

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**With Report of**

**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

MEMBERS:

CHAD B. ATKINSON  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
TODD B. FELTNER  
BRENT R. HALL  
TODD R. HESS  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Santa Clara's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009, on our consideration of the City of Santa Clara's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Clara's basic financial statements. The accompanying combining statements, capital asset schedules, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Santa Clara, Utah. The combining statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

*Hinton, Burdick, Hall & Spilker, PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
October 15, 2009

## **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, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

### **Financial Highlights/Executive Summary**

- The assets of Santa Clara City exceeded its liabilities at the close of the most recent fiscal year by \$38,846,598 (net assets). Of this amount, \$2,913,907 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors (refer to table entitled SANTA CLARA CITY'S Net Assets).
- During the year, the City's net change in fund balance was reduced by \$582,732, due to a planned use of fund balance and the economy. (refer to table entitled SANTA CLARA CITY'S Changes in Net Assets).
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$564,234. Approximately 82.8% of this total amount, \$467,266 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$467,266 or 12.9% of total general fund expenditures.
- Santa Clara City's total bonds payable increased by \$186,000 or 1.1% during the current fiscal year. (refer to table entitled SANTA CLARA CITY'S Outstanding Debt).
- At the end of the current fiscal year, Santa Clara City's general fund expenditures exceed general fund revenues by \$776,438.

### **Overview of Financial Statements**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements:
  - The government funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses. Santa Clara City, utilizing four proprietary funds, manages four business activities: water, sewer, electric and storm drains.

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

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

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

- Over time, increases or decreases in the City's net assets are 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 assets may serve over time as a useful indicator of a government's financial position. In the case of Santa Clara, assets exceed liabilities by \$38,846,598 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net assets, (79.60% for Government Activities & 65.45% for Business-Type Activities) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Santa Clara City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Santa Clara's investment in its capital assets is reported net of related debt, it should

be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**SANTA CLARA CITY  
Statement of Net Assets**

	Governmental activities		Business-type activities	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Current and other assets	\$ 5,595,156	\$ 6,285,608	\$ 6,043,294	\$ 7,257,421
Capital assets	26,521,238	27,783,770	20,113,128	19,726,944
Total assets	<u>32,116,394</u>	<u>34,069,378</u>	<u>26,156,422</u>	<u>26,984,365</u>
Long-term liabilities outstanding	6,712,098	7,034,794	11,353,369	10,809,442
Other liabilities	287,425	608,960	1,073,326	1,265,950
Total liabilities	<u>6,999,523</u>	<u>7,643,754</u>	<u>12,426,695</u>	<u>12,075,392</u>
Net assets:				
Invested in capital assets, net of related debt	19,991,782	20,937,689	9,008,966	9,338,046
Restricted	4,249,885	4,300,561	2,682,058	2,603,123
Unrestricted	875,204	1,187,374	2,038,703	2,967,804
Total net assets	<u>\$ 25,116,871</u>	<u>\$ 26,425,624</u>	<u>\$ 13,729,727</u>	<u>\$ 14,908,973</u>

Percentages of Net Assets

Net asset type	Governmental Activities	Business-type Activities	Total
Invested in capital assets, net of related debt	79.60%	65.62%	74.65%
Restricted net assets	16.92%	19.53%	17.84%
Unrestricted net assets	3.48%	14.85%	7.50%
Total net assets	100.0%	100.0%	100.0%

An additional portion of Santa Clara's net assets (16.9% & 19.5% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$3,226,077 (3.5% and 15.0% respectfully) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental activities.** Governmental activities decreased Santa Clara's net assets by \$1,308,753.

**Business-type activities.** Business-type activities decreased Santa Clara's net assets by \$1,075,759. (refer to table entitled SANTA CLARA CITY'S Changes in Net Assets).

**SANTA CLARA CITY**  
**Changes in Net Assets**

	Governmental activities		Business-type activities	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Revenues:				
Program revenues:				
Charges for services	\$ 649,691	\$ 793,774	\$ 5,557,582	5,280,166
Operating grants and contributions	380,752	380,242	-	-
Capital grants and contributions	261,083	356,216	343,561	1,162,156
General revenues:				
Taxes	1,693,962	1,704,078	-	-
Unrestricted investment earnings	247,545	588,074	90,094	275,333
Gain (loss) on disposal of assets	-	-	-	19,986
Total revenues	<u>3,233,033</u>	<u>3,822,384</u>	<u>5,991,237</u>	<u>6,737,641</u>
Expenses:				
General government	1,096,268	786,555	-	-
Public safety	1,403,901	1,286,378	-	-
Public works	1,360,465	1,324,216	-	-
Parks and recreation	638,436	557,769	-	-
Community development	65,522	27,445	-	-
Interest on long-term debt	290,080	20,019	-	-
Water	-	-	1,566,008	1,436,680
Sewer	-	-	594,576	619,060
Electric	-	-	4,357,365	4,014,952
Storm drain	-	-	236,161	158,555
Total expenses	<u>4,854,672</u>	<u>4,002,382</u>	<u>6,754,110</u>	<u>6,229,247</u>
Increase in net assets before transfers	(1,621,639)	(179,998)	(762,873)	508,394
Transfers	<u>312,886</u>	<u>233,970</u>	<u>(312,886)</u>	<u>(233,970)</u>
Increase in net assets	(1,308,753)	53,972	(1,075,759)	274,424
Net assets, beginning	26,425,624	26,371,652	14,908,973	14,634,549
Prior period adjustment	-	-	(103,487)	-
Net assets, ending	<u>\$ 25,116,871</u>	<u>\$ 26,425,624</u>	<u>\$ 13,729,727</u>	<u>\$ 14,908,973</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.

**Government 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$564,234, a decrease of \$582,732 in comparison with the prior year because of the planned use of fund balance for a bond payment and the costs associated with a full time firefighter program; \$467,266 or (82.8%) of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the government's discretion. The remainder of the fund balance, \$96,968 is *reserved*. The reserved fund balance indicates that the balance is not available for new spending because it has already been committed.

The general fund is the chief operating fund of Santa Clara. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$467,266 or 87.7% of the total general fund balance, \$532,530. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.9% of total general fund expenditures, while total fund balance represents 14.7% of that same amount.

Other governmental funds (impact fee fund) have a total fund balance of \$31,704, all of which is reserved 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 assets for Water, Sewer, Electric, and Storm Water utilities at the end of the year totaled \$2,038,703.

### General Fund Budgetary Highlights

The general fund was amended twice during the year. The first amendment was completed on February 11, 2009, decreasing the budget by \$738,619 for the following purposes: 1) reduce the budget due to a lack of payment on a receivable; and 2) account for revenues and expenditures in the General Fund primarily maintenance work, engineering, legal, and a grant.

On June 24, 2009, the City Council approved a second amendment increasing the General Fund's budget by \$178,896. The primary purposes for the second amendment were: 1) proper accounting of the transfers to the General; and 2) for proper accounting of actual revenues received that exceeded revenue projections and actual approved expenditures not included in the original budget.

In June, 2009, the City Council adopted the 2009-2010 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, 2009, amounts to \$46,634,366 (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	\$ 1,252,280	\$ 769,625	\$ 2,021,905
Buildings	6,402,735	66,266	6,469,001
Improvements	2,088,618	-	2,088,618
Autos & trucks	374,017	115,201	489,218
Machinery and equipment	404,971	461,841	866,812
Office equipment	354,161	-	354,161
Artwork	194,023	-	194,023
Infrastructure	15,450,433	18,700,195	34,150,628
Total	<u>\$ 26,521,238</u>	<u>\$ 20,113,128</u>	<u>\$ 46,634,366</u>

This year's major capital asset additions included:

- Other fleet and equipment expansion and replacement.
- Power Substations and transmission lines
- Artwork associated with the new City Hall building

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 \$17,052,000 in bonds outstanding—an increase of 1.1% over the last year—as shown in the table entitled *SANTA CLARA CITY'S Outstanding Debt*. 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
	2009	2008	2009	2008	2009	2008	
General obligation bonds	\$ 74,000	\$ 110,000	\$ -	\$ -	\$ 74,000	\$ 110,000	-32.73%
Revenue bonds	5,965,000	6,170,000	11,013,000	10,586,000	16,978,000	16,756,000	1.32%
Total	<u>\$ 6,039,000</u>	<u>\$ 6,280,000</u>	<u>\$ 11,013,000</u>	<u>\$ 10,586,000</u>	<u>\$ 17,052,000</u>	<u>\$ 16,866,000</u>	1.10%

## Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2009-2010 is .001835 mills.
- Population growth has leveled and is projected at 1% for FY 2009-2010.
- The national, state, and local economies are weakening and may affect revenues from building and development and sales taxes.

