



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

With Report of

Independent Certified Public Accountants

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Clara, Utah's basic financial statements. 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 combining and individual fund financial statements and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 Bond Disclosures have not been subjected to the auditing procedures applied in an audit of the basic financial statements and accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, on our consideration of the City of Santa Clara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Clara's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
December 8, 2015

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, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights/Executive Summary

- The assets plus deferred outflows of Santa Clara City exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$28,216,512 (net position). Of this amount, \$3,123,891 (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 decreased by \$1,103,005. The majority of this decrease was from depreciation expense taken on governmental capital assets
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$1,179,963.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$496,018.
- Santa Clara City's total bonds payable decreased by \$925,000 or 5.5% during the current fiscal year.
- At the end of the current fiscal year, Santa Clara City's general fund revenues exceeded expenditures by \$73,442.
- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of implementing these statements, total beginning net position of the City decreased by \$663,248.

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 drain.

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 position includes *all* of the government's assets, deferred outflows, liabilities, and deferred inflows. 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 plus deferred outflows and liabilities plus deferred inflows- 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 plus deferred outflows exceeded liabilities plus deferred inflows by \$28,216,512 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net position, (94.41% for Government Activities & 63.53% 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.

| | Governmental activities | | Business-type activities | |
|-------------------------------------------------|-------------------------|----------------------|--------------------------|----------------------|
| | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 |
| Current and other assets | \$ 2,343,901 | \$ 2,479,431 | \$ 5,959,660 | \$ 6,313,599 |
| Capital assets | 18,890,278 | 20,351,993 | 21,524,569 | 22,423,585 |
| Total assets | <u>21,234,179</u> | <u>22,831,424</u> | <u>27,484,229</u> | <u>28,737,184</u> |
| Deferred outflows of resources | 56,223 | - | 78,928 | - |
| Long-term liabilities outstanding | 4,497,106 | 4,458,548 | 13,913,776 | 14,363,635 |
| Other liabilities | 530,830 | 1,048,008 | 951,167 | 1,083,010 |
| Total liabilities | <u>5,027,936</u> | <u>5,506,556</u> | <u>14,864,943</u> | <u>15,446,645</u> |
| Deferred inflows of resources | 697,128 | 632,643 | 47,040 | - |
| Net position: | | | | |
| Invested in capital assets, net of related debt | 14,695,291 | 15,928,795 | 8,037,515 | 8,107,073 |
| Restricted | 467,994 | 233,762 | 1,891,821 | 1,505,434 |
| Unrestricted | 402,053 | 529,668 | 2,721,838 | 3,678,032 |
| Total net position | <u>\$ 15,565,338</u> | <u>\$ 16,692,225</u> | <u>\$ 12,651,174</u> | <u>\$ 13,290,539</u> |

Percentages of Net Position

| Net position type | Governmental Activities | Business-type Activities | Total |
|-------------------------------------------------|-------------------------|--------------------------|---------------|
| Invested in capital assets, net of related debt | 94.41% | 63.53% | 80.57% |
| Restricted net position | 3.01% | 14.95% | 8.36% |
| Unrestricted net position | 2.58% | 21.51% | 11.07% |
| Total net position | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

An additional portion of Santa Clara’s net position (3.0% & 14.94% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$3,123,891 (2.58% and 21.51% 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 position, 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 \$850,977.

Business-type activities. Business-type activities decreased Santa Clara’s net position by \$252,028.

Changes in Net Position

| | Governmental activities | | Business-type activities | |
|-------------------------------------------|----------------------------|----------------------|-----------------------------|----------------------|
| | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 1,394,452 | \$ 1,186,630 | \$ 6,148,104 | 6,554,229 |
| Operating grants and contributions | 404,948 | 381,075 | - | - |
| Capital grants and contributions | 365,628 | 327,692 | 550,097 | 771,268 |
| General revenues: | | | | |
| Taxes | 1,859,444 | 1,786,432 | - | - |
| Unrestricted investment earnings | 11,218 | 15,252 | 10,214 | 8,291 |
| Gain on sale of capital assets | 1,500 | 311,482 | 39,750 | - |
| Total revenues | <u>4,037,190</u> | <u>4,008,563</u> | <u>6,748,165</u> | <u>7,333,788</u> |
| Expenses: | | | | |
| General government | 926,818 | 954,943 | - | - |
| Public safety | 1,717,637 | 1,599,310 | - | - |
| Public works | 1,353,659 | 1,609,972 | - | - |
| Parks and recreation | 719,253 | 643,951 | - | - |
| Community development | 65,025 | 64,441 | - | - |
| Interest on long-term debt | 134,854 | 180,384 | - | - |
| Water | - | - | 1,691,147 | 1,808,700 |
| Sewer | - | - | 577,702 | 579,650 |
| Electric | - | - | 4,277,773 | 4,329,368 |
| Storm drain | - | - | 424,492 | 500,559 |
| Total expenses | <u>4,917,246</u> | <u>5,053,001</u> | <u>6,971,114</u> | <u>7,218,277</u> |
| Increase in net position before transfers | (880,056) | (1,044,438) | (222,949) | 115,511 |
| Transfers | 29,079 | (9,578) | (29,079) | 9,578 |
| Increase in net position | (850,977) | (1,054,016) | (252,028) | 125,089 |
| Net position, beginning | 16,692,226 | 17,746,241 | 13,290,539 | 13,089,019 |
| Restatement adjustment | (275,911) | - | (387,337) | 76,431 |
| Net position, ending | <u>\$ 15,565,338</u> | <u>\$ 16,692,225</u> | <u>\$ 12,651,174</u> | <u>\$ 13,290,539</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, 2015, the unassigned fund balance was \$492,998.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$1,179,963, an increase of \$304,648 in comparison with the prior year. 16% of the fund balance constitutes *committed* fund balance, which has been designated by the board for debt service. Of the remaining fund balance, \$467,988 is *restricted* (impact fees and debt service), \$30,032 is *assigned* (Swiss Days and Vineyard Drive Improvements), and \$492,998 is unassigned. The 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 \$496,018.

Other governmental funds (impact fee fund) have a total fund balance of \$464,968, 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 \$2,721,838.

Budgetary Highlights

The budget was amended once during the year. The amendment was completed on June 24, 2015 to make an adjustment for a bond refunding which did not occur during the fiscal year.

In June 2015, the City Council adopted the 2015-2016 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, 2015, amounts to \$40,414,847 (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 | \$ 1,402,450 | \$ 852,875 | \$ 2,255,325 |
| Buildings | 5,040,814 | 312,118 | 5,352,932 |
| Improvements | 2,154,724 | - | 2,154,724 |
| Autos & trucks | 33,753 | 383,159 | 416,912 |
| Machinery and equipment | 229,440 | 317,414 | 546,854 |
| Office equipment | 181,732 | - | 181,732 |
| Artwork | 154,325 | - | 154,325 |
| Construction in progress | 5,110 | - | 5,110 |
| Infrastructure | 9,687,930 | 19,659,003 | 29,346,933 |
| Total | <u>\$ 18,890,278</u> | <u>\$ 21,524,569</u> | <u>\$ 40,414,847</u> |

This year's major capital asset additions primarily consisted of various pieces of equipment and automobiles.

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 \$18,313,000 in bonds outstanding—a decrease of 10.6% 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 |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Revenue bonds | 4,116,000 | 4,267,000 | 13,272,000 | 14,046,000 | 17,388,000 | 18,313,000 | -5.05% |
| Total | <u>\$ 4,116,000</u> | <u>\$ 4,267,000</u> | <u>\$ 13,272,000</u> | <u>\$ 14,046,000</u> | <u>\$ 17,388,000</u> | <u>\$ 18,313,000</u> | -5.05% |

Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2015-2016 is .002096 mills.
- The national, state, and local economies may affect revenues from building and development and sales taxes.
- In considering the City's budget for FY 2015-2016, 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 FY2014-2015 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, 2015

| | Primary Government | | |
|---------------------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 1,429,879 | \$ 2,243,317 | \$ 3,673,196 |
| Receivables (net of allowance) | 785,708 | 1,226,716 | 2,012,424 |
| Inventory | - | 443,874 | 443,874 |
| Bond discounts (net) | - | 62,065 | 62,065 |
| Restricted assets - customer deposits and debt reserves | 127,905 | 1,983,115 | 2,111,020 |
| Net pension asset | 409 | 573 | 982 |
| Capital assets not being depreciated: | | | |
| Land and water rights | 1,402,450 | 852,875 | 2,255,325 |
| Construction in progress | 5,110 | - | 5,110 |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings | 5,040,814 | 312,118 | 5,352,932 |
| Improvements | 2,154,724 | - | 2,154,724 |
| Autos & trucks | 33,753 | 383,159 | 416,912 |
| Machinery and equipment | 229,440 | 317,414 | 546,854 |
| Office equipment | 181,732 | - | 181,732 |
| Artwork | 154,325 | - | 154,325 |
| Infrastructure | 9,687,930 | 19,659,003 | 29,346,933 |
| Total assets | <u>21,234,179</u> | <u>27,484,229</u> | <u>48,718,408</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | 56,223 | 78,928 | 135,151 |
| Total deferred outflows of resources | <u>56,223</u> | <u>78,928</u> | <u>135,151</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 499,909 | 716,465 | 1,216,374 |
| Interest payable | 30,921 | 142,546 | 173,467 |
| Unearned revenue | - | 92,156 | 92,156 |
| Noncurrent liabilities: | | | |
| Due within one year | 262,240 | 935,356 | 1,197,596 |
| Due in more than one year | 4,234,866 | 12,978,420 | 17,213,286 |
| Total liabilities | <u>5,027,936</u> | <u>14,864,943</u> | <u>19,892,879</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | 33,508 | 47,040 | 80,548 |
| Unavailable revenue - property taxes | 663,620 | - | 663,620 |
| Total deferred inflows of resources | <u>697,128</u> | <u>47,040</u> | <u>744,168</u> |
| Net Position | | | |
| Net investment in capital assets | 14,695,291 | 8,037,515 | 22,732,806 |
| Restricted for: | | | |
| Debt service | - | 915,605 | 915,605 |
| Capital outlay | 467,994 | 976,216 | 1,444,210 |
| Unrestricted | 402,053 | 2,721,838 | 3,123,891 |
| Total net position | <u>\$ 15,565,338</u> | <u>\$ 12,651,174</u> | <u>\$ 28,216,512</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, 2015

