trucks	1,303,510	-	-	1,303,510
Machinery and equipment	849,705	7,380	-	857,085
Office equipment	440,802	-	-	440,802
Artwork	198,491	-	-	198,491
Infrastructure	28,459,537	-	-	28,459,537
Total capital assets, being depreciated:	<u>40,933,309</u>	<u>7,380</u>	<u>-</u>	<u>40,940,689</u>
Less accumulated depreciation for:				
Buildings	(1,175,560)	(235,442)	-	(1,411,002)
Improvements	(782,371)	(148,837)	-	(931,208)
Autos and trucks	(1,175,662)	(87,190)	-	(1,262,852)
Machinery and equipment	(565,445)	(60,969)	-	(626,414)
Office equipment	(150,747)	(32,053)	-	(182,800)
Artwork	(17,700)	(6,616)	-	(24,316)
Infrastructure	(14,900,284)	(978,554)	-	(15,878,838)
Total accumulated depreciation	<u>(18,767,769)</u>	<u>(1,549,661)</u>	<u>-</u>	<u>(20,317,430)</u>
Total capital assets, being depreciated, net	<u>22,165,540</u>	<u>(1,542,281)</u>	<u>-</u>	<u>20,623,259</u>
Governmental activities capital assets, net	<u>\$ 24,617,820</u>	<u>\$ (1,381,591)</u>	<u>\$ -</u>	<u>\$ 23,236,229</u>

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

Governmental Activities:	
General government	\$ 258,607
Public safety	132,181
Public works	994,566
Parks	<u>164,307</u>
Total depreciation expense - governmental activities	<u>\$ 1,549,661</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 5. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital assets not being depreciated:				
Land and land easements	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	50,000	-	50,000
Water rights	719,625	61,250	-	780,875
Total capital assets, not being depreciated	<u>769,625</u>	<u>111,250</u>	<u>-</u>	<u>880,875</u>
Capital assets being depreciated:				
Buildings	91,229	-	-	91,229
Machinery and equipment	842,450	11,431	-	853,881
Autos and trucks	289,156	-	-	289,156
Distribution system	27,546,889	-	-	27,546,889
Total capital assets, being depreciated	<u>28,769,724</u>	<u>11,431</u>	<u>-</u>	<u>28,781,155</u>
Less accumulated depreciation for:				
Buildings	(31,881)	(2,305)	-	(34,187)
Machinery and equipment	(522,944)	(32,319)	-	(555,263)
Autos and trucks	(256,952)	(21,921)	-	(278,873)
Distribution system	(10,812,943)	(983,802)	-	(11,796,745)
Total accumulated depreciation	<u>(11,624,720)</u>	<u>(1,040,347)</u>	<u>-</u>	<u>(12,665,068)</u>
Total capital assets, being depreciated, net	<u>17,145,004</u>	<u>(1,028,916)</u>	<u>-</u>	<u>16,116,087</u>
Business-type activities capital assets, net	<u>\$ 17,914,629</u>	<u>\$ (917,666)</u>	<u>\$ -</u>	<u>\$ 16,996,962</u>

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

Business-Type Activities:	
Water	\$ 431,062
Sewer	77,916
Electric	453,455
Storm Water	77,914
Total depreciation expense - business-type activities	<u>\$ 1,040,347</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 6. Long-Term Debt

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

Governmental Activities:

	Balance 6/30/2011	Additions	Retirements	Balance 6/30/2012	Current Portion
Sales Tax Revenue Bonds	\$ -	\$ 135,000	\$ -	\$ 135,000	\$ 3,000
MBA Lease Revenue Bonds	5,525,000	-	(230,000)	5,295,000	240,000
Capital Leases Payable	437,499	-	(103,165)	334,334	99,786
Compensated Absences	67,105	40,016	(40,016)	67,105	40,000
Total Governmental Activities	\$ 6,029,604	\$ 175,016	\$ (373,181)	\$ 5,831,439	\$ 382,786

