

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010, 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, 2010, 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 September 30, 2010, 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 as listed in the table of contents, 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 City of Santa Clara's basic financial statements. The combining and individual fund financial statements, capital asset schedules, and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 an audit of the basic financial statements and accordingly, we express no opinion on it.



HINTON, BURDICK, HALL & SPILKER, PLLC
September 30, 2010

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, 2010. 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 \$33,214,718 (net assets). Of this amount, \$1,286,466 (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 \$411,854, 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 \$191,270. Approximately 28.5% of this total amount, \$54,571 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 \$54,571 or 1.5% of total general fund expenditures.
- Santa Clara City's total bonds payable increased by \$938,000 or 5.5% 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 \$493,431.

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 \$3,214,718 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net assets, (99.89% for Government Activities & 67.43% 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	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 527,295	\$ 5,595,156	\$ 5,245,003	\$ 6,043,294
Capital assets	26,651,999	26,521,238	18,986,912	20,113,128
Total assets	<u>27,179,294</u>	<u>32,116,394</u>	<u>24,231,915</u>	<u>26,156,422</u>
Long-term liabilities outstanding	6,401,430	6,712,098	10,595,331	11,353,369
Other liabilities	339,824	287,425	859,906	1,073,326
Total liabilities	<u>6,741,254</u>	<u>6,999,523</u>	<u>11,455,237</u>	<u>12,426,695</u>
Net assets:				
Invested in capital assets, net of related debt	20,418,298	19,991,782	8,615,515	9,008,966
Restricted	151,861	4,249,885	2,742,578	2,682,058
Unrestricted	(132,119)	875,204	1,418,585	2,038,703
Total net assets	<u>\$ 20,438,040</u>	<u>\$ 25,116,871</u>	<u>\$ 12,776,678</u>	<u>\$ 13,729,727</u>

Percentages of Net Assets

Net asset type	Governmental Activities	Business-type Activities	Total
Invested in capital assets, net of related debt	99.90%	67.43%	87.41%
Restricted net assets	0.74%	21.47%	8.71%
Unrestricted net assets	-0.65%	11.10%	3.87%
Total net assets	100.0%	100.0%	100.0%

An additional portion of Santa Clara's net assets (.81% & 21.47% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$1,286,466 (-0.7% and 11.1% 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 \$6,442,721.

Business-type activities. Business-type activities decreased Santa Clara's net assets by \$953,049. (refer to table entitled SANTA CLARA CITY'S Changes in Net Assets).

SANTA CLARA CITY
Changes in Net Assets

	Governmental activities		Business-type activities	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues:				
Program revenues:				
Charges for services	\$ 841,787	\$ 649,691	\$ 5,339,558	5,557,582
Operating grants and contributions	521,863	380,752	-	-
Capital grants and contributions	120,981	261,083	260,414	343,561
General revenues:				
Taxes	1,696,572	1,693,962	-	-
Unrestricted investment earnings	8,650	247,545	23,632	90,094
Gain (loss) on disposal of assets	-	-	-	-
Total revenues	<u>3,189,853</u>	<u>3,233,033</u>	<u>5,623,604</u>	<u>5,991,237</u>
Expenses:				
General government	5,735,675	1,096,268	-	-
Public safety	1,494,207	1,403,901	-	-
Public works	1,384,726	1,360,465	-	-
Parks and recreation	685,343	638,436	-	-
Community development	53,342	65,522	-	-
Interest on long-term debt	279,281	290,080	-	-
Water	-	-	1,519,867	1,566,008
Sewer	-	-	638,705	594,576
Electric	-	-	4,164,890	4,357,365
Storm drain	-	-	253,191	236,161
Total expenses	<u>9,632,574</u>	<u>4,854,672</u>	<u>6,576,653</u>	<u>6,754,110</u>
Increase in net assets before transfers	(6,442,721)	(1,621,639)	(953,049)	(762,873)
Transfers	-	312,886	-	(312,886)
Increase in net assets	(6,442,721)	(1,308,753)	(953,049)	(1,075,759)
Net assets, beginning	25,116,871	26,425,624	13,729,727	14,908,973
Prior period adjustment	1,763,890	-	-	(103,487)
Net assets, ending	<u>\$ 20,438,040</u>	<u>\$ 25,116,871</u>	<u>\$ 12,776,678</u>	<u>\$ 13,729,727</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 \$191,269, a decrease of \$411,854 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; \$54,571 or (28.5%) 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, \$136,698 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 \$54,571 or 51.3% of the total general fund balance, \$106,474. 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 1.5% of total general fund expenditures, while total fund balance represents .03% of that same amount.

Other governmental funds (impact fee fund) have a total fund balance of \$84795, 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 \$1,418,585.

General Fund Budgetary Highlights

The general fund was amended twice during the year. The first amendment was completed on February 10, 2010, decreasing the budget by \$115,814 for the following purposes: 1) reduce the budget due to a decrease in revenues; and 2) account for revenues and expenditures in the General Fund primarily maintenance work, supplies, engineering, legal work.

On June 23, 2010, the City Council approved a second amendment increasing the General Fund's budget by \$228,332. The primary purposes for the second amendment were: 1) proper accounting of the transfers to the General; and 2) a grant for Tamarisk removal in the washes; and 3) for proper accounting of actual revenues received that exceeded revenue projections and actual approved expenditures not included in the original budget.

In May, 2010, the City Council adopted the 2010-2011 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 \$45,638,911 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines, power lines, and storm water lines), autos and trucks, machinery and equipment, office.

SANTA CLARA CITY Net Capital Assets (Net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and water rights	\$ 2,977,280	\$ 769,625	\$ 3,746,905
Buildings	6,167,829	61,654	6,229,483
Improvements	1,939,784	-	1,939,784
Autos & trucks	238,723	58,533	297,256
Machinery and equipment	346,990	369,561	716,551
Office equipment	322,108	-	322,108
Artwork	187,407	-	187,407
Infrastructure	14,471,878	17,727,539	32,199,417
Total	<u>\$ 26,651,999</u>	<u>\$ 18,986,912</u>	<u>\$ 45,638,911</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 \$16,114,000 in bonds outstanding—an decrease of 5.5% 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
	2010	2009	2010	2009	2009	2008	
General obligation bonds	\$ 39,000	\$ 74,000	\$ -	\$ -	\$ 39,000	\$ 74,000	-47.30%
Revenue bonds	5,750,000	5,965,000	10,325,000	11,013,000	16,075,000	16,978,000	-5.32%
Total	<u>\$ 5,789,000</u>	<u>\$ 6,039,000</u>	<u>\$ 10,325,000</u>	<u>\$ 11,013,000</u>	<u>\$ 16,114,000</u>	<u>\$ 17,052,000</u>	-5.50%

Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2010-2011 is .001835 mills.
- Population growth has leveled and is projected at 1% for FY 2010-2011.
- The national, state, and local economies are weakening and may affect revenues from building and development and sales taxes.

