



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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

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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, 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  
October 24, 2011

## **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, 2011. 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 \$32,783,287 (net assets). Of this amount, \$4,758,295 (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 (\$431,431), 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 \$1,679,874.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$0. All fund resources were nonspendable, restricted, committed or assigned.
- Santa Clara City's total bonds payable decreased by \$814,000 or 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 \$599,461.

### **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 \$32,783,287 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net assets, (92.66% for Government Activities & 64.84% 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	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 1,914,286	\$ 527,295	\$ 5,510,050	\$ 5,245,003
Capital assets	24,617,820	26,651,999	17,914,629	18,986,912
Total assets	<u>26,532,106</u>	<u>27,179,294</u>	<u>23,424,679</u>	<u>24,231,915</u>
Long-term liabilities outstanding	6,029,604	6,401,430	9,975,578	10,595,331
Other liabilities	277,448	339,824	890,868	859,906
Total liabilities	<u>6,307,052</u>	<u>6,741,254</u>	<u>10,866,446</u>	<u>11,455,237</u>
Net assets:				
Invested in capital assets, net of related debt	18,740,066	20,418,298	8,142,480	8,615,515
Restricted	10,045	151,861	1,132,401	2,742,578
Unrestricted	1,474,943	(132,119)	3,283,352	1,418,585
Total net assets	<u>\$ 20,225,054</u>	<u>\$ 20,438,040</u>	<u>\$ 12,558,233</u>	<u>\$ 12,776,678</u>

Percentages of Net Assets

Net asset type	Governmental Activities	Business-type Activities	Total
Invested in capital assets, net of related debt	92.66%	64.84%	82.00%
Restricted net assets	0.05%	9.02%	3.48%
Unrestricted net assets	<u>7.29%</u>	<u>26.15%</u>	<u>14.51%</u>
Total net assets	100.0%	100.0%	100.0%

An additional portion of Santa Clara's net assets (.05% & 9.02% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$4,758,295 (7.29% and 26.15% 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 (\$212,986).

**Business-type activities.** Business-type activities decreased Santa Clara's net assets by (\$218,445). (Refer to table entitled SANTA CLARA CITY'S Changes in Net Assets).

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

	Governmental activities		Business-type activities	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:				
Program revenues:				
Charges for services	\$ 915,851	\$ 841,787	\$ 5,569,338	5,339,558
Operating grants and contributions	400,270	521,863	-	-
Capital grants and contributions	289,167	120,981	175,079	260,414
General revenues:				
Taxes	1,511,493	1,686,572	-	-
Unrestricted investment earnings	10,230	8,650	8,535	23,632
Gain (loss) on disposal of assets	1,479,358	-	-	-
Total revenues	<u>4,606,369</u>	<u>3,179,853</u>	<u>5,752,952</u>	<u>5,623,604</u>
Expenses:				
General government	986,141	5,735,675	-	-
Public safety	1,610,599	1,494,207	-	-
Public works	1,354,554	1,374,726	-	-
Parks and recreation	553,505	685,343	-	-
Community development	59,329	53,342	-	-
Interest on long-term debt	255,227	279,281	-	-
Water	-	-	1,443,717	1,519,867
Sewer	-	-	587,212	638,705
Electric	-	-	3,674,418	4,164,890
Storm drain	-	-	266,050	253,191
Total expenses	<u>4,819,355</u>	<u>9,622,574</u>	<u>5,971,397</u>	<u>6,576,653</u>
Increase in net assets	(212,986)	(6,442,721)	(218,445)	(953,049)
Net assets, beginning	20,438,040	25,116,871	12,776,678	13,729,727
Prior period adjustment	-	1,763,890	-	-
Net assets, ending	<u>\$ 20,225,054</u>	<u>\$ 20,438,040</u>	<u>\$ 12,558,233</u>	<u>\$ 12,776,678</u>

## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of Santa Clara's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Santa Clara's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2011, the unassigned fund balance was \$0.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$1,649,874, an increase of \$1,458,605 in comparison with the prior year because of the sale of land; \$1,482,253 or (90%) of the fund balance constitutes *committed* fund balance, which has been designated by the board for debt service. Of the remaining fund balance, \$21,982 is *nonspendable* (prepaid expenses), \$144,844 is *restricted* (impact fees and debt service), and \$795 is *assigned* (Swiss Days and Princess Pageant). The nonspendable, restricted, committed and assigned fund balances indicate that the balances are not available for new spending because they have already been committed.

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

Other governmental funds (impact fee fund) have a total fund balance of \$10,045, all of which is restricted for designated capital expenditures and the procurement of impact fee related items.

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

Unrestricted net assets for Water, Sewer, Electric, and Storm Water utilities at the end of the year totaled \$3,283,352.

### General Fund Budgetary Highlights

The general fund was amended once during the year. The amendment was completed on June 22, 2011, increasing the budget by \$239,350 for the following purposes: 1) increase the budget due to an increase in revenues; and 2) account for revenues and expenditures in the General Fund primarily maintenance work, supplies, engineering, legal work.

In June, 2011, the City Council adopted the 2011-2012 budget.

## Capital Asset and Debt Administration

**Capital assets.** Santa Clara City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$42,532,449 (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	\$ 2,452,280	\$ 769,625	\$ 3,221,905
Buildings	5,932,385	59,348	5,991,733
Improvements	1,790,948	-	1,790,948
Autos & trucks	127,848	32,204	160,052
Machinery and equipment	284,260	319,506	603,766
Office equipment	290,055	-	290,055
Artwork	180,791	-	180,791
Infrastructure	13,559,253	16,733,946	30,293,199
Total	<u>\$ 24,617,820</u>	<u>\$ 17,914,629</u>	<u>\$ 42,532,449</u>

This year's major capital asset additions included:

- Land purchase
- Traffic light

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

**Long-term debt.** At year-end the City had \$15,300,000 in bonds outstanding—an decrease of 5.05% 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
	2011	2010	2011	2010	2011	2010	
General obligation bonds	\$ -	\$ 39,000	\$ -	\$ -	\$ -	\$ 39,000	-100.00%
Revenue bonds	5,525,000	5,750,000	9,775,000	10,325,000	15,300,000	16,075,000	-4.82%
Total	<u>\$ 5,525,000</u>	<u>\$ 5,789,000</u>	<u>\$ 9,775,000</u>	<u>\$ 10,325,000</u>	<u>\$ 15,300,000</u>	<u>\$ 16,114,000</u>	-5.05%

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

- The property tax levy for FY 2011-2012 is .002365 mills.
- Population growth has leveled and is projected at 1% for FY 2011-2012.
- The national, state, and local economies are weak and may affect revenues from building and development and sales taxes.

