

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

With Report of

Certified Public Accountants

Table of Contents

	Page
Financial Section:	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to the Financial Statements	21
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	46
Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund.....	49
Combining Statements:	
Combining Balance Sheet – Non-major Governmental Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	53
Capital Assets Used In Governmental Funds:	
Schedule by Function and Activity	54
Schedule of Changes by Function and Activity	55
Bond Disclosures	56
Federal and State Reports:	
Report on Compliance and on Internal Control over Financial Reporting	59
Report on Compliance with State Fiscal Laws	61
Findings and Recommendations	65
Responses to the Findings and Recommendations	71

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Clara, Utah's basic financial statements. The combining and individual fund financial statements and capital asset schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Bond Disclosures have not been subjected to the auditing procedures applied in an audit of the basic financial statements and accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Clara's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
November 22, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights/Executive Summary

- The assets of Santa Clara City exceeded its liabilities at the close of the most recent fiscal year by \$30,835,260 (net position). Of this amount, \$4,312,633 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the City's net position was increased by \$312,759 (prior to restatements made to beginning net position) due to the improvements to the economy and an increase in development.
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$1,041,108.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$0. All the fund resources were nonspendable, restricted, committed or assigned.
- Santa Clara City's total bonds payable increased by \$5,881,000 or 40.27% during the current fiscal year.
- At the end of the current fiscal year, Santa Clara City's general fund expenditures exceed general fund revenues by \$49,805.

Overview of Financial Statements

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

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

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

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

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

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To access the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the city are divided into two categories:

- *Governmental activities*-Most of the City's basic services are included here, such as public safety, public works, parks department and general administration. Property taxes, sales taxes, franchise fees and state and federal grants finance most of these activities.
- *Business-type activities*-The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer and electric activities are included here.

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

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

The City has two kinds of funds:

- *Governmental funds*-Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
-In fact, the City's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Santa Clara, assets exceed liabilities by \$30,835,260 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net position, (94.8% for Government Activities & 57.8% for Business-Type Activities) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Santa Clara City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Santa Clara's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SANTA CLARA CITY
Statement of Net Position

	Governmental activities		Business-type activities	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 2,055,227	\$ 1,158,821	\$ 7,892,677	\$ 5,731,669
Capital assets	22,748,726	23,236,229	22,639,743	16,996,962
Total assets	<u>24,803,953</u>	<u>24,395,050</u>	<u>30,532,420</u>	<u>22,728,631</u>
Long-term liabilities outstanding	5,955,985	5,831,439	15,195,424	9,458,750
Other liabilities	484,238	253,042	2,247,977	818,319
Total liabilities	<u>6,440,223</u>	<u>6,084,481</u>	<u>17,443,401</u>	<u>10,277,069</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	617,489	-	-	-
Total deferred inflows of resources	<u>617,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position:				
Invested in capital assets, net of related debt	16,824,227	17,541,727	6,806,586	7,832,911
Restricted	220,695	57,437	1,988,954	1,086,433
Unrestricted	701,319	711,405	4,293,479	3,532,218
Total net position	<u>\$ 17,746,241</u>	<u>\$ 18,310,569</u>	<u>\$ 13,089,019</u>	<u>\$ 12,451,562</u>

Percentages of Net Position

<u>Net position type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Invested in capital assets, net of related debt	94.80%	52.00%	76.64%
Restricted net position	1.24%	15.20%	7.17%
Unrestricted net position	3.95%	32.80%	16.20%
Total net position	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

An additional portion of Santa Clara's net position (1.24% & 15.2% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$4,312,633 (3.95% and 27.59% respectfully) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities decreased Santa Clara's net position by \$564,328.

Business-type activities. Business-type activities increased Santa Clara's net position by \$877,087.

SANTA CLARA CITY
Changes in Net Position

	Governmental activities		Business-type activities	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:				
Program revenues:				
Charges for services	\$ 1,285,473	\$ 692,032	\$ 6,459,919	5,950,227
Operating grants and contributions	345,491	367,721	-	-
Capital grants and contributions	569,997	101,683	1,250,306	144,767
General revenues:				
Taxes	1,766,029	1,714,392	-	-
Unrestricted investment earnings	18,245	16,584	29,158	10,998
Gain (loss) on disposal of assets	(36,824)	1,000	12,360	-
Total revenues	<u>3,948,411</u>	<u>2,893,412</u>	<u>7,751,743</u>	<u>6,105,992</u>
Expenses:				
General government	908,598	1,015,438	-	-
Public safety	1,660,778	1,590,603	-	-
Public works	1,183,514	1,395,010	-	-
Parks and recreation	625,455	494,858	-	-
Community development	47,433	62,226	-	-
Interest on long-term debt	283,106	249,762	-	-
Water	-	-	1,451,891	1,416,817
Sewer	-	-	534,002	574,196
Electric	-	-	4,312,949	3,972,027
Storm drain	-	-	379,669	249,623
Total expenses	<u>4,708,884</u>	<u>4,807,897</u>	<u>6,678,511</u>	<u>6,212,663</u>
Increase in net position before transfers	(760,473)	(1,914,485)	1,073,232	(106,671)
Transfers	196,145	-	(196,145)	-
Increase in net position	(564,328)	(1,914,485)	877,087	(106,671)
Net position, beginning	18,310,569	20,225,054	12,451,562	12,558,233
Restatement adjustment	-	-	(239,630)	-
Net position, ending	<u>\$ 17,746,241</u>	<u>\$ 18,310,569</u>	<u>\$ 13,089,019</u>	<u>\$ 12,451,562</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, 2013, 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 \$1,041,108, an increase of \$112,960 in comparison with the prior year. 46.1% of the fund balance constitutes *committed* fund balance, which has been designated by the board for debt service. Of the remaining fund balance, \$10,916 is *nonspendable* (prepaid expenses), \$530,584 is *restricted* (impact fees and debt service), and \$19,221 is *assigned* (Swiss Days and Vineyard Drive Improvements). 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 \$210,624, all of which is restricted for designated capital expenditures and the procurement of impact fee related items.

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

Unrestricted net position for Water, Sewer, Electric, and Storm Water utilities at the end of the year totaled \$3,611,314.

General Fund Budgetary Highlights

The general fund was amended once during the year. The amendment was completed on July 10, 2013, increasing budgeted revenues and expenditures by \$1,079,600 and \$1,079,600, respectively for the following purposes: 1) increase the budget due to an increase in revenues; and 2) account for revenues and expenditures in the General Fund and Capital Projects Fund for maintenance work, supplies, engineering, legal work.

In June 2013, the City Council adopted the 2013-2014 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, 2013, amounts to \$24,312,978 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines, power lines, and storm water lines), autos and trucks, machinery and equipment, office.

SANTA CLARA CITY Net Capital Assets (Net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and water rights	\$ 2,602,450	\$ 852,875	\$ 3,455,325
Buildings	5,516,249	99,917	5,616,166
Improvements	2,259,245	-	2,259,245
Autos & trucks	4,675	258,167	262,842
Machinery and equipment	323,072	327,833	650,905
Office equipment	221,508	-	221,508
Artwork	167,559	-	167,559
Infrastructure	11,653,968	19,981,258	31,635,226
Total	<u>\$ 22,748,726</u>	<u>\$ 22,639,743</u>	<u>\$ 45,388,469</u>

This year's major capital asset additions included:

- Heights Improvement project
- Flood Damage projects
- Electrical System for subdivision

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 \$20,484,000 in bonds outstanding—an increase of 40.27% over the last year—as shown in the table below. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

SANTA CLARA CITY Outstanding General Obligation and Revenue Bonds							%
	Governmental Activities		Business-type Activities		Total		Change
	2013	2012	2013	2012	2013	2012	
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
Revenue bonds	5,687,000	5,430,000	14,797,000	9,173,000	20,484,000	14,603,000	40.27%
Total	<u>\$ 5,687,000</u>	<u>\$ 5,430,000</u>	<u>\$ 14,797,000</u>	<u>\$ 9,173,000</u>	<u>\$ 20,484,000</u>	<u>\$ 14,603,000</u>	40.27%

Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2013-2014 is .002096 mills.
- The national, state, and local economies may affect revenues from building and development and sales taxes.
- In considering the City's budget for FY 2013-2014, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as FY2012-2013 or lower.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF SANTA CLARA, UTAH
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,250,488	\$ 4,339,760	\$ 5,590,248
Receivables (net of allowance)	793,823	1,807,407	2,601,230
Inventory	-	670,339	670,339
Prepays	10,916	43,661	54,577
Deferred charges	-	76,056	76,056
Restricted assets - customer deposits and debt reserves	-	955,454	955,454
Capital assets not being depreciated:			
Land and water rights	2,602,450	852,875	3,455,325
Construction in progress	-	1,119,693	1,119,693
Capital assets, net of accumulated depreciation:			
Buildings	5,516,249	99,917	5,616,166
Improvements	2,259,245	-	2,259,245
Autos & trucks	4,675	258,167	262,842
Machinery and equipment	323,072	327,833	650,905
Office equipment	221,508	-	221,508
Artwork	167,559	-	167,559
Infrastructure	11,653,968	19,981,258	31,635,226
Total assets	<u>24,803,953</u>	<u>30,532,420</u>	<u>55,336,373</u>
Liabilities			
Accounts payable and other current liabilities	396,630	1,944,902	2,341,532
Interest payable	87,608	140,598	228,206
Unearned revenue	-	162,477	162,477
Noncurrent liabilities:			
Due within one year	408,430	865,581	1,274,011
Due in more than one year	5,547,555	14,329,843	19,877,398
Total liabilities	<u>6,440,223</u>	<u>17,443,401</u>	<u>23,883,624</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	617,489	-	617,489
Total deferred inflows of resources	<u>617,489</u>	<u>-</u>	<u>617,489</u>
Net Position			
Net investment in capital assets	16,824,227	6,806,586	23,630,813
Restricted for:			
Debt service	-	499,428	499,428
Capital outlay	220,695	1,489,526	1,710,221
Unrestricted	701,319	4,293,479	4,994,798
Total net position	<u>\$ 17,746,241</u>	<u>\$ 13,089,019</u>	<u>\$ 30,835,260</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 908,598	\$ 669,113	\$ 3,728	\$ -	\$ (235,757)	\$ -	\$ (235,757)
Public safety	1,660,778	501,893	-	40,600	(1,118,285)	-	(1,118,285)
Public works	1,183,514	51,039	299,291	308,881	(524,303)	-	(524,303)
Parks and recreation	625,455	55,941	42,472	220,516	(306,526)	-	(306,526)
Community development	47,433	7,487	-	-	(39,946)	-	(39,946)
Interest on long-term debt	283,106	-	-	-	(283,106)	-	(283,106)
Total governmental activities	<u>4,708,884</u>	<u>1,285,473</u>	<u>345,491</u>	<u>569,997</u>	<u>(2,507,923)</u>	<u>-</u>	<u>(2,507,923)</u>
Business-type activities:							
Water	1,451,891	1,471,694	-	97,003	-	116,806	116,806
Sewer	534,002	500,512	-	2,723	-	(30,767)	(30,767)
Electric	4,312,949	4,122,258	-	175,039	-	(15,652)	(15,652)
Storm drain	379,669	365,455	-	975,541	-	961,327	961,327
Total business-type activities	<u>6,678,511</u>	<u>6,459,919</u>	<u>-</u>	<u>1,250,306</u>	<u>-</u>	<u>1,031,714</u>	<u>1,031,714</u>
Total primary government	<u>\$ 11,387,395</u>	<u>\$ 7,745,392</u>	<u>\$ 345,491</u>	<u>\$ 1,820,303</u>	<u>(2,507,923)</u>	<u>1,031,714</u>	<u>(1,476,209)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					750,251	-	750,251
Sales and use taxes					649,810	-	649,810
Franchise taxes					289,796	-	289,796
Telecommunications tax					76,172	-	76,172
Unrestricted investment earnings					18,245	29,158	47,403
Gain (loss) on disposal of assets					(36,824)	12,360	(24,464)
Transfers					196,145	(196,145)	-
Total general revenues & transfers					<u>1,943,595</u>	<u>(154,627)</u>	<u>1,788,968</u>
Change in net position					(564,328)	877,087	312,759
Net position - beginning					18,310,569	12,451,562	30,762,131
Restatement adjustment					-	(239,630)	(239,630)
Net position - ending					<u>\$ 17,746,241</u>	<u>\$ 13,089,019</u>	<u>\$ 30,835,260</u>

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

CITY OF SANTA CLARA, UTAH
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,010,909	\$ 25,701	\$ 213,878	\$ 1,250,488
Receivables	44,247	-	-	44,247
Property taxes receivable	617,489	-	-	617,489
Due from other governments	132,087	-	-	132,087
Prepaid expenses	10,916	-	-	10,916
Total assets	<u>\$ 1,815,648</u>	<u>\$ 25,701</u>	<u>\$ 213,878</u>	<u>\$ 2,055,227</u>
Liabilities				
Accounts payable	\$ 302,436	\$ 16,123	\$ 3,254	\$ 321,813
Accrued liabilities	30,459	-	-	30,459
Customer deposits	37,568	-	-	37,568
Security holdings	6,790	-	-	6,790
Total liabilities	<u>377,253</u>	<u>16,123</u>	<u>3,254</u>	<u>396,630</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	617,489	-	-	617,489
Total deferred inflows of resources	<u>617,489</u>	<u>-</u>	<u>-</u>	<u>617,489</u>
Fund Balances:				
Nonspendable	10,916	-	-	10,916
Restricted	310,382	9,578	210,624	530,584
Committed	480,387	-	-	480,387
Assigned	19,221	-	-	19,221
Unassigned	-	-	-	-
Total fund balances	<u>820,906</u>	<u>9,578</u>	<u>210,624</u>	<u>1,041,108</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,815,648</u>	<u>\$ 25,701</u>	<u>\$ 213,878</u>	<u>\$ 2,055,227</u>

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

CITY OF SANTA CLARA, UTAH
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2013

Total fund balances - total governmental funds		\$ 1,041,108
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 44,210,044	
Accumulated depreciation	<u>(21,461,318)</u>	22,748,726
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (5,687,000)	
Capital leases payable	(237,499)	
Compensated absences	(31,486)	
Accrued interest payable	<u>(87,608)</u>	<u>(6,043,593)</u>
Net position of governmental activities		<u><u>\$ 17,746,241</u></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, 2013

	<u>General</u>	<u>Capital Project Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 1,766,029	\$ -	\$ -	\$ 1,766,029
Licenses, permits and fees	94,636	-	-	94,636
Intergovernmental revenue	410,744	189,818	-	600,562
Charges for services	959,556	-	-	959,556
Fines and forfeitures	79,034	-	-	79,034
Investment earnings	18,245	-	1,151	19,396
Special assessments	-	-	-	-
Other revenues	291,480	-	-	291,480
Total revenues	<u>3,619,724</u>	<u>189,818</u>	<u>1,151</u>	<u>3,810,693</u>
Expenditures:				
Current:				
General government	668,092	-	-	668,092
Public safety	1,622,840	-	-	1,622,840
Public works	242,021	-	-	242,021
Parks, recreation & public property	527,279	-	-	527,279
Community and economic development	47,984	-	-	47,984
Debt service:				
Principal	339,835	-	-	339,835
Interest	217,867	-	-	217,867
Capital outlay:				
Public works	703,850	180,240	-	884,090
Parks, recreation & public property	-	-	22,506	22,506
Total expenditures	<u>4,369,768</u>	<u>180,240</u>	<u>22,506</u>	<u>4,572,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(750,044)</u>	<u>9,578</u>	<u>(21,355)</u>	<u>(761,821)</u>
Other Financing Sources (Uses)				
Sale of capital assets	4,094	-	-	4,094
Debt proceeds	500,000	-	-	500,000
Impact fees	-	-	174,542	174,542
Transfers in	196,145	-	-	196,145
Transfers out	-	-	-	-
Total other financing sources and uses	<u>700,239</u>	<u>-</u>	<u>174,542</u>	<u>874,781</u>
Net change in fund balances	(49,805)	9,578	153,187	112,960
Fund balances, beginning of year	<u>870,711</u>	<u>-</u>	<u>57,437</u>	<u>928,148</u>
Fund balances, end of year	<u>\$ 820,906</u>	<u>\$ 9,578</u>	<u>\$ 210,624</u>	<u>\$ 1,041,108</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, 2013