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------------|------------------|----------------------------------|--------------------------------|---------------------------------------------------|--------------------------|---------------|
| | Expenses | Operating Grants & Contributions | | Governmental Activities | Primary Government | |
| | | Charges for Services | Capital Grants & Contributions | | Business-type Activities | Total |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 926,818 | \$ 746,681 | \$ 5,534 | \$ (173,513) | \$ - | \$ (173,513) |
| Public safety | 1,717,637 | 500,822 | 3,337 | (1,153,785) | - | (1,153,785) |
| Public works | 1,353,659 | 55,217 | 364,424 | (819,629) | - | (819,629) |
| Parks and recreation | 719,253 | 78,396 | 31,653 | (418,748) | - | (418,748) |
| Community development | 65,025 | 13,336 | - | (51,689) | - | (51,689) |
| Interest on long-term debt | 134,854 | - | - | (134,854) | - | (134,854) |
| Total governmental activities | 4,917,246 | 1,394,452 | 404,948 | (2,752,218) | - | (2,752,218) |
| Business-type activities: | | | | | | |
| Water | 1,691,147 | 1,485,497 | - | - | (38,839) | (38,839) |
| Sewer | 577,702 | 567,586 | - | - | 13,552 | 13,552 |
| Electric | 4,277,773 | 3,673,525 | - | - | (321,277) | (321,277) |
| Storm drain | 424,492 | 421,496 | - | - | 73,651 | 73,651 |
| Total business-type activities | 6,971,114 | 6,148,104 | - | - | (272,913) | (272,913) |
| Total primary government | \$ 11,888,360 | \$ 7,542,556 | \$ 404,948 | (2,752,218) | (272,913) | (3,025,131) |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes levied for general purposes | | | | 750,770 | - | 750,770 |
| Sales and use taxes | | | | 746,411 | - | 746,411 |
| Franchise taxes | | | | 293,511 | - | 293,511 |
| Telecommunications tax | | | | 68,752 | - | 68,752 |
| Unrestricted investment earnings | | | | 11,218 | 10,214 | 21,432 |
| Gain on sale of capital assets | | | | 1,500 | 39,750 | 41,250 |
| Transfers | | | | 29,079 | (29,079) | - |
| Total general revenues & transfers | | | | 1,901,241 | 20,885 | 1,922,126 |
| Change in net position | | | | (850,977) | (252,028) | (1,103,005) |
| Net position - beginning | | | | 16,692,226 | 13,290,539 | 29,982,765 |
| Restatement adjustment | | | | (275,911) | (387,337) | (663,248) |
| Net position - ending | | | | \$ 15,565,338 | \$ 12,651,174 | \$ 28,216,512 |

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

CITY OF SANTA CLARA, UTAH
Balance Sheet
Governmental Funds
June 30, 2015

| | General Fund | Non-major Funds | Total Governmental Funds |
|------------------------------------------------------------------------|---------------------|----------------------------|-----------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 961,906 | \$ 467,973 | \$ 1,429,879 |
| Receivables | 47,657 | - | 47,657 |
| Property taxes receivable | 663,620 | - | 663,620 |
| Due from other governments | 74,431 | - | 74,431 |
| Restricted cash and cash equivalents | 127,905 | - | 127,905 |
| Total assets | <u>\$ 1,875,519</u> | <u>\$ 467,973</u> | <u>\$ 2,343,492</u> |
| Liabilities | | | |
| Accounts payable | \$ 305,372 | \$ 3,005 | \$ 308,377 |
| Accrued liabilities | 23,313 | - | 23,313 |
| Customer deposits | 46,624 | - | 46,624 |
| Security holdings | 121,595 | - | 121,595 |
| Total liabilities | <u>496,904</u> | <u>3,005</u> | <u>499,909</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 663,620 | - | 663,620 |
| Total deferred inflows of resources | <u>663,620</u> | <u>-</u> | <u>663,620</u> |
| Fund Balances: | | | |
| Restricted | - | 467,988 | 467,988 |
| Committed | 188,945 | - | 188,945 |
| Assigned | 30,032 | - | 30,032 |
| Unassigned | 496,018 | (3,020) | 492,998 |
| Total fund balances | <u>714,995</u> | <u>464,968</u> | <u>1,179,963</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,875,519</u> | <u>\$ 467,973</u> | <u>\$ 2,343,492</u> |

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

CITY OF SANTA CLARA, UTAH
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2015

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

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Total fund balances - total governmental funds | \$ | 1,179,963 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental capital assets | \$ 43,321,797 | |
| Accumulated depreciation | <u>(24,431,519)</u> | 18,890,278 |
| Net pension asset is not an available resource and, therefore, is not reported in the funds. | | |
| | | 409 |
| Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. | | |
| Deferred outflows | 56,223 | |
| Deferred inflows | <u>(33,508)</u> | 22,715 |
| 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. | | |
| Bonds payable | \$ (4,116,000) | |
| Capital leases payable | (78,987) | |
| Compensated absences | (43,767) | |
| Net pension liability | (258,352) | |
| Accrued interest payable | <u>(30,921)</u> | <u>(4,528,027)</u> |
| Net position of governmental activities | | <u>\$ 15,565,338</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
For the Year Ended June 30, 2015

| | <u>General</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------------------------------|-------------------|----------------------------|-----------------------------------------|
| Revenues: | | | |
| Taxes | \$ 1,859,445 | \$ - | \$ 1,859,445 |
| Licenses, permits and fees | 165,301 | - | 165,301 |
| Intergovernmental revenue | 256,459 | - | 256,459 |
| Charges for services | 994,405 | - | 994,405 |
| Fines and forfeitures | 107,812 | - | 107,812 |
| Investment earnings | 11,218 | 2,242 | 13,460 |
| Other revenues | 298,353 | - | 298,353 |
| Total revenues | <u>3,692,993</u> | <u>2,242</u> | <u>3,695,235</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 670,561 | - | 670,561 |
| Public safety | 1,665,124 | - | 1,665,124 |
| Public works | 307,358 | - | 307,358 |
| Parks, recreation & public property | 519,300 | - | 519,300 |
| Community and economic development | 64,856 | - | 64,856 |
| Debt service: | | | |
| Principal | 235,751 | - | 235,751 |
| Interest | 180,468 | - | 180,468 |
| Capital outlay: | | | |
| Parks and recreation | - | 38,705 | 38,705 |
| Public works | 39,547 | 23,091 | 62,638 |
| Public safety | 24,402 | - | 24,402 |
| Total expenditures | <u>3,707,367</u> | <u>61,796</u> | <u>3,769,163</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(14,374)</u> | <u>(59,554)</u> | <u>(73,928)</u> |
| Other Financing Sources (Uses) | | | |
| Sale of capital assets | 1,500 | - | 1,500 |
| Capital lease | 7,542 | - | 7,542 |
| Impact fees | - | 340,455 | 340,455 |
| Transfers in | 78,774 | - | 78,774 |
| Transfers out | - | (49,695) | (49,695) |
| Total other financing sources and uses | <u>87,816</u> | <u>290,760</u> | <u>378,576</u> |
| Net change in fund balances | 73,442 | 231,206 | 304,648 |
| Fund balances, beginning of year | <u>641,553</u> | <u>233,762</u> | <u>875,315</u> |
| Fund balances, end of year | <u>\$ 714,995</u> | <u>\$ 464,968</u> | <u>\$ 1,179,963</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, 2015