- Total FY 2011-2012 Budget, including all funds, sums to 10,072,191, a decrease of 3.4% 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, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,344,795	\$ 2,182,903	\$ 3,527,698
Receivables (net of allowance)	317,920	1,211,186	1,529,106
Inventory	-	783,207	783,207
Prepays	21,982	31,184	53,166
Deferred charges	84,745	169,169	253,914
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	144,844	1,132,401	1,277,245
Capital assets (net of accumulated depreciation):			
Land and water rights	2,452,280	769,625	3,221,905
Buildings	5,932,385	59,348	5,991,733
Improvements	1,790,948	-	1,790,948
Autos & trucks	127,848	32,204	160,052
Machinery and equipment	284,260	319,506	603,766
Office equipment	290,055	-	290,055
Artwork	180,791	-	180,791
Infrastructure	13,559,253	16,733,946	30,293,199
Total assets	<u>26,532,106</u>	<u>23,424,679</u>	<u>49,956,785</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	179,667	574,055	753,722
Deferred revenue	-	154,280	154,280
Interest payable	97,781	162,533	260,314
Noncurrent liabilities:			
Due within one year	383,885	658,825	1,042,710
Due in more than one year	5,645,719	9,316,753	14,962,472
Total liabilities	<u>6,307,052</u>	<u>10,866,446</u>	<u>17,173,498</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	18,740,066	8,142,480	26,882,546
Restricted for:			
Debt service	-	682,356	682,356
Capital outlay	10,045	450,045	460,090
Unrestricted	1,474,943	3,283,352	4,758,295
Total net assets	<u>\$ 20,225,054</u>	<u>\$ 12,558,233</u>	<u>\$ 32,783,287</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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 986,141	\$ 613,269	\$ 5,472	\$ -	\$ (367,400)	\$ -	\$ (367,400)
Public safety	1,610,599	248,297	67,869	33,427	(1,261,006)	-	(1,261,006)
Public works	1,354,554	498	296,698	87,554	(969,804)	-	(969,804)
Parks and recreation	553,505	44,112	30,231	168,186	(310,976)	-	(310,976)
Community development	59,329	9,675	-	-	(49,654)	-	(49,654)
Interest on long-term debt	255,227	-	-	-	(255,227)	-	(255,227)
Total governmental activities	<u>4,819,355</u>	<u>915,851</u>	<u>400,270</u>	<u>289,167</u>	<u>(3,214,067)</u>	<u>-</u>	<u>(3,214,067)</u>
Business-type activities:							
Water	1,443,717	1,156,561	-	82,553	-	(204,603)	(204,603)
Sewer	587,212	632,452	-	2,604	-	47,844	47,844
Electric	3,674,418	3,526,356	-	61,614	-	(86,448)	(86,448)
Storm drain	266,050	253,969	-	28,308	-	16,227	16,227
Total business-type activities	<u>5,971,397</u>	<u>5,569,338</u>	<u>-</u>	<u>175,079</u>	<u>-</u>	<u>(226,980)</u>	<u>(226,980)</u>
Total primary government	<u>\$ 10,790,752</u>	<u>\$ 6,485,189</u>	<u>\$ 400,270</u>	<u>\$ 464,246</u>	<u>(3,214,067)</u>	<u>(226,980)</u>	<u>(3,441,047)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					728,346	-	728,346
Sales and use taxes					617,114	-	617,114
Franchise taxes					82,510	-	82,510
Telecommunications tax					83,523	-	83,523
Unrestricted investment earnings					10,230	8,535	18,765
Gain (loss) on disposal of assets					1,479,358	-	1,479,358
Total general revenues & transfers					<u>3,001,081</u>	<u>8,535</u>	<u>3,009,616</u>
Change in net assets					(212,986)	(218,445)	(431,431)
Net assets - beginning					20,438,040	12,776,678	33,214,718
Net assets - ending					<u>\$ 20,225,054</u>	<u>\$ 12,558,233</u>	<u>\$ 32,783,287</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,344,795	\$ -	\$ 1,344,795
Receivables	41,020	-	41,020
Due from other governments	276,900	-	276,900
Prepaid expenses	21,982	-	21,982
Restricted cash and cash equivalents	134,799	10,045	144,844
Total assets	<u>\$ 1,819,496</u>	<u>\$ 10,045</u>	<u>\$ 1,829,541</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 68,587	\$ -	\$ 68,587
Accrued liabilities	32,566	-	32,566
Customer deposits	34,856	-	34,856
Security holdings	43,658	-	43,658
Total liabilities	<u>179,667</u>	<u>-</u>	<u>179,667</u>
Fund Balances:			
Nonspendable	21,982	-	21,982
Restricted	134,799	10,045	144,844
Committed	1,482,253	-	1,482,253
Assigned	795	-	795
Total fund balances	<u>1,639,829</u>	<u>10,045</u>	<u>1,649,874</u>
Total liabilities and fund balances	<u>\$ 1,819,496</u>	<u>\$ 10,045</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.	24,617,820
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.	(6,042,640)
Net assets of governmental activities	<u>\$ 20,225,054</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, 2011**

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 1,511,493	\$ -	\$ 1,511,493
Licenses, permits and fees	82,974	-	82,974
Intergovernmental revenue	488,039	-	488,039
Charges for services	604,461	-	604,461
Fines and forfeitures	82,412	-	82,412
Investment earnings	10,229	945	11,174
Other revenues	253,240	-	253,240
	<u>3,032,848</u>	<u>945</u>	<u>3,033,793</u>
<b>Expenditures:</b>			
Current:			
General government	729,734	-	729,734
Public safety	1,467,303	-	1,467,303
Public works	359,130	-	359,130
Parks, recreation & public property	381,704	-	381,704
Community and economic development	59,508	-	59,508
Debt service:			
Principal	362,793	39,000	401,793
Interest	206,209	780	206,989
Capital outlay:			
Public works	65,928	-	65,928
Parks, recreation & public property	-	675	675
	<u>3,632,309</u>	<u>40,455</u>	<u>3,672,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(599,461)</u>	<u>(39,510)</u>	<u>(638,971)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	2,004,358	-	2,004,358
Impact fees	-	93,218	93,218
Transfers in	128,458	-	128,458
Transfers out	-	(128,458)	(128,458)
	<u>2,132,816</u>	<u>(35,240)</u>	<u>2,097,576</u>
Net change in fund balances	1,533,355	(74,750)	1,458,605
Fund balances, beginning of year	106,474	84,795	191,269
Fund balances, end of year	<u>\$ 1,639,829</u>	<u>\$ 10,045</u>	<u>\$ 1,649,874</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To The Statement of Activities**  
**June 30, 2011**