- Total FY 2009-2010 Budget, including all funds, sums to \$10,502,348, a decrease of 1.5% from the amended final budget. This decrease is primarily due to the concern over the economy and potential revenues.

### **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 Assets**  
**June 30, 2009**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 528,548	\$ 1,230,005	\$ 1,758,553
Receivables (net of allowance)	102,434	1,264,997	1,367,431
Interest receivable	595,190	-	595,190
Inventory	-	718,240	718,240
Prepays	16,428	27,104	43,532
Deferred charges	114,571	202,879	317,450
Notes receivables	4,141,017	-	4,141,017
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	96,968	2,600,069	2,697,037
Capital assets (net of accumulated depreciation):			
Land and water rights	1,252,280	769,625	2,021,905
Buildings	6,402,735	66,266	6,469,001
Improvements	2,088,618	-	2,088,618
Autos & trucks	374,017	115,201	489,218
Machinery and equipment	404,971	461,841	866,812
Office equipment	354,161	-	354,161
Artwork	194,023	-	194,023
Infrastructure	15,450,433	18,700,195	34,150,628
Total assets	<u>32,116,394</u>	<u>26,156,422</u>	<u>58,272,816</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	180,144	737,417	917,561
Deferred revenue	-	154,280	154,280
Interest payable	107,281	181,629	288,910
Noncurrent liabilities:			
Due within one year	387,627	634,715	1,022,342
Due in more than one year	6,324,471	10,718,654	17,043,125
Total liabilities	<u>6,999,523</u>	<u>12,426,695</u>	<u>19,426,218</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	19,991,782	9,008,966	29,000,748
Restricted for:			
Debt service	4,093,737	587,750	4,681,487
Capital outlay	150,885	2,094,308	2,245,193
Other purposes	5,263	-	5,263
Unrestricted	875,204	2,038,703	2,913,907
Total net assets	<u>\$ 25,116,871</u>	<u>\$ 13,729,727</u>	<u>\$ 38,846,598</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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,096,268	\$ 525,252	\$ 5,029	\$ -	\$ (565,987)	\$ -	\$ (565,987)
Public safety	1,403,901	90,493	45,018	10,937	(1,257,453)	-	(1,257,453)
Public works	1,360,465	1,362	285,043	73,012	(1,001,048)	-	(1,001,048)
Parks and recreation	638,436	29,033	45,662	177,134	(386,607)	-	(386,607)
Community development	65,522	3,551	-	-	(61,971)	-	(61,971)
Interest on long-term debt	290,080	-	-	-	(290,080)	-	(290,080)
Total governmental activities	<u>4,854,672</u>	<u>649,691</u>	<u>380,752</u>	<u>261,083</u>	<u>(3,563,146)</u>	<u>-</u>	<u>(3,563,146)</u>
Business-type activities:							
Water	1,566,008	1,238,096	-	95,279	-	(232,633)	(232,633)
Sewer	594,576	572,990	-	300	-	(21,286)	(21,286)
Electric	4,357,365	3,500,030	-	242,538	-	(614,797)	(614,797)
Storm drain	236,161	246,466	-	5,444	-	15,749	15,749
Total business-type activities	<u>6,754,110</u>	<u>5,557,582</u>	<u>-</u>	<u>343,561</u>	<u>-</u>	<u>(852,967)</u>	<u>(852,967)</u>
Total primary government	<u>\$ 11,608,782</u>	<u>\$ 6,207,273</u>	<u>\$ 380,752</u>	<u>\$ 604,644</u>	<u>(3,563,146)</u>	<u>(852,967)</u>	<u>(4,416,113)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					654,763	-	654,763
Sales and use taxes					677,034	-	677,034
Franchise taxes					275,548	-	275,548
Telecommunications tax					86,617	-	86,617
Unrestricted investment earnings					247,545	90,094	337,639
Transfers					312,886	(312,886)	-
Total general revenues & transfers					<u>2,254,393</u>	<u>(222,792)</u>	<u>2,031,601</u>
Change in net assets					(1,308,753)	(1,075,759)	(2,384,512)
Net assets - beginning					26,425,624	14,908,973	41,334,597
Prior period adjustment					-	(103,487)	(103,487)
Net assets - ending					<u>\$ 25,116,871</u>	<u>\$ 13,729,727</u>	<u>\$ 38,846,598</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 528,548	\$ -	\$ 528,548
Receivables	4,169,797	-	4,169,797
Due from other governments	73,654	-	73,654
Prepaid expenses	16,428	-	16,428
Restricted cash and cash equivalents	65,264	31,704	96,968
Total assets	<u>\$ 4,853,691</u>	<u>\$ 31,704</u>	<u>\$ 4,885,395</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 55,232	\$ -	\$ 55,232
Accrued liabilities	53,467	-	53,467
Customer deposits	32,882	-	32,882
Deferred revenue	4,141,017	-	4,141,017
Security holdings	38,563	-	38,563
Total liabilities	<u>4,321,161</u>	<u>-</u>	<u>4,321,161</u>
Fund Balances:			
Reserved for:			
Debt service	60,001	-	60,001
Capital outlay	-	31,704	31,704
Other	5,263	-	5,263
Unreserved, reported in:			
General fund	467,266	-	467,266
Total fund balances	<u>532,530</u>	<u>31,704</u>	<u>564,234</u>
Total liabilities and fund balances	<u>\$ 4,853,691</u>	<u>\$ 31,704</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,521,238
Revenues considered unearned are not reported in the funds	4,141,017
Interest receivable which is not considered a current financial resource is not recognized on the fund financial statements but is recognized on the statement of activities	595,190
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.	(6,704,808)
Net assets of governmental activities	<u>\$ 25,116,871</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2009**

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 1,693,962	\$ -	\$ 1,693,962
Licenses, permits and fees	50,354	-	50,354
Intergovernmental revenue	305,972	101,277	407,249
Charges for services	500,405	-	500,405
Fines and forfeitures	74,279	-	74,279
Investment earnings	23,752	5,439	29,191
Other revenues	204,242	-	204,242
	<u>2,852,966</u>	<u>106,716</u>	<u>2,959,682</u>
<b>Expenditures:</b>			
Current:			
General government	902,217	-	902,217
Public safety	1,260,024	-	1,260,024
Public works	368,497	-	368,497
Parks, recreation & public property	467,531	-	467,531
Community and economic development	65,333	-	65,333
Debt service:			
Principal	271,053	42,337	313,390
Interest	294,749	3,502	298,251
Capital outlay:			
Parks, recreation & public property	-	229,615	229,615
	<u>3,629,404</u>	<u>275,454</u>	<u>3,904,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(776,438)</u>	<u>(168,738)</u>	<u>(945,176)</u>
<b>Other Financing Sources (Uses)</b>			
Impact fees	-	49,558	49,558
Transfers in	312,886	-	312,886
	<u>312,886</u>	<u>49,558</u>	<u>362,444</u>
Net change in fund balances	(463,552)	(119,180)	(582,732)
Fund balances, beginning of year	996,082	150,884	1,146,966
Fund balances, end of year	<u>\$ 532,530</u>	<u>\$ 31,704</u>	<u>\$ 564,234</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**  
**Governmental Funds**  
**June 30, 2009**

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Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ (582,732)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,262,532)
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 assets. 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.	316,625
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.	(8,843)
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.	4,936
Accrued interest on notes receivable is not reported as an revenue in the fund financial statements, but is recorded as revenue in the statement of activities.	223,793
Change in net assets of governmental activities	\$ (1,308,753)