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

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------|
| Net change in fund balances - total governmental funds | \$ | 304,648 |
| <p>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.</p> | | |
| Capital outlay | \$ | 60,374 |
| Depreciation expense | <u>(1,522,089)</u> | (1,461,715) |
| <p>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.</p> | | |
| | | 228,210 |
| <p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| | | (8,416) |
| <p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net position liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p> | | |
| Pension contributions | (121,058) | |
| Pension expense | <u>161,741</u> | 40,683 |
| <p>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.</p> | | |
| | | <u>45,613</u> |
| Change in net position of governmental activities | \$ | <u><u>(850,977)</u></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, 2015

| | Water | Sewer | Electric | Storm Water | Totals Current Year |
|--------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|------------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 255,598 | \$ 585,583 | \$ 1,253,494 | \$ 148,642 | \$ 2,243,317 |
| Receivables, net of allowance | 394,321 | 60,114 | 620,309 | 41,816 | 1,116,560 |
| Intergovernmental receivable | - | 92,156 | - | - | 92,156 |
| Inventory | - | - | 443,874 | - | 443,874 |
| Total current assets | <u>649,919</u> | <u>737,853</u> | <u>2,317,677</u> | <u>190,458</u> | <u>3,895,907</u> |
| Noncurrent assets: | | | | | |
| Restricted cash | 1,123,345 | 123,938 | 522,967 | 212,865 | 1,983,115 |
| Assessments receivable | - | 18,000 | - | - | 18,000 |
| Bond discounts (net) | 44,758 | - | - | 17,307 | 62,065 |
| Net pension asset | 203 | 59 | 252 | 59 | 573 |
| Capital assets: | | | | | |
| Land and water rights | 830,875 | - | - | 22,000 | 852,875 |
| Buildings | 14,594 | 301,251 | 46,940 | - | 362,785 |
| Distribution and collection systems | 16,376,838 | 1,941,674 | 12,595,178 | 3,931,798 | 34,845,488 |
| Machinery and equipment | 77,389 | 227,446 | 533,936 | 115,622 | 954,393 |
| Automobiles and trucks | 104,953 | 379,960 | 231,994 | 20,000 | 736,907 |
| Less: Accumulated depreciation | <u>(7,067,435)</u> | <u>(1,688,891)</u> | <u>(6,676,252)</u> | <u>(795,301)</u> | <u>(16,227,879)</u> |
| Total capital assets (net of accumulated depreciation) | <u>10,337,214</u> | <u>1,161,440</u> | <u>6,731,796</u> | <u>3,294,119</u> | <u>21,524,569</u> |
| Total noncurrent assets | <u>11,505,520</u> | <u>1,303,437</u> | <u>7,255,015</u> | <u>3,524,350</u> | <u>23,588,322</u> |
| Total assets | <u>12,155,439</u> | <u>2,041,290</u> | <u>9,572,692</u> | <u>3,714,808</u> | <u>27,484,229</u> |
| Deferred Outflows of Resources | | | | | |
| Deferred outflows of resources related to pensions | 27,976 | 8,109 | 34,734 | 8,109 | 78,928 |
| Total deferred outflows of resources | <u>27,976</u> | <u>8,109</u> | <u>34,734</u> | <u>8,109</u> | <u>78,928</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 66,178 | 45,931 | 496,179 | 7,416 | 615,704 |
| Accrued liabilities | - | - | 9,467 | - | 9,467 |
| Customer deposits | 91,294 | - | - | - | 91,294 |
| Unearned revenue | - | 92,156 | - | - | 92,156 |
| Interest payable | 60,803 | 1,261 | 69,764 | 10,718 | 142,546 |
| Current portion of noncurrent liabilities | <u>297,602</u> | <u>69,226</u> | <u>304,603</u> | <u>263,925</u> | <u>935,356</u> |
| Total current liabilities | <u>515,877</u> | <u>208,574</u> | <u>880,013</u> | <u>282,059</u> | <u>1,886,523</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 22,812 | 6,702 | 27,820 | 6,702 | 64,036 |
| Net pension liability | 128,555 | 37,262 | 159,607 | 37,262 | 362,686 |
| Bonds payable | 7,773,600 | - | 4,091,000 | 1,407,400 | 13,272,000 |
| Capital lease payable | 7,542 | 167,813 | 32,157 | 7,542 | 215,054 |
| Less current portion of noncurrent liabilities | <u>(297,602)</u> | <u>(69,226)</u> | <u>(304,603)</u> | <u>(263,925)</u> | <u>(935,356)</u> |
| Total noncurrent liabilities | <u>7,634,907</u> | <u>142,551</u> | <u>4,005,981</u> | <u>1,194,981</u> | <u>12,978,420</u> |
| Total liabilities | <u>8,150,784</u> | <u>351,125</u> | <u>4,885,994</u> | <u>1,477,040</u> | <u>14,864,943</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows of resources related to pensions | 16,673 | 4,833 | 20,701 | 4,833 | 47,040 |
| Total deferred inflows of resources | <u>16,673</u> | <u>4,833</u> | <u>20,701</u> | <u>4,833</u> | <u>47,040</u> |
| Net Position | | | | | |
| Net investment in capital assets | 2,556,072 | 993,627 | 2,608,639 | 1,879,177 | 8,037,515 |
| Restricted for debt service | 739,833 | - | - | 175,772 | 915,605 |
| Restricted for capital outlay | 292,218 | 123,938 | 522,967 | 37,093 | 976,216 |
| Unrestricted | 427,835 | 575,876 | 1,569,125 | 149,002 | 2,721,838 |
| Total net position | <u>\$ 4,015,958</u> | <u>\$ 1,693,441</u> | <u>\$ 4,700,731</u> | <u>\$ 2,241,044</u> | <u>\$ 12,651,174</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, 2015

| | <u>Water</u> | <u>Sewer</u> | <u>Electric</u> | <u>Storm Water</u> | <u>Totals Current Year</u> |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 1,421,371 | \$ 510,889 | \$ 3,578,464 | \$ 381,110 | \$ 5,891,834 |
| Other revenues | 64,126 | 56,697 | 95,061 | 40,386 | 256,270 |
| Total operating revenues | <u>1,485,497</u> | <u>567,586</u> | <u>3,673,525</u> | <u>421,496</u> | <u>6,148,104</u> |
| Operating expenses: | | | | | |
| Sewer treatment | - | 180,645 | - | - | 180,645 |
| Wholesale power purchases | - | - | 2,578,848 | - | 2,578,848 |
| Salaries and wages | 307,371 | 88,609 | 372,879 | 88,610 | 857,469 |
| Supplies and operating costs | 313,227 | 17,727 | 133,030 | 19,388 | 483,372 |
| Depreciation | 581,622 | 146,722 | 481,790 | 147,795 | 1,357,929 |
| Payroll taxes & employee benefits | 143,297 | 41,252 | 152,089 | 41,244 | 377,882 |
| Office & department supplies | 2,039 | 778 | 21,048 | 43,815 | 67,680 |
| Professional services | 29,863 | 17,104 | 37,496 | 18,686 | 103,149 |
| Insurance and surety bonds | 31,570 | 28,598 | 32,342 | - | 92,510 |
| Miscellaneous | 16,562 | - | 26,127 | 3,281 | 45,970 |
| Franchise fees | - | - | 214,327 | - | 214,327 |
| Billing and administration | 70,089 | 50,792 | 57,333 | 19,560 | 197,774 |
| Total operating expenses | <u>1,495,640</u> | <u>572,227</u> | <u>4,107,309</u> | <u>382,379</u> | <u>6,557,555</u> |
| Operating income (loss) | <u>(10,143)</u> | <u>(4,641)</u> | <u>(433,784)</u> | <u>39,117</u> | <u>(409,451)</u> |
| Non-operating revenues (expenses): | | | | | |
| Interest income | 4,168 | 1,239 | 2,853 | 1,954 | 10,214 |
| Impact fees | 166,811 | 23,668 | 282,971 | 76,647 | 550,097 |
| Gain (loss) on disposal of assets | 13,200 | - | 26,550 | - | 39,750 |
| Interest expense | (195,507) | (5,475) | (170,464) | (42,113) | (413,559) |
| Total non-operating revenues (expenses) | <u>(11,328)</u> | <u>19,432</u> | <u>141,910</u> | <u>36,488</u> | <u>186,502</u> |
| Income before contributions and transfers | <u>(21,471)</u> | <u>14,791</u> | <u>(291,874)</u> | <u>75,605</u> | <u>(222,949)</u> |
| Contributions and transfers: | | | | | |
| Transfers out | - | (29,079) | - | - | (29,079) |
| Change in net position | <u>(21,471)</u> | <u>(14,288)</u> | <u>(291,874)</u> | <u>75,605</u> | <u>(252,028)</u> |
| Total net position, beginning of year | 4,174,721 | 1,747,524 | 5,163,060 | 2,205,234 | 13,290,539 |
| Restatement adjustment | (137,292) | (39,795) | (170,455) | (39,795) | (387,337) |
| Total net position, end of year | <u>\$ 4,015,958</u> | <u>\$ 1,693,441</u> | <u>\$ 4,700,731</u> | <u>\$ 2,241,044</u> | <u>\$ 12,651,174</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, 2015