- Total FY 2010-2011 Budget, including all funds, sums to \$10,204,362, a decrease of 2.7% 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 60,715	\$ 411,416	\$ 472,131
Receivables (net of allowance)	140,902	1,176,963	1,317,865
Inventory	-	778,357	778,357
Prepays	21,982	30,200	52,182
Deferred charges	99,658	184,930	284,588
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	204,038	2,663,137	2,867,175
Capital assets (net of accumulated depreciation):			
Land and water rights	2,977,280	769,625	3,746,905
Buildings	6,167,829	61,654	6,229,483
Improvements	1,939,784	-	1,939,784
Autos & trucks	238,723	58,533	297,256
Machinery and equipment	346,990	369,561	716,551
Office equipment	322,108	-	322,108
Artwork	187,407	-	187,407
Infrastructure	14,471,878	17,727,539	32,199,417
Total assets	<u>27,179,294</u>	<u>24,231,915</u>	<u>51,411,209</u>
Liabilities			
Accounts payable and other current liabilities	169,028	533,171	702,199
Deferred revenue	67,340	154,280	221,620
Interest payable	103,456	172,455	275,911
Noncurrent liabilities:			
Due within one year	414,195	654,024	1,068,219
Due in more than one year	5,987,235	9,941,307	15,928,542
Total liabilities	<u>6,741,254</u>	<u>11,455,237</u>	<u>18,196,491</u>
Net Assets			
Invested in capital assets, net of related debt	20,418,298	8,615,515	29,033,813
Restricted for:			
Debt service	-	648,270	648,270
Capital outlay	150,885	2,094,308	2,245,193
Other purposes	976	-	976
Unrestricted	(132,119)	1,418,585	1,286,466
Total net assets	<u>\$ 20,438,040</u>	<u>\$ 12,776,678</u>	<u>\$ 33,214,718</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, 2010

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	
Primary government:							
Governmental activities:							
General government	\$ 5,735,675	\$ 677,340	\$ 5,462	\$ -	\$ (5,052,873)	\$ -	\$ (5,052,873)
Public safety	1,494,207	130,529	75,347	21,781	(1,266,550)	-	(1,266,550)
Public works	1,384,726	374	289,778	33,170	(1,061,404)	-	(1,061,404)
Parks and recreation	685,343	32,494	151,276	66,030	(435,543)	-	(435,543)
Community development	53,342	1,050	-	-	(52,292)	-	(52,292)
Interest on long-term debt	279,281	-	-	-	(279,281)	-	(279,281)
Total governmental activities	<u>9,632,574</u>	<u>841,787</u>	<u>521,863</u>	<u>120,981</u>	<u>(8,147,943)</u>	<u>-</u>	<u>(8,147,943)</u>
Business-type activities:							
Water	1,519,867	1,063,219	-	104,765	-	(351,883)	(351,883)
Sewer	638,705	584,503	-	1,380	-	(52,822)	(52,822)
Electric	4,164,890	3,445,783	-	129,228	-	(589,879)	(589,879)
Storm drain	253,191	246,053	-	25,041	-	17,903	17,903
Total business-type activities	<u>6,576,653</u>	<u>5,339,558</u>	<u>-</u>	<u>260,414</u>	<u>-</u>	<u>(976,681)</u>	<u>(976,681)</u>
Total primary government	<u>\$ 16,209,227</u>	<u>\$ 6,181,345</u>	<u>\$ 521,863</u>	<u>\$ 381,395</u>	<u>(8,147,943)</u>	<u>(976,681)</u>	<u>(9,124,624)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					705,036	-	705,036
Sales and use taxes					625,060	-	625,060
Franchise taxes					281,693	-	281,693
Telecommunications tax					84,783	-	84,783
Unrestricted investment earnings					8,650	23,632	32,282
Total general revenues & transfers					<u>1,705,222</u>	<u>23,632</u>	<u>1,728,854</u>
Change in net assets					(6,442,721)	(953,049)	(7,395,770)
Net assets - beginning					25,116,871	13,729,727	38,846,598
Prior period adjustment					1,763,890	-	1,763,890
Net assets - ending					<u>\$ 20,438,040</u>	<u>\$ 12,776,678</u>	<u>\$ 33,214,718</u>

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

CITY OF SANTA CLARA, UTAH
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 60,715	\$ -	\$ 60,715
Receivables	31,155	-	31,155
Due from other governments	109,747	-	109,747
Prepaid expenses	21,982	-	21,982
Restricted cash and cash equivalents	119,243	84,795	204,038
Total assets	<u>\$ 342,842</u>	<u>\$ 84,795</u>	<u>\$ 427,637</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 51,601	\$ -	\$ 51,601
Accrued liabilities	41,298	-	41,298
Customer deposits	32,743	-	32,743
Deferred revenue	67,340	-	67,340
Security holdings	43,386	-	43,386
Total liabilities	<u>236,368</u>	<u>-</u>	<u>236,368</u>
Fund Balances:			
Reserved for:			
Debt service	50,927	-	50,927
Capital outlay	-	84,795	84,795
Other	976	-	976
Unreserved, reported in:			
General fund	54,571	-	54,571
Total fund balances	<u>106,474</u>	<u>84,795</u>	<u>191,269</u>
Total liabilities and fund balances	<u>\$ 342,842</u>	<u>\$ 84,795</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.	26,651,999
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.	(6,405,228)
Net assets of governmental activities	<u>\$ 20,438,040</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, 2010