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

Net change in fund balances - total governmental funds (page 14)	\$ 1,458,605
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.	(309,179)
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.	(1,725,000)
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.	347,880
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.	9,033
Accrued interest on long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.	5,675
Change in net assets of governmental activities	<u><u>\$ (212,986)</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
<b>Taxes:</b>				
General property taxes	\$ 672,000	\$ 672,000	\$ 687,163	\$ 15,163
Prior year's delinquent taxes	10,000	34,000	41,183	7,183
General sales and use taxes	655,500	655,500	617,114	(38,386)
Franchise taxes	279,502	284,502	82,510	(201,992)
Telecommunications tax	85,000	85,000	83,523	(1,477)
Total taxes	<u>1,702,002</u>	<u>1,731,002</u>	<u>1,511,493</u>	<u>(219,509)</u>
<b>Licenses &amp; permits:</b>				
Business license & permits	12,500	12,500	12,180	(320)
Non-business license & permits	26,600	61,600	70,794	9,194
Total license & permits	<u>39,100</u>	<u>74,100</u>	<u>82,974</u>	<u>8,874</u>
<b>Intergovernmental revenues:</b>				
Federal & state grants	17,500	161,825	183,459	21,634
Class "C" roads	217,500	217,500	235,554	18,054
State liquor allotment	5,000	5,000	5,472	472
SRO Reimbursement	45,017	60,017	63,554	3,537
Total intergovernmental revenues	<u>285,017</u>	<u>444,342</u>	<u>488,039</u>	<u>43,697</u>
<b>Charges for services:</b>				
Refuse collection	259,882	259,882	261,685	1,803
Public safety	172,500	177,000	199,700	22,700
Parks & public property	95,619	99,694	101,178	1,484
Cemetery	21,500	21,500	22,290	790
Other	15,000	15,000	19,608	4,608
Total charges for services	<u>564,501</u>	<u>573,076</u>	<u>604,461</u>	<u>31,385</u>
<b>Fines and forfeitures:</b>				
Court fines & forfeitures	73,750	77,000	82,412	5,412
<b>Miscellaneous:</b>				
Investment earnings	10,000	10,000	10,229	229
Administrative service revenue	91,171	91,171	89,669	(1,502)
Community development	30,000	34,200	35,121	921
Contributions	-	-	3,020	3,020
Other	60,000	60,000	125,430	65,430
Total miscellaneous	<u>191,171</u>	<u>195,371</u>	<u>263,469</u>	<u>68,098</u>
<b>TOTAL REVENUES</b>	<u>2,855,541</u>	<u>3,094,891</u>	<u>3,032,848</u>	<u>(62,043)</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
<b>General government</b>	697,838	740,338	729,734	10,604
<b>Public safety</b>				
Judicial	43,298	48,298	52,174	(3,876)
Law enforcement	1,068,224	1,145,724	1,254,426	(108,702)
Building inspection	160,481	170,481	160,703	9,778
Total public safety	<u>1,272,003</u>	<u>1,364,503</u>	<u>1,467,303</u>	<u>(102,800)</u>
<b>Highways and public improvements</b>				
Public works	344,032	428,382	425,058	3,324
Total highways and public improvements	<u>344,032</u>	<u>428,382</u>	<u>425,058</u>	<u>3,324</u>
<b>Parks, recreation &amp; public property</b>				
Parks, trails & cemetery	400,866	400,866	381,704	19,162
Swiss days	39,800	59,800	59,508	292
Total parks, recreation & public property	<u>440,666</u>	<u>460,666</u>	<u>441,212</u>	<u>19,454</u>
<b>Debt service:</b>				
Principal	316,363	316,363	362,793	(46,430)
Interest	252,639	252,639	206,209	46,430
Total debt service	<u>569,002</u>	<u>569,002</u>	<u>569,002</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>3,323,541</u>	<u>3,562,891</u>	<u>3,632,309</u>	<u>(69,418)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(468,000)</u>	<u>(468,000)</u>	<u>(599,461)</u>	<u>(131,461)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	468,000	468,000	2,004,358	1,536,358
Transfers in	-	-	128,458	128,458
Total other financing sources and uses	<u>468,000</u>	<u>468,000</u>	<u>2,132,816</u>	<u>1,664,816</u>
Net change in fund balances	-	-	1,533,355	1,533,355
Fund balances, beginning of year	<u>106,474</u>	<u>106,474</u>	<u>106,474</u>	<u>-</u>
Fund balances, end of year	<u>\$ 106,474</u>	<u>\$ 106,474</u>	<u>\$ 1,639,829</u>	<u>\$ 1,533,355</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Drain</u>	<u>Totals Current Year</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 597,248	\$ 274,573	\$ 1,225,132	\$ 85,950	\$ 2,182,903
Receivables, net of allowance	328,065	64,091	779,483	21,547	1,193,186
Prepaid	8,629	5,298	12,943	4,314	31,184
Inventory	-	-	783,207	-	783,207
Total current assets	<u>933,942</u>	<u>343,962</u>	<u>2,800,765</u>	<u>111,811</u>	<u>4,190,480</u>
Noncurrent assets:					
Restricted cash and cash equivalents	282,754	340,170	387,578	121,899	1,132,401
Assessments receivable	-	18,000	-	-	18,000
Bond discounts and issuance costs, net of accumulated amortization	66,573	-	90,137	12,459	169,169
Capital assets:					
Land and water rights	769,625	-	-	-	769,625
Buildings	14,594	29,695	46,940	-	91,229
Distribution and collection systems	11,095,080	1,941,674	12,399,927	2,110,208	27,546,889
Machinery and equipment	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>(5,099,298)</u>	<u>(1,197,078)</u>	<u>(4,967,967)</u>	<u>(360,377)</u>	<u>(11,624,720)</u>
Total capital assets (net of accumulated depreciation)	<u>6,922,924</u>	<u>1,043,219</u>	<u>8,106,519</u>	<u>1,841,967</u>	<u>17,914,629</u>
Total noncurrent assets	<u>7,272,251</u>	<u>1,401,389</u>	<u>8,584,234</u>	<u>1,976,325</u>	<u>19,234,199</u>
Total assets	<u>8,206,193</u>	<u>1,745,351</u>	<u>11,384,999</u>	<u>2,088,136</u>	<u>23,424,679</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	57,622	38,880	395,218	33	491,753
Accrued liabilities	-	-	6,976	-	6,976
Customer deposits	75,326	-	-	-	75,326
Deferred revenue	-	-	154,280	-	154,280
Interest payable	47,174	167	95,351	19,841	162,533