| | <u>Water</u> | <u>Sewer</u> | <u>Electric</u> | <u>Storm Water</u> | <u>Totals</u> <u>Current Year</u> |
|--------------------------------------------------------------------------------------------------|---------------------|-------------------|---------------------|--------------------|--------------------------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from customers, service fees | \$ 1,376,632 | \$ 507,659 | \$ 3,628,080 | \$ 379,463 | \$ 5,891,834 |
| Cash received from customers, capacity fees and other | 64,126 | 56,697 | 95,061 | 40,386 | 256,270 |
| Cash paid to suppliers | (485,522) | (375,055) | (3,060,380) | (102,698) | (4,023,655) |
| Cash paid to employees | (465,220) | (134,400) | (541,537) | (134,393) | (1,275,550) |
| Net cash flows from operating activities | <u>490,016</u> | <u>54,901</u> | <u>121,224</u> | <u>182,758</u> | <u>848,899</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers (to) from other funds | - | (29,079) | - | - | (29,079) |
| Net cash flows from noncapital financing activities | <u>-</u> | <u>(29,079)</u> | <u>-</u> | <u>-</u> | <u>(29,079)</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Debt proceeds, net of issuance costs | 7,542 | 7,542 | 7,542 | 7,542 | 30,168 |
| Principal payments on long-term debt | (272,900) | (61,791) | (271,835) | (253,100) | (859,626) |
| Interest paid | (192,031) | (5,961) | (174,969) | (41,599) | (414,560) |
| Purchase of capital assets | (84,129) | (98,072) | (238,370) | (38,341) | (458,912) |
| Proceeds from the sale of capital assets | 13,200 | - | 26,550 | - | 39,750 |
| Impact fees and capital contributions | 166,811 | 23,668 | 282,971 | 76,647 | 550,097 |
| Net cash flows from capital and related financing activities: | <u>(361,507)</u> | <u>(134,614)</u> | <u>(368,111)</u> | <u>(248,851)</u> | <u>(1,113,083)</u> |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 4,168 | 1,239 | 2,853 | 1,954 | 10,214 |
| Net change in cash and cash equivalents | 132,677 | (107,553) | (244,034) | (64,139) | (283,049) |
| Cash and cash equivalents, including restricted cash - beginning of year | <u>1,246,266</u> | <u>817,074</u> | <u>2,020,495</u> | <u>425,646</u> | <u>4,509,481</u> |
| Cash and cash equivalents, including restricted cash - end of year | <u>\$ 1,378,943</u> | <u>\$ 709,521</u> | <u>\$ 1,776,461</u> | <u>\$ 361,507</u> | <u>\$ 4,226,432</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | |
| Net operating income (loss) | \$ (10,143) | \$ (4,641) | \$ (433,784) | \$ 39,117 | \$ (409,451) |
| Adjustments to reconcile net operating income (loss) to net cash flows from operating activities | | | | | |
| Depreciation/amortization | 581,622 | 146,722 | 481,790 | 147,795 | 1,357,929 |
| Pension expense | 4,816 | 1,395 | 5,979 | 1,395 | 13,585 |
| Employer pension contributions | (25,059) | (7,263) | (31,112) | (7,263) | (70,697) |
| Changes in operating assets and liabilities: | | | | | |
| (Increase) Decrease in receivables | (69,268) | (3,230) | 49,616 | (1,647) | (24,529) |
| (Increase) Decrease in prepaid expenses | 16,708 | 16,708 | 16,708 | 3,342 | 53,466 |
| Increase (Decrease) in accounts payable | (22,172) | (96,119) | 25,215 | (1,310) | (94,386) |
| Increase (Decrease) in accrued liabilities | - | - | (1,752) | - | (1,752) |
| Increase (Decrease) in customer deposits | 7,821 | - | - | - | 7,821 |
| Increase (Decrease) in compensated absences | 5,691 | 1,329 | 8,564 | 1,329 | 16,913 |
| Net cash flows from operating activities | <u>\$ 490,016</u> | <u>\$ 54,901</u> | <u>\$ 121,224</u> | <u>\$ 182,758</u> | <u>\$ 848,899</u> |

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

The City of Santa Clara (government) is a municipal corporation governed by an elected mayor and governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Santa Clara City currently does not report any discretely presented component units.

Blended component unit

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.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The government reports the following major governmental funds:

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

The government reports the following major enterprise funds:

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

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

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

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

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

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

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, 2015 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.

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 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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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 |

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See Note 10 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is pension related items reported on the government-wide and proprietary fund financial statements. See Note 10 for more information.

Pensions

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

Net position flow assumption

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

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

Fund balance policies

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

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

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

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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

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

Compensated absences

For governmental funds, amounts of vested or accumulated vacation 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.

Proprietary funds operating and nonoperating revenues and expenses

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Use of estimates

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

New pronouncements

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 17).

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

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.

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2015 consist of the following:

| | |
|-----------------------------------|----------------------------|
| Deposits: | |
| Cash on hand | \$ 600 |
| Cash in bank | 855,003 |
| Investments: | |
| US Government Securities | 16,548 |
| State Treasurer's Investment Pool | <u>4,912,065</u> |
| Total Deposits and Investments | <u><u>\$ 5,784,216</u></u> |

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

| | |
|--------------------------------------|----------------------------|
| Cash and cash equivalents | \$ 3,673,196 |
| Restricted cash and cash equivalents | <u>2,111,020</u> |
| | <u><u>\$ 5,784,216</u></u> |

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 4. Deposits and Investments, Continued

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, 2015, \$346,192 of the City's bank balance of \$862,739 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

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.

As of June 30, 2015 the government had the following investments, quality ratings, and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Credit Rating (1)</u> | <u>Weighted Average Maturity (2)</u> |
|-----------------------------------------|--------------------|--------------------------|--------------------------------------|
| Utah Public Treasurers' Investment Fund | \$4,912,065 | N/A | 65.04 |
| US Government Securities | 16,548 | AAA | Less than 1 |
| Total Fair Value | <u>\$4,928,613</u> | | |

(1) Ratings are provided where applicable to indicate associated Credit Risk.

N/A indicates not applicable.

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

| Governmental Activities: | Balance 6/30/2014 | Additions | Deletions | Balance 6/30/2015 |
|----------------------------------------------|------------------------------|-----------------------|------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,402,450 | \$ - | \$ - | \$ 1,402,450 |
| Construction in progress | - | 5,110 | - | 5,110 |
| Total capital assets, not being depreciated: | <u>1,402,450</u> | <u>5,110</u> | <u>-</u> | <u>1,407,560</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 7,164,927 | - | - | 7,164,927 |
| Improvements | 3,604,266 | - | - | 3,604,266 |
| Autos and trucks | 981,680 | 20,000 | - | 1,001,680 |
| Machinery and equipment | 955,984 | 35,264 | - | 991,248 |
| Office equipment | 440,772 | - | - | 440,772 |
| Artwork | 198,491 | - | - | 198,491 |
| Infrastructure | 28,512,853 | - | - | 28,512,853 |
| Total capital assets, being depreciated: | <u>41,858,973</u> | <u>55,264</u> | <u>-</u> | <u>41,914,237</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,886,438) | (237,675) | - | (2,124,113) |
| Improvements | (1,258,802) | (190,740) | - | (1,449,542) |
| Autos and trucks | (961,504) | (6,423) | - | (967,927) |
| Machinery and equipment | (690,140) | (71,668) | - | (761,808) |
| Office equipment | (233,092) | (25,948) | - | (259,040) |
| Artwork | (37,550) | (6,616) | - | (44,166) |
| Infrastructure | (17,841,904) | (983,019) | - | (18,824,923) |
| Total accumulated depreciation | <u>(22,909,430)</u> | <u>(1,522,089)</u> | <u>-</u> | <u>(24,431,519)</u> |
| Total capital assets, being depreciated, net | <u>18,949,543</u> | <u>(1,466,825)</u> | <u>-</u> | <u>17,482,718</u> |
| Governmental activities capital assets, net | <u>\$ 20,351,993</u> | <u>\$ (1,461,715)</u> | <u>\$ -</u> | <u>\$ 18,890,278</u> |

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

| | |
|------------------------------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 260,505 |
| Public safety | 57,205 |
| Public works | 1,027,699 |
| Parks | 176,680 |
| Total depreciation expense - governmental activities | <u>\$ 1,522,089</u> |

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 5. Capital Assets, Continued

| Business Type Activities: | Balance 6/30/2014 | Additions | Deletions | Balance 6/30/2015 |
|----------------------------------------------|------------------------------|---------------------|---------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land easements | \$ 72,000 | \$ - | \$ - | \$ 72,000 |
| Construction in progress | 166,454 | 59,730 | (226,184) | - |
| Water rights | 780,875 | - | - | 780,875 |
| Total capital assets, not being depreciated | <u>1,019,329</u> | <u>59,730</u> | <u>(226,184)</u> | <u>852,875</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 136,601 | 226,184 | - | 362,785 |
| Machinery and equipment | 859,026 | 95,367 | - | 954,393 |
| Autos and trucks | 446,105 | 290,802 | - | 736,907 |
| Distribution system | 34,832,475 | 13,013 | - | 34,845,488 |
| Total capital assets, being depreciated | <u>36,274,207</u> | <u>625,366</u> | <u>-</u> | <u>36,899,573</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (41,259) | (9,408) | - | (50,667) |
| Machinery and equipment | (606,430) | (30,549) | - | (636,979) |
| Autos and trucks | (252,895) | (100,854) | - | (353,748) |
| Distribution system | (13,969,367) | (1,217,118) | - | (15,186,485) |
| Total accumulated depreciation | <u>(14,869,951)</u> | <u>(1,357,929)</u> | <u>-</u> | <u>(16,227,879)</u> |
| Total capital assets, being depreciated, net | <u>21,404,256</u> | <u>(732,563)</u> | <u>-</u> | <u>20,671,694</u> |
| Business-type activities capital assets, net | <u>\$ 22,423,585</u> | <u>\$ (672,833)</u> | <u>\$ (226,184)</u> | <u>\$ 21,524,569</u> |

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

| | |
|-------------------------------------------------------|---------------------|
| Business-Type Activities: | |
| Water | \$ 581,622 |
| Sewer | 146,722 |
| Electric | 481,790 |
| Storm Water | 147,795 |
| Total depreciation expense - business-type activities | <u>\$ 1,357,929</u> |