Business-type Activities

	Balance 6/30/2011	Additions	Retirements	Balance 6/30/2012	Current Portion
Bonds payable:					
Revenue bonds	\$ 9,775,000	\$ 5,161,000	\$ (5,624,000)	\$ 9,312,000	\$ 648,000
Total Bonds	9,775,000	5,161,000	(5,624,000)	9,312,000	648,000
Capital Leases Payable	166,317	-	(53,827)	112,490	41,938
Compensated Absences	34,260	36,257	(36,257)	34,260	34,000
Total Business-Type Activities	9,975,577	5,197,257	(5,714,084)	9,458,750	723,938
Total Long-Term Liabilities	\$ 16,005,181	\$ 5,372,273	\$ (6,087,265)	\$ 15,290,189	\$ 1,106,724

Long-term debt for the primary government at June 30, 2012 is comprised of the following issues:

Revenue Bonds:

Governmental Activities:

MBA Lease Revenue Bonds, Series 2007, due in annual principal installments ranging from \$205,000 to \$440,000, bearing interest semi-annually at 4.00% to 4.13%, maturing February 2, 2028.	\$ 5,295,000
Series 2012 Sales Tax Revenue Bonds, due in annual installments ranging from \$5,640 to 6,480, bearing interest annually at 2%, maturing March 1, 2042.	135,000
Total Governmental Activities	5,430,000

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 6. Long-Term Debt, Continued

Business-Type Activities:

Water Revenue Bonds, Series 1996B, due in annual principal installments ranging from \$19,000 to \$32,000, bearing interest annually at 2.37% maturing June 2, 2017.	151,000
Storm and Water Revenue Refunding Bonds, Series March 16, 2012, due in annual principal installments ranging from \$127,000 to \$471,000, bearing interest semi-annually at 2.748% to 3.660%, maturing September 15, 2027.	4,337,000
Electric Revenue Bonds, Series 1999, due in annual principal installments ranging from \$105,000 to \$205,000, bearing interest semi-annually at 5.00% to 5.25% maturing August 1, 2012.	205,000
Electric Revenue Bonds, Series 2006, due in annual principal installments ranging from \$205,000 to \$350,000, bearing interest semi-annually at 4.00% to 5.00% maturing February 1, 2027.	3,795,000
Electric Revenue Refunding Bonds, Series 2012, due in annual principal installments ranging from \$38,000 to \$64,000, bearing interest semi-annually at 3.670%, maturing August 1, 2028.	<u>824,000</u>
Total Business-Type Activities	<u>9,312,000</u>

Leases Payable:

Governmental Activities:

Leases payable in annual and semi-annual installments through June 2017, at interest from 3.65% to 7.75%.	<u>334,334</u>
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Business-Type Activities:

Leases payable in semi-annual installments through March 2013, at interest of 3.65% to 6%.	<u>112,490</u>
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Accrued Compensated Absences

Total Long-Term Debt	15,290,189
Less Current portion:	
Business-Type Activities	(723,938)
Governmental Activities	<u>(382,786)</u>
Net Long-Term Debt	<u><u>\$ 14,183,465</u></u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 6. Long-Term Debt, Continued

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

Revenue Bonds

Year Ending June 30,	MBA Lease Revenue Bonds		Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 240,000	\$ 213,944	\$ 346,000	\$ 90,527
2014	250,000	204,344	308,000	82,210
2015	260,000	194,344	321,000	74,102
2016	270,000	183,944	328,000	65,728
2017	285,000	173,144	425,000	56,231
2018-2022	1,600,000	685,719	733,000	192,647
2023-2027	1,950,000	336,540	595,000	79,294
2028-2032	440,000	18,150	127,000	2,324
Totals	<u>\$ 5,295,000</u>	<u>\$ 2,010,129</u>	<u>\$ 3,183,000</u>	<u>\$ 643,063</u>

Year Ending June 30,	Electric Revenue Bonds		Storm Drain Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 243,000	\$ 182,981	\$ 59,000	\$ 44,007
2014	242,000	182,880	70,000	41,901
2015	248,000	173,204	72,000	39,444
2016	259,000	162,091	75,000	36,901
2017	270,000	149,391	78,000	34,254
2018-2022	1,550,000	566,219	435,000	127,934
2023-2027	1,886,000	224,283	516,000	45,741
2028-2032	126,000	4,661	-	-
Totals	<u>\$ 4,824,000</u>	<u>\$ 1,645,710</u>	<u>\$ 1,305,000</u>	<u>\$ 370,182</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 6. Long-Term Debt, Continued