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

Net change in fund balances - total governmental funds	\$	112,960
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay	\$	1,025,233
Depreciation expense	<u>(1,471,818)</u>	(446,585)
<p>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.</p>		
		(40,918)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(229,997)
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		35,619
<p>Accrued interest on long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		<u>4,593</u>
Change in net position of governmental activities	<u>\$</u>	<u>(564,328)</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,601,418	\$ 788,378	\$ 1,940,109	\$ 9,855	\$ 4,339,760
Receivables, net of allowance	340,865	56,132	670,264	39,271	1,106,532
Intergovernmental receivable	-	162,477	-	520,398	682,875
Prepaid	13,644	13,644	13,644	2,729	43,661
Inventory	-	-	670,339	-	670,339
Total current assets	<u>1,955,927</u>	<u>1,020,631</u>	<u>3,294,356</u>	<u>572,253</u>	<u>6,843,167</u>
Noncurrent assets:					
Restricted cash	80,470	-	-	874,984	955,454
Assessments receivable	-	18,000	-	-	18,000
Bond discounts (net)	55,864	-	-	20,192	76,056
Capital assets:					
Land and water rights	830,875	-	-	22,000	852,875
Construction in progress	-	-	68,954	1,050,739	1,119,693
Buildings	14,594	75,067	46,940	-	136,601
Distribution and collection systems	16,306,425	1,941,674	12,206,054	2,297,538	32,751,691
Machinery and equipment	59,047	209,104	493,594	151,557	913,302
Automobiles and trucks	52,179	359,960	33,966	-	446,105
Less: Accumulated depreciation	<u>(5,907,474)</u>	<u>(1,401,387)</u>	<u>(5,750,618)</u>	<u>(521,045)</u>	<u>(13,580,524)</u>
Total capital assets (net of accumulated depreciation)	<u>11,355,646</u>	<u>1,184,418</u>	<u>7,098,890</u>	<u>3,000,789</u>	<u>22,639,743</u>
Total noncurrent assets	<u>11,491,980</u>	<u>1,202,418</u>	<u>7,098,890</u>	<u>3,895,965</u>	<u>23,689,253</u>
Total assets	<u>13,447,907</u>	<u>2,223,049</u>	<u>10,393,246</u>	<u>4,468,218</u>	<u>30,532,420</u>
Liabilities					
Current liabilities:					
Accounts payable	393,677	33,399	495,026	670,579	1,592,681
Accrued liabilities	230,764	-	9,462	31,525	271,751
Customer deposits	80,470	-	-	-	80,470
Unearned revenue	-	162,477	-	-	162,477
Interest payable	46,973	2,223	78,659	12,743	140,598
Current portion of noncurrent liabilities	274,155	63,938	277,157	250,331	865,581
Total current liabilities	<u>1,026,039</u>	<u>262,037</u>	<u>860,304</u>	<u>965,178</u>	<u>3,113,558</u>
Noncurrent liabilities:					
Compensated absences payable	17,221	4,902	17,407	4,902	44,432
Bonds payable	8,308,600	-	4,581,000	1,907,400	14,797,000
Capital lease payable	-	282,569	71,423	-	353,992
Less current portion of noncurrent liabilities	<u>(274,155)</u>	<u>(63,938)</u>	<u>(277,157)</u>	<u>(250,331)</u>	<u>(865,581)</u>
Total noncurrent liabilities	<u>8,051,666</u>	<u>223,533</u>	<u>4,392,673</u>	<u>1,661,971</u>	<u>14,329,843</u>
Total liabilities	<u>9,077,705</u>	<u>485,570</u>	<u>5,252,977</u>	<u>2,627,149</u>	<u>17,443,401</u>
Net Position					
Net investment in capital assets	3,047,046	901,849	2,446,467	411,224	6,806,586
Restricted for debt service	499,428	-	-	-	499,428
Restricted for capital outlay	97,237	341,283	176,022	874,984	1,489,526
Unrestricted	726,491	494,347	2,517,780	554,861	4,293,479
Total net position	<u>\$ 4,370,202</u>	<u>\$ 1,737,479</u>	<u>\$ 5,140,269</u>	<u>\$ 1,841,069</u>	<u>\$ 13,089,019</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals Current Year</u>
Operating revenues:					
Charges for services	\$ 1,412,821	\$ 490,283	\$ 4,050,290	\$ 362,839	\$ 6,316,233
Other revenues	58,873	10,229	71,968	2,616	143,686
Total operating revenues	<u>1,471,694</u>	<u>500,512</u>	<u>4,122,258</u>	<u>365,455</u>	<u>6,459,919</u>
Operating expenses:					
Sewer treatment	-	173,522	-	-	173,522
Wholesale power purchases	-	-	2,416,192	-	2,416,192
Salaries and wages	262,618	69,236	342,405	68,094	742,353
Supplies and operating costs	343,108	16,996	446,555	19,095	825,754
Depreciation	414,572	138,607	442,051	82,753	1,077,983
Payroll taxes & employee benefits	130,748	33,776	149,269	33,139	346,932
Office & department supplies	2,622	11	11,646	35,823	50,102
Professional services	14,849	12,950	38,251	48,500	114,550
Insurance and surety bonds	37,531	37,329	37,430	-	112,290
Miscellaneous	23,244	-	8,939	46,709	78,892
Franchise fees	-	-	209,502	-	209,502
Billing and administration	57,769	46,822	47,488	15,360	167,439
Total operating expenses	<u>1,287,061</u>	<u>529,249</u>	<u>4,149,728</u>	<u>349,473</u>	<u>6,315,511</u>
Operating income (loss)	<u>184,633</u>	<u>(28,737)</u>	<u>(27,470)</u>	<u>15,982</u>	<u>144,408</u>
Non-operating revenues (expenses):					
Intergovernmental	-	-	-	925,831	925,831
Interest income	23,309	2,256	1,676	1,917	29,158
Impact fees	97,003	2,723	175,039	49,710	324,475
Gain (loss) on disposal of assets	(10)	-	12,370	-	12,360
Interest expense	(164,830)	(4,753)	(163,221)	(30,196)	(363,000)
Total non-operating revenues (expenses)	<u>(44,528)</u>	<u>226</u>	<u>25,864</u>	<u>947,262</u>	<u>928,824</u>
Income before contributions and transfers	<u>140,105</u>	<u>(28,511)</u>	<u>(1,606)</u>	<u>963,244</u>	<u>1,073,232</u>
Contributions and transfers:					
Transfers in	-	-	-	130,339	130,339
Transfers out	(326,484)	-	-	-	(326,484)
Change in net position	<u>(186,379)</u>	<u>(28,511)</u>	<u>(1,606)</u>	<u>1,093,583</u>	<u>877,087</u>
Total net position, beginning of year	4,525,837	1,765,990	5,436,883	722,852	12,451,562
Restatement adjustment	30,744	-	(295,008)	24,634	(239,630)
Total net position, end of year	<u>\$ 4,370,202</u>	<u>\$ 1,737,479</u>	<u>\$ 5,140,269</u>	<u>\$ 1,841,069</u>	<u>\$ 13,089,019</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, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 1,393,710	\$ 500,379	\$ 3,876,894	\$ 350,254	\$ 6,121,237
Cash received from customers, capacity fees and other	58,873	10,229	71,968	2,616	143,686
Cash paid to suppliers	(251,712)	(271,648)	(3,075,969)	(124,137)	(3,723,466)
Cash paid to employees	(388,795)	(102,203)	(487,746)	(100,369)	(1,079,113)
Net cash flows from operating activities	<u>812,076</u>	<u>136,757</u>	<u>385,147</u>	<u>128,364</u>	<u>1,462,344</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(326,484)	-	-	130,339	(196,145)
Net cash flows from noncapital financing activities	<u>(326,484)</u>	<u>-</u>	<u>-</u>	<u>130,339</u>	<u>(196,145)</u>
Cash flows from capital and related financing activities:					
Bond proceeds, net of issuance costs	5,500,000	-	-	756,000	6,256,000
Principal payments on long-term debt	(281,000)	(29,781)	(265,227)	(126,841)	(702,849)
Capital grants	-	-	-	405,433	405,433
Interest paid	(130,962)	(2,697)	(158,078)	(23,006)	(314,743)
Purchase of capital assets	(4,806,063)	(45,372)	(83,459)	(654,268)	(5,589,162)
Proceeds from the sale of capital assets	-	-	12,370	-	12,370
Impact fees and capital contributions	97,003	2,723	175,039	49,710	324,475
Net cash flows from capital and related financing activities:	<u>378,978</u>	<u>(75,127)</u>	<u>(319,355)</u>	<u>407,028</u>	<u>391,524</u>
Cash flows from investing activities:					
Interest on investments	23,309	2,256	1,676	1,917	29,158
Net change in cash and cash equivalents	887,879	63,886	67,468	667,648	1,686,881
Cash and cash equivalents, including restricted cash - beginning of year	794,009	724,492	1,872,641	217,191	3,608,333
Cash and cash equivalents, including restricted cash - end of year	<u>\$ 1,681,888</u>	<u>\$ 788,378</u>	<u>\$ 1,940,109</u>	<u>\$ 884,839</u>	<u>\$ 5,295,214</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ 184,633	\$ (28,737)	\$ (27,470)	\$ 15,982	\$ 144,408
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	414,572	138,607	442,051	82,753	1,077,983
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	(13,003)	10,096	(19,116)	(12,585)	(34,608)
(Increase) Decrease in inventory	-	-	71,455	-	71,455
(Increase) Decrease in prepaid expenses	(5,015)	(9,330)	(701)	1,585	(13,461)
Increase (Decrease) in accounts payable	351,930	24,328	69,619	670,579	1,116,456
(Increase) Decrease in payables related to capital assets	(355,283)	-	-	(662,339)	(1,017,622)
Increase (Decrease) in accrued liabilities	230,764	984	(339)	31,525	262,934
Increase (Decrease) in customer deposits	(1,093)	-	-	-	(1,093)
Increase (Decrease) in deferred revenues	-	-	(154,280)	-	(154,280)
Increase (Decrease) in compensated absences	4,571	809	3,928	864	10,172
Net cash flows from operating activities	<u>\$ 812,076</u>	<u>\$ 136,757</u>	<u>\$ 385,147</u>	<u>\$ 128,364</u>	<u>\$ 1,462,344</u>
Schedule of non-cash capital and related financing activities					
Acquisition of vehicles through like-kind exchange	\$ 12,250	\$ 12,214	\$ 73,356	\$ -	\$ 97,820
Capital contributions from developers	\$ -	\$ -	\$ 119,386	\$ -	\$ 119,386