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

**CITY OF SANTA CLARA, UTAH**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
<b>Taxes:</b>				
General property taxes	\$ 538,802	\$ 652,812	\$ 650,878	\$ (1,934)
Prior year's delinquent taxes	7,000	7,000	3,885	(3,115)
General sales and use taxes	720,500	720,500	677,034	(43,466)
Franchise taxes	356,743	264,243	275,548	11,305
Telecommunications tax	65,000	92,500	86,617	(5,883)
Total taxes	1,688,045	1,737,055	1,693,962	(43,093)
<b>Licenses &amp; permits:</b>				
Business license & permits	13,000	13,000	13,880	880
Non-business license & permits	85,100	45,100	36,474	(8,626)
Total license & permits	98,100	58,100	50,354	(7,746)
<b>Intergovernmental revenues:</b>				
Federal & state grants	3,000	30,000	31,038	1,038
Class "C" roads	227,930	152,930	224,887	71,957
State liquor allotment	4,560	4,560	5,029	469
SRO Reimbursement	38,156	38,156	45,018	6,862
Total intergovernmental revenues	273,646	225,646	305,972	80,326
<b>Charges for services:</b>				
Refuse collection	249,276	249,276	244,215	(5,061)
Public safety	271,000	91,000	61,556	(29,444)
Parks & public property	200,133	176,813	153,054	(23,759)
Cemetery	14,500	14,500	27,330	12,830
Other	63,000	25,000	14,250	(10,750)
Total charges for services	797,909	556,589	500,405	(56,184)
<b>Fines and forfeitures:</b>				
Court fines & forfeitures	77,250	77,250	74,279	(2,971)
<b>Miscellaneous:</b>				
Investment earnings	-	43,200	23,752	(19,448)
Administrative service revenue	76,442	76,442	76,442	-
Community development	-	29,200	37,839	8,639
Contributions	2,000	-	2,185	2,185
Other	20,000	65,913	87,776	21,863
Total miscellaneous	98,442	214,755	227,994	13,239
<b>TOTAL REVENUES</b>	<b>3,033,392</b>	<b>2,869,395</b>	<b>2,852,966</b>	<b>(16,429)</b>

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

**CITY OF SANTA CLARA, UTAH**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Expenditures:</b>				
<b>General government</b>	<u>716,375</u>	<u>901,375</u>	<u>902,217</u>	<u>(842)</u>
<b>Public safety</b>				
Judicial	47,680	47,680	47,242	438
Law enforcement	1,111,558	1,099,796	1,100,934	(1,138)
Building inspection	<u>117,171</u>	<u>118,746</u>	<u>111,848</u>	<u>6,898</u>
Total public safety	<u>1,276,409</u>	<u>1,266,222</u>	<u>1,260,024</u>	<u>6,198</u>
<b>Highways and public improvements</b>				
Public works	<u>569,978</u>	<u>407,478</u>	<u>368,497</u>	<u>38,981</u>
Total highways and public improvements	<u>569,978</u>	<u>407,478</u>	<u>368,497</u>	<u>38,981</u>
<b>Parks, recreation &amp; public property</b>				
Parks, trails & cemetery	478,937	484,537	467,531	17,006
Swiss days	<u>62,700</u>	<u>70,200</u>	<u>65,333</u>	<u>4,867</u>
Total parks, recreation & public property	<u>541,637</u>	<u>554,737</u>	<u>532,864</u>	<u>21,873</u>
<b>Debt service:</b>				
Principal	296,362	296,362	271,053	25,309
Interest	<u>142,143</u>	<u>142,143</u>	<u>294,749</u>	<u>(152,606)</u>
Total debt service	<u>438,505</u>	<u>438,505</u>	<u>565,802</u>	<u>(127,297)</u>
<b>TOTAL EXPENDITURES</b>	<u>3,542,904</u>	<u>3,568,317</u>	<u>3,629,404</u>	<u>(61,087)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(509,512)</u>	<u>(698,922)</u>	<u>(776,438)</u>	<u>(77,516)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	1,065,254	30,000	-	(30,000)
Transfers in	-	312,886	312,886	-
Transfers out	<u>-</u>	<u>(115,396)</u>	<u>-</u>	<u>115,396</u>
Total other financing sources and uses	<u>1,065,254</u>	<u>227,490</u>	<u>312,886</u>	<u>85,396</u>
Net change in fund balances	555,742	(471,432)	(463,552)	7,880
Fund balances, beginning of year	<u>996,082</u>	<u>996,082</u>	<u>996,082</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,551,824</u>	<u>\$ 524,650</u>	<u>\$ 532,530</u>	<u>\$ 7,880</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Drain</u>	<u>Totals Current Year</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 378,485	\$ 131,027	\$ 720,493	\$ -	\$ 1,230,005
Receivables, net of allowance	340,694	57,039	829,173	20,091	1,246,997
Assessments receivable	-	18,000	-	-	18,000
Prepaid	7,744	7,744	11,616	-	27,104
Inventory	-	-	718,240	-	718,240
Total current assets	<u>726,923</u>	<u>213,810</u>	<u>2,279,522</u>	<u>20,091</u>	<u>3,240,346</u>
Noncurrent assets:					
Restricted cash and cash equivalents	922,802	337,358	1,157,590	182,319	2,600,069
Bond discounts and issuance costs, net of accumulated amortization	86,911	-	101,848	14,120	202,879
Capital assets:					
Land and water rights	769,625	-	-	-	769,625
Buildings	14,594	29,695	46,940	-	91,229
Distribution and collection systems	11,074,290	1,941,674	12,371,874	2,093,731	27,481,569
Machinery and equipment	53,276	209,104	478,959	92,136	833,475
Automobiles and trucks	89,647	59,824	139,685	-	289,156
Less: Accumulated depreciation	<u>(4,200,117)</u>	<u>(996,058)</u>	<u>(3,950,830)</u>	<u>(204,921)</u>	<u>(9,351,926)</u>
Total capital assets (net of accumulated depreciation)	<u>7,801,315</u>	<u>1,244,239</u>	<u>9,086,628</u>	<u>1,980,946</u>	<u>20,113,128</u>
Total noncurrent assets	<u>8,811,028</u>	<u>1,581,597</u>	<u>10,346,066</u>	<u>2,177,385</u>	<u>22,916,076</u>
Total assets	<u>9,537,951</u>	<u>1,795,407</u>	<u>12,625,588</u>	<u>2,197,476</u>	<u>26,156,422</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	138,898	28,644	474,616	196	642,354
Accrued liabilities	7,794	2,288	21,736	1,493	33,311
Customer deposits	61,752	-	-	-	61,752
Deferred revenue	-	-	154,280	-	154,280
Interest payable	53,350	1,698	104,804	21,777	181,629
Current portion of noncurrent liabilities	<u>296,162</u>	<u>28,272</u>	<u>238,319</u>	<u>71,962</u>	<u>634,715</u>
Total current liabilities	<u>557,956</u>	<u>60,902</u>	<u>993,755</u>	<u>95,428</u>	<u>1,708,041</u>
Noncurrent liabilities:					
Compensated absences payable	14,149	5,008	23,789	3,382	46,328
Bonds payable	4,067,000	-	5,505,000	1,441,000	11,013,000
Capital lease payable	-	64,383	155,552	74,106	294,041
Less current portion of noncurrent liabilities	<u>(296,162)</u>	<u>(28,272)</u>	<u>(238,319)</u>	<u>(71,962)</u>	<u>(634,715)</u>
Total noncurrent liabilities	<u>3,784,987</u>	<u>41,119</u>	<u>5,446,022</u>	<u>1,446,526</u>	<u>10,718,654</u>
Total liabilities	<u>4,342,943</u>	<u>102,021</u>	<u>6,439,777</u>	<u>1,541,954</u>	<u>12,426,695</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	3,821,226	1,179,856	3,527,924	479,960	9,008,966
Restricted for debt service	186,926	-	278,935	121,889	587,750
Restricted for capital outlay	735,876	337,358	878,655	142,419	2,094,308
Unrestricted	<u>450,980</u>	<u>176,172</u>	<u>1,500,297</u>	<u>(88,746)</u>	<u>2,038,703</u>
Total net assets	<u>\$ 5,195,008</u>	<u>\$ 1,693,386</u>	<u>\$ 6,185,811</u>	<u>\$ 655,522</u>	<u>\$ 13,729,727</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
<b>Operating revenues:</b>					
Charges for services	\$ 1,211,873	\$ 561,505	\$ 3,411,111	\$ 243,595	\$ 5,428,084
Other revenues	26,223	11,485	88,919	2,871	129,498
Total operating revenues	<u>1,238,096</u>	<u>572,990</u>	<u>3,500,030</u>	<u>246,466</u>	<u>5,557,582</u>
<b>Operating expenses:</b>					
Sewer treatment	-	322,722	-	-	322,722
Wholesale power purchases	-	-	2,343,806	-	2,343,806
Salaries and wages	246,929	68,023	354,517	42,408	711,877
Supplies and operating costs	527,196	9,533	431,784	10,393	978,906
Depreciation	453,383	105,348	459,502	77,317	1,095,550
Amortization	6,888	-	5,856	831	13,575
Payroll taxes & employee benefits	89,241	26,451	128,868	13,981	258,541
Office & department supplies	1,012	-	45,843	-	46,855
Professional services	32,825	15,800	59,836	15,424	123,885
Insurance and surety bonds	26,780	20,143	42,843	-	89,766
Miscellaneous	150	-	24,900	1,618	26,668
Franchise fees	-	-	196,457	-	196,457
Billing and administration	28,783	23,420	24,239	-	76,442
Total operating expenses	<u>1,413,187</u>	<u>591,440</u>	<u>4,118,451</u>	<u>161,972</u>	<u>6,285,050</u>
Operating income (loss)	<u>(175,091)</u>	<u>(18,450)</u>	<u>(618,421)</u>	<u>84,494</u>	<u>(727,468)</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	40,661	7,927	33,569	7,937	90,094
Impact fees	95,279	300	69,527	5,444	170,550
Interest expense	(152,821)	(3,136)	(238,914)	(74,189)	(469,060)
Total non-operating revenues (expenses)	<u>(16,881)</u>	<u>5,091</u>	<u>(135,818)</u>	<u>(60,808)</u>	<u>(208,416)</u>
Income before contributions and transfers	<u>(191,972)</u>	<u>(13,359)</u>	<u>(754,239)</u>	<u>23,686</u>	<u>(935,884)</u>
<b>Contributions and transfers:</b>					
Transfers out	-	(312,886)	-	-	(312,886)
Capital contributions - sub dividers	-	-	173,011	-	173,011
<b>Change in net assets</b>	<u>(191,972)</u>	<u>(326,245)</u>	<u>(581,228)</u>	<u>23,686</u>	<u>(1,075,759)</u>
Total net assets, beginning of year	5,490,467	2,019,631	6,767,039	631,836	14,908,973
Prior period adjustments	<u>(103,487)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,487)</u>
<b>Total net assets, end of year</b>	<u>\$ 5,195,008</u>	<u>\$ 1,693,386</u>	<u>\$ 6,185,811</u>	<u>\$ 655,522</u>	<u>\$ 13,729,727</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, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers, service fees	\$ 1,047,573	\$ 564,422	\$ 3,327,280	\$ 239,392	\$ 5,178,667
Cash received from customers, capacity fees and other	26,223	11,485	88,919	2,871	129,498
Cash paid to suppliers	(594,376)	(394,891)	(3,348,434)	(117,882)	(4,455,583)
Cash paid to employees	(334,883)	(96,023)	(482,996)	(53,007)	(966,909)
Net cash flows from operating activities	<u>144,537</u>	<u>84,993</u>	<u>(415,231)</u>	<u>71,374</u>	<u>(114,327)</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	-	(312,886)	-	-	(312,886)
Net cash flows from noncapital financing activities	<u>-</u>	<u>(312,886)</u>	<u>-</u>	<u>-</u>	<u>(312,886)</u>
<b>Cash flows from capital and related financing activities:</b>					
Bond proceeds, net of issuance costs	-	-	922,000	-	922,000
Principal payments on long-term debt	(298,000)	(24,105)	(170,000)	(68,030)	(560,135)
Interest paid	(172,423)	(3,135)	(221,910)	(74,189)	(471,657)
Purchase of fixed assets	(58,780)	-	(1,267,402)	-	(1,326,182)
Impact fees and capital contributions	95,279	300	242,538	5,443	343,560
Net cash flows from capital and related financing activities:	<u>(433,924)</u>	<u>(26,940)</u>	<u>(494,774)</u>	<u>(136,776)</u>	<u>(1,092,414)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	40,661	7,927	33,569	7,937	90,094
Net change in cash and cash equivalents	(248,726)	(246,906)	(876,436)	(57,465)	(1,429,533)
Cash and cash equivalents, including restricted cash - beginning of year	1,550,013	715,291	2,754,519	239,784	5,259,607
<b>Cash and cash equivalents, including restricted cash - end of year</b>	<u>\$ 1,301,287</u>	<u>\$ 468,385</u>	<u>\$ 1,878,083</u>	<u>\$ 182,319</u>	<u>\$ 3,830,074</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ (175,091)	\$ (18,450)	\$ (618,421)	\$ 84,494	\$ (727,468)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	460,271	105,348	465,358	78,148	1,109,125
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	(164,904)	2,917	(83,831)	(4,203)	(250,021)
(Increase) Decrease in inventory	-	-	(55,911)	-	(55,911)
(Increase) Decrease in prepaid expenses	(1,010)	(1,010)	(1,515)	-	(3,535)
Increase (Decrease) in accounts payable	22,204	448	(124,480)	(91,940)	(193,768)
Increase (Decrease) in accrued liabilities	166	(2,711)	3,180	1,493	2,128
Increase (Decrease) in customer deposits	1,614	-	-	-	1,614
Increase (Decrease) in compensated absences	1,287	(1,549)	389	3,382	3,509
Net cash flows from operating activities	<u>\$ 144,537</u>	<u>\$ 84,993</u>	<u>\$ (415,231)</u>	<u>\$ 71,374</u>	<u>\$ (114,327)</u>
<b>Noncash investing, capital, and financing activities</b>					
Acquisition of vehicle through capital lease	\$ -	\$ -	\$ 155,552	\$ -	\$ 155,552