The City issued \$4,337,000 Storm and Water Revenue Refunding Bonds, Series 2012 and \$824,000 Electric Revenue Refunding Bonds, Series 2012. The proceeds were placed in an escrow account to cover all future debt service payments of the Series 2005, 2006, and CIB 2006 Water/Storm Water Revenue Bonds and the Series 2008 Electric Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the Proprietary Funds statement of net position. The reacquisition prices exceeded the net carrying amount of the old debt by \$97,771. This amount is being amortized over the life of the old debt's life which is shorter than the refunded debt. The debt service payments of the Water/Storm Water Bond will be extended approximately three years beyond the terms of the refunded bonds resulting in a combined economic gain of \$298,000. Combined future debt service payments were decreased by approximately \$410,337.

NOTE 7. Capital Leases

The City has entered into lease agreements, which are considered capital leases in accordance with generally accepted accounting principles. The following is an annual schedule of future minimum lease payments with interest rates ranging from 3.65% to 7.7%, together with the present value of the net minimum lease payments:

Year Ending June 30,	Type 3 Engine	Water Tender	Fire Truck	Street Sweeper	Total Gov. Activities	Street Sweeper	Bucket Truck	Total Bus. Activities
2013	\$ 27,467	\$ 25,701	\$ 38,194	\$ 20,512	\$ 111,874	\$ 20,512	\$ 25,600	\$ 46,112
2014	27,467	25,701	38,194	-	91,362	-	25,600	25,600
2015	27,467	25,701	38,194	-	91,362	-	25,600	25,600
2016	-	-	38,194	-	38,194	-	25,600	25,600
2017	-	-	38,196	-	38,196	-	-	-
Total remaining lease payments:	82,401	77,103	190,972	20,512	370,988	20,512	102,400	122,912
Less amount representing interest:	(6,566)	(6,143)	(22,274)	(1,671)	(36,654)	(1,671)	(8,751)	(10,422)
Present value of net remaining minimum lease payments:	<u>\$ 75,835</u>	<u>\$ 70,960</u>	<u>\$ 168,698</u>	<u>\$ 18,841</u>	<u>\$ 334,334</u>	<u>\$ 18,841</u>	<u>\$ 93,649</u>	<u>\$ 112,490</u>

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

	Cost	Depreciation Expense	Accumulated Depreciation
Vehicles and Equipment	\$ 1,338,278	\$ 144,471	\$ (917,295)

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 8. Equity Classifications

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned, as described in Note 1.

At June 30, 2012, the City's fund balances are as follows:

General Fund:

Nonspendable

Prepays	\$ 12,943
---------	-----------

Restricted for:

Debt service - fire equipment	144,890
-------------------------------	---------

Committed to:

Debt service	712,658
--------------	---------

Assigned to:

Princess pageant	220
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Unassigned:

Total	<u> -</u>
	<u>\$ 870,711</u>

Special Revenue Funds:

Restricted for:

Street impact fees	\$ 35,226
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Public safety impact fees	22,211
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Total	<u>\$ 57,437</u>
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CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 9. Interfund Transfers

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

		Transfers From	
		General Fund	Total
Transfers To	Non-major Governmental	\$ 14,923	\$ 14,923
	Total	\$ 14,923	\$ 14,923

The transfers were made to provide additional resources for park improvements.

NOTE 10. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 10. Defined Benefit Pension Plan, Continued

Funding Policy

In the Local Governmental Noncontributory Retirement System, the City of Santa Clara is required to contribute 13.37% of their annual covered salary. In the Public Safety Retirement System for employers in division A, the City of Santa Clara is required to contribute 27.07% of their annual covered salary for members in the noncontributory division. In the Contributory System, the City of Santa Clara is required to make contributions at the rate of 10.33% on applicable amounts. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2012 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Contributory System:				
Local Governmental Division				
2012	N/A	N/A	\$ 1,330	\$ 17,518
Noncontributory System:				
Local Governmental Division				
2012	N/A	N/A	\$ 148,460	\$ 1,078,140
2011	N/A	N/A	156,491	1,082,104
2010	N/A	N/A	146,956	1,216,107
Public Safety System				
Other Division A Noncontributory				
2012	N/A	N/A	\$ 94,071	\$ 385,011
2011	N/A	N/A	90,771	320,659
2010	N/A	N/A	84,505	348,696
Defined Contribution System:				
457 Plan				
2012	\$ 6,364	\$ -	N/A	N/A
2011	6,601	\$ -	N/A	N/A
2010	7,819	-	N/A	N/A
401 (k) Plan				
2012	\$ 27,244	\$ 8,182	N/A	N/A
2011	27,930	7,760	N/A	N/A
2010	33,286	15,912	N/A	N/A