Current portion of noncurrent liabilities	<u>301,554</u>	<u>17,426</u>	<u>259,749</u>	<u>80,096</u>	<u>658,825</u>
Total current liabilities	<u>481,676</u>	<u>56,473</u>	<u>911,574</u>	<u>99,970</u>	<u>1,549,693</u>
Noncurrent liabilities:					
Compensated absences payable	12,650	4,093	13,479	4,038	34,260
Bonds payable	3,357,000	-	5,083,000	1,335,000	9,775,000
Capital lease payable	-	13,366	115,022	37,930	166,318
Less current portion of noncurrent liabilities	<u>(301,554)</u>	<u>(17,426)</u>	<u>(259,749)</u>	<u>(80,096)</u>	<u>(658,825)</u>
Total noncurrent liabilities	<u>3,068,096</u>	<u>33</u>	<u>4,951,752</u>	<u>1,296,872</u>	<u>9,316,753</u>
Total liabilities	<u>3,549,772</u>	<u>56,506</u>	<u>5,863,326</u>	<u>1,396,842</u>	<u>10,866,446</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	3,632,497	1,029,853	2,998,634	481,496	8,142,480
Restricted for debt service	282,754	-	277,703	121,899	682,356
Restricted for capital outlay	-	340,170	109,875	-	450,045
Unrestricted	<u>741,170</u>	<u>318,822</u>	<u>2,135,461</u>	<u>87,899</u>	<u>3,283,352</u>
Total net assets	<u>\$ 4,656,421</u>	<u>\$ 1,688,845</u>	<u>\$ 5,521,673</u>	<u>\$ 691,294</u>	<u>\$ 12,558,233</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, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
<b>Operating revenues:</b>					
Charges for services	\$ 1,125,795	\$ 621,513	\$ 3,447,377	\$ 246,584	\$ 5,441,269
Other revenues	30,766	10,939	78,979	7,385	128,069
Total operating revenues	<u>1,156,561</u>	<u>632,452</u>	<u>3,526,356</u>	<u>253,969</u>	<u>5,569,338</u>
<b>Operating expenses:</b>					
Sewer treatment	-	325,983	-	-	325,983
Wholesale power purchases	-	-	2,246,630	-	2,246,630
Salaries and wages	241,635	65,543	298,124	66,010	671,312
Supplies and operating costs	417,235	6,759	136,075	4,082	564,151
Depreciation	446,784	95,670	500,695	77,976	1,121,125
Amortization	9,075	-	5,856	831	15,762
Payroll taxes & employee benefits	103,140	26,697	121,447	28,711	279,995
Office & department supplies	859	271	16,754	8,204	26,088
Professional services	25,379	7,466	25,529	11,098	69,472
Insurance and surety bonds	28,926	28,926	43,389	-	101,241
Miscellaneous	-	-	20,098	2,591	22,689
Billing and administration	32,356	29,129	28,185	-	89,670
Total operating expenses	<u>1,305,389</u>	<u>586,444</u>	<u>3,442,782</u>	<u>199,503</u>	<u>5,534,118</u>
Operating income (loss)	<u>(148,828)</u>	<u>46,008</u>	<u>83,574</u>	<u>54,466</u>	<u>35,220</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	4,602	208	2,954	771	8,535
Impact fees	82,553	2,604	61,614	28,308	175,079
Interest expense	(138,328)	(768)	(231,636)	(66,547)	(437,279)
Total non-operating revenues (expenses)	<u>(51,173)</u>	<u>2,044</u>	<u>(167,068)</u>	<u>(37,468)</u>	<u>(253,665)</u>
Income before contributions and transfers	<u>(200,001)</u>	<u>48,052</u>	<u>(83,494)</u>	<u>16,998</u>	<u>(218,445)</u>
<b>Change in net assets</b>	<u>(200,001)</u>	<u>48,052</u>	<u>(83,494)</u>	<u>16,998</u>	<u>(218,445)</u>
Total net assets, beginning 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>
<b>Total net assets, end of year</b>	<u>\$ 4,656,421</u>	<u>\$ 1,688,845</u>	<u>\$ 5,521,673</u>	<u>\$ 691,294</u>	<u>\$ 12,558,233</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, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers, service fees	\$ 1,073,814	\$ 617,184	\$ 3,475,339	\$ 246,384	\$ 5,412,721
Cash received from customers, capacity fees and other	30,766	10,939	78,979	7,385	128,069
Cash paid to suppliers	(632,664)	(369,561)	(2,388,382)	(25,942)	(3,416,549)
Cash paid to employees	(346,028)	(93,204)	(422,489)	(94,330)	(956,051)
Net cash flows from operating activities	<u>125,888</u>	<u>165,358</u>	<u>743,447</u>	<u>133,497</u>	<u>1,168,190</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal payments on long-term debt	(277,000)	(25,989)	(239,615)	(72,405)	(615,009)
Interest paid	(142,182)	(1,250)	(236,570)	(67,199)	(447,201)
Purchase of fixed assets	(20,790)	-	(28,053)	-	(48,843)
Impact fees and capital contributions	<u>82,553</u>	<u>2,604</u>	<u>61,614</u>	<u>28,308</u>	<u>175,079</u>
Net cash flows from capital and related financing activities:	<u>(357,419)</u>	<u>(24,635)</u>	<u>(442,624)</u>	<u>(111,296)</u>	<u>(935,974)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	<u>4,602</u>	<u>208</u>	<u>2,954</u>	<u>771</u>	<u>8,535</u>
Net change in cash and cash equivalents	(226,929)	140,931	303,777	22,972	240,751
Cash and cash equivalents, including restricted cash - beginning 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>
<b>Cash and cash equivalents, including restricted cash - end of year</b>	<u>\$ 880,002</u>	<u>\$ 614,743</u>	<u>\$ 1,612,710</u>	<u>\$ 207,849</u>	<u>\$ 3,315,304</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ (148,828)	\$ 46,008	\$ 83,574	\$ 54,466	\$ 35,220
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	455,859	95,670	506,551	78,807	1,136,887
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	(57,656)	(4,329)	27,962	(200)	(34,223)
(Increase) Decrease in inventory	-	-	(4,850)	-	(4,850)
(Increase) Decrease in prepaid expenses	-	(984)	-	-	(984)
Increase (Decrease) in accounts payable	(127,909)	29,957	134,382	33	36,463
Increase (Decrease) in accrued liabilities	-	-	(1,254)	-	(1,254)
Increase (Decrease) in customer deposits	5,675	-	-	-	5,675
Increase (Decrease) in compensated absences	(1,253)	(964)	(2,918)	391	(4,744)
Net cash flows from operating activities	<u>\$ 125,888</u>	<u>\$ 165,358</u>	<u>\$ 743,447</u>	<u>\$ 133,497</u>	<u>\$ 1,168,190</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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**General**