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

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

Blended component unit

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

Basis of presentation – government-wide financial statements

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The government reports the following major governmental funds:

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

The **Capital Projects Fund** is used to account for the acquisition, repair and construction of capital assets damaged or destroyed by the 2012 flood.

The government reports the following major enterprise funds:

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

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

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current*

financial resources or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies, Continued

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

Deposits and investments

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

Receivables and payables

In the Water, Sewer, Electric, and Storm Water funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2013 were estimated based upon July billings and are included in the operating revenues and accounts receivable at year end. Due to the nature of the accounts receivable in the governmental and business-type activities of the City, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

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

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

Capital assets

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

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

Fund balance flow assumptions

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies, Continued

Fund balance policies

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

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

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

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

Revenues and expenditures/expenses

Program revenues

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

Property taxes

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 (lien date) for all real property located in the City. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies, Continued

every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

Compensated absences

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

Proprietary funds operating and nonoperating revenues and expenses

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

Use of estimates

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

New pronouncements

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 17).

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

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

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

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

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and budgetary accounting

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2013 consist of the following:

Deposits:		
Cash on hand	\$	600
Cash in bank		649,054
Investments:		
US Government Securities		16,484
State Treasurer's Investment Pool		5,879,564
		5,896,048
Total Deposits and Investments	\$	6,545,702

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

Cash and cash equivalents	\$	5,590,248
Restricted cash and cash equivalents		955,454
		6,545,702
	\$	6,545,702

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, 2013, \$106,881 of the City's bank balance of \$623,366 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

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.

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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 4. Deposits and Investments, Continued

Credit risk

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

As of June 30, 2013 the government had the following investments, quality ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Utah Public Treasurers' Investment Fund	\$5,879,564	N/A	65.35
US Government Securities	16,484	AAA	Less than 1
Total Fair Value	<u><u>\$5,896,048</u></u>		

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

N/A indicates not applicable.

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:	Balance 6/30/2012	Additions	Deletions	Reclassifications and Adjustments	Balance 6/30/2013
Capital assets, not being depreciated:					
Land	\$ 2,602,450	\$ -	\$ -	\$ -	\$ 2,602,450
Construction in progress	10,520	-	-	(10,520)	-
Total capital assets, not being depreciated:	<u>2,612,970</u>	<u>-</u>	<u>-</u>	<u>(10,520)</u>	<u>2,602,450</u>
Capital assets, being depreciated:					
Buildings	7,107,945	56,982	-	-	7,164,927
Improvements	2,573,319	755,605	-	10,520	3,339,444
Autos and trucks	1,303,510	5,350	(308,145)	-	1,000,715
Machinery and equipment	857,085	88,052	(60,703)	71,900	956,334
Office equipment	440,802	-	-	(5,972)	434,830
Artwork	198,491	-	-	-	198,491
Infrastructure	28,459,537	119,244	-	(65,928)	28,512,853
Total capital assets, being depreciated:	<u>40,940,689</u>	<u>1,025,233</u>	<u>(368,848)</u>	<u>10,520</u>	<u>41,607,594</u>
Less accumulated depreciation for:					
Buildings	(1,411,002)	(237,676)	-	-	(1,648,678)
Improvements	(931,208)	(148,991)	-	-	(1,080,199)
Autos and trucks	(1,262,852)	(4,810)	271,622	-	(996,040)
Machinery and equipment	(626,414)	(63,156)	56,308	-	(633,262)
Office equipment	(182,800)	(30,522)	-	-	(213,322)
Artwork	(24,316)	(6,616)	-	-	(30,932)
Infrastructure	(15,878,838)	(980,047)	-	-	(16,858,885)
Total accumulated depreciation	<u>(20,317,430)</u>	<u>(1,471,818)</u>	<u>327,930</u>	<u>-</u>	<u>(21,461,318)</u>
Total capital assets, being depreciated, net	<u>20,623,259</u>	<u>(446,585)</u>	<u>(40,918)</u>	<u>10,520</u>	<u>20,146,276</u>
Governmental activities capital assets, net	<u>\$ 23,236,229</u>	<u>\$ (446,585)</u>	<u>\$ (40,918)</u>	<u>\$ -</u>	<u>\$ 22,748,726</u>

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

Governmental Activities:	
General government	\$ 261,045
Public safety	56,535
Public works	991,266
Parks	162,972
Total depreciation expense - governmental activities	<u>\$ 1,471,818</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 5. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2012	Additions	Deletions	Reclassifications and Adjustments	Balance 6/30/2013
Capital assets not being depreciated:					
Land and land easements	\$ 50,000	\$ 22,000	\$ -	\$ -	\$ 72,000
Construction in progress	50,000	1,119,693	-	(50,000)	1,119,693
Water rights	<u>780,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,875</u>
Total capital assets, not being depreciated	<u>880,875</u>	<u>1,141,693</u>	<u>-</u>	<u>(50,000)</u>	<u>1,972,568</u>
Capital assets being depreciated:					
Buildings	91,229	45,372	-	-	136,601
Machinery and equipment	853,881	59,421	-	-	913,302
Autos and trucks	289,156	319,486	(162,537)	-	446,105
Distribution system	<u>27,546,889</u>	<u>5,468,061</u>	<u>(313,259)</u>	<u>50,000</u>	<u>32,751,691</u>
Total capital assets, being depreciated	<u>28,781,155</u>	<u>5,892,340</u>	<u>(475,796)</u>	<u>50,000</u>	<u>34,247,699</u>
Less accumulated depreciation for:					
Buildings	(34,187)	(2,497)	-	-	(36,684)
Machinery and equipment	(555,263)	(30,206)	-	-	(585,469)
Autos and trucks	(278,873)	(71,591)	162,526	-	(187,937)
Distribution system	<u>(11,796,745)</u>	<u>(973,689)</u>	<u>-</u>	<u>-</u>	<u>(12,770,434)</u>
Total accumulated depreciation	<u>(12,665,068)</u>	<u>(1,077,983)</u>	<u>162,526</u>	<u>-</u>	<u>(13,580,524)</u>
Total capital assets, being depreciated, net	<u>16,116,087</u>	<u>4,814,357</u>	<u>(313,270)</u>	<u>50,000</u>	<u>20,667,175</u>
Business-type activities capital assets, net	<u>\$ 16,996,962</u>	<u>\$ 5,956,050</u>	<u>\$ (313,270)</u>	<u>\$ -</u>	<u>\$ 22,639,743</u>

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

Business-Type Activities:	
Water	\$ 414,572
Sewer	138,607
Electric	442,051
Storm Water	<u>82,753</u>
Total depreciation expense - business-type activities	<u>\$ 1,077,983</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

Governmental Activities:

