



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

With Report of

Independent Certified Public Accountants

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Clara, Utah, as of and for the year ended June 30, 2014, 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, 2014, 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.

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 15, 2014, on our consideration of the City of Santa Clara's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Clara's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
November 15, 2014

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights/Executive Summary

- The assets plus deferred outflows of Santa Clara City exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$29,982,764 (net position). Of this amount, \$4,207,700 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the City's net position decreased by \$928,927. The majority of this decrease was from depreciation expense taken on governmental capital assets
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$875,315.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$147,710.
- Santa Clara City's total bonds payable decreased by \$2,171,000 or 10.6% 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 \$179,353.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

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

The City has two kinds of funds:

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Santa Clara, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$29,982,764 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net position, (95.43% for Government Activities & 61.00% for Business-Type Activities) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Santa Clara City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Santa Clara's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental activities		Business-type activities	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 2,479,431	\$ 2,055,227	\$ 6,313,599	\$ 7,892,677
Capital assets	20,351,993	22,748,726	22,423,585	22,639,743
Total assets	22,831,424	24,803,953	28,737,184	30,532,420
Long-term liabilities outstanding	4,458,548	5,955,985	14,363,635	15,195,424
Other liabilities	1,048,008	484,238	1,083,010	2,247,977
Total liabilities	5,506,556	6,440,223	15,446,645	17,443,401
Deferred Inflows of Resources				
Unavailable revenue - property taxes	632,643	617,489	-	-
Total deferred inflows of resources	632,643	617,489	-	-
Net position:				
Invested in capital assets, net of related debt	15,928,795	16,824,227	8,107,073	7,488,751
Restricted	233,762	220,695	1,505,434	1,988,954
Unrestricted	529,668	701,319	3,678,032	3,611,314
Total net position	\$ 16,692,225	\$ 17,746,241	\$ 13,290,539	\$ 13,089,019

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	95.43%	61.00%	80.17%
Restricted net position	1.40%	11.33%	5.80%
Unrestricted net position	3.17%	27.67%	14.03%
Total net position	100.0%	100.0%	100.0%

An additional portion of Santa Clara's net position (1.40% & 11.33% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$4,207,700 (3.17% and 27.67% 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 \$1,054,016.

Business-type activities. Business-type activities increased Santa Clara's net position by \$125,089.

**SANTA CLARA CITY
Changes in Net Position**

	Governmental activities		Business-type activities	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:				
Program revenues:				
Charges for services	\$ 1,186,630	\$ 1,285,473	\$ 6,554,229	6,459,919
Operating grants and contributions	381,075	345,491	-	-
Capital grants and contributions	327,692	569,997	771,268	1,250,306
General revenues:				
Taxes	1,786,432	1,766,029	-	-
Unrestricted investment earnings	15,252	18,245	8,291	29,158
Gain on sale of capital assets	311,482	(36,824)	-	12,360
Total revenues	<u>4,008,563</u>	<u>3,948,411</u>	<u>7,333,788</u>	<u>7,751,743</u>
Expenses:				
General government	954,943	908,598	-	-
Public safety	1,599,310	1,660,778	-	-
Public works	1,609,972	1,183,514	-	-
Parks and recreation	643,951	625,455	-	-
Community development	64,441	47,433	-	-
Interest on long-term debt	180,384	283,106	-	-
Water	-	-	1,808,700	1,451,891
Sewer	-	-	579,650	534,002
Electric	-	-	4,329,368	4,312,949
Storm drain	-	-	500,559	379,669
Total expenses	<u>5,053,001</u>	<u>4,708,884</u>	<u>7,218,277</u>	<u>6,678,511</u>
Increase in net position before transfers	(1,044,438)	(760,473)	115,511	1,073,232
Transfers	(9,578)	196,145	9,578	(196,145)
Increase in net position	(1,054,016)	(564,328)	125,089	877,087
Net position, beginning	17,746,241	18,310,569	13,089,019	12,451,562
Prior period adjustment	-	-	76,431	(239,630)
Net position, ending	<u>\$ 16,692,225</u>	<u>\$ 17,746,241</u>	<u>\$ 13,290,539</u>	<u>\$ 13,089,019</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, 2014, the unassigned fund balance was \$144,688.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$875,315, a decrease of \$165,793 in comparison with the prior year. 52% of the fund balance constitutes *committed* fund balance, which has been designated by the board for debt service. Of the remaining fund balance, \$13,366 is *nonspendable* (prepaid expenses), \$236,784 is *restricted* (impact fees and debt service), \$21,872 is *assigned* (Swiss Days and Vineyard Drive Improvements), and \$144,688 is unassigned. 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 \$147,710.