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

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

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

**Reporting Entity**

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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

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

**Government-Wide and Fund Financial Statements**

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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

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

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

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

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

The City reports the following major governmental funds:

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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The City reports the following major proprietary funds:

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

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

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

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

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

**Deposits and Investments**

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

**Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to" or "due from other funds." In the Water, Sewer, Electric, and Storm Water funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2011 were estimated based upon July billings and are included in the operating revenues and accounts receivable at year end. Due to the nature of the accounts receivable in the governmental and business-type activities of the City, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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**Inventories and prepaid items**

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

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

**Capital Assets**

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

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

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

**Compensated Absences**

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net 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, 2011**

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

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**Long-term Obligations**

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

**Estimates**

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

**Encumbrances**

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

**Net Assets and Fund Equity**

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

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

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

**Restricted net assets** are 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.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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**Unrestricted net assets** are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

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

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

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

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

**Minimum Fund Balance**

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

**Contributions of Capital**

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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	\$	(5,525,000)
Plus: unamortized costs of issuance		84,745
Capital leases payable		(437,499)
Compensated absences		(67,105)
Accrued interest payable		<u>(97,781)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities.	\$	<u><u>(6,042,640)</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	\$	1,269,628
Depreciation Expense		(1,578,807)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	\$	<u><u>(309,179)</u></u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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**Budgets and Budgetary Accounting**

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

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

**Taxes**

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 4. Deposits and Investments**

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Deposits and investments of the City at June 30, 2011 consist of the following:

Deposits:	
Cash on hand	\$ 274
Cash in bank	697,881
Investments:	
US Government Securities	10,924
State Treasurer's Investment Pool	4,095,864
	<hr/>
Total Deposits and Investments	<u>\$ 4,804,943</u>

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

Cash and cash equivalents	\$ 3,527,698
Restricted cash and cash equivalents	1,277,245
	<hr/>
	<u>\$ 4,804,943</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, 2011, none of the City's bank balance of \$771,460 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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, 2011 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	\$ 4,095,864	\$ 4,095,864	\$ -	\$ -	\$ -
US Government Securities	10,924	10,924	-	-	-
<b>Total Fair Value</b>	<b>\$ 4,106,788</b>	<b>\$ 4,106,788</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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, 2011 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$ 4,095,864	\$ -	\$ -	\$ -	\$ 4,095,864
US Government Securities	10,924	10,924	-	-	-
<b>Total Fair Value</b>	<b>\$ 4,106,788</b>	<b>\$ 10,924</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,095,864</b>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2011</b>
Capital assets, not being depreciated:				
Land	\$ 2,977,280	\$ 1,200,000	\$ (1,725,000)	\$ 2,452,280
Total capital assets, not being depreciated:	<u>2,977,280</u>	<u>1,200,000</u>	<u>(1,725,000)</u>	<u>2,452,280</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	3,700	-	1,303,510
Machinery and equipment	849,705	-	-	849,705
Office equipment	440,802	-	-	440,802
Artwork	198,491	-	-	198,491
Infrastructure	28,393,609	65,928	-	28,459,537
Total capital assets, being depreciated:	<u>40,863,681</u>	<u>69,628</u>	<u>-</u>	<u>40,933,309</u>
Less accumulated depreciation for:				
Buildings	(940,117)	(235,443)	-	(1,175,560)
Improvements	(633,535)	(148,836)	-	(782,371)
Autos and trucks	(1,061,087)	(114,575)	-	(1,175,662)
Machinery and equipment	(502,715)	(62,730)	-	(565,445)
Office equipment	(118,694)	(32,053)	-	(150,747)
Artwork	(11,084)	(6,616)	-	(17,700)
Infrastructure	(13,921,730)	(978,554)	-	(14,900,284)
Total accumulated depreciation	<u>(17,188,962)</u>	<u>(1,578,807)</u>	<u>-</u>	<u>(18,767,769)</u>
Total capital assets, being depreciated, net	<u>23,674,719</u>	<u>(1,509,179)</u>	<u>-</u>	<u>22,165,540</u>
Governmental activities capital assets, net	<u>\$ 26,651,999</u>	<u>\$ (309,179)</u>	<u>\$ (1,725,000)</u>	<u>\$ 24,617,820</u>

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

<b>Governmental Activities:</b>	
General government	\$ 258,607
Public safety	151,418
Public works	996,506
Parks	172,276
Total depreciation expense - governmental activities	<u>\$ 1,578,807</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 5. Capital Assets, Continued**

<b>Business Type Activities:</b>	<b>Balance 6/30/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2011</b>
Capital assets not being depreciated:				
Land and land easements	\$ 50,000	\$ -	\$ -	\$ 50,000
Water rights	719,625	-	-	719,625
Total capital assets, not being depreciated	<u>769,625</u>	<u>-</u>	<u>-</u>	<u>769,625</u>
Capital assets being depreciated:				
Buildings	91,229	-	-	91,229
Machinery and equipment	842,450	-	-	842,450
Autos and trucks	289,156	-	-	289,156
Distribution system	27,498,046	48,843	-	27,546,889
Total capital assets, being depreciated	<u>28,720,881</u>	<u>48,843</u>	<u>-</u>	<u>28,769,724</u>
Less accumulated depreciation for:				
Buildings	(29,575)	(2,305)	-	(31,881)
Machinery and equipment	(472,889)	(50,055)	-	(522,944)
Autos and trucks	(230,623)	(26,329)	-	(256,952)
Distribution system	(9,770,507)	(1,042,436)	-	(10,812,943)
Total accumulated depreciation	<u>(10,503,594)</u>	<u>(1,121,125)</u>	<u>-</u>	<u>(11,624,720)</u>
Total capital assets, being depreciated, net	<u>18,217,287</u>	<u>(1,072,282)</u>	<u>-</u>	<u>17,145,004</u>
Business-type activities capital assets, net	<u>\$ 18,986,912</u>	<u>\$(1,072,282)</u>	<u>\$ -</u>	<u>\$ 17,914,629</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 446,784
Sewer	95,670
Electric	500,695
Storm Water	77,976
Total depreciation expense - business-type activities	<u>\$ 1,121,125</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 6. Long-Term Debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

**Governmental Activities:**

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>	<u>Current Portion</u>
General Obligation Bonds	\$ 39,000	\$ -	\$ (39,000)	\$ -	\$ -
MBA Lease Revenue Bonds	5,750,000	-	(225,000)	5,525,000	230,000
Capital Leases Payable	536,293	-	(98,794)	437,499	103,885
Compensated Absences	76,137	40,016	(49,048)	67,105	50,000
<b>Total Governmental Activities</b>	<b>\$ 6,401,430</b>	<b>\$ 40,016</b>	<b>\$ (411,842)</b>	<b>\$ 6,029,604</b>	<b>\$ 383,885</b>

**Business-type Activities**

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>	<u>Current Portion</u>
Bonds payable:					
Revenue bonds	<u>\$ 10,325,000</u>	<u>\$ -</u>	<u>\$ (550,000)</u>	<u>\$ 9,775,000</u>	<u>\$ 571,000</u>
<b>Total Bonds</b>	<b>10,325,000</b>	<b>-</b>	<b>(550,000)</b>	<b>9,775,000</b>	<b>571,000</b>
Capital Leases Payable	231,327	-	(65,010)	166,317	53,825
Compensated Absences	39,004	36,257	(41,001)	34,260	34,000
<b>Total Business-Type Activities</b>	<b>10,595,331</b>	<b>36,257</b>	<b>(656,011)</b>	<b>9,975,577</b>	<b>658,825</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 16,996,761</b>	<b>\$ 76,273</b>	<b>\$ (1,067,853)</b>	<b>\$ 16,005,181</b>	<b>\$ 1,042,710</b>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