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 11. Risk Management

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

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

NOTE 12. Contracts

The City has entered into various contracts for its Sewer, Water, Garbage and Electric Utility Funds. A few of the more significant contracts are as follows:

The City has entered into a 25-year wastewater service contract with St. George City, which originally expired in April, 2012. This contract was renewed and an automatic renewal will occur each year until written notice is given. St. George City provides the use of a connecting system to transport the City's wastewater to the St. George City treatment plant where it is treated for the City in exchange for a monthly service charge.

The City has also entered into an interlocal agreement (Snow Canyon Water Project Interlocal Compact) wherein the City reimburses their share of operating and maintenance cost to St. George City based upon Santa Clara's proportionate ownership/usage of water in the compact.

The City also has a solid waste collection and disposal contract with Washington County Special Service District No. 1 (the District). The contract provides for Laidlaw Waste System, a subcontractor, to collect and dispose of residential and commercial solid waste within the City. In connection with the agreement, the City is responsible for the monthly billing, collection, and payment of residential collections to the District. The City extended its contract with the District for an additional 10 years during fiscal year 2008.

Additionally, as a member of the Utah Association of Municipal Power System (UAMPS), the City has entered into the San Juan Power Sales Contract (the Power Sales contract) in order to obtain a long-term supply of firm electric energy for the City. The City purchases electricity from UAMPS in exchange for monthly usage fees based on kilowatt hours used.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 13. Jointly Governed Organization

The City, in conjunction with 38 other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$2,083,679 during the fiscal year ended June 30, 2012.

NOTE 14. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2012.

NOTE 15. Commitments / Subsequent Events

The City is committed to participate in the Regional Water Line Project. The City incurred \$69,270 in cost during the current audit period and their future ownership costs are expected to be \$1,102,685 or approximately \$64,864 annually for 17 years.

The City is a member of the Utah Association of Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements with respect to various projects in which UAMPS participated. The total cost of the power the City will be required to purchase in the future is not determinable, however, at a minimum, in connection with these power supply agreements, the City will be required to fund debt service on the UAMPS bonds which, at June 30, 2012 had an outstanding balance of \$142,110,000.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2012

NOTE 15. Commitments / Subsequent Events, Continued

As a member of UAMPS, the City has committed to participate in the Payson Power Project. The City's commitment is estimated to be \$1,135,383. The City has made a down payment on the project of \$300,000. The City is participating with UAMPS to investigate the feasibility of other power projects involving wind, solar, hydro, natural gas, and nuclear generation of power. If any of these projects prove to be viable, the City could participate and incur the associated costs.

NOTE 16. Related Party Transactions

During fiscal year 2012, the City paid Rosenberg Associates a total of \$4,665 for engineering services. Rosenberg Associates is owned by Rick Rosenberg who is currently serving as Mayor.

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

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

Impact Fees – This fund is used to account for the collection of impact fees and the expenditure of these fees on public facilities and infrastructure.