Other governmental funds (impact fee fund) have a total fund balance of \$233,762, 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 \$3,678,032.

General Fund Budgetary Highlights

The general fund was amended once during the year. The amendment was completed on June 25, 2014, increasing budgeted revenues and expenditures by \$5,513,510 and \$5,518,000, respectively for the following purposes: 1) increase the budget due to an increase in revenues; 2) account for revenues and expenditures relating to a bond refunding; and 3) account for revenues and expenditures in the General Fund for maintenance work, supplies, engineering, legal work.

In June 2014, the City Council adopted the 2014-2015 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, 2014, amounts to \$42,775,578 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines, power lines, and storm water lines), autos and trucks, machinery and equipment, office.

SANTA CLARA CITY Net Capital Assets (Net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and water rights	\$ 1,402,450	\$ 852,875	\$ 2,255,325
Buildings	5,278,489	95,342	5,373,831
Improvements	2,345,464	-	2,345,464
Autos & trucks	20,176	193,210	213,386
Machinery and equipment	265,844	252,596	518,440
Office equipment	207,680	-	207,680
Artwork	160,941	-	160,941
Construction in progress	-	166,454	166,454
Infrastructure	10,670,949	20,863,108	31,534,057
Total	<u>\$ 20,351,993</u>	<u>\$ 22,423,585</u>	<u>\$ 42,775,578</u>

This year's major capital asset additions included:

- Flood Damage projects
- Construction of a new building for the Sewer Fund

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

Long-term debt. At year-end the City had \$18,313,000 in bonds outstanding—a decrease of 10.6% over the last year—as shown in the table below. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

SANTA CLARA CITY Outstanding General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total		% Change
	2014	2013	2014	2013	2014	2013	
Revenue bonds	4,267,000	5,687,000	14,046,000	14,797,000	18,313,000	20,484,000	-10.60%
Total	<u>\$ 4,267,000</u>	<u>\$ 5,687,000</u>	<u>\$ 14,046,000</u>	<u>\$ 14,797,000</u>	<u>\$ 18,313,000</u>	<u>\$ 20,484,000</u>	-10.60%