	General	Non-major Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,696,572	\$ -	\$ 1,696,572
Licenses, permits and fees	61,081	-	61,081
Intergovernmental revenue	428,009	-	428,009
Charges for services	486,813	-	486,813
Fines and forfeitures	73,567	-	73,567
Investment earnings	8,651	754	9,405
Other revenues	342,903	-	342,903
Total revenues	<u>3,097,596</u>	<u>754</u>	<u>3,098,350</u>
Expenditures:			
Current:			
General government	735,031	-	735,031
Public safety	1,325,043	-	1,325,043
Public works	379,462	-	379,462
Parks, recreation & public property	502,800	-	502,800
Community and economic development	53,199	-	53,199
Debt service:			
Principal	283,855	35,000	318,855
Interest	283,747	2,216	285,963
Capital outlay:			
Parks, recreation & public property	27,890	1,950	29,840
Total expenditures	<u>3,591,027</u>	<u>39,166</u>	<u>3,630,193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(493,431)</u>	<u>(38,412)</u>	<u>(531,843)</u>
Other Financing Sources (Uses)			
Sale of capital assets	10,595	-	10,595
Debt proceeds	17,891	-	17,891
Impact fees	-	91,503	91,503
Total other financing sources and uses	<u>28,486</u>	<u>91,503</u>	<u>119,989</u>
Net change in fund balances	(464,945)	53,091	(411,854)
Fund balances, beginning of year	532,529	31,704	564,233
Prior period adjustment	38,890	-	38,890
Fund balances, end of year	<u>\$ 106,474</u>	<u>\$ 84,795</u>	<u>\$ 191,269</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, 2010

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)	\$ (411,854)
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.	(1,579,794)
Governmental funds report the gross proceeds from the sale of fixed assets as revenue. However, in the statement of activities, the revenue received from the sale of fixed assets is reduced by the net book value of the assets at the time of the sale.	(14,446)
A note receivable recorded in a prior year from an installment sale on land was determined to be uncollectible. The note receivable and the associated interest receivable were written off during fiscal year 2010. See note 16 for more information.	(4,736,207)
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.	303,821
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.	(8,066)
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.	3,825
Change in net assets of governmental activities	<u><u>\$ (6,442,721)</u></u>

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

CITY OF SANTA CLARA, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
General property taxes	\$ 587,000	\$ 667,000	\$ 679,704	\$ 12,704
Prior year's delinquent taxes	7,000	20,500	25,332	4,832
General sales and use taxes	705,500	646,717	625,060	(21,657)
Franchise taxes	162,500	282,002	281,693	(309)
Telecommunications tax	70,000	90,000	84,783	(5,217)
Total taxes	<u>1,532,000</u>	<u>1,706,219</u>	<u>1,696,572</u>	<u>(9,647)</u>
Licenses & permits:				
Business license & permits	12,750	12,750	13,119	369
Non-business license & permits	35,412	46,311	47,962	1,651
Total license & permits	<u>48,162</u>	<u>59,061</u>	<u>61,081</u>	<u>2,020</u>
Intergovernmental revenues:				
Federal & state grants	17,500	128,205	121,010	(7,195)
Class "C" roads	225,000	209,250	229,509	20,259
State liquor allotment	4,000	4,000	5,462	1,462
SRO Reimbursement	45,017	45,017	72,028	27,011
Total intergovernmental revenues	<u>291,517</u>	<u>386,472</u>	<u>428,009</u>	<u>41,537</u>
Charges for services:				
Refuse collection	247,258	247,258	251,223	3,965
Public safety	250,000	111,972	96,916	(15,056)
Parks & public property	113,921	101,369	89,101	(12,268)
Cemetery	12,500	31,200	31,673	473
Other	245,002	15,000	17,900	2,900
Total charges for services	<u>868,681</u>	<u>506,799</u>	<u>486,813</u>	<u>(19,986)</u>
Fines and forfeitures:				
Court fines & forfeitures	71,500	71,500	73,567	2,067
Miscellaneous:				
Investment earnings	-	15,000	8,651	(6,349)
Administrative service revenue	149,389	91,171	250,423	159,252
Community development	-	36,375	37,070	695
Contributions	-	-	250	250
Other	25,000	66,920	55,160	(11,760)
Total miscellaneous	<u>174,389</u>	<u>209,466</u>	<u>351,554</u>	<u>142,088</u>
TOTAL REVENUES	<u>2,986,249</u>	<u>2,939,517</u>	<u>3,097,596</u>	<u>158,079</u>

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

CITY OF SANTA CLARA, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General government	1,212,454	743,319	735,031	8,288
Public safety				
Judicial	51,832	51,832	53,028	(1,196)
Law enforcement	1,116,651	1,104,231	1,123,840	(19,609)
Building inspection	147,399	147,124	148,175	(1,051)
Total public safety	1,315,882	1,303,187	1,325,043	(21,856)
Highways and public improvements				
Public works	436,745	382,122	379,462	2,660
Total highways and public improvements	436,745	382,122	379,462	2,660
Parks, recreation & public property				
Parks, trails & cemetery	439,912	514,282	530,690	(16,408)
Swiss days	48,500	53,500	53,199	301
Total parks, recreation & public property	488,412	567,782	583,889	(16,107)
Debt service:				
Principal	-	306,362	283,855	22,507
Interest	-	261,239	283,747	(22,508)
Total debt service	-	567,601	567,602	(1)
TOTAL EXPENDITURES	3,453,493	3,564,011	3,591,027	(27,016)
Excess (deficiency) of revenues over (under) expenditures	(467,244)	(624,494)	(493,431)	131,063
Other Financing Sources (Uses)				
Sale of capital assets	10,000	10,000	10,595	595
Debt proceeds	-	-	17,891	17,891
Transfers in	-	159,250	-	(159,250)
Transfers out	-	(2,000)	-	2,000
Total other financing sources and uses	10,000	167,250	28,486	(138,764)
Net change in fund balances	(457,244)	(457,244)	(464,945)	(7,701)
Fund balances, beginning of year	532,529	532,529	532,529	-
Prior period adjustment	-	-	38,890	38,890
Fund balances, end of year	\$ 75,285	\$ 75,285	\$ 106,474	\$ 31,189