CITY OF SANTA CLARA, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue	Total Nonmajor Governmental Funds
	Impact Fees	Funds
Assets		
Cash and cash equivalents	\$ 11,656	\$ 11,656
Restricted cash and cash equivalents	57,437	57,437
Total assets	\$ 69,093	\$ 69,093
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 11,656	\$ 11,656
Total liabilities	11,656	11,656
Fund Balances:		
Restricted		
Capital Outlay	57,437	57,437
Total fund balances	57,437	57,437
Total liabilities and fund balances	\$ 69,093	\$ 69,093

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

	Special Revenue	Total Nonmajor Governmental Funds
	Impact Fees	
Revenues:		
Federal and state grants	\$ -	\$ -
Investment earnings	1,774	1,774
Total revenues	1,774	1,774
Expenditures:		
Capital Outlay:		
Parks and recreation	46,349	46,349
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	46,349	46,349
Excess (deficiency) of revenues over (under) expenditures	(44,575)	(44,575)
Other Financing Sources (Uses)		
Impact fees	77,044	77,044
Transfers in	14,923	14,923
Total other financing sources and uses	91,967	91,967
Net change in fund balances	47,392	47,392
Fund balances, beginning of year	10,045	10,045
Fund balances, end of year	\$ 57,437	\$ 57,437

CITY OF SANTA CLARA, UTAH
Schedule of Capital Assets Used in the Operations of
Governmental Funds by Function and Activity
As of June 30, 2012

Functions and Activity	Total	Land	Buildings	Improvements	Machinery & Equipment	Office Equipment	Autos & Trucks	Artwork	Infrastructure
General government									
Administration	\$ 8,886,764	\$ 1,851,121	\$ 6,280,808	\$ 84,268	\$ 20,517	\$ 440,802	\$ 10,757	\$ 198,491	\$ -
Public safety	2,039,370	-	483,637	5,853	432,987	-	1,116,893	-	-
Public works									
Streets	29,010,481	196,282	-	-	251,626	-	103,036	-	28,459,537
Parks and recreation									
Parks and grounds maintenance	3,617,044	555,047	343,500	2,493,718	151,955	-	72,824	-	-
Total governmental funds capital assets	\$ 43,553,659	\$ 2,602,450	\$ 7,107,945	\$ 2,583,839	\$ 857,085	\$ 440,802	\$ 1,303,510	\$ 198,491	\$ 28,459,537

CITY OF SANTA CLARA, UTAH
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2012

Functions and Activity	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
General government				
Administration	\$ 8,736,594	\$ 150,170	\$ -	\$ 8,886,764
Public safety	2,037,620	1,750	-	2,039,370
Public works				
Streets	29,004,851	5,630	-	29,010,481
Parks and recreation				
Parks and grounds maintenance	3,606,524	10,520	-	3,617,044
Total governmental funds capital assets	<u>\$ 43,385,589</u>	<u>\$ 168,070</u>	<u>\$ -</u>	<u>\$ 43,553,659</u>

SUPPLEMENTARY INFORMATION

CITY OF SANTA CLARA, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2012

The Water System Revenue Bond Resolution and the Electric System Bond Resolution set forth certain covenants and restrictions. The City of Santa Clara is in compliance with all covenants and restrictions for the Water System Bond and the Electric system Bond resolution requirements. Adequate funds are available in both the water fund and electric fund for reserve requirements.

Additional disclosures required by the Resolutions are:

	Water	Sewer
Number of connections with the boundaries of the City at June 30, 2012	2,036	1,935
Total billings for the fiscal year ended June 30, 2012	\$ 1,110,015	\$ 638,357

Water rates for the fiscal year ended June 30, 2012 are as follows:

0 to 9,000 gallons	\$32.00 per month
9001 to 16,000 gallons	\$1.03 per 1,000 gallons
16,001 to 23,000 gallons	\$1.28 per 1,000 gallons
23,001 to 30,000 gallons	\$1.72 per 1,000 gallons
30,001 to 45,000 gallons	\$2.16 per 1,000 gallons
45,001 to 60,000 gallons	\$2.72 per 1,000 gallons
over 60,000 gallons	\$3.35 per 1,000 gallons