Long-term debt for the primary government at June 30, 2011 is comprised of the following issues:

**Revenue Bonds:**

**Governmental Activities:**

MBA Lease Revenue Bonds, Series 2007, due in annual principal installments ranging from \$205,000 to \$440,000, bearing interest semi-annually at 4.00% to 4.13% maturing February 2, 2028.	<u>\$ 5,525,000</u>
Total Governmental Activities	<u>5,525,000</u>

**Business-Type Activities:**

Water Revenue Bonds, Series 1996B, due in annual principal installments ranging from \$19,000 to \$32,000, bearing interest annually at 2.37% maturing June 2, 2017.	179,000
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.	503,000
Water Revenue Refunding Bonds, Series 2006, due in annual principal installments ranging from \$164,000 to \$171,000, bearing interest semi-annually at 3.75% to 4.00% maturing December 1, 2016.	941,000
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.	1,734,000
Electric Revenue Bonds, Series 1999, due in annual principal installments ranging from \$105,000 to \$205,000, bearing interest semi-annually at 5.00% to 5.25% maturing August 1, 2012.	400,000
Electric Revenue Bonds, Series 2006, due in annual principal installments ranging from \$205,000 to \$350,000, bearing interest semi-annually at 4.00% to 5.00% maturing February 1, 2027.	3,795,000
Electric Revenue Bonds, Series 2008, due in annual principal installments ranging from \$28,000 to \$75,000, bearing interest semi-annually at 4.88% to 5.46% maturing August 1, 2028.	888,000
Storm Drain Revenue Bonds, Series 2006, due in annual principal installments ranging from \$48,000 to \$118,000, bearing interest semi-annually at 4.35% to 5.10% maturing September 15, 2026.	<u>1,335,000</u>
Total Business-Type Activities	<u>9,775,000</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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**Leases Payable:**

**Governmental Activities:**

Leases payable in annual and semi-annual installments through June 2017, at interest from 3.65% to 7.75%.

437,499

**Business-Type Activities:**

Leases payable in semi-annual installments through March 2013, at interest of 3.65% to 6%.

166,317

**Accrued Compensated Absences**

101,365

Total Long-Term Debt

16,005,181

Less Current portion:

    Business-Type Activities

(658,825)

    Governmental Activities

(383,885)

Net Long-Term Debt

\$ 14,962,471

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

The annual requirements to amortize bonds payable at June 30, 2011 are as follows:

**Revenue Bonds**

Year Ending June 30,	MBA Lease Revenue Bonds		Water Revenue Bonds	
	Principal	Interest	Principal	Interest
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	270,000	183,944	340,000	82,761
2017-2021	1,540,000	747,319	1,005,000	261,536
2022-2026	1,875,000	412,609	635,000	108,000
2027-2031	860,000	53,625	149,000	6,200
Totals	<u>\$ 5,525,000</u>	<u>\$ 2,233,273</u>	<u>\$ 3,357,000</u>	<u>\$ 914,100</u>

Year Ending June 30,	Electric Revenue Bonds		Storm Drain Revenue Bonds	
	Principal	Interest	Principal	Interest
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	257,000	176,347	68,000	53,144
2016-2020	1,485,000	689,336	396,000	211,900
2021-2025	1,831,000	377,887	510,000	97,665
2026-2030	563,000	25,302	118,000	3,009
Totals	<u>\$ 5,083,000</u>	<u>\$ 2,084,249</u>	<u>\$ 1,335,000</u>	<u>\$ 607,844</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 7. Capital Leases**

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

Year Ending June 30,	Type 3 Engine	Water Tender	Fire Truck	Street Sweeper	Kubota Tractor	Total Gov. Activities	Sewer Truck	Street Sweeper	Bucket Truck	Total Bus. Activities
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	-	20,512	25,600	46,112
2014	27,467	25,701	38,194	-	-	91,362	-	-	25,600	25,600
2015	27,467	25,701	38,194	-	-	91,362	-	-	25,600	25,600
2016	-	-	38,194	-	-	38,194	-	-	25,600	25,600
2017	-	-	38,197	-	-	38,197	-	-	-	-
Total remaining lease payments:	109,868	102,804	229,167	41,024	9,998	492,861	13,618	41,024	128,000	182,642
Less amount representing interest:	<u>(10,797)</u>	<u>(10,100)</u>	<u>(30,650)</u>	<u>(3,096)</u>	<u>(719)</u>	<u>(55,362)</u>	<u>(254)</u>	<u>(3,093)</u>	<u>(12,978)</u>	<u>(16,325)</u>
Present value of net remaining minimum lease payments:	<u>\$ 99,071</u>	<u>\$ 92,704</u>	<u>\$ 198,517</u>	<u>\$ 37,928</u>	<u>\$ 9,279</u>	<u>\$ 437,499</u>	<u>\$ 13,364</u>	<u>\$ 37,931</u>	<u>\$ 115,022</u>	<u>\$ 166,317</u>

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

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Vehicles and Equipment	\$1,338,278	\$ 144,471	\$ (772,824)

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 8. Equity Classifications**

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

At June 30, 2011, the City's fund balances are as follows:

**General Fund:**

**Nonspendable**

Prepays \$ 21,982

**Restricted for:**

Debt service - fire equipment 134,799

**Committed to:**

Debt service 1,482,253

**Assigned to:**

Swiss days 575

Princess pageant 220

**Unassigned:**

Total \$ 1,639,829

**Special Revenue Funds:**

**Restricted for:**

Park impact fees \$ 10,045

Total \$ 10,045

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

**NOTE 9. Interfund Transfers**

Interfund transfers for the fiscal year ended June 30, 2011 are as follows:

		Transfers From	
		Nonmajor	
Transfers To		Governmental	Total
	General Fund		\$ 128,458
Total		\$ 128,458	\$ 128,458

The transfers were made to remove residual funds from the Impact Fee Fund to the General Fund.