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

Governmental Activities:

| | Balance 6/30/2014 | Additions | Retirements | Balance 6/30/2015 | Current Portion |
|--------------------------------------|----------------------|------------------|---------------------|----------------------|--------------------|
| Sales Tax Revenue Bonds | \$ 3,817,000 | \$ - | \$ (101,000) | \$ 3,716,000 | \$ 145,000 |
| Capital Leases Payable | 156,197 | 7,542 | (84,752) | 78,987 | 36,603 |
| Excise Tax Road Revenue Bonds | 450,000 | - | (50,000) | 400,000 | 50,000 |
| Compensated Absences | 35,351 | 21,884 | (13,468) | 43,767 | 30,637 |
| Net Pension Liability* | 321,160 | - | (62,808) | 258,352 | - |
| Total Governmental Activities | \$ 4,779,708 | \$ 29,426 | \$ (312,028) | \$ 4,497,106 | \$ 262,240 |

Business-type Activities

| | Balance 6/30/2014 | Additions | Retirements | Balance 6/30/2015 | Current Portion |
|---------------------------------------|----------------------|------------------|-----------------------|----------------------|---------------------|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 14,046,000 | \$ - | \$ (774,000) | \$ 13,272,000 | \$ 797,000 |
| Less bond discounts | (69,061) | - | 6,996 | (62,065) | - |
| Total Bonds | 13,976,939 | - | (767,004) | 13,209,935 | 797,000 |
| Capital Leases Payable | 270,512 | 30,167 | (85,625) | 215,054 | 93,531 |
| Compensated Absences | 47,123 | 32,018 | (15,105) | 64,036 | 44,825 |
| Net Pension Liability* | 450,859 | - | (88,173) | 362,686 | - |
| Total Business-Type Activities | 14,745,433 | 62,185 | (955,907) | 13,851,711 | 935,356 |
| Total Long-Term Liabilities | \$ 19,525,141 | \$ 91,611 | \$ (1,267,935) | \$ 18,348,817 | \$ 1,197,596 |

*See Note 17 regarding the beginning balances of net pension liability.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 6. Long-Term Debt, Continued

Long-term debt for the primary government at June 30, 2015 is comprised of the following issues:

Revenue Bonds:

Governmental Activities:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Series 2013 Sales Tax Revenue Bonds, due in annual principal installments ranging from \$98,000 to \$260,000, bearing interest semi-annually at 1.10% to 4.06%, maturing October 1, 2033. | \$ 3,587,000 |
| 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. | 129,000 |
| Series 2012 Excise Tax Road Revenue Bonds, due in annual principal installments of \$50,000, no interest is being charged on this bond, maturing July 9, 2022. | <u>400,000</u> |
| Total Governmental Activities | <u>4,116,000</u> |

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. | 63,000 |
| 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. | 3,158,000 |
| Storm and Water Revenue Refunding Bonds, Series July 10, 2012 E, due in annual principal installments ranging from \$46,000 to \$87,000 with a final principal payment of \$272,000 due on October 1, 2043, bearing interest semi-annually at 2.50%, maturing October 1, 2043. | 2,000,000 |
| Storm and Water Revenue Refunding Bonds, Series July 10, 2012 F, due in annual principal installments ranging from \$116,000 to \$117,000, no interest is being charged on this bond, maturing October 1, 2045. | 3,500,000 |
| Storm Water 2013 Sales Tax Revenue Bonds, Series 2013, due in annual principal installments ranging from \$147,000 to \$156,000, bearing interest annually at 1.5%, maturing April 1, 2018. | 460,000 |
| 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. | 3,380,000 |
| 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>711,000</u> |
| Total Business-Type Activities | <u>13,272,000</u> |

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 6. Long-Term Debt, Continued

Leases Payable:

Governmental Activities:

Leases payable in annual and semi-annual installments through October 2019, at interest from 2.53% to 4.27%. 78,987

Business-Type Activities:

Leases payable in semi-annual installments through October 2019, at interest of 2.11% to 3.67%. 215,054

Accrued Compensated Absences 107,803

Net Pension Liability 621,038

Bond Discounts (62,065)

Total Long-Term Debt 18,348,817

Less Current portion:

Business-Type Activities (935,356)

Governmental Activities (262,240)

Net Long-Term Debt \$ 17,151,221

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 6. Long-Term Debt, Continued

The annual requirements to amortize bonds payable at June 30, 2015 are as follows:

Revenue Bonds

| Year Ending June 30, | Excise Tax Road Revenue Bonds | | Sales Tax Revenue Bonds | |
|-------------------------|-------------------------------|-------------|-------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 50,000 | \$ - | 145,000 | 130,248 |
| 2017 | 50,000 | - | 148,000 | 128,077 |
| 2018 | 50,000 | - | 151,000 | 125,397 |
| 2019 | 50,000 | - | 153,000 | 122,096 |
| 2020 | 50,000 | - | 844,000 | 534,249 |
| 2021-2025 | 150,000 | - | 1,008,000 | 356,055 |
| 2026-2030 | - | - | 1,228,000 | 132,362 |
| 2031-2035 | - | - | 27,000 | 3,900 |
| 2036-2040 | - | - | 12,000 | 1,080 |
| 2041-2045 | - | - | - | - |
| Totals | <u>\$ 400,000</u> | <u>\$ -</u> | <u>3,716,000</u> | <u>1,533,464</u> |

| | Water Revenue Bonds | | Electric Revenue Bonds | |
|-----------|---------------------|---------------------|------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | 280,200 | 120,616 | 259,000 | 162,091 |
| 2017 | 508,600 | 112,180 | 270,000 | 149,391 |
| 2018 | 313,100 | 103,530 | 288,000 | 137,218 |
| 2019 | 320,400 | 97,249 | 294,000 | 125,721 |
| 2020 | 326,300 | 90,754 | 311,000 | 113,770 |
| 2021-2025 | 1,627,000 | 352,274 | 1,741,000 | 370,802 |
| 2026-2030 | 1,290,000 | 197,790 | 928,000 | 47,653 |
| 2031-2035 | 923,000 | 139,275 | - | - |
| 2036-2040 | 964,000 | 94,775 | - | - |
| 2041-2045 | 1,105,000 | 39,975 | - | - |
| 2046 | 116,000 | - | - | - |
| Totals | <u>\$ 7,773,600</u> | <u>\$ 1,348,418</u> | <u>\$ 4,091,000</u> | <u>\$ 1,106,646</u> |

| Year Ending June 30, | Storm Water Revenue Bonds | |
|-------------------------|---------------------------|-------------------|
| | Principal | Interest |
| 2016 | 257,800 | 36,443 |
| 2017 | 287,400 | 30,918 |
| 2018 | 219,900 | 25,774 |
| 2019 | 66,600 | 21,246 |
| 2020 | 68,700 | 18,977 |
| 2021-2025 | 333,000 | 59,539 |
| 2026-2030 | 174,000 | 8,246 |
| Totals | <u>\$ 1,407,400</u> | <u>\$ 201,143</u> |

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

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 2.11% to 4.27%, together with the present value of the net minimum lease payments:

| Year Ending June 30, | Mini Excavator | Fire Truck | Total Gov. Activities | Sewer Truck | Bucket Truck | Mini Excavator | Total Bus. Activities |
|-----------------------------------------------------------|-------------------|------------------|--------------------------|-------------------|------------------|-------------------|--------------------------|
| 2016 | \$ 1,625 | \$ 38,194 | \$ 39,819 | \$ 66,152 | \$ 25,600 | \$ 6,500 | \$ 98,252 |
| 2017 | 1,625 | 38,196 | 39,821 | 66,152 | - | 6,500 | 72,652 |
| 2018 | 1,625 | - | 1,625 | 33,076 | - | 6,500 | 39,576 |
| 2019 | 1,625 | - | 1,625 | - | - | 6,500 | 6,500 |
| 2020 | 1,625 | - | 1,625 | - | - | 6,500 | 6,500 |
| Total remaining lease payments: | 8,125 | 76,390 | 84,515 | 165,380 | 25,600 | 32,500 | 223,480 |
| Less amount representing interest: | <u>(583)</u> | <u>(4,944)</u> | <u>(5,528)</u> | <u>(5,107)</u> | <u>(985)</u> | <u>(2,333)</u> | <u>(8,425)</u> |
| Present value of net remaining minimum lease payments: | <u>\$ 7,542</u> | <u>\$ 71,446</u> | <u>\$ 78,987</u> | <u>\$ 160,272</u> | <u>\$ 24,615</u> | <u>\$ 30,167</u> | <u>\$ 215,054</u> |

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

| | Cost | Depreciation Expense | Accumulated Depreciation |
|------------------------|------------|-------------------------|-----------------------------|
| Vehicles and Equipment | \$ 822,281 | \$ 66,895 | \$ 314,478 |

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

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, 2015, the City's fund balances are as follows:

| | | |
|-------------------------------|-------------------|--|
| General Fund: | | |
| Committed to: | | |
| Debt service | 188,945 | |
| Assigned to: | | |
| Swiss days | 19,145 | |
| Vineyard drive improvements | 10,887 | |
| Unassigned: | | |
| Total | <u>496,018</u> | |
| | <u>\$ 714,995</u> | |
| | | |
| Special Revenue Funds: | | |
| Restricted for: | | |
| Street impact fees | 254,871 | |
| Park impact fees | 125,701 | |
| Public safety impact fees | 87,416 | |
| Unassigned: | | |
| Total | <u>(3,020)</u> | |
| | <u>\$ 464,968</u> | |

NOTE 9. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

| Transfers To | Transfers From | | |
|--------------|--------------------|------------------|------------------|
| | Non-major Funds | Sewer Fund | Total |
| General Fund | <u>\$ 49,695</u> | <u>\$ 29,079</u> | <u>\$ 78,774</u> |
| Total | <u>\$ 49,695</u> | <u>\$ 29,079</u> | <u>\$ 78,774</u> |

These transfers were made to move the funds portion of the MBA bond to cover their share of the building.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan

General Information about the Pension Plan

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

- The Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost-sharing, public employee retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost-sharing, public employee retirement systems.