Monthly billing rates for sewer usage

Residential	\$ 26.00
Commercial	\$ 26.00

Insurance coverage in effect at June 30, 2012:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Comprehensive General Liability	13640-GL2010	12/15/11	12/15/12	5,000,000
Utah Local Government Trust	Auto Liability	13640-GL2010	12/15/11	12/15/12	5,000,000
Utah Local Government Trust	Auto PD Coverage	ulgt-apdp-2010	12/15/11	12/15/12	43 vehicles
Utah Local Government Trust	Property Coverage - Buildings	ulgt-apdp-2010	12/15/11	12/15/12	17,662,900
Utah Local Government Trust	Property Coverage - Contents	ulgt-apdp-2010	12/15/11	12/15/12	1,705,600
Utah Local Government Trust	Property Coverage - Contractors Equipment	ulgt-apdp-2010	12/15/11	12/15/12	407,568
Utah Local Government Trust	Property Coverage - EDP	ulgt-apdp-2010	12/15/11	12/15/12	56,000
Utah Local Government Trust	Property Coverage - Equipment in the Open	ulgt-apdp-2010	12/15/11	12/15/12	4,171,612
Utah Local Government Trust	Property Coverage - Mobile equipment	ulgt-apdp-2010	12/15/11	12/15/12	5,680
Utah Local Government Trust	Property Coverage - Miscellaneous equipment	ulgt-apdp-2010	12/15/11	12/15/12	389,750
Utah Local Government Trust	Workers Compensation	13640-WC2011	01/01/12	01/01/13	100/500/100
CNA Surety	Blanket Employee Bond	58461366	08/01/09	08/01/12	40,000
CNA Surety	Position Schedule Bond - Mayor/Recorder/Treasurer	58461367	08/01/11	08/01/13	198,000
CNA Surety	Blanket E&O Bond - 6 Notaries	68564329	01/02/12	01/02/13	10,000
CNA Surety	Position Schedule Bond - Treasurer	70089593	01/01/12	01/01/13	410,000
CNA Surety	Notary Bond	53471720N	06/05/12	06/05/13	5,000
CNA Surety	Notary Bond	69660112N	05/11/12	05/11/13	5,000
CNA Surety	Notary Bond	69746190N	07/19/11	07/19/12	5,000

FEDERAL AND STATE REPORTS

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MEMBERS:

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

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

**Independent Auditors' Report on 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
City of Santa Clara, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Santa Clara, Utah, as of and for the year ended June 30, 2012, which collectively comprise the Santa Clara City's basic financial statements and have issued our report thereon dated December 12, 2012. 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.

Internal Control over Financial Reporting

Management of the City of Santa Clara, Utah, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Santa Clara, Utah's internal control over financial reporting as a basis for designing our auditing procedures 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 of Santa Clara, Utah's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the the City of Santa Clara, Utah's internal control over financial reporting.

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

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

- 07-01 Bank reconciliations
- 07-02 Reconciliations and year-end accounting
- 12-01 Reconciliation of accounts payable

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

- 07-03 Accounting for capital assets
- 12-02 Segregation of duties - payroll

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter, dated December 12, 2012.

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

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



HintonBurdick, PLLC
December 12, 2012

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

The Honorable Mayor and
Members of the City Council
City of Santa Clara, Utah

We have audited the City of Santa Clara's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

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

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

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

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, the City of Santa Clara, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated December 12, 2012 as items 09-01 and 12-03.

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

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

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
December 12, 2012



**Findings and Recommendations
 For the Year Ended June 30, 2012**

The Honorable Mayor and
 City Council
 City of Santa Clara, Utah

Ladies and Gentlemen:

During our audit of the funds of the City of Santa Clara, Utah for the fiscal year ended June 30, 2012, we noted several improvements to the City’s accounting and budgeting system and wish to commend the City for their achievements. However, we also observed a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weaknesses:

07-01. Bank Reconciliations – prior year reissued - reworded

The accurate and timely completion of monthly reconciliations of all City cash accounts is a critical process to safeguard City assets and to provide accurate financial information to management. During our audit we noted that several of the City’s bank accounts were not properly reconciled to the general ledger. We noted two adjustments posted to miscellaneous revenue totaling \$738,323. The sole purpose of these adjustments was to force the bank reconciliation of the City’s checking account to agree to the cash balance per the general ledger. The money market account has shown multiple items for several years as outstanding deposits on its reconciliation. These items are not outstanding deposits and need to be researched and cleared from the reconciliation. In addition we had to propose adjustments to the City’s various debt reserve accounts totaling \$2,374,936 in order for them to be accurately stated. The majority of these adjustments were related to the refinancing of the water/storm, water and electric bonds.