	Balance 6/30/2012	Additions	Retirements	Balance 6/30/2013	Current Portion
Sales Tax Revenue Bonds	\$ 135,000	\$ -	\$ (3,000)	\$ 132,000	\$ 3,000
MBA Lease Revenue Bonds	5,295,000	-	(240,000)	5,055,000	250,000
Capital Leases Payable	334,334	-	(96,835)	237,499	83,390
Excise Tax Road Revenue Bonds	-	500,000	-	500,000	50,000
Compensated Absences	67,105	24,962	(60,581)	31,486	22,040
Total Governmental Activities	\$ 5,831,439	\$ 524,962	\$ (400,416)	\$ 5,955,985	\$ 408,430

Business-type Activities

	Balance 6/30/2012	Additions	Retirements	Balance 6/30/2013	Current Portion
Bonds payable:					
Revenue bonds	\$ 9,173,000 *	\$ 6,256,000	\$ (632,000)	\$ 14,797,000	\$ 751,000
Total Bonds	<u>9,173,000</u>	<u>6,256,000</u>	<u>(632,000)</u>	<u>14,797,000</u>	<u>751,000</u>
Capital Leases Payable	112,490	312,350	(70,848)	353,992	83,479
Compensated Absences	34,260	21,955	(11,783)	44,432	31,102
Total Business-Type Activities	9,319,750	6,590,305	(714,631)	15,195,424	865,581
Total Long-Term Liabilities	\$ 15,151,189	\$ 7,115,267	\$ (1,115,047)	\$ 21,151,409	\$ 1,274,011

* As adjusted

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

Revenue Bonds:

Governmental Activities:

MBA Lease Revenue Bonds, Series 2007, due in annual principal installments ranging from \$205,000 to \$440,000, bearing interest semi-annually at 4.00% to 4.13%, maturing February 2, 2028. \$ 5,055,000

Series 2012 Sales Tax Revenue Bonds, due in annual installments ranging from \$5,640 to 6,480, bearing interest annually at 2%, maturing March 1, 2042. 132,000

Series 2012 Excise Tax Road Revenue Bonds, due in annual principal installments of \$50,000, no interest is being charged on this bond, maturing July 9, 2022. 500,000

Total Governmental Activities 5,687,000

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 6. Long-Term Debt, Continued

Business-Type Activities:

Water Revenue Bonds, Series 1996B, due in annual principal installments ranging from \$19,000 to \$32,000, bearing interest annually at 2.37% maturing June 2, 2017.	122,000
Storm and Water Revenue Refunding Bonds, Series March 16, 2012, due in annual principal installments ranging from \$127,000 to \$471,000, bearing interest semi-annually at 2.748% to 3.660%, maturing September 15, 2027.	3,838,000
Storm and Water Revenue Refunding Bonds, Series July 10, 2012 E, due in annual principal installments ranging from \$46,000 to \$87,000 with a final principal payment of \$272,000 due on October 1, 2043, bearing interest semi-annually at 2.50%, maturing October 1, 2043.	2,000,000
Storm and Water Revenue Refunding Bonds, Series July 10, 2012 F, due in annual principal installments ranging from \$116,000 to \$117,000, no interest is being charged on this bond, maturing October 1, 2045.	3,500,000
Storm Water 2013 Sales Tax Revenue Bonds, Series 2013, due in annual principal installments ranging from \$147,000 to \$156,000, bearing interest annually at 1.5%, maturing April 1, 2018.	756,000
Electric Revenue Bonds, Series 2006, due in annual principal installments ranging from \$205,000 to \$350,000, bearing interest semi-annually at 4.00% to 5.00% maturing February 1, 2027.	3,795,000
Electric Revenue Refunding Bonds, Series 2012, due in annual principal installments ranging from \$38,000 to \$64,000, bearing interest semi-annually at 3.670%, maturing August 1, 2028.	<u>786,000</u>
Total Business-Type Activities	<u>14,797,000</u>

Leases Payable:

Governmental Activities:

Leases payable in annual and semi-annual installments through June 2017, at interest from 4.2% to 4.27%.	<u>237,499</u>
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Business-Type Activities:

Leases payable in semi-annual installments through March 2013, at interest of 2.11% to 3.67%.	<u>353,992</u>
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Accrued Compensated Absences

Total Long-Term Debt	21,151,409
Less Current portion:	
Business-Type Activities	(865,581)
Governmental Activities	<u>(408,430)</u>
Net Long-Term Debt	<u>\$ 19,877,398</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 6. Long-Term Debt, Continued

The annual requirements to amortize bonds payable at June 30, 2013 are as follows:

Revenue Bonds

Year Ending June 30,	MBA Lease Revenue Bonds		Excise Tax Road Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 250,000	\$ 204,344	\$ 50,000	\$ -
2015	260,000	194,344	50,000	-
2016	270,000	183,944	50,000	-
2017	285,000	173,144	50,000	-
2018	295,000	161,744	50,000	-
2019-2023	1,665,000	621,719	250,000	-
2024-2028	2,030,000	256,946	-	-
2029-2033	-	-	-	-
Totals	<u>\$ 5,055,000</u>	<u>\$ 1,796,185</u>	<u>\$ 500,000</u>	<u>\$ -</u>

	Sales Tax Revenue Bonds		Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	3,000	2,640	\$ 262,100	\$ 85,598
2015	3,000	2,580	272,900	128,234
2016	4,000	2,520	280,200	120,616
2017	4,000	2,440	508,600	112,180
2018	4,000	2,360	313,100	103,530
2019-2023	20,000	10,600	1,629,400	418,974
2024-2028	20,000	8,600	1,576,300	252,118
2029-2033	25,000	6,400	907,000	155,575
2034-2038	25,000	3,900	948,000	113,250
2039-2044	24,000	1,200	991,000	65,375
2045-2046	-	-	620,000	6,800
Totals	<u>\$ 132,000</u>	<u>\$ 43,240</u>	<u>\$ 8,308,600</u>	<u>\$ 1,562,250</u>

Year Ending June 30,	Electric Revenue Bonds		Storm Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 242,000	\$ 182,880	\$ 246,900	\$ 45,904
2015	248,000	173,204	253,100	41,600
2016	259,000	162,091	257,800	187,443
2017	270,000	149,391	287,400	30,918
2018	288,000	137,218	219,900	181,774
2019-2023	1,613,000	503,731	339,600	82,660
2024-2028	1,597,000	125,584	302,700	25,347
2029	64,000	1,174	-	-
Totals	<u>\$ 4,581,000</u>	<u>\$ 1,435,273</u>	<u>\$ 1,907,400</u>	<u>\$ 595,646</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 7. Capital Leases

The City has entered into lease agreements, which are considered capital leases in accordance with generally accepted accounting principles. The following is an annual schedule of future minimum lease payments with interest rates ranging from 2.11% to 4.27%, together with the present value of the net minimum lease payments:

Year Ending June 30,	Type 3 Engine	Water Tender	Fire Truck	Total Gov. Activities	Sewer Truck	Bucket Truck	Total Bus. Activities
2014	\$ 27,467	\$ 25,701	\$ 38,194	\$ 91,362	\$ 66,152	\$ 25,600	\$ 91,752
2015	27,467	25,701	38,194	91,362	66,152	25,600	91,752
2016	-	-	38,194	38,194	66,152	25,600	91,752
2017	-	-	38,196	38,196	66,152	-	66,152
2018	-	-	-	-	33,076	-	33,076
Total remaining lease payments:	54,934	51,402	152,778	259,114	297,684	76,800	374,484
Less amount representing interest:	<u>(3,328)</u>	<u>(3,113)</u>	<u>(15,173)</u>	<u>(21,615)</u>	<u>(15,113)</u>	<u>(5,378)</u>	<u>(20,491)</u>
Present value of net remaining minimum lease payments:	<u>\$ 51,606</u>	<u>\$ 48,289</u>	<u>\$ 137,605</u>	<u>\$ 237,499</u>	<u>\$ 282,570</u>	<u>\$ 71,422</u>	<u>\$ 353,992</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	\$ 1,466,357	\$ 166,492	\$ (1,046,908)

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 8. Equity Classifications

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

At June 30, 2013, the City's fund balances are as follows:

General Fund:

Nonspendable

Prepays \$ 10,916

Restricted for:

Debt service - fire equipment 310,382

Committed to:

Debt service 480,387

Assigned to:

Swiss days 8,334

Vineyard drive improvements 10,887

Unassigned:

Total \$ 820,906

Special Revenue Funds:

Restricted for:

Street impact fees \$ 102,140

Park impact fees 49,285

Public safety impact fees 59,199

Total \$ 210,624

Capital Projects Fund

Restricted for:

Capital outlay \$ 9,578

Total \$ 9,578

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 9. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2013 are as follows:

		Transfers From	
		Water Fund	Total
Transfers To	General Fund	\$ 196,145	\$ 196,145
	Storm Water	130,339	130,339
	Total	\$ 326,484	\$ 326,484

The transfers were made to reimburse the General fund for street damage which occurred as a result of the water project.