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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**General**

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

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

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

**Reporting Entity**

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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

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

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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

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

**Deposits and Investments**

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

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to" or "due from other funds." In the Water, Sewer, Electric, and Storm Water funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2009 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 FIFO cost or market. Market is considered as replacement cost.

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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**Capital Assets**

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

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

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

**Compensated Absences**

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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**Long-term Obligations**

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

**Estimates**

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

**Encumbrances**

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

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted sources are used before unrestricted sources to fund budget appropriations.

**Contributions of Capital**

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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

The governmental fund balance sheet includes reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (6,039,000)
Plus: unamortized costs of issuance	114,571
Capital leases payable	(605,027)
Compensated absences	(68,071)
Accrued interest payable	<u>(107,281)</u>
Net adjustment to reduce fund balance - total governmental funds to	<u><u>\$ (6,704,808)</u></u>

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

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

Capital Outlay	\$ 345,677
Depreciation Expense	(1,608,209)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	<u><u>\$ (1,262,532)</u></u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

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**Budgets and Budgetary Accounting**

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

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

**Taxes**

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 4. Deposits and Investments**

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Deposits and investments of the City at June 30, 2009 consist of the following:

Deposits:		
Cash on hand	\$	274
Cash in bank		1,691,585
Investments:		
US Government Securities		17,078
State Treasurer's Investment Pool		2,746,653
		<hr/>
Total Deposits and Investments	\$	<u>4,455,590</u>

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

Cash and cash equivalents	\$	1,758,553
Restricted cash and cash equivalents		2,697,037
		<hr/>
	\$	<u>4,455,590</u>

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

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

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2009, \$1,070,733 of the City's bank balance of \$1,799,585 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

**Investments**

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

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

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

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

As of June 30, 2009 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$ 2,746,653	\$ 2,746,653	\$ -	\$ -	\$ -
US Government Securities	17,078	17,078	-	-	-
<b>Total Fair Value</b>	<b>\$ 2,763,731</b>	<b>\$ 2,763,731</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

**Interest rate risk**

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

**Credit risk**

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

At June 30, 2009 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$ 2,746,653	\$ -	\$ -	\$ -	\$ 2,746,653
US Government Securities	17,078	17,078	-	-	-
<b>Total Fair Value</b>	<b>\$ 2,763,731</b>	<b>\$ 17,078</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,746,653</b>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2009</b>
Capital assets, not being depreciated:				
Land	\$ 1,252,280	\$ -	\$ -	\$ 1,252,280
Construction in progress	32,608	-	(32,608)	-
Total capital assets, not being depreciated:	<u>1,284,888</u>	<u>-</u>	<u>(32,608)</u>	<u>1,252,280</u>
Capital assets, being depreciated:				
Buildings	7,107,945	-	-	7,107,945
Improvements	2,389,935	183,384	-	2,573,319
Autos and trucks	1,265,549	34,261	-	1,299,810
Machinery and equipment	960,450	-	-	960,450
Office equipment	440,802	-	-	440,802
Artwork	133,491	65,000	-	198,491
Infrastructure	28,297,969	95,640	-	28,393,609
Total capital assets, being depreciated:	<u>40,596,141</u>	<u>378,285</u>	<u>-</u>	<u>40,974,426</u>
Less accumulated depreciation for:				
Buildings	(469,766)	(235,443)	-	(705,209)
Improvements	(342,811)	(141,890)	-	(484,701)
Autos and trucks	(780,087)	(145,706)	-	(925,793)
Machinery and equipment	(480,602)	(74,877)	-	(555,479)
Office equipment	(54,589)	(32,052)	-	(86,641)
Artwork	(12)	(4,456)	-	(4,468)
Infrastructure	(11,969,391)	(973,785)	-	(12,943,176)
Total accumulated depreciation	<u>(14,097,258)</u>	<u>(1,608,209)</u>	<u>-</u>	<u>(15,705,467)</u>
Total capital assets, being depreciated, net	<u>26,498,883</u>	<u>(1,229,924)</u>	<u>-</u>	<u>25,268,959</u>
Governmental activities capital assets, net	<u>\$ 27,783,771</u>	<u>\$ (1,229,924)</u>	<u>\$ (32,608)</u>	<u>\$ 26,521,239</u>