**NOTE 10. Defined Benefit Pension Plan**

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

**Plan Description**

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**Funding Policy**

In the Local Governmental Noncontributory Retirement System, the City of Santa Clara is required to contribute 13.37% of their annual covered salary. In the Public Safety Retirement System for employers in division A, the City of Santa Clara is required to contribute 26.13% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2011 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				
2011	N/A	N/A	\$ 156,491	\$ 1,082,104
2010	N/A	N/A	146,956	\$ 1,216,107
2009	N/A	N/A	140,633	1,210,267
Public Safety System				
Other Division A Noncontributory				
2011	N/A	N/A	\$ 90,771	\$ 320,659
2010	N/A	N/A	84,505	\$ 348,696
2009	N/A	N/A	76,329	337,589
Defined Contribution System:				
457 Plan				
2011	\$ 6,601	\$ -	N/A	N/A
2010	7,819	-	N/A	N/A
2009	7,707	-	N/A	N/A
401 (k) Plan				
2011	\$ 27,930	\$ 7,760	N/A	N/A
2010	33,286	15,912	N/A	N/A
2009	37,719	15,464	N/A	N/A

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 11. Risk Management**

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

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

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**NOTE 12. Contracts**

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

The City has entered into a 25-year wastewater service contract with St. George City, expiring April, 2012. St. George City provides the use of a connecting system to transport the City's wastewater to the St. George City treatment plant where it is treated for the City in exchange for a monthly service charge.

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

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

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 13. Jointly Governed Organization**

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The City, in conjunction with 38 other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$2,246,630 during the fiscal year ended June 30, 2011.

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**NOTE 14. Contingent Liabilities**

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

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2011.

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**NOTE 15. Commitments / Subsequent events**

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The City is committed to participate in the Regional Water Line Project. The City incurred \$58,137 in cost during the current audit period and their future ownership costs are expected to be \$1,171,955 or approximately \$65,109 annually for 18 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, 2011 had an outstanding balance of \$147,945,000.

As a member of UAMPS, the City has committed to participate in the Payson Power Project. The City's commitment is estimated to be \$1,270,591. The City has made a down payment on the project of \$300,000. The City is participating with UAMPS to investigate the feasibility of other power projects involving wind, solar, hydro, natural gas, and nuclear generation of power. If any of these projects prove to be viable, the City could participate and incur the associated costs.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**NOTE 16.      Related Party Transactions**

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During fiscal year 2011, Rosenberg Associates was awarded a contract for several engineering projects on which it performed services. A total of \$17,359 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.

## 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, 2011**

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	<b>Special Revenue</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Impact Fees</b>	
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents	10,045	10,045
Total assets	\$ 10,045	\$ 10,045
<b>Liabilities and Fund Balances</b>		
Fund Balances:		
Restricted		
Capital Outlay	10,045	10,045
Total fund balances	10,045	10,045
Total liabilities and fund balances	\$ 10,045	\$ 10,045

**CITY OF SANTA CLARA, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<b>Special Revenue</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Impact Fees</b>	
<b>Revenues:</b>		
Federal and state grants	\$ -	\$ -
Investment earnings	945	945
	945	945
Total revenues	945	945
<b>Expenditures:</b>		
Capital Outlay:		
Parks and recreation	675	675
Debt service:		
Principal	39,000	39,000
Interest	780	780
	40,455	40,455
Total expenditures	40,455	40,455
Excess (deficiency) of revenues over (under) expenditures	(39,510)	(39,510)
<b>Other Financing Sources (Uses)</b>		
Impact fees	93,218	93,218
Transfers out	(128,458)	(128,458)
	(35,240)	(35,240)
Total other financing sources and uses	(35,240)	(35,240)
Net change in fund balances	(74,750)	(74,750)
Fund balances, beginning of year	84,795	84,795
Fund balances, end of year	\$ 10,045	\$ 10,045

**CITY OF SANTA CLARA, UTAH**  
**Schedule of Capital Assets Used in the Operations of**  
**Governmental Funds by Function and Activity**  
**As of June 30, 2011**

Functions and Activity	Total	Land	Buildings	Improvements	Machinery & Equipment	Office Equipment	Autos & Trucks	Artwork	Infrastructure
<b>General government</b>									
Administration	\$ 8,736,594	\$ 1,700,951	\$ 6,280,808	\$ 84,268	\$ 20,517	\$ 440,802	\$ 10,757	\$ 198,491	\$ -
<b>Public safety</b>	2,037,620	-	483,637	5,853	431,237	-	1,116,893	-	-
<b>Public works</b>									
Streets	29,004,851	196,282	-	-	245,996	-	103,036	-	28,459,537
<b>Parks and recreation</b>									
Parks and grounds maintenance	3,606,524	555,047	343,500	2,483,198	151,955	-	72,824	-	-
Total governmental funds capital assets	<u>\$ 43,385,589</u>	<u>\$ 2,452,280</u>	<u>\$ 7,107,945</u>	<u>\$ 2,573,319</u>	<u>\$ 849,705</u>	<u>\$ 440,802</u>	<u>\$ 1,303,510</u>	<u>\$ 198,491</u>	<u>\$ 28,459,537</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, 2011**

Functions and Activity	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>General government</b>				
Administration	\$ 9,261,594	\$ 1,200,000	\$ (1,725,000)	\$ 8,736,594
<b>Public safety</b>	2,033,920	3,700	-	2,037,620
<b>Public works</b>				
Streets	28,938,923	65,928	-	29,004,851
<b>Parks and recreation</b>				
Parks and grounds maintenance	3,606,524	-	-	3,606,524
Total governmental funds capital assets	<u>\$ 43,840,961</u>	<u>\$ 1,269,628</u>	<u>\$ (1,725,000)</u>	<u>\$ 43,385,589</u>

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**SUPPLEMENTARY INFORMATION**

**CITY OF SANTA CLARA, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2011**

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, 2011	2,005	1,908
Total billings for the fiscal year ended June 30, 2011	\$ 971,599	\$ 621,991

Water rates for the fiscal year ended June 30, 2011 are as follows:

0 to 9,000 gallons	\$24.25 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	\$ 26.00
Commercial	\$ 26.00

Insurance coverage in effect at June 30, 2011:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Comprehensive General Liability	13640-GL2010	12/15/10	12/15/11	5,000,000
Utah Local Government Trust	Auto Liability	13640-GL2010	12/15/10	12/15/11	5,000,000
Utah Local Government Trust	Auto PD Coverage	ulgt-apdp-2010	12/15/10	12/15/11	44 vehicles
Utah Local Government Trust	Property Coverage - Buildings	ulgt-apdp-2010	12/15/10	12/15/11	18,224,021
Utah Local Government Trust	Property Coverage - Contents	ulgt-apdp-2010	12/15/10	12/15/11	665,702
Utah Local Government Trust	Property Coverage - Contractors Equipment	ulgt-apdp-2010	12/15/10	12/15/11	341,938
Utah Local Government Trust	Property Coverage - EDP	ulgt-apdp-2010	12/15/10	12/15/11	56,000
Utah Local Government Trust	Property Coverage - Equipment in the Open	ulgt-apdp-2010	12/15/10	12/15/11	4,179,112
Utah Local Government Trust	Property Coverage - Mobile equipment	ulgt-apdp-2010	12/15/10	12/15/11	5,680
Utah Local Government Trust	Property Coverage - Miscellaneous equipment	ulgt-apdp-2010	12/15/10	12/15/11	389,750
Utah Local Government Trust	Workers Compensation	13640-WC2011	01/01/11	01/01/12	100/500/100
CNA Surety	Blanket Employee Bond	58461366	08/01/09	08/01/12	40,000
CNA Surety	Position Schedule Bond - Mayor/Recorder/Treasurer	58461367	08/01/09	08/01/11	198,000
CNA Surety	Blanket E&O Bond - 6 Notaries	68564329	01/02/11	01/02/12	10,000
CNA Surety	Position Schedule Bond - Treasurer	70089593	01/01/11	01/01/12	410,000
CNA Surety	Notary Bond	53471720N	01/28/09	01/28/13	5,000
CNA Surety	Notary Bond	69660112N	05/01/08	05/11/12	5,000
CNA Surety	Notary Bond	69746190N	07/19/08	07/19/12	5,000