NOTE 10. Defined Benefit Pension Plan

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

Plan description

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

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 16.04% 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 30.45% of their annual covered salary for members in the noncontributory division. In the Contributory System, the City of Santa Clara is required to make contributions at the rate of 12.74% on applicable amounts. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2013 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Contributory System:				
Local Governmental Division				
2013	N/A	N/A	\$ 3,088	\$ 36,073
2012	N/A	N/A	1,330	17,518
Noncontributory System:				
Local Governmental Division				
2013	N/A	N/A	\$ 182,749	\$ 1,129,934
2012	N/A	N/A	148,460	1,078,140
2011	N/A	N/A	156,491	1,082,104
Public Safety System				
Other Division A Noncontributory				
2013	N/A	N/A	11,708	39,891
2012	N/A	N/A	\$ 94,071	\$ 385,011
2011	N/A	N/A	90,771	320,659
Defined Contribution System:				
457 Plan				
2013	\$ 3,506	\$ -	N/A	N/A
2012	6,364	\$ -	N/A	N/A
2011	6,601	\$ -	N/A	N/A
401 (k) Plan				
2013	\$ 19,582	\$ 1,025	N/A	N/A
2012	27,244	8,182	N/A	N/A
2011	27,930	7,760	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, 2013

NOTE 11. Risk Management

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

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

NOTE 12. Contracts

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

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 13. Jointly Governed Organization

The City, in conjunction with 38 other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$2,416,192 during the fiscal year ended June 30, 2013.

NOTE 14. Contingent Liabilities

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

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2013.

NOTE 15. Commitments / Subsequent Events

The City is committed to participate in the Regional Water Line Project. The City incurred \$64,083 in cost during the current audit period and their future ownership costs are expected to be \$1,033,415 or approximately \$64,588 annually for 16 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, 2013 had an outstanding balance of \$323,750,417.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2013

NOTE 15. Commitments / Subsequent Events, Continued

As a member of UAMPS, the City has committed to participate in the Payson Power Project. The City's commitment is estimated to be \$1,071,862. The City has made a down payment on the project of \$300,000. The City is participating with UAMPS to investigate the feasibility of other power projects involving wind, solar, hydro, natural gas, and nuclear generation of power. If any of these projects prove to be viable, the City could participate and incur the associated costs.

NOTE 16. Related Party Transactions

During fiscal year 2013, the City paid Rosenberg Associates a total of \$67,512 for engineering services. Rosenberg Associates is owned by Rick Rosenberg who is currently serving as Mayor.

NOTE 17. Restatements and Reclassifications

As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Water, Electric, and Storm Water Funds in the amounts of \$62,658, \$93,765 and \$20,966 respectively. Assets of the Funds were reduced by the same amount.

A restatement was reported to correctly state the outstanding principal balance on the Series 2012 Revenue Refunding Bonds which were incorrectly confirmed by the bank in the prior year. This resulted in a restatement of beginning equity in the City's Water and Storm Water Funds in the amount of \$93,400 and \$45,600 respectively. Liabilities of the Funds were increased by the same amount.

A restatement was also needed to eliminate outstanding items on the money market account. This resulted in a restatement of beginning equity in the City's Electric Fund in the amount of \$201,243. Assets of the Fund were reduced by the same amount.

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General property taxes	\$ 694,421	\$ 694,421	\$ 699,180	\$ 4,759
Prior year's delinquent taxes	48,500	48,500	51,071	2,571
General sales and use taxes	627,000	650,000	649,810	(190)
Franchise taxes	289,252	289,252	289,796	544
Telecommunications tax	83,250	83,250	76,172	(7,078)
Total taxes	<u>1,742,423</u>	<u>1,765,423</u>	<u>1,766,029</u>	<u>606</u>
Licenses & permits:				
Business license & permits	11,500	11,500	11,285	(215)
Non-business license & permits	44,133	81,888	83,351	1,463
Total license & permits	<u>55,633</u>	<u>93,388</u>	<u>94,636</u>	<u>1,248</u>
Intergovernmental revenues:				
Federal & state grants	81,000	171,250	172,452	1,202
Class "C" roads	222,250	222,250	234,564	12,314
State liquor allotment	5,000	5,000	3,728	(1,272)
Total intergovernmental revenues	<u>308,250</u>	<u>398,500</u>	<u>410,744</u>	<u>12,244</u>
Charges for services:				
Refuse collection	272,634	272,634	277,895	5,261
Street maintenance fees	-	50,650	50,671	21
Public safety	144,000	382,350	440,154	57,804
Parks & public property	109,019	124,794	132,212	7,418
Cemetery	17,500	43,450	43,455	5
Other	15,000	15,000	15,169	169
Total charges for services	<u>558,153</u>	<u>888,878</u>	<u>959,556</u>	<u>70,678</u>
Fines and forfeitures:				
Court fines & forfeitures	<u>85,100</u>	<u>95,100</u>	<u>79,034</u>	<u>(16,066)</u>
Miscellaneous:				
Investment earnings	9,000	17,000	18,245	1,245
Administrative service revenue	167,439	167,439	167,439	-
Community development	38,250	38,250	37,022	(1,228)
Contributions	-	-	993	993
Other	149,367	169,367	86,026	(83,341)
Total miscellaneous	<u>364,056</u>	<u>392,056</u>	<u>309,725</u>	<u>(82,331)</u>
Total revenues	<u>3,113,615</u>	<u>3,633,345</u>	<u>3,619,724</u>	<u>(13,621)</u>

CITY OF SANTA CLARA, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Expenditures:				
General government	<u>763,081</u>	<u>763,081</u>	<u>668,092</u>	<u>94,989</u>
Public safety				
Judicial	48,245	88,245	83,701	4,544
Law enforcement	768,638	852,638	825,487	27,151
Fire protection	280,912	553,912	521,004	32,908
Building inspection	174,188	202,188	192,648	9,540
Total public safety	<u>1,271,983</u>	<u>1,696,983</u>	<u>1,622,840</u>	<u>74,143</u>
Highways and public improvements				
Public works	364,284	364,284	242,021	122,263
Capital outlay	-	-	703,850	(703,850)
Total highways and public improvements	<u>364,284</u>	<u>364,284</u>	<u>945,871</u>	<u>(581,587)</u>
Parks, recreation & public property				
Parks, trails & cemetery	534,554	534,554	527,279	7,275
Swiss days	49,137	51,637	45,904	5,733
Princess pageant	-	2,100	2,080	20
Total parks, recreation & public property	<u>583,691</u>	<u>588,291</u>	<u>575,263</u>	<u>13,028</u>
Debt service:				
Principal	334,367	334,367	339,835	(5,468)
Interest	237,139	237,139	217,867	19,272
Total debt service	<u>571,506</u>	<u>571,506</u>	<u>557,702</u>	<u>13,804</u>
 Total expenditures	 <u>3,554,545</u>	 <u>3,984,145</u>	 <u>4,369,768</u>	 <u>(385,623)</u>
Excess (deficiency) of revenues over (under) expenditures	 <u>(440,930)</u>	 <u>(350,800)</u>	 <u>(750,044)</u>	 <u>(399,244)</u>
Other financing sources (uses)				
Sale of capital assets	10,000	10,000	4,094	(5,906)
Debt proceeds	-	-	500,000	500,000
Transfers in	75,000	75,000	196,145	121,145
Transfers out	-	-	-	-
Total other financing sources and uses	<u>85,000</u>	<u>85,000</u>	<u>700,239</u>	<u>615,239</u>
Net change in fund balances	(355,930)	(265,800)	(49,805)	215,995
Fund balances, beginning of year	<u>870,711</u>	<u>870,711</u>	<u>870,711</u>	<u>-</u>
Fund balances, end of year	<u>\$ 514,781</u>	<u>\$ 604,911</u>	<u>\$ 820,906</u>	<u>\$ 215,995</u>