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

CITY OF SANTA CLARA, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Drain</u>	<u>Totals Current Year</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 122,447	\$ 136,454	\$ 152,515	\$ -	\$ 411,416
Receivables, net of allowance	270,409	59,762	807,445	21,347	1,158,963
Prepaid	8,629	4,314	12,943	4,314	30,200
Inventory	-	-	778,357	-	778,357
Total current assets	<u>401,485</u>	<u>200,530</u>	<u>1,751,260</u>	<u>25,661</u>	<u>2,378,936</u>
Noncurrent assets:					
Restricted cash and cash equivalents	984,484	337,358	1,156,418	184,877	2,663,137
Assessments receivable	-	18,000	-	-	18,000
Bond discounts and issuance costs, net of accumulated amortization	75,649	-	95,992	13,289	184,930
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	2,110,208	27,498,046
Machinery and equipment	53,276	209,104	487,934	92,136	842,450
Automobiles and trucks	89,647	59,824	139,685	-	289,156
Less: Accumulated depreciation	<u>(4,652,514)</u>	<u>(1,101,407)</u>	<u>(4,467,272)</u>	<u>(282,401)</u>	<u>(10,503,594)</u>
Total capital assets (net of accumulated depreciation)	<u>7,348,918</u>	<u>1,138,890</u>	<u>8,579,161</u>	<u>1,919,943</u>	<u>18,986,912</u>
Total noncurrent assets	<u>8,409,051</u>	<u>1,494,248</u>	<u>9,831,571</u>	<u>2,118,109</u>	<u>21,852,979</u>
Total assets	<u>8,810,536</u>	<u>1,694,778</u>	<u>11,582,831</u>	<u>2,143,770</u>	<u>24,231,915</u>
Liabilities					
Current liabilities:					
Accounts payable	185,531	8,923	260,836	-	455,290
Accrued liabilities	-	-	8,230	-	8,230
Customer deposits	69,651	-	-	-	69,651
Deferred revenue	-	-	154,280	-	154,280
Interest payable	51,029	650	100,284	20,492	172,455
Current portion of noncurrent liabilities	<u>290,902</u>	<u>31,045</u>	<u>256,010</u>	<u>76,067</u>	<u>654,024</u>
Total current liabilities	<u>597,113</u>	<u>40,618</u>	<u>779,640</u>	<u>96,559</u>	<u>1,513,930</u>
Noncurrent liabilities:					
Compensated absences payable	13,903	5,057	16,397	3,647	39,004
Bonds payable	3,634,000	-	5,302,000	1,389,000	10,325,000
Capital lease payable	-	39,355	135,637	56,335	231,327
Less current portion of noncurrent liabilities	<u>(290,902)</u>	<u>(31,045)</u>	<u>(256,010)</u>	<u>(76,067)</u>	<u>(654,024)</u>
Total noncurrent liabilities	<u>3,357,001</u>	<u>13,367</u>	<u>5,198,024</u>	<u>1,372,915</u>	<u>9,941,307</u>
Total liabilities	<u>3,954,114</u>	<u>53,985</u>	<u>5,977,664</u>	<u>1,469,474</u>	<u>11,455,237</u>
Net Assets					
Invested in capital assets, net of related debt	3,790,567	1,099,535	3,237,516	487,897	8,615,515
Restricted for debt service	248,608	-	277,763	121,899	648,270
Restricted for capital outlay	735,876	337,358	878,655	142,419	2,094,308
Unrestricted	<u>81,371</u>	<u>203,900</u>	<u>1,211,233</u>	<u>(77,919)</u>	<u>1,418,585</u>
Total net assets	<u>\$ 4,856,422</u>	<u>\$ 1,640,793</u>	<u>\$ 5,605,167</u>	<u>\$ 674,296</u>	<u>\$ 12,776,678</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, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
Operating revenues:					
Charges for services	\$ 1,037,208	\$ 573,280	\$ 3,363,590	\$ 243,247	\$ 5,217,325
Other revenues	26,011	11,223	82,193	2,806	122,233
Total operating revenues	<u>1,063,219</u>	<u>584,503</u>	<u>3,445,783</u>	<u>246,053</u>	<u>5,339,558</u>
Operating expenses:					
Sewer treatment	-	322,579	-	-	322,579
Wholesale power purchases	-	-	2,294,446	-	2,294,446
Salaries and wages	235,927	69,896	361,233	46,050	713,106
Supplies and operating costs	397,744	12,450	173,559	8,232	591,985
Depreciation	452,397	105,348	516,442	77,480	1,151,667
Amortization	11,263	-	5,856	831	17,950
Payroll taxes & employee benefits	96,942	29,815	147,118	17,433	291,308
Office & department supplies	823	32	23,080	-	23,935
Professional services	51,309	7,779	34,627	8,336	102,051
Insurance and surety bonds	32,085	27,767	48,129	-	107,981
Miscellaneous	88	-	33,887	-	33,975
Franchise fees	-	-	203,502	-	203,502
Billing and administration	84,923	61,876	79,736	23,885	250,420
Bad debt expense	-	-	-	-	-
Total operating expenses	<u>1,363,501</u>	<u>637,542</u>	<u>3,921,615</u>	<u>182,247</u>	<u>6,104,905</u>
Operating income (loss)	<u>(300,282)</u>	<u>(53,039)</u>	<u>(475,832)</u>	<u>63,806</u>	<u>(765,347)</u>
Non-operating revenues (expenses):					
Interest income	13,297	229	9,235	871	23,632
Impact fees	104,765	1,380	129,228	25,041	260,414
Interest expense	(156,366)	(1,163)	(243,275)	(70,944)	(471,748)
Total non-operating revenues (expenses)	<u>(38,304)</u>	<u>446</u>	<u>(104,812)</u>	<u>(45,032)</u>	<u>(187,702)</u>
Income before contributions and transfers	<u>(338,586)</u>	<u>(52,593)</u>	<u>(580,644)</u>	<u>18,774</u>	<u>(953,049)</u>
Change in net assets	(338,586)	(52,593)	(580,644)	18,774	(953,049)
Total net assets, beginning of year	<u>5,195,008</u>	<u>1,693,386</u>	<u>6,185,811</u>	<u>655,522</u>	<u>13,729,727</u>
Total net assets, end of year	<u>\$ 4,856,422</u>	<u>\$ 1,640,793</u>	<u>\$ 5,605,167</u>	<u>\$ 674,296</u>	<u>\$ 12,776,678</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, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 1,114,507	\$ 570,557	\$ 3,385,317	\$ 241,992	\$ 5,312,373
Cash received from customers, capacity fees and other	26,011	11,223	82,193	2,806	122,233
Cash paid to suppliers	(528,134)	(451,062)	(3,179,696)	(46,454)	(4,205,346)
Cash paid to employees	(333,115)	(99,662)	(515,743)	(63,218)	(1,011,738)
Net cash flows from operating activities	<u>279,269</u>	<u>31,056</u>	<u>(227,929)</u>	<u>135,126</u>	<u>217,522</u>
Cash flows from capital and related financing activities:					
Principal payments on long-term debt	(433,000)	(25,028)	(222,915)	(69,771)	(750,714)
Interest paid	(158,687)	(2,210)	(247,795)	(72,229)	(480,921)
Purchase of fixed assets	(2)	-	(8,974)	(16,479)	(25,455)
Impact fees and capital contributions	<u>104,767</u>	<u>1,380</u>	<u>129,228</u>	<u>25,040</u>	<u>260,415</u>
Net cash flows from capital and related financing activities:	<u>(486,922)</u>	<u>(25,858)</u>	<u>(350,456)</u>	<u>(133,439)</u>	<u>(996,675)</u>
Cash flows from investing activities:					
Interest on investments	<u>13,297</u>	<u>229</u>	<u>9,235</u>	<u>871</u>	<u>23,632</u>
Net change in cash and cash equivalents	(194,356)	5,427	(569,150)	2,558	(755,521)
Cash and cash equivalents, including restricted cash - beginning of year	<u>1,301,287</u>	<u>468,385</u>	<u>1,878,083</u>	<u>182,319</u>	<u>3,830,074</u>
Cash and cash equivalents, including restricted cash - end of year	<u>\$ 1,106,931</u>	<u>\$ 473,812</u>	<u>\$ 1,308,933</u>	<u>\$ 184,877</u>	<u>\$ 3,074,553</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ (300,282)	\$ (53,039)	\$ (475,832)	\$ 63,806	\$ (765,347)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	463,660	105,348	522,298	78,311	1,169,617
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	70,285	(2,723)	21,727	(1,255)	88,034
(Increase) Decrease in inventory	-	-	(60,117)	-	(60,117)
(Increase) Decrease in prepaid expenses	(885)	3,430	(1,327)	(4,314)	(3,096)
Increase (Decrease) in accounts payable	46,632	(19,721)	(213,780)	(196)	(187,065)
Increase (Decrease) in accrued liabilities	(7,794)	(2,288)	(13,506)	(1,491)	(25,079)
Increase (Decrease) in customer deposits	7,899	-	-	-	7,899
Increase (Decrease) in compensated absences	(246)	49	(7,392)	265	(7,324)
Net cash flows from operating activities	<u>\$ 279,269</u>	<u>\$ 31,056</u>	<u>\$ (227,929)</u>	<u>\$ 135,126</u>	<u>\$ 217,522</u>