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

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

Summary of Benefits by System

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

* With actuarial deductions

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

Utah Retirement Systems

| | Employee Paid | Paid by Employer for Employee | Employer Contribution Rates |
|----------------------------------------------|--------------------------|----------------------------------------------|--------------------------------------------|
| Contributory System | | | |
| 111 – Local Governmental Division Tier 2 | N/A | N/A | 14.830 % |
| Noncontributory System | | | |
| 15 – Local Governmental Division Tier 1 | N/A | N/A | 18.470 % |
| Public Safety Retirement System | | | |
| 43 – Other Division A Noncontributory Tier 1 | N/A | N/A | 32.040 % |
| 122 – Other Division A Contributory Tier 2 | N/A | N/A | 22.550 % |
| Firefighters System | | | |
| 132 – Division B Tier 2 | N/A | N/A | 10.800 % |

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

At December 31, 2014, the City reported a net pension asset of \$982 and a net pension liability of \$621,038.

| | <u>Proportionate Share</u> | <u>Net Pension Asset</u> | <u>Net Pension Liability</u> |
|-------------------------------------|--------------------------------|------------------------------|----------------------------------|
| Noncontributory System | 0.1430226% | \$ - | \$ 621,038 |
| Tier 2 Public Employees System | 0.0324165% | 982 | - |
| Total Net Pension Asset / Liability | | <u>\$ 982</u> | <u>\$ 621,038</u> |

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, the City recognized pension expense of \$152,458. At December 31, 2014, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 19,745 |
| Changes in assumptions | - | 60,802 |
| Net difference between projected and actual earnings on pension plan investments | 14,094 | - |
| Changes in proportion and differences between contributions and proportional share of contributions | - | - |
| Contributions subsequent to the measurement date | 121,058 | - |
| Total | \$ 135,152 | \$ 80,547 |

\$121,058 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Deferred Outflows (Inflows) of Resources |
|-----------------------------------|-------------------------------------------------------------|
| 2015 | \$ (16,544) |
| 2016 | (16,544) |
| 2017 | (16,544) |
| 2018 | (15,748) |
| 2019 | (172) |
| Thereafter | (902) |

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWc (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

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

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

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

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

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---------------------------------|------------------------|--------------------------|------------------------|
| Proportionate share of | | | |
| Net pension (asset) / liability | \$ 1,497,338 | \$ 620,056 | \$ (110,253) |

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

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 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, 2015

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 \$2,578,848 during the fiscal year ended June 30, 2015.

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. Specifically, the City is contingently liable with respect to the failure of a flood prevention structure. As of the date of these financial statements, the Judge in the case had not yet made a ruling regarding the City's liability in this matter. In addition, no specific dollar amounts for which the City may be liable have been discussed. Therefore, due to the uncertainty of the case and inability of management to estimate an amount for which the City may be liable, the City has not recognized on the financial statements any amount related to this lawsuit at June 30, 2015.

NOTE 15. Commitments / Subsequent Events

The City is committed to participate in the Regional Water Line Project. The City incurred \$62,196 in cost during the current audit period and their future ownership costs are expected to be \$812,838 or approximately \$62,526 annually for 13 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, 2015 had an outstanding balance of \$227,153,000.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2015

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 \$1,063,131. 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 2015, the City paid Rosenberg Associates a total of \$26,998 for engineering services. Rosenberg Associates is owned by Rick Rosenberg who is currently serving as Mayor.

NOTE 17. Restatement Adjustment

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Electric Fund</u> | <u>Storm Water Fund</u> |
|---------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------|-----------------------|--------------------------|-----------------------------|
| Restatement adjustment - implementation of GASB 68: | | | | | | |
| Net pension liability | \$ (321,160) | \$ (450,859) | \$ (159,808) | \$ (46,321) | \$ (198,409) | \$ (46,321) |
| Deferred outflows - contributions subsequent to measurement date | <u>45,249</u> | <u>63,522</u> | <u>22,516</u> | <u>6,526</u> | <u>27,954</u> | <u>6,526</u> |
| Total Restatement Adjustment | <u>\$ (275,911)</u> | <u>\$ (387,337)</u> | <u>\$ (137,292)</u> | <u>\$ (39,795)</u> | <u>\$ (170,455)</u> | <u>\$ (39,795)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANTA CLARA, UTAH
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement System
Last 10 Fiscal Years*

| | <u>Noncontributory System</u> | <u>Tier 2 Public Employees System</u> |
|----------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------|
| | <u>2014</u> | <u>2014</u> |
| Proportion of the net pension liability (asset) | 0.1430226% | 0.0324165% |
| Proportionate share of the net pension liability (asset) | \$ 621,038 | \$ (982) |
| Covered employee payroll | \$ 1,198,561 | \$ 158,967 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 51.82% | -0.62% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.20% | 103.50% |

Note: The City implemented GASB 68 in fiscal year 2014. Information prior to 2014 is not available.

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

CITY OF SANTA CLARA, UTAH
Schedule of Contributions
Utah Retirement System
Last 10 Fiscal Years*

| | <u>Noncontributory System</u> | <u>Tier 2 Public Employees System</u> |
|----------------------------------------------------------------------|-----------------------------------|-------------------------------------------|
| | <u>2014</u> | <u>2014</u> |
| Contractually required contribution | \$ 224,792 | \$ 13,374 |
| Contributions in relation to the contractually required contribution | (224,792) | (13,374) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 1,198,561 | \$ 158,967 |
| Contributions as a percentage of covered-employee payroll ** | 18.76% | 8.41% |

Note: The City implemented GASB 68 in fiscal year 2014. Information prior to 2014 is not available.

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

CITY OF SANTA CLARA, UTAH
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Other information that is not required as part of RSI

The information below is not required as part of GASB 68 but provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 – December 31.

Defined Contribution System

December 31, 2014

| | Employee Paid Contributions | Employer Paid Contributions |
|----------------------|--------------------------------------------|--------------------------------------------|
| 401(k) Plan | \$ 17,335 | \$ 3,380 |
| 457 Plan | 7,001 | - |
| Roth IRA Plan | - | - |
| Traditional IRA Plan | - | - |
| HRA Plan | - | - |

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

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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, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|------------------|-------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| General property taxes | \$ 730,000 | \$ 730,000 | \$ 717,323 | \$ (12,677) |
| Prior year's delinquent taxes | 15,000 | 30,000 | 33,448 | 3,448 |
| General sales and use taxes | 672,000 | 717,000 | 746,411 | 29,411 |
| Franchise taxes | 318,984 | 318,984 | 293,511 | (25,473) |
| Telecommunications tax | 80,000 | 80,000 | 68,752 | (11,248) |
| Total taxes | <u>1,815,984</u> | <u>1,875,984</u> | <u>1,859,445</u> | <u>(16,539)</u> |
| Licenses & permits: | | | | |
| Business license & permits | 10,000 | 10,000 | 12,160 | 2,160 |
| Non-business license & permits | 73,950 | 148,950 | 153,141 | 4,191 |
| Total license & permits | <u>83,950</u> | <u>158,950</u> | <u>165,301</u> | <u>6,351</u> |
| Intergovernmental revenues: | | | | |
| Federal & state grants | 10,000 | 10,000 | 8,576 | (1,424) |
| Class "C" roads | 245,000 | 245,000 | 242,349 | (2,651) |
| State liquor allotment | - | - | 5,534 | 5,534 |
| Total intergovernmental revenues | <u>255,000</u> | <u>255,000</u> | <u>256,459</u> | <u>1,459</u> |
| Charges for services: | | | | |
| Refuse collection | 290,229 | 290,229 | 298,677 | 8,448 |
| Street maintenance fees | 55,000 | 55,000 | 54,194 | (806) |
| Public safety | 430,141 | 440,141 | 399,753 | (40,388) |
| Parks & public property | 127,600 | 182,600 | 191,662 | 9,062 |
| Cemetery | 22,500 | 22,500 | 35,879 | 13,379 |
| Other | 15,000 | 15,000 | 14,240 | (760) |
| Total charges for services | <u>940,470</u> | <u>1,005,470</u> | <u>994,405</u> | <u>(11,065)</u> |
| Fines and forfeitures: | | | | |
| Court fines & forfeitures | 150,100 | 150,100 | 107,812 | (42,288) |
| Miscellaneous: | | | | |
| Investment earnings | 10,000 | 10,000 | 11,218 | 1,218 |
| Administrative service revenue | 197,774 | 197,774 | 197,774 | - |
| Community development | 33,000 | 33,000 | 48,068 | 15,068 |
| Contributions | - | - | 1,365 | 1,365 |
| Other | 134,647 | 134,647 | 51,146 | (83,501) |
| Total miscellaneous | <u>375,421</u> | <u>375,421</u> | <u>309,571</u> | <u>(65,850)</u> |
| Total revenues | <u>3,620,925</u> | <u>3,820,925</u> | <u>3,692,993</u> | <u>(127,932)</u> |