SUPPLEMENTARY INFORMATION

CITY OF SANTA CLARA, UTAH
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ -	\$ 559,870	\$ 189,818	\$ (370,052)
Total revenues	-	559,870	189,818	(370,052)
Expenditures				
Capital Outlay:				
Public works	-	650,000	180,240	469,760
Total expenditures	-	650,000	180,240	469,760
Net change in fund balances	-	(90,130)	9,578	80,552
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ (90,130)</u>	<u>\$ 9,578</u>	<u>\$ 80,552</u>

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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, 2013

	Special Revenue	Total Nonmajor Governmental Funds
	Impact Fees	Funds
Assets		
Cash and cash equivalents	\$ 213,878	\$ 213,878
Total assets	213,878	213,878
Liabilities		
Accounts payable	\$ 3,254	\$ 3,254
Total liabilities	3,254	3,254
Deferred Inflows of Resources		
Unavailable revenue	-	-
Total deferred inflows of resources	-	-
Fund Balances:		
Restricted		
Capital Outlay	210,624	210,624
Total fund balances	210,624	210,624
Total liabilities, deferred inflows of resources, and fund balances	\$ 213,878	\$ 213,878

CITY OF SANTA CLARA, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue	Total Nonmajor Governmental Funds
	Impact Fees	
Revenues:		
Investment earnings	\$ 1,151	\$ 1,151
Total revenues	1,151	1,151
Expenditures:		
Capital outlay:		
Parks and recreation	22,506	22,506
Total expenditures	22,506	22,506
Excess (deficiency) of revenues over (under) expenditures	(21,355)	(21,355)
Other Financing Sources (Uses)		
Impact fees	174,542	174,542
Total other financing sources and uses	174,542	174,542
Net change in fund balances	153,187	153,187
Fund balances, beginning of year	57,437	57,437
Fund balances, end of year	\$ 210,624	\$ 210,624

CITY OF SANTA CLARA, UTAH
Schedule of Capital Assets Used in the Operations of
Governmental Funds by Function and Activity
As of June 30, 2013

Functions and Activity	Total	Land	Buildings	Improvements	Machinery & Equipment	Office Equipment	Autos & Trucks	Artwork	Infrastructure
General government									
Administration	\$ 8,901,920	\$ 1,851,121	\$ 6,280,808	\$ 100,450	\$ 25,463	\$ 434,830	\$ 10,757	\$ 198,491	\$ -
Public safety	1,775,555	-	508,437	5,853	432,987	-	828,278	-	-
Public works									
Streets	29,826,413	196,282	-	696,145	337,627	-	83,506	-	28,512,853
Parks and recreation									
Parks and grounds maintenance	3,706,156	555,047	375,682	2,536,996	160,257	-	78,174	-	-
Total governmental funds capital assets	\$ 44,210,044	\$ 2,602,450	\$ 7,164,927	\$ 3,339,444	\$ 956,334	\$ 434,830	\$ 1,000,715	\$ 198,491	\$ 28,512,853

CITY OF SANTA CLARA, UTAH
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2013

Functions and Activity	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
General government				
Administration	\$ 8,886,764	\$ 35,037	\$ (19,881)	\$ 8,901,920
Public safety	2,039,370	24,800	(288,615)	1,775,555
Public works				
Streets	29,010,481	928,317	(112,385)	29,826,413
Parks and recreation				
Parks and grounds maintenance	3,617,044	119,499	(30,387)	3,706,156
Total governmental funds capital assets	<u>\$ 43,553,659</u>	<u>\$ 1,107,653</u>	<u>\$ (451,268)</u>	<u>\$ 44,210,044</u>

CITY OF SANTA CLARA, UTAH
Bond Disclosures
For the Year Ended June 30, 2013

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, 2013	2,040	1,951
Total billings for the fiscal year ended June 30, 2013	\$ 1,265,791	\$ 490,283

Water rates for the fiscal year ended June 30, 2013 are as follows:

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

Monthly billing rates for sewer usage

Residential	\$ 19.40
Commercial	\$ 26.00

Insurance coverage in effect at June 30, 2013:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Comprehensive General Liability	13640-GL2010	12/15/12	12/15/13	5,000,000
Utah Local Government Trust	Auto Liability	13640-GL2010	12/15/12	12/15/13	5,000,000
Utah Local Government Trust	Auto PD Coverage	ulgt-apdp-2010	12/15/12	12/15/13	41 vehicles
Utah Local Government Trust	Property Coverage - Buildings	ulgt-apdp-2010	12/15/12	12/15/13	17,662,900
Utah Local Government Trust	Property Coverage - Contents	ulgt-apdp-2010	12/15/12	12/15/13	1,705,600
Utah Local Government Trust	Property Coverage - Contractors Equipment	ulgt-apdp-2010	12/15/12	12/15/13	407,568
Utah Local Government Trust	Property Coverage - EDP	ulgt-apdp-2010	12/15/12	12/15/13	56,000
Utah Local Government Trust	Property Coverage - Equipment in the Open	ulgt-apdp-2010	12/15/12	12/15/13	4,171,612
Utah Local Government Trust	Property Coverage - Mobile equipment	ulgt-apdp-2010	12/15/12	12/15/13	5,680
Utah Local Government Trust	Property Coverage - Miscellaneous equipment	ulgt-apdp-2010	12/15/12	12/15/13	389,750
Utah Local Government Trust	Workers Compensation	13640-WC2011	01/01/13	01/01/14	100/500/100
CNA Surety	Blanket Employee Bond	58461366	08/01/12	08/01/15	40,000
CNA Surety	Position Schedule Bond - Mayor/Recorder/Treasurer	58461367	08/01/11	08/01/13	198,000
CNA Surety	Blanket E&O Bond - 2 Notaries	68564329	01/02/13	01/02/14	10,000
CNA Surety	Position Schedule Bond - Treasurer	70089593	01/01/13	01/01/14	410,000
CNA Surety	Notary Bond	53471720N	06/05/13	06/05/14	5,000
CNA Surety	Notary Bond	69660112N	05/11/13	05/11/14	5,000

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FEDERAL AND STATE REPORTS

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MORRIS J. PEACOCK, CPA
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MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Clara City, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Santa Clara City's basic financial statements and have issued our report thereon dated November 22, 2013.

Internal Control over Financial Reporting

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

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

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

- 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 following deficiencies described in the accompanying schedule of Findings and Recommendations to be significant deficiencies:

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter, dated November 22, 2013.

City of Santa Clara, Utah's Response to Findings

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

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
November 22, 2013

MEMBERS:

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

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

**Independent Auditors' Report on Compliance
and on Internal Controls Over Compliance
in Accordance with the *State of Utah Legal
Compliance Audit Guide***

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

REPORT ON COMPLIANCE

We have audited Santa Clara City, Utah's compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact Fees
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act

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

- B & C Road Funds (Department of Transportation)

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require

that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the City and its major programs occurred. 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.

Opinion

In our opinion, Santa Clara City, 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying Findings and Recommendation dated November 22, 2013 as items 09-01, 13-01, 13-02, 13-03, 13-04, 13-05, 13-06, and 13-07.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Santa Clara City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

Santa Clara City, Utah's Responses to Findings

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

Purpose of Report

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

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

HintonBurdick, PLLC
St. George, Utah
November 22, 2013

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**Findings and Recommendations
For the Year Ended June 30, 2013**

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

Ladies and Gentlemen:

During our audit of the funds of the City of Santa Clara, Utah, for the fiscal year ended June 30, 2013, we noted several improvements to the City's accounting and budgeting system and wish to commend the City for their achievements. We also observed a few areas needing corrective action in order for the City to be in compliance with laws and regulations as well as a few procedures that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weaknesses:

07-01. Bank Reconciliations

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

- Approximately \$19,000 in bank adjustments were added to the miscellaneous revenue account in the general fund. In view of the fact that these adjustments increased both revenue and cash the risk that cash has been misappropriated is small. However, these entries do indicate the bank reconciliation process is not being completed accurately and is not providing the desired level of control over cash.
- Effective internal controls over cash require that bank reconciliations be reviewed by a second individual for accuracy. We did not note any evidence that a secondary review is occurring.
- The State Bank of Southern Utah Money Market account reconciliation contained several outstanding deposits that were not valid.

Recommendation

We recommend that the City's staff continue their efforts to improve the City's bank reconciliation process by researching all cash related items to ensure they have been correctly recorded instead of being simply recorded as miscellaneous revenue. In addition, we recommend the City implement procedures to provide documentation of a secondary review of all bank reconciliations. For example, the individual reviewing the reconciliation could initial the document indicating they have completed their review. Lastly, we have assisted the Finance Director in clearing the outstanding deposits in the Money Market account. This item appears to have been corrected.