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

<b>Governmental Activities:</b>	
General government	\$ 256,447
Public safety	174,501
Public works	1,002,183
Parks	175,078
Total depreciation expense - governmental activities	<u>\$ 1,608,209</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 5. Capital Assets, Continued**

<b>Business Type Activities:</b>	<b>Balance 6/30/2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2009</b>
Capital assets not being depreciated:				
Land and land easements	\$ 50,000	\$ -	\$ -	\$ 50,000
Water rights	719,625	-	-	719,625
Total capital assets, not being depreciated	<u>769,625</u>	<u>-</u>	<u>-</u>	<u>769,625</u>
Capital assets being depreciated:				
Buildings	91,229	-	-	91,229
Machinery and equipment	577,964	255,511	-	833,475
Autos and trucks	289,156	-	-	289,156
Distribution system	26,255,346	1,226,223	-	27,481,569
Total capital assets, being depreciated	<u>27,213,695</u>	<u>1,481,734</u>	<u>-</u>	<u>28,695,429</u>
Less accumulated depreciation for:				
Buildings	(24,963)	(2,306)	-	(27,269)
Machinery and equipment	(371,634)	(41,846)	-	(413,480)
Autos and trucks	(173,955)	(28,334)	-	(202,289)
Distribution system	(7,685,824)	(1,023,064)	-	(8,708,888)
Total accumulated depreciation	<u>(8,256,376)</u>	<u>(1,095,550)</u>	<u>-</u>	<u>(9,351,926)</u>
Total capital assets, being depreciated, net	<u>18,957,319</u>	<u>386,184</u>	<u>-</u>	<u>19,343,503</u>
Business-type activities capital assets, net	<u>\$ 19,726,944</u>	<u>\$ 386,184</u>	<u>\$ -</u>	<u>\$ 20,113,128</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 453,383
Sewer	105,348
Electric	459,502
Storm Water	<u>77,317</u>
Total depreciation expense - business-type activities	<u>\$ 1,095,550</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 6. Long-Term Debt**

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The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

**Governmental Activities:**

	Balance 6/30/2008	Additions	Retirements	Balance 6/30/2009	Current Portion
General Obligation Bonds	\$ 110,000	\$ -	\$ (36,000)	\$ 74,000	\$ 35,000
MBA Lease Revenue Bonds	6,170,000	-	(205,000)	5,965,000	215,000
Capital Leases Payable	695,566	-	(90,539)	605,027	86,627
Compensated Absences	59,228	60,420	(51,577)	68,071	51,000
<b>Total Governmental Activities</b>	<b>\$ 7,034,794</b>	<b>\$ 60,420</b>	<b>\$ (383,116)</b>	<b>\$ 6,712,098</b>	<b>\$ 387,627</b>

**Business-type Activities**

	Balance 6/30/2008	Additions	Retirements	Balance 6/30/2009	Current Portion
Bonds payable:					
Revenue bonds	\$ 10,586,000	\$ 945,000	\$ (518,000)	\$ 11,013,000	\$ 542,000
<b>Total Bonds</b>	<b>10,586,000</b>	<b>945,000</b>	<b>(518,000)</b>	<b>11,013,000</b>	<b>542,000</b>
Capital Leases Payable	180,623	155,552	(42,134)	294,041	62,715
Compensated Absences	42,818	33,609	(30,099)	46,328	30,000
<b>Total Business-Type Activities</b>	<b>10,809,441</b>	<b>1,134,161</b>	<b>(590,233)</b>	<b>11,353,369</b>	<b>634,715</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 17,844,235</b>	<b>\$ 1,194,581</b>	<b>\$ (973,349)</b>	<b>\$ 18,065,467</b>	<b>\$ 1,022,342</b>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 6. Long-Term Debt, Continued**

Long-term debt for the primary government at June 30, 2009 is comprised of the following issues:

**General Obligation Bonds:**

**Governmental Activities:**

General Obligation Refunding Bonds, Series 2003, due in annual principal installments ranging from \$35,000 to \$39,000, bearing interest semi-annually at 1.75% to 4.00% maturing December 1, 2010.	<u>\$ 74,000</u>
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**Revenue Bonds:**

**Governmental Activities:**

MBA Lease Revenue Bonds, Series 2007, due in annual principal installments ranging from \$205,000 to \$440,000, bearing interest semi-annually at 4.00% to 4.13% maturing February 2, 2028.	<u>5,965,000</u>
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Total Governmental Activities	<u><u>6,039,000</u></u>
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**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.	232,000
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Water Revenue Bonds, Series 2005, due in annual principal installments ranging from \$35,000 to \$62,000, bearing interest semi-annually at 3.92% to 5.01% maturing December 1, 2020.	579,000
---	---------

Water Revenue Refunding Bonds, Series 2006, due in annual principal installments ranging from \$164,000 to \$171,000, bearing interest semi-annually at 3.75% to 4.00% maturing December 1, 2016.	1,227,000
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Water Revenue CIB Bonds, Series 2006B, due in annual principal installments ranging from \$71,000 to \$152,000, bearing interest annually at 4.00% maturing December 1, 2027.	2,029,000
---	-----------

Electric Revenue Bonds, Series 1999, due in annual principal installments ranging from \$105,000 to \$205,000, bearing interest semi-annually at 5.00% to 5.25% maturing August 1, 2012.	765,000
--	---------

Electric Revenue Bonds, Series 2006, due in annual principal installments ranging from \$205,000 to \$350,000, bearing interest semi-annually at 4.00% to 5.00% maturing February 1, 2027.	3,795,000
--	-----------

Electric Revenue Bonds, Series 2008, due in annual principal installments ranging from \$28,000 to \$75,000, bearing interest semi-annually at 4.88% to 5.46% maturing August 1, 2028.	945,000
--	---------

Storm Drain Revenue Bonds, Series 2006, due in annual principal installments ranging from \$48,000 to \$118,000, bearing interest semi-annually at 4.35% to 5.10% maturing September 15, 2026.	<u>1,441,000</u>
--	------------------

Total Business-Type Activities	<u><u>11,013,000</u></u>
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**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 6. Long-Term Debt, Continued**

**Leases Payable:**

**Governmental Activities:**

Leases payable in annual and semi-annual installments through June 2017, at interest from 3.65% to 6%.	<u>605,027</u>
--	----------------

**Business-Type Activities:**

Leases payable in semi-annual installments through March 2013, at interest of 3.65% to 6%.	<u>294,041</u>
--	----------------

<b>Accrued Compensated Absences</b>	<u>114,399</u>
-------------------------------------	----------------

Total Long-Term Debt	18,065,467
Less Current portion:	
Business-Type Activities	(634,715)
Governmental Activities	<u>(387,627)</u>
Net Long-Term Debt	<u><u>\$ 17,043,125</u></u>

The annual requirements to amortize bonds payable at June 30, 2009 are as follows:

**General Obligation Bonds**

Year Ending June 30,	Fire Protection Bonds	
	Principal	Interest
2010	\$ 35,000	\$ 2,216
2011	<u>39,000</u>	<u>780</u>
Totals	<u><u>\$ 74,000</u></u>	<u><u>\$ 2,996</u></u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 6. Long-Term Debt, Continued**

**Revenue Bonds**

Year Ending June 30,	<u>MBA Lease Revenue Bonds</u>		<u>Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 215,000	\$ 240,744	\$ 287,000	\$ 158,687
2011	225,000	232,144	277,000	148,023
2012	230,000	223,144	289,000	137,240
2013	240,000	213,944	300,000	125,936
2014	250,000	204,344	311,000	114,126
2015-2019	1,415,000	863,119	1,331,000	387,113
2020-2024	1,735,000	554,939	708,000	191,245
2025-2029	1,655,000	173,783	564,000	57,720
Totals	<u>\$ 5,965,000</u>	<u>\$ 2,706,161</u>	<u>\$ 4,067,000</u>	<u>\$ 1,320,090</u>