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies

General

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

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

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

Reporting Entity

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

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, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

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, 2010 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, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

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, 2010

NOTE 1. Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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, 2010

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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	\$ (5,789,000)
Plus: unamortized costs of issuance	99,658
Capital leases payable	(536,293)
Compensated absences	(76,137)
Accrued interest payable	<u>(103,456)</u>
Net adjustment to reduce fund balance - total governmental funds to	<u><u>\$ (6,405,228)</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	\$ 27,874
Depreciation Expense	(1,607,668)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	<u><u>\$ (1,579,794)</u></u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

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

Taxes

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2010 consist of the following:

Deposits:	
Cash on hand	\$ 274
Cash in bank	52,314
Investments:	
US Government Securities	9,395
State Treasurer's Investment Pool	<u>3,277,323</u>
 Total Deposits and Investments	 <u><u>\$ 3,339,306</u></u>

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

Cash and cash equivalents	\$ 472,131
Restricted cash and cash equivalents	<u>2,867,175</u>
	<u><u>\$ 3,339,306</u></u>

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

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, 2010, \$1,138,073 of the City's bank balance of \$1,866,925 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

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, 2010 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$ 3,277,323	\$ 3,277,323	\$ -	\$ -	\$ -
US Government Securities	9,395	9,395	-	-	-
Total Fair Value	\$ 3,286,718	\$ 3,286,718	\$ -	\$ -	\$ -

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

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, 2010 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$ 3,277,323	\$ -	\$ -	\$ -	\$ 3,277,323
US Government Securities	9,395	9,395	-	-	-
Total Fair Value	\$ 3,286,718	\$ 9,395	\$ -	\$ -	\$ 3,277,323

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities:	Balance 6/30/2009	Adjustments*	Additions	Deletions	Balance 6/30/2010
Capital assets, not being depreciated:					
Land	\$ 1,252,280	\$ 1,725,000	\$ -	\$ -	\$ 2,977,280
Total capital assets, not being depreciated:	<u>1,252,280</u>	<u>1,725,000</u>	<u>-</u>	<u>-</u>	<u>2,977,280</u>
Capital assets, being depreciated:					
Buildings	7,107,945	-	-	-	7,107,945
Improvements	2,573,319	-	-	-	2,573,319
Autos and trucks	1,299,810	-	-	-	1,299,810
Machinery and equipment	960,450	-	27,874	(138,619)	849,705
Office equipment	440,802	-	-	-	440,802
Artwork	198,491	-	-	-	198,491
Infrastructure	28,393,609	-	-	-	28,393,609
Total capital assets, being depreciated:	<u>40,974,426</u>	<u>-</u>	<u>27,874</u>	<u>(138,619)</u>	<u>40,863,681</u>
Less accumulated depreciation for:					
Buildings	(705,209)	-	(234,908)	-	(940,117)
Improvements	(484,701)	-	(148,834)	-	(633,535)
Autos and trucks	(925,793)	-	(135,294)	-	(1,061,087)
Machinery and equipment	(555,479)	-	(71,409)	124,173	(502,715)
Office equipment	(86,641)	-	(32,053)	-	(118,694)
Artwork	(4,468)	-	(6,616)	-	(11,084)
Infrastructure	(12,943,176)	-	(978,554)	-	(13,921,730)
Total accumulated depreciation	<u>(15,705,467)</u>	<u>-</u>	<u>(1,607,668)</u>	<u>124,173</u>	<u>(17,188,962)</u>
Total capital assets, being depreciated, net	<u>25,268,959</u>	<u>-</u>	<u>(1,579,794)</u>	<u>(14,446)</u>	<u>23,674,719</u>
Governmental activities capital assets, net	<u>\$ 26,521,239</u>	<u>\$ 1,725,000</u>	<u>\$ (1,579,794)</u>	<u>\$ (14,446)</u>	<u>\$ 26,651,999</u>

* See note 17

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

Governmental Activities:	
General government	\$ 258,607
Public safety	165,596
Public works	1,004,242
Parks	179,223
Total depreciation expense - governmental activities	<u>\$ 1,607,668</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 5. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
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	833,475	8,975	-	842,450
Autos and trucks	289,156	-	-	289,156
Distribution system	27,481,569	16,477	-	27,498,046
Total capital assets, being depreciated	<u>28,695,429</u>	<u>25,452</u>	<u>-</u>	<u>28,720,881</u>
Less accumulated depreciation for:				
Buildings	(27,269)	(2,305)	-	(29,575)
Machinery and equipment	(413,480)	(59,409)	-	(472,889)
Autos and trucks	(202,289)	(28,334)	-	(230,623)
Distribution system	(8,708,888)	(1,061,619)	-	(9,770,507)
Total accumulated depreciation	<u>(9,351,926)</u>	<u>(1,151,667)</u>	<u>-</u>	<u>(10,503,594)</u>
Total capital assets, being depreciated, net	<u>19,343,503</u>	<u>(1,126,215)</u>	<u>-</u>	<u>18,217,287</u>
Business-type activities capital assets, net	<u>\$ 20,113,128</u>	<u>\$(1,126,215)</u>	<u>\$ -</u>	<u>\$ 18,986,912</u>