Economic Factors and Next Year's Budgets and Rates

- The property tax levy for FY 2014-2015 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 2014-2015, 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 FY2013-2014 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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,321,886	\$ 2,920,574	\$ 4,242,460
Receivables (net of allowance)	743,800	1,237,717	1,981,517
Inventory	-	443,874	443,874
Prepays	13,366	53,466	66,832
Deferred charges	-	69,061	69,061
Restricted assets - customer deposits and debt reserves	400,379	1,588,907	1,989,286
Capital assets not being depreciated:			
Land and water rights	1,402,450	852,875	2,255,325
Construction in progress	-	166,454	166,454
Capital assets, net of accumulated depreciation:			
Buildings	5,278,489	95,342	5,373,831
Improvements	2,345,464	-	2,345,464
Autos & trucks	20,176	193,210	213,386
Machinery and equipment	265,844	252,596	518,440
Office equipment	207,680	-	207,680
Artwork	160,941	-	160,941
Infrastructure	10,670,949	20,863,108	31,534,057
Total assets	<u>22,831,424</u>	<u>28,737,184</u>	<u>51,568,608</u>
Liabilities			
Accounts payable and other current liabilities	971,474	804,781	1,776,255
Interest payable	76,534	150,543	227,077
Unearned revenue	-	127,686	127,686
Noncurrent liabilities:			
Due within one year	263,497	892,594	1,156,091
Due in more than one year	4,195,051	13,471,041	17,666,092
Total liabilities	<u>5,506,556</u>	<u>15,446,645</u>	<u>20,953,201</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	632,643	-	632,643
Total deferred inflows of resources	<u>632,643</u>	<u>-</u>	<u>632,643</u>
Net Position			
Net investment in capital assets	15,928,795	8,107,073	24,035,868
Restricted for:			
Debt service	-	895,652	895,652
Capital outlay	233,762	609,782	843,544
Unrestricted	529,668	3,678,032	4,207,700
Total net position	<u>\$ 16,692,225</u>	<u>\$ 13,290,539</u>	<u>\$ 29,982,764</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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants & Contributions		Governmental Activities	Primary Government	
		Charges for Services	Capital Grants & Contributions		Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 954,943	\$ 740,527	\$ 4,925	\$ (209,491)	\$ -	\$ (209,491)
Public safety	1,599,310	323,838	22,525	(1,210,197)	-	(1,210,197)
Public works	1,609,972	53,701	316,685	(1,165,763)	-	(1,165,763)
Parks and recreation	643,951	61,656	36,940	(334,236)	-	(334,236)
Community development	64,441	6,908	-	(57,533)	-	(57,533)
Interest on long-term debt	180,384	-	-	(180,384)	-	(180,384)
Total governmental activities	<u>5,053,001</u>	<u>1,186,630</u>	<u>381,075</u>	<u>(3,157,604)</u>	<u>-</u>	<u>(3,157,604)</u>
Business-type activities:						
Water	1,808,700	1,472,474	-	-	(239,529)	(239,529)
Sewer	579,650	575,455	-	-	8,252	8,252
Electric	4,329,368	4,131,613	-	-	(15,022)	(15,022)
Storm drain	500,559	374,687	-	-	353,519	353,519
Total business-type activities	<u>7,218,277</u>	<u>6,554,229</u>	<u>-</u>	<u>-</u>	<u>107,220</u>	<u>107,220</u>
Total primary government	<u>\$ 12,271,278</u>	<u>\$ 7,740,859</u>	<u>\$ 381,075</u>	<u>\$ (3,157,604)</u>	<u>107,220</u>	<u>\$ (3,050,384)</u>
General Revenues:						
Taxes:						
Property taxes levied for general purposes				739,774	-	739,774
Sales and use taxes				685,594	-	685,594
Franchise taxes				292,534	-	292,534
Telecommunications tax				68,530	-	68,530
Unrestricted investment earnings				15,252	8,291	23,543
Gain on sale of capital assets				311,482	-	311,482
Transfers				(9,578)	9,578	-
Total general revenues & transfers				<u>2,103,588</u>	<u>17,869</u>	<u>2,121,457</u>
Change in net position				(1,054,016)	125,089	(928,927)
Net position - beginning				17,746,241	13,089,019	30,835,260
Prior period adjustment				-	76,431	76,431
Net position - ending				<u>\$ 16,692,225</u>	<u>\$ 13,290,539</u>	<u>\$ 29,982,764</u>