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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--------------------------------------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: | | | | |
| General government | <u>673,816</u> | <u>703,816</u> | <u>670,561</u> | <u>33,255</u> |
| Public safety | | | | |
| Judicial | 183,156 | 183,156 | 182,304 | 852 |
| Law enforcement | 846,112 | 886,112 | 836,754 | 49,358 |
| Fire protection | 424,056 | 439,056 | 422,394 | 16,662 |
| Building inspection | 191,209 | 236,209 | 223,672 | 12,537 |
| Capital outlay | <u>15,000</u> | <u>25,000</u> | <u>24,402</u> | <u>598</u> |
| Total public safety | <u>1,659,533</u> | <u>1,769,533</u> | <u>1,689,526</u> | <u>80,007</u> |
| Highways and public improvements | | | | |
| Public works | 448,708 | 448,708 | 307,358 | 141,350 |
| Capital outlay | <u>20,000</u> | <u>20,000</u> | <u>39,547</u> | <u>(19,547)</u> |
| Total highways and public improvements | <u>468,708</u> | <u>468,708</u> | <u>346,905</u> | <u>121,803</u> |
| Parks, recreation & public property | | | | |
| Parks, trails & cemetery | 501,851 | 526,851 | 519,300 | 7,551 |
| Swiss days | 49,500 | 74,500 | 58,705 | 15,795 |
| Princess pageant | <u>3,000</u> | <u>13,000</u> | <u>6,151</u> | <u>6,849</u> |
| Total parks, recreation & public property | <u>554,351</u> | <u>614,351</u> | <u>584,156</u> | <u>30,195</u> |
| Debt service | | | | |
| Principal | 242,367 | 242,367 | 235,751 | 6,616 |
| Interest | <u>183,640</u> | <u>183,640</u> | <u>180,468</u> | <u>3,172</u> |
| Total debt service | <u>426,007</u> | <u>426,007</u> | <u>416,219</u> | <u>9,788</u> |
| Total expenditures | <u>3,782,415</u> | <u>3,982,415</u> | <u>3,707,367</u> | <u>275,048</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(161,490)</u> | <u>(161,490)</u> | <u>(14,374)</u> | <u>147,116</u> |
| Other financing sources (uses) | | | | |
| Sale of capital assets | 5,000 | 5,000 | 1,500 | (3,500) |
| Capital lease | - | - | 7,542 | 7,542 |
| Transfers in | <u>78,774</u> | <u>78,774</u> | <u>78,774</u> | <u>-</u> |
| Total other financing sources and uses | <u>83,774</u> | <u>83,774</u> | <u>87,816</u> | <u>4,042</u> |
| Net change in fund balances | <u>(77,716)</u> | <u>(77,716)</u> | <u>73,442</u> | <u>151,158</u> |
| Fund balances, beginning of year | <u>641,553</u> | <u>641,553</u> | <u>641,553</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 563,837</u> | <u>\$ 563,837</u> | <u>\$ 714,995</u> | <u>\$ 151,158</u> |

SUPPLEMENTARY INFORMATION

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, 2015

| | Special Revenue | Total Nonmajor Governmental Funds |
|------------------------------------------------------------------------|----------------------------|------------------------------------------------------|
| | Impact Fees | |
| Assets | | |
| Cash and cash equivalents | \$ 467,973 | \$ 467,973 |
| Total assets | 467,973 | 467,973 |
| Liabilities | | |
| Accounts payable | \$ 3,005 | \$ 3,005 |
| Total liabilities | 3,005 | 3,005 |
| Fund Balances: | | |
| Restricted | | |
| Capital Outlay | 467,988 | 467,988 |
| Unassigned | (3,020) | (3,020) |
| Total fund balances | 464,968 | 464,968 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 467,973 | \$ 467,973 |

CITY OF SANTA CLARA, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

| | Special Revenue | Total Nonmajor Governmental Funds |
|--------------------------------------------------------------|----------------------------|------------------------------------------------------|
| | Impact Fees | |
| Revenues: | | |
| Investment earnings | \$ 2,242 | \$ 2,242 |
| Total revenues | 2,242 | 2,242 |
| Expenditures: | | |
| Capital outlay: | | |
| Parks and recreation | 38,705 | 38,705 |
| Public works | 23,091 | 23,091 |
| Public safety | - | - |
| Total expenditures | 61,796 | 61,796 |
| Excess (deficiency) of revenues over (under) expenditures | (59,554) | (59,554) |
| Other Financing Sources (Uses) | | |
| Impact fees | 340,455 | 340,455 |
| Transfers out | (49,695) | (49,695) |
| Total other financing sources and uses | 290,760 | 290,760 |
| Net change in fund balances | 231,206 | 231,206 |
| Fund balances, beginning of year | 233,762 | 233,762 |
| Fund balances, end of year | \$ 464,968 | \$ 464,968 |

CITY OF SANTA CLARA, UTAH
Schedule of Capital Assets Used in the Operations of
Governmental Funds by Function and Activity
As of June 30, 2015

| Functions and Activity | Total | Land | Buildings | Improvements | Machinery & Equipment | Office Equipment | Autos & Trucks | Artwork | Infrastructure |
|-----------------------------------------|---------------|--------------|--------------|--------------|-----------------------|------------------|----------------|------------|----------------|
| General government | | | | | | | | | |
| Administration | \$ 7,729,069 | \$ 651,121 | \$ 6,280,808 | \$ 100,450 | \$ 25,463 | \$ 440,772 | \$ 31,964 | \$ 198,491 | \$ - |
| Public safety | 1,784,539 | - | 508,437 | 33,333 | 448,160 | - | 794,609 | - | - |
| Public works | | | | | | | | | |
| Streets | 29,840,181 | 196,282 | - | 696,145 | 337,968 | - | 96,933 | - | 28,512,853 |
| Parks and recreation | | | | | | | | | |
| Parks and grounds maintenance | 3,968,008 | 555,047 | 375,682 | 2,779,448 | 179,657 | - | 78,174 | - | - |
| Total governmental funds capital assets | \$ 43,321,797 | \$ 1,402,450 | \$ 7,164,927 | \$ 3,609,376 | \$ 991,248 | \$ 440,772 | \$ 1,001,680 | \$ 198,491 | \$ 28,512,853 |

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, 2015

| Functions and Activity | Balance June 30, 2014 | Additions | Deletions | Balance June 30, 2015 |
|-----------------------------------------|--------------------------|------------------|-------------|--------------------------|
| General government | | | | |
| Administration | \$ 7,729,069 | \$ - | \$ - | \$ 7,729,069 |
| Public safety | 1,767,616 | 16,923 | - | 1,784,539 |
| Public works | | | | |
| Streets | 29,801,840 | 38,341 | - | 29,840,181 |
| Parks and recreation | | | | |
| Parks and grounds maintenance | 3,962,898 | 5,110 | - | 3,968,008 |
| Total governmental funds capital assets | <u>\$ 43,261,423</u> | <u>\$ 60,374</u> | <u>\$ -</u> | <u>\$ 43,321,797</u> |

CITY OF SANTA CLARA, UTAH
Bond Disclosures
For the Year Ended June 30, 2015

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 within the boundaries of the City at June 30, 2015 | 2,094 | 2,032 |
| Total billings for the fiscal year ended June 30, 2015 | \$ 1,357,346 | \$ 510,889 |

Water rates for the fiscal year ended June 30, 2015 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 | \$ 19.40 |
| Commercial | \$ 26.00 |

Insurance coverage is as follows:

| Provider | Type | Policy Number | Effective | Expires | Limits |
|-----------------------------|---------------------------------------------------|----------------|-----------|----------|-------------|
| Utah Local Government Trust | Comprehensive General Liability | 13640-GL2010 | 07/01/15 | 07/01/16 | 10,000,000 |
| Utah Local Government Trust | Auto Liability | 13640-GL2010 | 07/01/15 | 07/01/16 | 10,000,000 |
| Utah Local Government Trust | Property Coverage - Buildings | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 18,170,900 |
| Utah Local Government Trust | Property Coverage - Contents | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 1,705,600 |
| Utah Local Government Trust | Property Coverage - Contractors Equipment | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 457,222 |
| Utah Local Government Trust | Property Coverage - EDP | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 56,000 |
| Utah Local Government Trust | Property Coverage - Equipment in the Open | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 4,171,612 |
| Utah Local Government Trust | Property Coverage - Mobile equipment | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 7,480 |
| Utah Local Government Trust | Property Coverage - Miscellaneous equipment | ulgt-apdp-2010 | 07/01/15 | 07/01/16 | 389,750 |
| Utah Local Government Trust | Workers Compensation | 13640-WC2011 | 07/01/15 | 07/01/16 | 100/100/500 |
| CNA Surety | Blanket Employee Bond | 58461366 | 01/02/15 | 01/02/16 | 40,000 |
| CNA Surety | Position Schedule Bond - Mayor/Recorder/Treasurer | 58461367 | 08/01/15 | 08/01/16 | 198,000 |
| CNA Surety | Blanket E&O Bond - 2 Notaries | 68564329 | 01/02/15 | 01/02/16 | 10,000 |
| CNA Surety | Position Schedule Bond - Treasurer | 70089593 | 01/01/15 | 01/01/16 | 430,000 |
| CNA Surety | Notary Bond | 53471720N | 06/05/15 | 06/05/16 | 5,000 |
| CNA Surety | Notary Bond | 69660112N | 05/11/15 | 05/11/16 | 5,000 |

FEDERAL AND STATE REPORTS

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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Clara City, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Santa Clara City's basic financial statements and have issued our report thereon dated December 8, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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.