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

Business-Type Activities:	
Water	\$ 452,397
Sewer	105,348
Electric	516,442
Storm Water	77,480
Total depreciation expense - business-type activities	<u>\$ 1,151,667</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

Governmental Activities:

	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010	Current Portion
General Obligation Bonds	\$ 74,000	\$ -	\$ (35,000)	\$ 39,000	\$ 39,000
MBA Lease Revenue Bonds	5,965,000	-	(215,000)	5,750,000	225,000
Capital Leases Payable	605,027	17,891	(86,625)	536,293	100,195
Compensated Absences	68,071	54,431	(46,365)	76,137	50,000
Total Governmental Activities	\$ 6,712,098	\$ 72,322	\$ (382,990)	\$ 6,401,430	\$ 414,195

Business-type Activities

	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010	Current Portion
Bonds payable:					
Revenue bonds	\$ 11,013,000	\$ -	\$ (688,000)	\$ 10,325,000	\$ 550,000
Total Bonds	11,013,000	-	(688,000)	10,325,000	550,000
Capital Leases Payable	294,041	-	(62,714)	231,327	65,024
Compensated Absences	46,328	38,157	(45,481)	39,004	39,000
Total Business-Type Activities	11,353,369	38,157	(796,195)	10,595,331	654,024
Total Long-Term Liabilities	\$ 18,065,467	\$ 110,479	\$ (1,179,185)	\$ 16,996,761	\$ 1,068,219

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 6. Long-Term Debt, Continued

Long-term debt for the primary government at June 30, 2010 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>\$ 39,000</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>5,750,000</u>
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Total Governmental Activities	<u><u>5,789,000</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.	206,000
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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.	542,000
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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.	1,076,000
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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.	1,810,000
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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.	590,000
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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
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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.	917,000
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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>1,389,000</u>
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Total Business-Type Activities	<u><u>10,325,000</u></u>
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CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

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 7.75%.	<u>536,293</u>
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Business-Type Activities:

Leases payable in semi-annual installments through March 2013, at interest of 3.65% to 6%.	<u>231,327</u>
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Accrued Compensated Absences	<u>115,141</u>
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Total Long-Term Debt	16,996,761
Less Current portion:	
Business-Type Activities	(654,024)
Governmental Activities	<u>(414,195)</u>
Net Long-Term Debt	<u><u>\$ 15,928,542</u></u>

The annual requirements to amortize bonds payable at June 30, 2010 are as follows:

General Obligation Bonds

<u>Year Ending June 30,</u>	<u>Fire Protection Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	39,000	780
Totals	\$ 39,000	\$ 780

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

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>
2011	\$ 225,000	\$ 232,144	\$ 277,000	\$ 142,183
2012	230,000	223,144	289,000	131,400
2013	240,000	213,944	300,000	120,096
2014	250,000	204,344	311,000	108,286
2015	260,000	194,344	328,000	95,821
2016-2020	1,480,000	806,519	1,170,000	306,864
2021-2025	1,800,000	485,171	673,000	133,993
2026-2030	1,265,000	105,806	286,000	17,640
Totals	<u>\$ 5,750,000</u>	<u>\$ 2,465,416</u>	<u>\$ 3,634,000</u>	<u>\$ 1,056,283</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>
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	246,000	187,933	65,000	56,236
2016-2020	1,418,000	753,509	377,000	230,797
2021-2025	1,756,000	415,564	485,000	123,038
2026-2030	962,000	60,642	230,000	11,883
Totals	<u>\$ 5,302,000</u>	<u>\$ 2,276,676</u>	<u>\$ 1,389,000</u>	<u>\$ 675,043</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

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 7.7%, together with the present value of the net minimum lease payments:

Year Ending June 30,	Type 3 Engine	Water Tender	Fire Truck	Street Sweeper	Kubota Tractor	Total Gov. Activities	Sewer Truck	Street Sweeper	Bucket Truck	Total Bus. Activities
2011	\$ 27,467	\$ 25,701	\$ 38,194	\$ 20,512	\$ 9,998	\$ 121,872	\$ 27,240	\$ 20,512	\$ 25,600	\$ 73,352
2012	27,467	25,701	38,194	20,512	9,998	121,872	13,618	20,512	25,600	59,730
2013	27,467	25,701	38,194	20,512	-	111,874	-	19,550	25,600	45,150
2014	27,467	25,701	38,194	-	-	91,362	-	-	25,600	25,600
2015	27,467	25,701	38,194	-	-	91,362	-	-	25,600	25,600
2016-2017	-	-	76,392	-	-	76,392	-	-	25,621	25,621
Total remaining lease payments:	137,335	128,505	267,362	61,536	19,996	614,734	40,858	60,574	153,621	255,053
Less amount representing interest:	<u>(15,979)</u>	<u>(14,949)</u>	<u>(40,206)</u>	<u>(5,202)</u>	<u>(2,105)</u>	<u>(78,441)</u>	<u>(1,505)</u>	<u>(4,237)</u>	<u>(17,984)</u>	<u>(23,726)</u>
Present value of net remaining minimum lease payments:	<u>\$ 121,356</u>	<u>\$ 113,556</u>	<u>\$ 227,156</u>	<u>\$ 56,334</u>	<u>\$ 17,891</u>	<u>\$ 536,293</u>	<u>\$ 39,353</u>	<u>\$ 56,337</u>	<u>\$ 135,637</u>	<u>\$ 231,327</u>

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

	Cost	Depreciation Expense	Accumulated Depreciation
Vehicles and Equipment	\$1,572,698	\$ 153,689	\$ (812,773)
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, 2010

NOTE 8. Equity Classifications, Continued

- 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, 2010, the City’s reserved fund balances are as follows:

General Fund:

Reserved:

Swiss days	\$	756
Princess pageant		220
Debt service - wildlands		50,927
Total	\$	51,903

Special Revenue Funds:

Reserved:

Street impact fees	\$	152,369
Park impact fees		(15,094)
Public safety impact fees		(52,479)
Total	\$	84,796

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 9. 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.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the City of Santa Clara is required to contribute 11.66% 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 23.34% 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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 9. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2010 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				
2010	N/A	N/A	\$ 146,956	\$ 1,216,107
2009	N/A	N/A	140,633	1,210,267
2008	N/A	N/A	128,993	1,110,098
Public Safety System				
Other Division A Noncontributory				
2010	N/A	N/A	\$ 84,505	\$ 348,696
2009	N/A	N/A	76,329	337,589
2008	N/A	N/A	65,408	289,286
Defined Contribution System:				
457 Plan				
2010	\$ 7,819	\$ -	N/A	N/A
2009	7,707	-	N/A	N/A
2008	3,984	-	N/A	N/A
401 (k) Plan				
2010	\$ 33,286	\$ 15,912	N/A	N/A
2009	37,719	15,464	N/A	N/A
2008	42,385	21,989	N/A	N/A

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

NOTE 10. Risk Management

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 11. Contracts

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

The City has entered into a 25-year wastewater service contract with St. George City, 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.