Status

Recommendations have been partially implemented.

07-02. Reconciliations and Year-End Accounting

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

Recommendation

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

Status

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

Significant Deficiencies:

07-03. Accounting for Capital Assets

The City did not implement accounting procedures and controls to accurately account for capital assets during fiscal year 2013. During our audit, we identified several assets additions and disposals that were not identified and accounted for properly. The City's capital asset accounting system was not properly updated for the fiscal year asset additions and disposals.

Recommendation

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

Status

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

12-02. Segregation of Duties – Payroll

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

Recommendation

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

Status

Not implemented

COMPLIANCE AND OTHER MATTERS

Compliance Findings:

09-01. Budgetary Compliance

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

13-01. Budget Amendment

We noted the fiscal year 2013 budget was amended after the close of the fiscal year 2013 budget year (amendment was approved on July 10, 2013). State law requires that budget amendments be made “during the budget period” meaning before the close of the fiscal year.

Recommendation

We recommend that management take steps to ensure any needed budget amendments are properly made before the close of the fiscal year.

13-02. Justice Court – Proof of Compliance

At times, credits may be issued to a defendant’s citation if they are able to produce evidence of compliance. These items may include: completion of community service, completion of alcohol treatment, proof of valid registration, proof of repair of faulty equipment or other judicially specified reasons attached to the citation. When a credit is issued for these reasons, the Court is required to retain documentation of the proof of compliance. Such documentation may be stored in the case file or scanning system, or filed with the daily accounting records. We noted two instances where documentation of compliance was not retained by the Court.

Recommendation

We recommend the Court establish procedures to ensure documentation of compliance is retained by the Court.

13-03. Impact Fees

State law requires that impact fee proceeds be used in a timely manner and that reasons for holding fees longer than six years are appropriate and documented (UCA 11-36A-602(2)). We noted that sewer impact fees have been held longer than six years.

Recommendation

We recommend the City review their Capital Facilities Plan and identify the projects for which sewer impact fees have been charged. The City may then evaluate the status of each project and determine if there is an appropriate reason for continuing to hold the related impact fees.

13-04. Deposit and Investment Report Form

Public treasurers are required to file a “Deposit and Investment Report Form” with the Money Management Council each year (UCA 51-7-15(3)). This report contains information about the deposits and investments of that public treasurer. The Council uses this form to determine if the entity is in compliance with the Money Management Act. We noted that the amount reported for one of the City’s PTIF accounts was not correct.

Recommendation

We recommend the City review its procedures for preparing the Deposit and Investment Report Form to ensure the correct amounts are reported to the Money Management Council.

13-05. Utah State Retirement System – Employer “Pick-Up”

The City Council is required to annually authorize, by formal action, the employer “pick-up” for the Utah State Retirement System’s retirement plan contribution for the City’s qualified personnel (UCA 49-11). The formal action to authorize the employer “pick-up” did not occur.

Recommendation

We recommend that on an annual basis the City Council authorize, by formal action, the employer “pick-up” for the Utah State Retirement System’s retirement plan.

13-06. Utah Public Finance Website

The City is required to post the required public financial information to the Utah Public Finance Website within the required deadlines as follows (UCA 63A-3-402):

- Detail revenue and expense information must be posted quarterly and within one month of the end of the fiscal quarter.
- Employee compensation summary information must be posted within three months after the end of the fiscal year.

We reviewed the City’s public financial information on the State’s transparency website, noting that the revenue, expense & employee compensation information has not been posted for fiscal years 2012 or 2013.

Recommendation

We recommend the City post the required public financial information to the Utah Public Finance Website within the required deadlines.

Other Matters:

None noted

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC". The signature is written in black ink and is positioned above the typed name.

HintonBurdick, PLLC
November 22, 2013

Mayor
Rick Rosenberg

City Manager
Edward O. Dickie III



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

December 9, 2013

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

Re: Managements Response to Findings

Ladies and Gentlement

This letter is in response to the findings and recommendations made by our independent auditors, Hinton Burdick, PLLC, for the audit of Santa Clara City as of June 30, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weaknesses:

07-01. Bank Reconciliations

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

- Approximately \$19,000 in bank adjustments were added to the miscellaneous revenue account in the general fund. In view of the fact that these adjustments increased both revenue and cash the risk that cash has been misappropriated is small. However, these entries do indicate the bank reconciliation process is not being completed accurately and is not providing the desired level of control over cash.
- Effective internal controls over cash require that bank reconciliations be reviewed by a second individual for accuracy. We did not note any evidence that a secondary review is occurring.
- The State Bank of Southern Utah Money Market account reconciliation contained several outstanding deposits that were not valid.

Response: The City will develop a process for a secondary review of the bank reconciliations. We will also look into why the deposits listed on the money market bank statement do not match the deposits on the Chase statement.

07-02. Reconciliations and Year-End Accounting

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

Response: The City will work with the auditors to make sure we understand the purpose and accounting principles associated with the entries. We will also work to make the necessary adjustments to the general ledger prior to the audit.

Significant Deficiencies:

07-03. Accounting for Capital Assets

The City did not implement accounting procedures and controls to accurately account for capital assets during fiscal year 2013. During our audit, we identified several assets additions and disposals that were not identified and accounted for properly. The City's capital asset accounting system was not properly updated for the fiscal year asset additions and disposals.

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

12-02. Segregation of Duties – Payroll

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

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

COMPLIANCE AND OTHER MATTERS

Compliance Findings:

09-01. Budgetary Compliance

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

Response: The City will take the necessary steps to ensure proper procedures are followed when making adjustments to the budget. We will also work to make sure departments stay within their annual budget.

13-01. Budget Amendment

We noted the fiscal year 2013 budget was amended after the close of the fiscal year 2013 budget year (amendment was approved on July 10, 2013). State law requires that budget amendments be made “during the budget period” meaning before the close of the fiscal year.

Response: The City will take the make sure the budget amendments are made properly prior to the close of the fiscal year.

13-02. Justice Court – Proof of Compliance

At times, credits may be issued to a defendant’s citation if they are able to produce evidence of compliance. These items may include: completion of community service, completion of alcohol treatment, proof of valid registration, proof of repair of faulty equipment or other judicially specified reasons attached to the citation. When a credit is issued for these reasons, the Court is required to retain documentation of the proof of compliance. Such documentation may be stored in the case file or scanning system, or filed with the daily accounting records. We noted two instances where documentation of compliance was not retained by the Court.

Response: The Court will establish correct procedures to ensure all documentation is retained and stored in the case file.

13-03. Impact Fees

State law requires that impact fee proceeds be used in a timely manner and that reasons for holding fees longer than six years are appropriate and documented (UCA 11-36A-602(2)). We noted that sewer impact fees have been held longer than six years.

Response: The City will have its Capital Facilities Plans reviewed and updated to make sure impact fees are spent in a timely manner.

13-04. Deposit and Investment Report Form

Public treasurers are required to file a “Deposit and Investment Report Form” with the Money Management Council each year (UCA 51-7-15(3)). This report contains information about the deposits and investments of that public treasurer. The Council uses this form to determine if the entity is in compliance with the Money Management Act. We noted that the amount reported for one of the City’s PTIF accounts was not correct.

Response: The City will have the Deposit and Investment report reviewed prior to its submission to the Money Management Council.

13-05. Utah State Retirement System – Employer “Pick-Up”

The City Council is required to annually authorize, by formal action, the employer “pick-up” for the Utah State Retirement System’s retirement plan contribution for the City’s qualified personnel (UCA 49-11). The formal action to authorize the employer “pick-up” did not occur.

Response: The City will establish the procedures necessary to make sure the employer “pick-up” for the Utah Retirement System is authorized by formal action each year.

13-07. Utah Public Finance Website

The City is required to post the required public financial information to the Utah Public Finance Website within the required deadlines as follows (UCA 63A-3-402):

- Detail revenue and expense information must be posted quarterly and within one month of the end of the fiscal quarter.
- Employee compensation summary information must be posted within three months after the end of the fiscal year.

We reviewed the City’s public financial information on the State’s transparency website, noting that the revenue, expense & employee compensation information has not been posted for fiscal years 2012 or 2013.

Response: The City will develop the steps and procedures necessary to post he required information on the Utah Public Finance Website.

Other Matters:

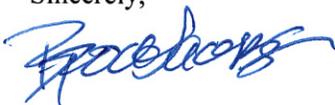
None noted

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,



Brock Jacobsen
Finance Director
December 9, 2013