2007-001 Bank reconciliations
2007-002 Reconciliations and year-end accounting

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:

2007-003 Accounting for capital assets
2012-002 Segregation of duties - payroll

Compliance and Other Matters

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

City of Santa Clara, Utah's Response to Findings

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

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
December 8, 2015

**Independent Auditors' Report in Accordance
with the *State Compliance Audit Guide* on:**

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

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

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited Santa Clara City, Utah's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Restricted Taxes
Open and Public Meetings Act
Cash Management
Impact Fees
Government Records Access Management Act
Conflicts of Interest
Nepotism

The City did not have any state funding classified as a major program during the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and

the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on the City. 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 on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Santa Clara City, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying Findings and Recommendations dated December 8, 2015 as item 2013-003, 2013-008, 2015-001, and 2015-002.

Santa Clara City's response to the noncompliance finding identified in our audit is described in the accompanying Responses to the Findings and Recommendations. Santa Clara City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Santa Clara City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures in the circumstances for the purpose of expressing an opinion on compliance with general state compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

HintonBurdick, PLLC
St. George, Utah
December 8, 2015

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**Findings and Recommendations
For the Year Ended June 30, 2015**

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, 2015, we noted several improvements to the City's accounting and budgeting system and wish to commend the City for their achievements. We also observed a few areas needing corrective action in order for the City to be in compliance with laws and regulations as well as a few procedures 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:

2007-001. Bank Reconciliations

We noted that significant improvements have been made in the City's bank reconciliation process. However, we did notice a few items which require corrective action.

- Not all of the bank reconciliations agreed to the cash balances as reported on the City's general ledger. In addition, the Public Treasurer Investment Fund (PTIF) accounts had not been reconciled when we arrived for fieldwork. We also noted many stale outstanding checks which need to be researched and voided as needed. While all differences were subsequently identified and corrected during the course of the audit, this does indicate the City's controls over cash may be lacking.

Recommendation

We recommend that the City's staff continue their efforts to improve the City's bank reconciliation process by ensuring reconciliations are prepared timely and accurately. All differences between the bank reconciliation and cash as shown on the general ledger should be researched and corrected in timely manner. We also recommend that the City research and clear the outstanding checks included on the State Bank of Southern Utah bank reconciliation.

Status

Recommendations have been partially implemented.

2007-002. Reconciliations and Year-End Accounting

During our audit we made recommendations for various journal entries that were necessary to make accruals, record allocations, 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

Not implemented, as in prior years material audit adjustments were still present.

Significant Deficiencies:

2007-003. Accounting for Capital Assets

The City has not completely implement accounting procedures and controls to accurately account for capital assets. During our audit, we identified several assets additions and disposals that were not identified and accounted for properly.

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.

Status

Partially implemented, management is still working to put procedures in place to address the issues set forth. Improvements have been made with the City's implementation of a process to effectively tracking the City's capital assets.

2012-002. 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. Although another individual reviews and approves the amounts to be direct deposited, the amount actually direct deposited is not reviewed. 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.

Status

Not implemented

COMPLIANCE AND OTHER MATTERS

Compliance Findings:

2013-003. Impact Fees

State law requires that impact fee proceeds be used in a timely manner and that reasons for holding fees longer than six years are appropriate and documented (UCA 11-36A-602(2)). We noted that sewer impact fees have been held longer than six years. In addition, the impact fee schedule submitted to the State does not agree with the expenditures of impact fees as documented in our audit test work (UCA 11-36A-601).

Recommendation

We recommend the City review their Capital Facilities Plan and identify the projects for which sewer impact fees have been charged. The City may then evaluate the status of each project and determine if there is an appropriate reason for continuing to hold the related impact fees. We also recommend the City take the appropriate steps to ensure the amounts reported on the impact fee schedule remitted to the State reflect the actual expenditure of the impact fees.

Status

Not implemented

2013-008. Financial Report Detailing Receipts and Disbursements

A financial report detailing receipts and disbursements for all funds should be prepared at least quarterly and reviewed by the governing body (UCA 10-6-14). We understand these reports are prepared and given to the City Council on a quarterly instead of a monthly basis; however, there is no documentation of this.

Recommendation

We recommend the required reports be prepared and presented to the City Council on a monthly basis. We all recommend the reports be documented in the Council meeting minutes.

Status

Not implemented

2015-001. Open and Public Meetings Act

State law requires that within three days of City Council meeting minutes being approved, the minutes must be posted to the Utah Public Notice Website (UCA 52-4-203(4)(e)). We noted the City did not post any of the City Council meeting minutes to the required website.

Recommendation

In order to adhere to State law, we recommend that City Council meeting minutes be posted to the Utah Public Notice website within three days of the minutes being approved.

Status

Not implemented

2015-002. Conflict of Interest Policy

State law requires that the City have a written policy and procedure to disclose conflicts of interest. The policy must be effectively communicated to public officers and employees of the City (UCA 67-16-7). It appears the City does recognize the importance of disclosing conflicts of interest as Council Members will abstain from items for which they may have a conflict of interest, however, the City has not adopted a formal written policy and procedure as required by State law.

Recommendation

We recommend the City establish and adopt a formal written policy and procedure to disclose conflicts of interest.

Status

Not implemented

Other Matters:

None noted

Please respond to the above Findings and Recommendations in letter form for submission to the Office of the Utah State Auditor 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 black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC
December 8, 2015

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Management Responses to the Findings and Recommendations

2007-001. Bank Reconciliations

We noted that significant improvements have been made in the City's bank reconciliation process. However, we did notice a few items which require corrective action.

- Not all of the bank reconciliations agreed to the cash balances as reported on the City's general ledger. In addition, the Public Treasurer Investment Fund (PTIF) accounts had not been reconciled when we arrived for fieldwork. We also noted many stale outstanding checks which need to be researched and voided as needed. While all differences were subsequently identified and corrected during the course of the audit, this does indicate the City's controls over cash may be lacking.

Response:

The City will continue to work to improve its bank reconciliation procedures. We will also develop a procedure for researching and clearing outstanding checks.

2007-002. Reconciliations and Year-End Accounting

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

Response:

The City will work with the auditors to help us understand the purpose of the entries recommended by the auditors. We will also work to make the necessary adjustments to the general ledger prior to the audit.

2007-003. Accounting for Capital Assets

The City has not completely implement accounting procedures and controls to accurately account for capital assets. During our audit, we identified several assets additions and disposals that were not identified and accounted for properly.

Response:

The City will conduct an annual inventory of capital assets. We will have monthly discussions regarding assets so we may identify additions and disposal of assets in a timely manner.

2012-002. 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. Although another individual reviews and approves the amounts to be direct deposited, the amount actually direct deposited is not reviewed. 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:

We will work to set-up procedures to segregate payroll duties as best we can. With our small staff we segregate to the best of our abilities and will continue to do so.

2013-003. Impact Fees

State law requires that impact fee proceeds be used in a timely manner and that reasons for holding fees longer than six years are appropriate and documented (UCA 11-36A-602(2)). We noted that sewer impact fees have been held longer than six years. In addition, the impact fee schedule submitted to the State does not agree with the expenditures of impact fees as documented in our audit test work (UCA 11-36A-601).

Response:

The City will take the proper steps to ensure impact fees are spent in a timely manner. We will also take the steps to ensure the reports submitted to the state reflect a correct accounting of the expensed impact fees.

2013-008. Financial Report Detailing Receipts and Disbursements

A financial report detailing receipts and disbursements for all funds should be prepared at least quarterly and reviewed by the governing body (UCA 10-6-14). We understand these reports are prepared and given to the City Council on a quarterly instead of a monthly basis; however, there is no documentation of this.

Response:

The City will take the necessary steps to present the financial position of the city to the governing body.

2015-001. Open and Public Meetings Act

State law requires that within three days of City Council meeting minutes being approved, the minutes must be posted to the Utah Public Notice Website (UCA 52-4-203(4)(e)). We noted the City did not post any of the City Council meeting minutes to the required website.

Response:

The City will take the necessary steps to ensure we are complying with state law to have the approved meeting minutes posted to the Utah Public Notice Website within three days of being approved.

2015-002. Conflict of Interest Policy

State law requires that the City have a written policy and procedure to disclose conflicts of interest. The policy must be effectively communicated to public officers and employees of the City (UCA 67-16-7). It appears the City does recognize the importance of disclosing conflicts of interest as Council Members will abstain from items for which they may have a conflict of interest, however, the City has not adopted a formal written policy and procedure as required by State law.

Response:

The City will have a conflict of interest policy written and approved by the governing body.