NOTE 12. Jointly Governed Organization

The City, in conjunction with 38 other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$2,294,446 during the fiscal year ended June 30, 2010.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 13. Contingent Liabilities

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

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2010.

NOTE 14. Commitments / Subsequent events

The City is committed to participate in the Regional Water Line Project. The City incurred \$65,752 in cost during the current audit period and their future ownership costs are expected to be \$1,230,092 or approximately \$64,995 annually for 19 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, 2010 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.

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 1st or 2nd quarter of fiscal year 2011. 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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 15. Related Party Transactions

During fiscal year 2010, Rosenberg Associates was awarded a contract for several engineering project on which it performed services. A total of \$4,067 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.

NOTE 16. Installment Sale / Bad Debt Expense

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 was scheduled to receive five installments on September 30th 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. 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.

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.

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, bringing the total interest receivable to \$595,190.

In fiscal year 2010 the note was determined to be uncollectible and the note receivable was written off. As a result, on the government-wide statement of activities, \$4,736,207 of bad debt expense was charged to the general government function. On the fund financial statements, the note receivable on the general fund balance sheet along with the deferred revenue associated with the note receivable were removed.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2010

NOTE 17. Prior-period Adjustment- General Fund

When new developments are approved the developers are required to make a security deposit with the City. The deposits are refunded to the developer with interest after the development is completed. Over the years some of the refunds to developers have been expensed in the general fund rather than reducing the deposit liability. The effect was to understate fund balance and overstate the deposit liability by \$38,890. A prior period adjustment was made in the current fiscal year correct beginning the fund balance and to adjust the deposit liability account for prior year refunds.

The original value of the land described in note 16 had not previously been included in the financial statements. The land was donated to the City many years ago and therefore, the historical value was not readily available. Management has estimated the value on the date of donation to be \$1,725,000. This land has been added to the Statement of Net Assets. The result of this addition was an increase to land of \$1,725,000 and an increase to net assets in the same amount.

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, 2010

	Special Revenue	Total Nonmajor Governmental Funds
	Impact Fees	
Assets		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents	84,795	84,795
Total assets	\$ 84,795	\$ 84,795
Liabilities and Fund Balances		
Fund Balances:		
Reserved for:		
Capital outlay	84,795	84,795
Unreserved, undesignated	-	-
Total fund balances	84,795	84,795
Total liabilities and fund balances	\$ 84,795	\$ 84,795

CITY OF SANTA CLARA, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue	Total Nonmajor Governmental Funds
	Impact Fees	
Revenues:		
Federal and state grants	\$ -	\$ -
Investment earnings	754	754
	754	754
Total revenues	754	754
Expenditures:		
Capital Outlay:		
Parks and recreation	1,950	1,950
Debt service:		
Principal	35,000	35,000
Interest	2,216	2,216
	39,166	39,166
Total expenditures	39,166	39,166
Excess (deficiency) of revenues over (under) expenditures	(38,412)	(38,412)
Other Financing Sources (Uses)		
Impact fees	91,503	91,503
Total other financing sources and uses	91,503	91,503
Net change in fund balances	53,091	53,091
Fund balances, beginning of year	31,704	31,704
Fund balances, end of year	\$ 84,795	\$ 84,795

CITY OF SANTA CLARA, UTAH
Schedule of Capital Assets Used in the Operations of
Governmental Funds by Function and Activity
As of June 30, 2010

Functions and Activity	Total	Land	Buildings	Improvements	Machinery & Equipment	Office Equipment	Autos & Trucks	Artwork	Infrastructure
General government									
Administration	\$ 9,261,594	\$ 2,225,951	\$ 6,280,808	\$ 84,268	\$ 20,517	\$ 440,802	\$ 10,757	\$ 198,491	\$ -
Public safety	2,033,920	-	483,637	5,853	431,237	-	1,113,193	-	-
Public works									
Streets	28,938,923	196,282	-	-	245,996	-	103,036	-	28,393,609
Parks and recreation									
Parks and grounds maintenance	3,606,524	555,047	343,500	2,483,198	151,955	-	72,824	-	-
Total governmental funds capital assets	<u>\$ 43,840,961</u>	<u>\$ 2,977,280</u>	<u>\$ 7,107,945</u>	<u>\$ 2,573,319</u>	<u>\$ 849,705</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, 2010

Functions and Activity	Balance June 30, 2009	Reclassifications	Additions	Deletions	Balance June 30, 2010
General government					
Administration	\$ 7,406,887	\$ 129,707	\$ 1,725,000	\$ -	\$ 9,261,594
Public safety	2,033,920	-	-	-	2,033,920
Public works					
Streets	29,057,792	-	-	(118,869)	28,938,923
Parks and recreation					
Parks and grounds maintenance	<u>3,728,107</u>	<u>(129,707)</u>	<u>27,874</u>	<u>(19,750)</u>	<u>3,606,524</u>
Total governmental funds capital assets	<u>\$ 42,226,706</u>	<u>\$ -</u>	<u>\$ 1,752,874</u>	<u>\$ (138,619)</u>	<u>\$ 43,840,961</u>

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SUPPLEMENTARY INFORMATION

CITY OF SANTA CLARA, UTAH
Other Supplementary Information
Bond Disclosures
For the Year Ended June 30, 2010

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, 2010	1,989	1,885
Total billings for the fiscal year ended June 30, 2010	\$ 974,874	\$ 573,681