Recommendation

We recommend that the City’s staff research all outstanding items in the money market account and clear them from the reconciliation in an appropriate manner. We further recommend that all bank accounts be reconciled in Caselle on a monthly basis.

Status

Not implemented, the money market account needs to be properly reconciled and all other cash accounts need to be reconciled on a monthly basis.

07-02. Reconciliations and Year-End Accounting – prior year reissued

During our audit we made recommendations for various journal entries that were necessary to make accruals, record debt proceeds, record allocations, adjust reserve funds, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the City develop an action plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place or interim reports are provided to the City Council.

Status

No implemented, material audit adjustments were still present.

12-01. Reconciliation of Accounts Payable

Several updates from the accounts payable module of the City's accounting software were not properly updated to the general ledger. In addition, beginning balances for accounts payable did not agree to the prior year's ending balances. This condition resulted in accounts payable as reported in the general ledger to show a negative balance of approximately \$500,000. This is deemed to be a material weakness as the effect on net income resulting from the required adjustment was approximately \$234,000.

Recommendation

We recommend that City personnel reconcile accounts payable on a monthly basis. This may be accomplished by printing the "Unpaid Invoice Report" from Caselle and verifying that the balances per the report agree with the amounts in the general ledger.

Significant Deficiencies:

07-03. Accounting for Capital Assets – prior year reissued

The City did not implement accounting procedures and controls to accurately account for capital assets during fiscal year 2012. During our audit, we identified several assets additions and disposals that were not properly identified and accounted for. The City's capital asset accounting system was not properly updated for the fiscal year asset additions and disposals.

Recommendation

We recommend that the City improve its internal controls over capital assets by implementing accounting procedures and controls to accurately account for the capital assets of the City. The City should conduct an annual inventory of capital assets. Management should also update the capital asset accounting system with the current year changes.

Status

Not implemented, management is still working to put procedures in place to address the issues set forth.

12-02. Segregation of Duties – Payroll

The payroll process appears to lack proper segregation of duties. The same individual prepares payroll, initiates direct deposits and prepares the bank reconciliation. No one else appears to review the payroll amounts at any point. In order for the City’s funds to be properly safeguarded and to ensure payroll is completed and recorded accurately, these duties should be segregated or other mitigating controls implemented.

Recommendation

We recommend the City review its current procedures for payroll and segregate duties or implement mitigating controls as needed.

COMPLIANCE AND OTHER MATTERS

Compliance Findings:

09-01. Budgetary Compliance – prior year reissued

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized departmental budget. The General Fund “Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual” identifies over-expended departments.

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

Status

Not implemented.

12-03. Remittance of Annual Impact Fee Report

Utah Code 11-36a-601 states that the City is required to submit to the Office of the Utah State Auditor an impact fee report which identifies impact fee funds by the year in which they were received, the project from which the funds were collected, the capital projects for which the funds were budgeted, and the projected schedule for expenditure; in a format developed by the state auditor and certified by their financial officer. We noted the City did complete this form; however, it was not remitted to the Office of the State Auditor in a timely manner. The fiscal year 2011 report was filed on June 6, 2012.

Recommendation

We recommend that the City prepare and remit the required impact fee report to the Office of the Utah State Auditor in a timely manner, preferably by the end of each calendar year.

Other Matters:

None noted

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
December 12, 2012

Mayor
Rick Rosenberg

City Manager
Edward O. Dickie III



City Council
Jerry Amundsen
Herb Basso
Matthew J. Ence
Mary Jo Hafen
David Whitehead

January 22, 2013

Utah State Auditor's Office
PO Box 142310
Salt Lake City, UT 84128-4620

Re: Management Response to Findings

Ladies and Gentlemen:

This letter is in response to the findings and recommendations made by our independent auditors, Hinton, Burdick, Hall & Spilker, PLLC, for the audit of Santa Clara City as of June 30, 2012.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weaknesses:

07-01. Bank Reconciliations – prior year reissued - reworded

The accurate and timely completion of monthly reconciliations of all City cash accounts is a critical process to safeguard City assets and to provide accurate financial information to management. During our audit we noted that several of the City's bank accounts were not properly reconciled to the general ledger. We noted two adjustments posted to miscellaneous revenue totaling \$738,323. The sole purpose of these adjustments was to force the bank reconciliation of the City's checking account to agree to the cash balance per the general ledger. The money market account has shown multiple items for several years as outstanding deposits on its reconciliation. These items are not outstanding deposits and need to be researched and cleared from the reconciliation. In addition we had to propose adjustments to the City's various debt reserve accounts totaling \$2,374,936 in order for them to be accurately stated. The majority of these adjustments were related to the refinancing of the water/storm, water and electric bonds.