Year Ending June 30,	<u>Electric Revenue Bonds</u>		<u>Storm Drain Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 203,000	\$ 242,110	\$ 52,000	\$ 69,504
2011	219,000	231,584	54,000	67,199
2012	225,000	220,489	57,000	64,699
2013	237,000	208,928	59,000	62,002
2014	239,000	198,027	62,000	59,189
2015-2019	1,353,000	815,938	359,000	228,102
2020-2024	1,687,000	488,444	461,000	158,916
2025-2029	1,342,000	113,265	337,000	34,935
Totals	<u>\$ 5,505,000</u>	<u>\$ 2,518,785</u>	<u>\$ 1,441,000</u>	<u>\$ 744,546</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 7. Capital Leases**

The City has entered into lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board statement number 13. The following is an annual schedule of future minimum lease payments with interest rates ranging from 3.65% to 6%, together with the present value of the net minimum lease payments:

Year Ending June 30,	Type 3 Engine	Water Tender	Fire Truck	Street Sweeper	Total Gov. Activities	Sewer Truck	Street Sweeper	Bucket Truck	Total Bus. Activities
2010	\$ 27,467	\$ 25,701	\$ 38,194	\$ 20,512	\$ 111,874	\$ 27,240	\$ 20,512	\$ 25,600	\$ 73,352
2011	27,467	25,701	38,194	20,512	111,874	27,240	20,512	25,600	73,352
2012	27,467	25,701	38,194	20,512	111,874	13,618	20,512	25,600	59,730
2013	27,467	25,701	38,194	20,512	111,874	-	19,548	25,600	45,148
2014	27,467	25,701	38,194	-	91,362	-	-	25,600	25,600
2015-2017	27,467	25,701	114,585	-	167,753	-	-	51,221	51,221
Total remaining lease payments:	164,802	154,206	305,555	82,048	706,611	68,098	81,084	179,221	328,403
Less amount representing interest:	(22,073)	(20,651)	(50,918)	(7,942)	(101,584)	(3,716)	(6,977)	(23,669)	(34,362)
Present value of net remaining minimum lease payments:	<u>\$ 142,729</u>	<u>\$ 133,555</u>	<u>\$ 254,637</u>	<u>\$ 74,106</u>	<u>\$ 605,027</u>	<u>\$ 64,382</u>	<u>\$ 74,107</u>	<u>\$ 155,552</u>	<u>\$ 294,041</u>

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

	Cost	Depreciation Expense	Accumulated Depreciation
Vehicles and Equipment	\$1,544,824	\$ 135,302	\$ (659,084)
Land Improvements	\$ 100,000	\$ -	\$ (100,000)

**NOTE 8. Equity Classifications**

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 8. Equity Classifications, Continued**

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- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2009, the City’s reserved fund balances are as follows:

**General Fund:**

**Reserved:**

Swiss days	\$ 5,043
Princess pageant	220
Debt service - wildlands	60,001
Total	<u>\$ 65,264</u>

**Special Revenue Funds:**

**Reserved:**

Street impact fees	\$ 122,317
Park impact fees	(53,365)
Public safety impact fees	(37,248)
Total	<u>\$ 31,704</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

**NOTE 9. Interfund Transactions and Balances**

Interfund transfers for the fiscal year ended June 30, 2009 are as follows:

		Transfers From	
		Sewer Fund	Total
Transfers To	General Fund	\$ 312,886	\$ 312,886
	Total	<u>\$ 312,886</u>	<u>\$ 312,886</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expand them and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

A non-recurring transfer was made during the year between the sewer fund and the general fund. The transfer was recorded to reimburse the general fund for sewer project costs incurred in the general fund in prior years. Future transfers of this nature are not anticipated.

**NOTE 10. Defined Benefit Pension Plan**

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

**Plan Description**

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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

**Funding Policy**

In the Local Governmental Noncontributory Retirement System, the City of Santa Clara is required to contribute 11.62% of their annual covered salary. In the Public Safety Retirement System for employers in division A, the City of Santa Clara is required to contribute 22.61% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2009 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2009	N/A	N/A	\$ 140,633	\$ 1,210,267
2008	N/A	N/A	128,993	1,110,098
2007	N/A	N/A	112,093	967,155
Public Safety System				
Other Division A Noncontributory				
2009	N/A	N/A	\$ 76,329	\$ 337,589
2008	N/A	N/A	65,408	289,286
2007	N/A	N/A	39,962	178,562
Defined Contribution System:				
457 Plan				
2009	\$ 7,707	\$ -	N/A	N/A
2008	3,984	-	N/A	N/A
2007	570	-	N/A	N/A
401 (k) Plan				
2009	\$ 37,719	\$ 15,464	N/A	N/A
2008	42,385	21,989	N/A	N/A
2007	32,128	14,651	N/A	N/A

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 11. Risk Management**

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

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

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**NOTE 12. Contracts**

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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, expiring April, 2012. St. George City provides the use of a connecting system to transport the City's wastewater to the St. George City treatment plant where it is treated for the City in exchange for a monthly service charge.

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 13.      Jointly Governed Organization**

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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 \$2,343,806 during the fiscal year ended June 30, 2009.

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**NOTE 14.      Contingent Liabilities**

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

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2009.

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**NOTE 15.      Commitments / Subsequent events**

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The City is committed to participate in the Regional Water Line Project. The City incurred \$68,445 in cost during the current audit period and their future ownership costs are expected to be \$1,296,444 or approximately \$64,995 annually for 20 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, 2009 had an outstanding balance of \$ 171,832,034.

As a member of UAMPS, the City has committed to participate in the Payson Power Project. The City's commitment is estimated to be \$1,300,000. 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.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 15. Commitments / Subsequent events, Continued**

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The City is currently in discussions with the Washington County Water Conservancy District (WCWCD) to become a member of the Regional Water Supply Agreement. The City anticipates signing the agreement during the 2nd or 3rd quarter of fiscal year 2010. This agreement is to provide water to the City beyond its current capabilities. Upon signing the agreement, the City will begin assessing and collecting \$1.75 per water connection that will be paid to WCWCD. In addition, the City will assess WCWCD impact fees on new construction.

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**NOTE 16. Related Party Transactions**

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During fiscal year 2009, Rosenberg Associates was awarded the contract for several engineering projects on which it performed services. A total of \$12,085 was paid to Rosenberg Associates during the fiscal year for the services rendered. Rosenberg Associates is owned by Rick Rosenberg who is currently serving as Mayor.

During fiscal year 2009, Jacobs, Inc. was awarded a contract for the Rachel Drive Traffic Signal project on which it performed services. A total of \$2,500 was paid to Jacobs, Inc. during the fiscal year for the services rendered. Jerry Amundsen runs the St. George office of Jacobs, Inc. He also serves as a member of the City Council. The contract for the Rachel Drive Traffic Signal project was awarded through UDOT.

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**NOTE 17. Installment Sale / Subsequent Events**

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In fiscal year 2007, the City sold 230.056 acres of land to Dry Ditch, LLC on an installment sales basis. The proceeds from the sale are to be used to make debt service payments on the MBA lease revenue bonds. The City is scheduled to receive five installments on September 30<sup>th</sup> of each year, with the buyer having the option of skipping one payment. The buyer made a payment on September 30, 2006 and then skipped their payment on September 30, 2007. On September 30, 2008 the buyer failed to make the required payment on the installment sale resulting in default on the sales agreement. Since that time, the City has continued to negotiate with the buyer for payment on the sales agreement. The City requested that the buyer make a payment of \$425,000 by September 1, 2009 to avoid a trustee's sale due to default on the agreement. In September 2009 the City Council extended the due date for the requested payment to November 2009. As of the issuance date of the financial statements, the buyer has not made the requested payment.

In fiscal year 2007, the installment sale was recognized as revenue on the government-wide statements. The unpaid principal balance was reported as a note receivable on the statement of net assets. For fund reporting purposes, only the portion of the installment sale collected in fiscal year 2007 was recognized as revenue. The uncollected portion of the installment sale was reported as accounts receivable and deferred revenue on the city hall capital project fund balance sheet.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2009**

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**NOTE 17.     Installment Sale / Subsequent Event, continued**

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In fiscal year 2008, the note receivable and deferred revenue balances pertaining to this note were moved from the city hall capital project fund to the general fund. Interest receivable was also accrued in the government wide financial statements on the unpaid balance in the amount of \$371,397.

In fiscal year 2009, interest receivable was accrued in the government wide financial statements on the unpaid balance in the amount of \$223,793, bring the total interest receivable to \$595,190.