Water rates for the fiscal year ended June 30, 2010 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, 2010:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust (ULGT)	General Liability	13640-GL2009	12/15/09	Continuous	5,000,000
Utah Local Government Trust	Auto Liability	13640-GL2009	12/15/09	Continuous	5,000,000
ULGT - Unigard	Auto PD Coverage	BA900005	07/01/09	07/01/10	44 vehicles
ULGT - CNA Surety	Fidelity Blanket Bonds	58461366	08/01/09	08/01/12	40,000
ULGT - CNA Surety	Mayor/Recorder Bonds	58461367	08/01/07	08/01/11	198,000
ULGT - CNA Surety	Treasurer Bond	70089593	01/01/10	01/01/11	410,000
ULGT - Unigard	Accidental property - building	PX809764	07/01/09	07/01/00	17,077,286
ULGT - Unigard	Accidental property - contents	PX809764	07/01/08	07/01/09	665,702
ULGT - Unigard	Contractors property - equipment	PX809764	07/01/08	07/01/09	232,938
ULGT - Unigard	Contractors property - EDP	PX809764	07/01/08	07/01/09	56,000
ULGT - Unigard	Equipment in the open	PX809764	07/01/08	07/01/09	4,179,112
ULGT - Unigard	Mobile equipment	PX809764	07/01/08	07/01/09	5,680
ULGT - Unigard	Miscellaneous	PX809764	07/01/08	07/01/09	389,750
ULGT	Notary E&O	68564329	01/02/10	01/02/11	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***

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Santa Clara, Utah, as of and for the year ended June 30, 2010, which collectively comprise the Santa Clara City's basic financial statements and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

- 07-01 Bank reconciliations
- 07-02 Reconciliations and year-end accounting

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

- 07-03 Accounting for capital assets

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 September 30, 2010.

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
September 30, 2010



**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
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 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, for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010. 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; and special tests and provisions as 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, 2010. The City received the following major 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 the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

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

The 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.

Our audit does not provide a legal determination on the city's compliance with these requirements.

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, 2010.

The city's written responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the city's responses and, accordingly, we express no opinion on them.

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
September 30, 2010



**Findings and Recommendations
 For the Year Ended June 30, 2010**

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
 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, 2010, we noted several improvements to the City’s accounting and budgeting system and wish to commend the City for their achievements. However, we also observed a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City’s accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weaknesses:

07-01. Bank Reconciliations – prior year reissued

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 when audit test work began, see audit adjustments 15, 16, 17, and 18. The operating accounts (checking and money market) were reconciled properly, but some of the bond related accounts were not yet reconciled 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, some of the debt reserve bank accounts 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, record allocations, adjust reserve funds, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements.

Recommendation

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

Status

Partially corrected, the number of audit adjustments went down slightly from the prior year. Material audit 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 the Utility funds, a few fixed assets purchased during the year were not properly capitalized before the audit began. On the fixed asset reports, we identified some assets that need to be reclassified to a different department.

Recommendation

We recommend that the City improve its internal controls over fixed assets by conducting an annual inventory of capital assets. 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. Finally, the City should work with HintonBurdick to properly classify some of the assets in the capital asset module of Caselle before the next annual audit takes place.

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:

10-01. Minimum Fund Balance

Utah Code 10-6-116(4) indicates that only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. We noted that as of June 30, 2010, the City’s fund balance fell below the minimum fund balance requirement.

Recommendation

We recommend that the City operate within the confines of State law by making budgetary adjustments during fiscal year 2011 to increase its fund balance to the minimum requirement.

09-01. Budgetary Compliance – prior year reissued

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

Recommendation

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

Status

Not implemented.

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 10th 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 10th 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:

10-02. Cost Allocation Substantiation

During our audit, we noted that the cost allocations between the utility funds and general fund increase substantially from the prior year. Upon further review, we noted that the City had allocated a portion of the City Hall debt service to the utility funds. There did not appear to be a systematic or formal process for the allocation other than a percentage estimate. Cost allocations between funds should be reasonable and consistent from year to year and should be based upon a process that attempts to properly allocate the economic impact of City hall to the funds that utilize City Hall.

Recommendation

We recommend that the City review the appropriateness of the cost allocations between the utility funds and the general fund. We also recommend that the City formalize the process for allocating City Hall costs to the funds that utilize City Hall.

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.

Status

Partially corrected. We noted that the City collected a substantial amount of park impact fees during the year that significantly reduced the park impact fee deficit. Public safety impact fees were also collected during the year, however due to additional expenditures of public safety impact fees the deficit balance for public safety impact fees actually increased.

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

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

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

Sincerely,

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

HINTON, BURDICK, HALL & SPILKER, PLLC
September 30, 2010

Mayor
Rick Rosenberg

City Manager
Wally Ritchie



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

November 22, 2010

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

Re: Management Response to Findings

Ladies and Gentlemen:

This letter is in response to the findings and recommendations made by our independent auditors, Hinton, Burdick, Hall, & Spilker, PLLC, for the audit of Santa Clara City as of June 30, 2010.

07-01. Bank Reconciliations

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 when audit test work began, see audit adjustments 15, 16, 17, and 18. The operating accounts (checking and money market) were reconciled properly, but some of the bond related accounts were not yet reconciled at the time of the audit.

Response: The City is working with Caselle to ensure proper setup all bank accounts within the accounting software. The City's procedure regarding bond related bank accounts has been updated to insure all the bank accounts will be reconciled on a monthly basis.

07-02. Reconciliations and Year-End Accounting

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

Response: The City will 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.

07-03. Accounting for Capital Assets

The City did not conduct an inventory of fixed assets during the year. In the Utility funds, a few fixed assets purchased during the year were not properly capitalized before the audit began. On the fixed asset reports, we identified some assets that need to be reclassified to a different department.

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. The City will also work with HintonBurdick to make sure the assets are properly classified.

10-01. Minimum Fund Balance

Utah Code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. We noted that as of June 30, 2010, the City's fund balance fell below the minimum fund balance requirement.

Response: The City will work to take the necessary steps in the budget process to comply with State Code and maintain the minimum fund balance.

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.

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

07-05. Surcharge Remittance

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 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 payables 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 10th of each month. Payment of the surcharge prior to the 10th 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 10th 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 10th of the month.

10-02. Cost Allocation Substantiation

During our audit, we noted that the cost allocations between the utility funds and general fund increase substantially from the prior year. Upon further review, we noted that the City had allocated a portion of the City Hall debt service to the utility funds. There did not appear to be a systematic or formal process for the allocation other than a percentage estimate. Cost allocations between funds should be reasonable and consistent from year to year and should be based upon a process that attempts to properly allocate the economic impact of City hall to the funds that utilize City Hall.

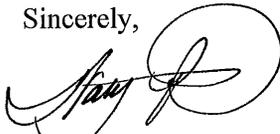
Response: The City will review the allocations from the Utility funds to the general fund to insure they are reasonable. The City will also work to develop a formula that properly allocates the proper amount based on the economic impact the Utility funds have on City hall.

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.

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

Sincerely,



Santa Clara City

Wally Ritchie
City Manager