Response: The City will research the outstanding items and work with Caselle to clear them from the reconciliation. When large items will be cleared we will consult with the auditors prior to any journal entries. The City will also work with the auditors to research the reconciliation problem and set a plan to have the bank accounts reconciled in a timely manner. The City's procedure regarding bond related bank accounts will be updated to insure all bank accounts will be reconciled on a monthly basis.

07-02. Reconciliations and Year-End Accounting – prior year reissued

During our audit we made recommendations for various journal entries that were necessary to make accruals, record debt proceeds, record allocations, adjust reserve funds, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements.

Response: The City will meet with the auditors to get training to help and increase the volume of accounting done by staff at year end. The City and the auditors will set a plan to have the year-end accounting done in a timely manner.

12-01. Reconciliation of Accounts Payable

Several updates from the accounts payable module of the City's accounting software were not properly updated to the general ledger. In addition, beginning balances for accounts payable did not agree to the prior year's ending balances. This condition resulted in accounts payable as reported in the general ledger to show a negative balance of approximately \$500,000. This is deemed to be a material weakness as the effect on net income resulting from the required adjustment was approximately \$234,000.

Response: The City staff will follow the accounts payable checklist as outlined and do a month end verification of balances.

Significant Deficiencies:

07-03. Accounting for Capital Assets – prior year reissued

The City did not implement accounting procedures and controls to accurately account for capital assets during fiscal year 2012. During our audit, we identified several assets additions and disposals that were not properly identified and accounted for. The City's capital asset accounting system was not properly updated for the fiscal year asset additions and disposals.

Response: The City will conduct an annual inventory of capital assets and maintain our fixed asset schedules throughout the year. Management will do monthly reviews of the expense accounts in the Utility Funds for capital asset purchases which should be capitalized and will make proper adjustments to capitalize these assets. The City will also work with Hinton Burdick to make sure the assets are properly classified.

12-02. Segregation of Duties – Payroll

The payroll process appears to lack proper segregation of duties. The same individual prepares payroll, initiates direct deposits and prepares the bank reconciliation. No one else appears to review the payroll amounts at any point. In order for the City's funds to be properly safeguarded and to ensure payroll is completed and recorded accurately, these duties should be segregated or other mitigating controls implemented.

Response: The City will segregate duties in regard to payroll and have the City Manager review and approve the payroll prior to it being transmitted to the bank.

COMPLIANCE AND OTHER MATTERS

Compliance Findings:

09-01. Budgetary Compliance – prior year reissued

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized departmental budget. The General Fund "Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual" identifies over-expended departments.

Response: The City will monitor department's expenditures to insure they stay within their budget and make necessary budget adjustments to insure expenditures do not exceed appropriations.

12-03. Remittance of Annual Impact Fee Report

Utah Code 11-36a-601 states that the City is required to submit to the Office of the Utah State Auditor an impact fee report which identifies impact fee funds by the year in which they were received, the project from which the funds were collected, the capital projects for which the funds were budgeted, and the projected schedule for expenditure; in a format developed by the state auditor and certified by their financial officer. We noted the City did complete this form; however, it was not remitted to the Office of the State Auditor in a timely manner. The fiscal year 2011 report was filed on June 6, 2012.

Response: The City will work to prepare and have the impact fee report done in a timely manner and remit it with the annual audit.

12-04. Budget Amendment

We noted the fiscal year 2012 budget was amended with the amendment being completed on July 11, 2012. Utah Code 10-6-128 states that final budget amendments shall be adopted by the governing body on or before the last day of the fiscal period.

Response: The City will comply with state code and prepare and have the final budget amendments approved by the governing body prior to the last day of the fiscal year.

Other Matters:

None noted

Sincerely,



Brock Jacobsen
Finance Director