Besides the balance due on the installment sale, Dry Ditch, LLC owes the City \$279,648 for costs incurred to move a power substation. This is included in the electric fund receivables on the balance sheet.

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**NOTE 18.     Prior-period Adjustment**

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In the prior year financial statements, amounts payable to St. George City for the Snow Canyon Water project were incorrectly reported as receivable from St. George City. The effect was to overstate receivables and overstate revenue in the prior year. A prior period adjustment decreasing beginning net assets and decreasing beginning amounts due from other governments for \$103,487 was recorded.

## 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, 2009**

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	<b>Special Revenue</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Impact Fees</b>	
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents	31,704	31,704
Total assets	\$ 31,704	\$ 31,704
<b>Liabilities and Fund Balances</b>		
Fund Balances:		
Reserved for:		
Capital outlay	31,704	31,704
Unreserved, undesignated	-	-
Total fund balances	31,704	31,704
Total liabilities and fund balances	\$ 31,704	\$ 31,704

**CITY OF SANTA CLARA, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**

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	<b>Special Revenue</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Impact Fees</b>	
<b>Revenues:</b>		
Federal and state grants	\$ 101,277	\$ 101,277
Investment earnings	5,439	5,439
	106,716	106,716
<b>Expenditures:</b>		
Capital Outlay:		
Parks and recreation	229,615	229,615
Debt service:		
Principal	42,337	42,337
Interest	3,502	3,502
	275,454	275,454
Excess (deficiency) of revenues over (under) expenditures	(168,738)	(168,738)
<b>Other Financing Sources (Uses)</b>		
Impact fees	49,558	49,558
	49,558	49,558
Net change in fund balances	(119,180)	(119,180)
Fund balances, beginning of year	150,884	150,884
Fund balances, end of year	\$ 31,704	\$ 31,704

**CITY OF SANTA CLARA, UTAH**  
**Schedule of Capital Assets Used in the Operations of**  
**Governmental Funds by Function and Activity**  
**As of June 30, 2009**

Functions and Activity	Total	Land	Buildings	Improvements	Machinery & Equipment	Office Equipment	Autos & Trucks	Artwork	Infrastructure
<b>General government</b>									
Administration	\$ 7,406,887	\$ 455,512	\$ 6,280,808	\$ -	\$ 20,517	\$ 440,802	\$ 10,757	\$ 198,491	\$ -
<b>Public safety</b>	2,033,920	-	483,637	5,853	431,237	-	1,113,193	-	-
<b>Public works</b>									
Streets	29,057,792	196,282	-	-	364,865	-	103,036	-	28,393,609
<b>Parks and recreation</b>									
Parks and grounds maintenance	3,728,107	600,486	343,500	2,567,466	143,831	-	72,824	-	-
Total governmental funds capital assets	<u>\$ 42,226,706</u>	<u>\$ 1,252,280</u>	<u>\$ 7,107,945</u>	<u>\$ 2,573,319</u>	<u>\$ 960,450</u>	<u>\$ 440,802</u>	<u>\$ 1,299,810</u>	<u>\$ 198,491</u>	<u>\$ 28,393,609</u>

**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, 2009**

Functions and Activity	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>General government</b>				
Administration	\$ 8,943,719	\$ 65,000	\$ (1,601,832)	\$ 7,406,887
<b>Public safety</b>	1,984,143	49,777	-	2,033,920
<b>Public works</b>				
Streets	27,375,836	1,681,956	-	29,057,792
<b>Parks and recreation</b>				
Parks and grounds maintenance	3,577,331	183,384	(32,608)	3,728,107
Total governmental funds capital assets	<u>\$ 41,881,029</u>	<u>\$ 1,980,117</u>	<u>\$ (1,634,440)</u>	<u>\$ 42,226,706</u>

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**SUPPLEMENTARY INFORMATION**

**CITY OF SANTA CLARA, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2009**

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

Additional disclosures required by the Resolutions are:

	Water	Sewer
Number of connections with the boundaries of the City at June 30, 2009	1,985	1,880
Total billings for the fiscal year ended June 30, 2009	\$ 1,042,875	\$ 566,305

Water rates for the fiscal year ended June 30, 2009 are as follows:

0 to 9,000 gallons	\$22.00 per month
9001 to 16,000 gallons	\$.82 per 1,000 gallons
16,001 to 23,000 gallons	\$1.02 per 1,000 gallons
23,001 to 30,000 gallons	\$1.37 per 1,000 gallons
30,001 to 45,000 gallons	\$1.72 per 1,000 gallons
45,001 to 60,000 gallons	\$2.17 per 1,000 gallons
over 60,000 gallons	\$2.67 per 1,000 gallons

Monthly billing rates for sewer usage

Residential	\$ 24.35
Commercial	\$ 25.60

Insurance coverage in effect at June 30, 2009:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust (ULGT)	General Liability	13640-GL2008	12/15/90	Continuous	5,000,000
Utah Local Government Trust	Auto Liability	13640-GL2008	12/15/90	Continuous	5,000,000
ULGT - Unigard	Auto PD Coverage	BA900005	07/01/08	07/01/09	44 vehicles
ULGT - CNA Surety	Fidelity Blanket Bonds	58461366	08/01/06	08/01/09	40,000
ULGT - CNA Surety	Mayor/Recorder Bonds	58461367	08/01/07	08/01/09	198,000
ULGT - CNA Surety	Treasurer Bond	70089593	01/01/08	01/01/10	376,000
ULGT - Unigard	Accidental property - building	PX 809764	07/01/08	07/01/09	17,077,286
ULGT - Unigard	Accidental property - contents	PX 809764	07/01/08	07/01/09	665,702
ULGT - Unigard	Contractors property - equipment	PX 809764	07/01/08	07/01/09	232,938
ULGT - Unigard	Contractors property - EDP	PX 809764	07/01/08	07/01/09	56,000
ULGT - Unigard	Equipment in the open	PX 809764	07/01/08	07/01/09	4,179,112
ULGT - Unigard	Mobile equipment	PX 809764	07/01/08	07/01/09	5,680
ULGT - Unigard	Miscellaneous	PX 809764	07/01/08	07/01/09	389,750
ULGT	Notary E&O	68564329	01/01/08	01/01/09	10,000

**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***

MEMBERS:

CHAD B. ATKINSON  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
TODD B. FELTNER  
BRENT R. HALL  
TODD R. HESS  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah, as of and for the year ended June 30, 2009, which collectively comprise Santa Clara City's basic financial statements, and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Santa Clara's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting.

- 07-01 Bank reconciliations
- 07-02 Reconciliations and year-end accounting
- 07-03 Accounting for capital assets

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the following deficiencies described in the accompanying schedule of findings and recommendations to be material weaknesses in internal control over financial reporting.

07-01 Bank reconciliations

07-02 Reconciliations and year-end accounting

#### Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter, dated October 15, 2009.

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

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

*Hinton, Burdick, Hall & Spilker, PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
October 15, 2009



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

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

**MEMBERS:**

- CHAD B. ATKINSON
- KRIS J. BRAUNBERGER
- DEAN R. BURDICK
- ROBERT S. COX
- TODD B. FELTNER
- BRENT R. HALL
- TODD R. HESS
- KENNETH A. HINTON
- MORRIS J. PEACOCK
- PHILLIP S. PEINE
- MICHAEL K. SPILKER
- MARK E. TICHENOR

We have audited the basic financial statements of the City of Santa Clara, Utah, for the year ended June 30, 2009, and have issued our report thereon dated October 15, 2009. As part of our audit, we have audited the City of Santa Clara's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah:

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

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

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

The management of the City of Santa Clara is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Santa Clara, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

*Hinton, Burdick, Hall & Spilker, PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
October 15, 2009



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Findings and Recommendations For the Year Ended June 30, 2009

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 for the fiscal year ended June 30, 2009, we noted several improvements to the City's accounting and budgeting system and wish to commend the City for their achievements. However, we also observed a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

**MEMBERS:**

CHAD B. ATKINSON  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
TODD B. FELTNER  
BRENT R. HALL  
TODD R. HESS  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

### INTERNAL CONTROL OVER FINANCIAL REPORTING

#### Material Weaknesses:

07-01. Bank Reconciliations – prior year reissued

We noted significant improvements from the prior year pertaining to bank reconciliations. We wish to commend management for their efforts. However, not all of the City's bank accounts were properly reconciled to the general ledger and bank statements at year end (see audit adjustments 40 and 57). The operating accounts (checking and money market) were reconciled properly, but the bond related accounts were not yet reconciled to the general ledger and bank statements at the time of the audit.