**FEDERAL AND STATE REPORTS**

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

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

We have audited 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, 2011, which collectively comprise the Santa Clara City's basic financial statements and have issued our report thereon dated October 24, 2011. 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 October 24, 2011.

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  
October 24, 2011



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

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

We have audited the City of Santa Clara's compliance with general and major state program compliance requirements described in the State of *Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

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

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

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

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

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

In our opinion, the City of Santa Clara, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated October 24, 2011 as items 11-01, 11-02, 09-01 and 07-05.

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

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



HINTON, BURDICK, HALL & SPILKER, PLLC  
October 24, 2011



**Findings and Recommendations  
 For the Year Ended June 30, 2011**

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, 2011, we noted several improvements to the City’s accounting and budgeting system and wish to commend the City for their achievements. However, we also observed a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Material Weaknesses:**

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

Not all of the City’s bank accounts were properly reconciled to the general ledger. The money market account has shown multiple items for several years as outstanding deposits on the reconciliation. These items are not outstanding deposits and need to be researched and cleared from the reconciliation. These items total \$5,729. The bank reconciliation also shows an adjustment of \$11,176 which could not be traced to any specific outstanding items. These two items combined show a total of \$16,905 in unreconciled cash in the money market account. In addition we noted the “Suspense” account in the General Fund has a balance of \$9,039 which has been carrying forward from prior years. We also noted a few other discrepancies between the amounts shown on bank statements and the amounts shown in the general ledger in other accounts.

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

Status

Not implemented, the money market account needs to be properly 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 capital assets during the year. In the Utility funds, a few fixed assets purchased during the year were not properly capitalized before the audit began.

Recommendation

We recommend that the City improve its internal controls over capital 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.

Status

Partially corrected, Management made significant progress in implementing 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:

#### 11-01. Minimum Fund Balance

Utah Code 10-6-116(4) indicates that the maximum amount allowed in the general fund's fund balance may not exceed 18% of the total estimated revenue of the general fund. We noted that as of June 30, 2011, the City's fund balance was above this level.

#### Recommendation

We recommend that the City operate within the confines of State law by making budgetary adjustments during fiscal year 2012 to decrease its fund balance to the allowable level.

#### 11-02. Fidelity Bond

We noted the City Treasurer's fidelity bond was approximately \$20,000 less than the amount mandated by State law.

#### Recommendation

We recommend that the City operate within the confines of State law by increasing the Treasurer's fidelity to bond to the appropriate level.

#### 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 10<sup>th</sup> of the month following the receipt of the surcharges.

#### Recommendation

We recommend that the City operate within the confines of State law by filing Form C-500 and the related surcharges by the 10<sup>th</sup> of the month following their receipt. Whereas the funds associated with the C-500 report are considered State funds, we recommend that the city council

authorize the city staff to prepare and remit checks and reports to the State in order to meet the deadlines imposed. Transactions prepared by the city staff can later be ratified by the city council.

Status

Not implemented.

**Other Matters:**

None noted

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

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

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

Sincerely,



HINTON, BURDICK, HALL & SPILKER, PLLC  
October 24, 2011

Mayor  
*Rick Rosenberg*

City Manager  
*Wally Ritchie*



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

January 3, 2012

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, 2011

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

##### **Material Weaknesses:**

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

Not all of the City's bank accounts were properly reconciled to the general ledger. The money market account has shown multiple items for several years as outstanding deposits on the reconciliation. These items are not outstanding deposits and need to be researched and cleared from the reconciliation. These items total \$5,729. The bank reconciliation also shows an adjustment of \$11,176 which could not be traced to any specific outstanding items. These two items combined show a total of \$16,905 in unreconciled cash in the money market account. In addition we noted the "Suspense" account in the General Fund has a balance of \$9,039 which has been carrying forward from prior years. We also noted a few other discrepancies between the amounts shown on bank statements and the amounts shown in the general ledger in other accounts.

Response: The City is working with Caselle to ensure proper setup of all bank accounts within the accounting software. The City will also research the outstanding items and work with Caselle to clear them from the reconciliation. The City's procedure regarding bond related bank accounts has been updated to insure all bank accounts will be reconciled on a monthly basis.

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

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

Response: The City will 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.

**Significant Deficiencies:**

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

The City did not conduct an inventory of capital assets during the year. In the Utility funds, a few fixed assets purchased during the year were not properly capitalized before the audit began.

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

**COMPLIANCE AND OTHER MATTERS**

**Compliance Findings:**

11-01. Minimum Fund Balance

Utah Code 10-6-116(4) indicates that the maximum amount allowed in the general fund's fund balance may not exceed 18% of the total estimated revenue of the general fund. We noted that as of June 30, 2011, the City's fund balance was above this level.

Response: The City will take the necessary steps in the audit and budget process to comply with State Code and not exceed the maximum fund balance allowed.

11-02. Fidelity Bond

We noted the City Treasurer's fidelity bond was approximately \$20,000 less than the amount mandated by State law.

Response: The City will work the Utah Local Governments Trust to ensure the City Treasurer's Fidelity bond is in compliance with State Law.

09-01. Budgetary Compliance – prior year reissued

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

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

07-05. Surcharge Remittance – prior year reissued

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

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 10<sup>th</sup> of each month. Payment of the surcharge prior to the 10<sup>th</sup> requires a separate check run which ultimately adds more work to a small staff with numerous responsibilities and payment of the check without following internal controls requiring City Council to review and approve all payables prior to their forwarding. The City will have to reconcile the two contradicting State requirements – one which requires payment of the surcharge by the 10<sup>th</sup> of each month and the other which requires City Council to approve all checks/payables during a regular meeting typically not held until after the 10<sup>th</sup> of the month.

**Other Matters:**

None noted

Sincerely,



Santa Clara City

Brock Jacobsen  
Interim City Manager