#### Recommendation

We recommend that the City's staff work with Caselle to properly setup all bank accounts within the accounting software to ensure that all the bank accounts can be reconciled within the software. We recommend that all bank accounts are reconciled in Caselle on a monthly basis.

#### Status

Partially corrected, the debt reserves were not reconciled at year end. However, all other bank accounts were reconciled.

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

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

Partially corrected, the number of audit adjustments remained consistent with the prior year. Material adjustments were still present.

**Significant Deficiencies:**

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

The City did not conduct an inventory of fixed assets during the year. In addition, a complete listing of the fixed asset additions for fiscal year 2009 was not included in the City's listing of fixed assets when the audit began. Several fixed assets purchased in the Utility funds during the year were not properly capitalized before the audit began.

Recommendation

We recommend that the City improve its internal controls over fixed assets by conducting an annual inventory of capital assets. We also recommend that the City maintain their fixed asset schedules throughout the year by adding newly acquired assets when purchased and recording disposals of assets when assets are sold or discarded. We also encourage management to periodically review expense accounts in the Utility Funds for capital asset purchases which should be capitalized and make the proper adjustments at year end to capitalize these assets.

Status

Partially corrected, Management made some efforts to follow the recommendations set forth in the prior year. Management is still working to put procedures in place to address the issues set forth.

## COMPLIANCE AND OTHER MATTERS

### Compliance Findings:

#### 09-01. Budgetary Compliance

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

#### Recommendation

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

#### 08-01. Fidelity Bond Coverage – prior year reissued

According to our calculations, the City's fidelity bond coverage for the treasurer was not sufficient for fiscal year 2009. We noted that the treasurer was underinsured by \$357,000 in fiscal year 2009.

#### Recommendation

We recommend that the City obtain from HintonBurdick their calculations regarding the sufficiency of the coverage and discuss the issue with their insurance carrier. If additional coverage is needed, we recommend that the City obtain additional coverage for the treasurer.

#### Status

Not implemented. Additional coverage has not been purchased.

#### 07-05. Surcharge Remittance – prior year reissued

The City is not filing Form C-500 (State of Utah Deposit Report) and the associated surcharge remittance in a timely manner. *Utah Code 51-4-2(4)* (a) requires that the surcharge to be remitted to the State Treasurer's Office by the 10<sup>th</sup> of the month following the receipt of the surcharges.

#### Recommendation

We recommend that the City operate within the confines of State law by filing Form C-500 and the related surcharges by the 10<sup>th</sup> of the month following their receipt. Whereas the funds associated with the C-500 report are considered State funds, we recommend that the city council authorize the city staff to prepare and remit checks and reports to the State in order to meet the deadlines imposed. Transactions prepared by the city staff can later be ratified by the city council.

#### Status

Not implemented.

**Other Matters:**

09-02. Over Expenditure of Impact Fees Reserved for Specific Purposes

We observed that the City has allocated parks and public safety impact fee expenditures to the impact fee fund in excess of available current year impact fee revenues and prior year accumulated impact fee fund balance. The over allocation of costs has cause the parks and public safety impact fee fund balances to be reported as a deficits in the current year. Since the park, public safety, and street impact fees are reported in one fund and the park and public safety impact fees have been over expended, the City has essentially borrowed street impact fees to cover the deficits created by over expenditure of parks and public safety impact fees.

Recommendation

In order to restore the deficits that have been created in parks and public safety impact fee fund balances, the City should either collect future impact fees sufficient to restore the deficits or transfer resources from another fund to restore the deficits.

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

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

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

Sincerely,

*Hinton, Burdick, Hall & Spilker, PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
October 15, 2009

Mayor  
*Rick Rosenberg*

City Manager  
*Wally Ritchie*



City Council  
*Jerry Amundsen*  
*Bruce Anderson*  
*Herb Basso*  
*Matthew J. Ence*  
*Bill Jacobsen*

November 20, 2009

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

Re: Management Response to Findings

Ladies and Gentlemen:

This letter is in regards to the findings and recommendations made by our independent auditors, Hinton, Burdick, Hall, & Spilker, PLLC, for the audit of Santa Clara City as of June 30, 2008.

#### 07-01 – Bank Reconciliations

**Finding:** We noted significant improvements from the prior year pertaining to bank reconciliations. We wish to commend management for their efforts. However, not all of the City's bank accounts were properly reconciled to the general ledger and bank statements at year end (see audit adjustments 3, 6, 7, and 12). The operating accounts (checking and money market) were reconciled properly, but other accounts were not yet reconciled to the general ledger and bank statements at the time of the audit.

**Response:** The City is working with Caselle to insure proper set up of all bank accounts in the accounting software. The City's procedure regarding bond related bank accounts has been updated to insure that all the bank accounts will be reconciled on a monthly basis.

#### 07-02 – Reconciliations and Year-End Accounting

**Finding:** During our audit we made recommendations for various journal entries that were necessary to make accruals, record debt proceeds, and other miscellaneous adjustments. These effects of these journal entries were material to the financial statements.

**Response:** The City will review the financial statements on a regular basis to insure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

#### 07-03 – Accounting for Capital Assets

Finding: The City did not conduct an inventory of fixed assets during the year. In addition, a complete listing of the fixed asset additions for fiscal year 2009 was not included in the City's listing of fixed assets when the audit began. Several fixed assets purchased in the Utility funds during the year were not properly capitalized before the audit began.

Response: The City will conduct an annual inventory of capital assets and maintain our fixed asset schedules throughout the year. Management will periodically review expense accounts in the Utility Funds for capital asset purchases which should be capitalized and will make proper adjustments to capitalize these assets.

#### 07-05 – Surcharge Remittance

Finding: The City is not filing Form C-500 (State of Utah Deposit Report) and the associated surcharge remittance in a timely manner. *Utah Code 51-4-2(4)(a)* requires that surcharge to be remitted to the State Treasurer's Office by the 10th of the month following the receipt of the surcharges.

Response: The 10 days granted for remitting surcharges to the State creates many challenges for the City staff responsible for managing the affairs of the part-time court. For example, the staff responsible for the affairs of the part-time court has many additional obligations besides those of the court, each having various time lines and demands. The court reports need to be finalized, which cannot occur until after the end of the month before the surcharge reconciliation can be completed and remittance processed. Additionally, the City's payable are processed two times per month in association with City Council meetings and state requirements mandating that City Councils approve all checks / payables. The City's first Council meeting of the month is held on the second Wednesday which is typically after the 10<sup>th</sup> of each month. Payment of the surcharge prior to the 10<sup>th</sup> requires a separate check run which ultimately adds more work to a small staff with numerous responsibilities and payment of the check without following internal controls requiring City Council to review and approve all payables prior to their forwarding.

The City will have to reconcile the two contradicting State requirements – one which requires payment of the surcharge by the 10<sup>th</sup> of each month and the other which requires City Council to approve all checks / payables during a regular meeting typically not held until after the 10<sup>th</sup> of the month.

#### 08-01 – Fidelity Bond Coverage

Finding: According to our calculations, the City's fidelity bond coverage for the treasurer was not sufficient for fiscal year 2009. We noted that the treasurer was underinsured by \$357,000 in fiscal year 2009.

Response: The City will increase the fidelity bond coverage for the treasurer by the appropriate amount to meet State guidelines for fiscal year 2010.

#### 09-01 - Budgetary Compliance

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

Response: The City will monitor the expenditures in each department throughout the year and make the necessary budgetary adjustments to insure that expenditures do not exceed budgeted appropriations.

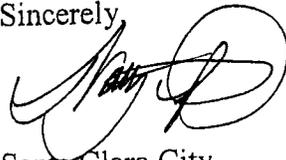
#### 09-02 - Over Expenditure of Impact Fees Reserved for Specific Purposes

Finding: We observed that the City has allocated parks and public safety impact fee expenditures to the impact fee fund in excess of available current year impact fee revenues and prior year accumulated impact fee fund balance. The over allocation of costs has cause the parks and public safety impact fee fund balances to be reported as a deficits in the current year. Since the park, public safety, and street impact fees are reported in one fund and the park and public safety impact fees have been over expended, the City has essentially borrowed street impact fees to cover the deficits created by over expenditure of parks and public safety impact fees.

Response: The City will take the necessary steps, through collection of impact fees or transfers from another fund to restore the deficits in the parks and public safety fund balances.

If you have any questions, please let me know.

Sincerely,



Santa Clara City

Wally Ritchie  
City Manager

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