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

CITY OF SANTA CLARA, UTAH
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,010,436	\$ 311,450	\$ 1,321,886
Receivables	45,724	-	45,724
Property taxes receivable	632,643	-	632,643
Due from other governments	65,433	-	65,433
Prepaid expenses	13,366	-	13,366
Restricted cash and cash equivalents	400,379	-	400,379
Total assets	<u>\$ 2,167,981</u>	<u>\$ 311,450</u>	<u>\$ 2,479,431</u>
Liabilities			
Accounts payable	\$ 434,767	\$ 77,688	\$ 512,455
Accrued liabilities	11,699	-	11,699
Customer deposits	46,763	-	46,763
Security holdings	400,556	-	400,556
Total liabilities	<u>893,785</u>	<u>77,688</u>	<u>971,473</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	632,643	-	632,643
Total deferred inflows of resources	<u>632,643</u>	<u>-</u>	<u>632,643</u>
Fund Balances:			
Nonspendable	13,366	-	13,366
Restricted	-	236,784	236,784
Committed	458,605	-	458,605
Assigned	21,872	-	21,872
Unassigned	147,710	(3,022)	144,688
Total fund balances	<u>641,553</u>	<u>233,762</u>	<u>875,315</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,167,981</u>	<u>\$ 311,450</u>	<u>\$ 2,479,431</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, 2014

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

Total fund balances - total governmental funds	\$	875,315
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 43,261,422	
Accumulated depreciation	<u>(22,909,430)</u>	20,351,992
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (4,267,000)	
Capital leases payable	(156,197)	
Compensated absences	(35,351)	
Accrued interest payable	<u>(76,534)</u>	<u>(4,535,082)</u>
Net position of governmental activities		<u>\$ 16,692,225</u>

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

CITY OF SANTA CLARA, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 1,786,432	\$ -	\$ 1,786,432
Licenses, permits and fees	115,768	-	115,768
Intergovernmental revenue	257,314	-	257,314
Charges for services	785,392	-	785,392
Fines and forfeitures	115,776	-	115,776
Investment earnings	15,252	1,634	16,886
Other revenues	308,422	-	308,422
Total revenues	<u>3,384,356</u>	<u>1,634</u>	<u>3,385,990</u>
Expenditures:			
Current:			
General government	721,451	-	721,451
Public safety	1,542,078	-	1,542,078
Public works	565,012	-	565,012
Parks, recreation & public property	487,409	-	487,409
Community and economic development	64,368	-	64,368
Debt service:			
Principal	131,302	-	131,302
Interest	191,458	-	191,458
Capital outlay:			
Parks and recreation	-	173,341	173,341
Public works	4,393	13,098	17,491
Public safety	-	28,126	28,126
Total expenditures	<u>3,707,471</u>	<u>214,565</u>	<u>3,922,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(323,115)</u>	<u>(212,931)</u>	<u>(536,046)</u>
Other Financing Sources (Uses)			
Sale of capital assets	1,513,762	-	1,513,762
Refunding bonds issued	3,685,000	-	3,685,000
Payment to refunded bond escrow agent	(5,055,000)	-	(5,055,000)
Impact fees	-	236,069	236,069
Transfers out	-	(9,578)	(9,578)
Total other financing sources and uses	<u>143,762</u>	<u>226,491</u>	<u>370,253</u>
Net change in fund balances	(179,353)	13,560	(165,793)
Fund balances, beginning of year	<u>820,906</u>	<u>220,202</u>	<u>1,041,108</u>
Fund balances, end of year	<u>\$ 641,553</u>	<u>\$ 233,762</u>	<u>\$ 875,315</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, 2014

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

Net change in fund balances - total governmental funds		\$ (165,793)
<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	\$ 236,349	
Depreciation expense	<u>(1,505,825)</u>	(1,269,476)
<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>		
		(1,202,280)
<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>		
		1,501,302
<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>		
		(3,865)
<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>11,074</u>
Change in net position of governmental activities		<u><u>\$ (1,054,016)</u></u>

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

CITY OF SANTA CLARA, UTAH
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals Current Year</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 396,222	\$ 624,498	\$ 1,782,334	\$ 117,520	\$ 2,920,574
Receivables, net of allowance	325,053	56,884	669,925	40,169	1,092,031
Intergovernmental receivable	-	127,686	-	-	127,686
Prepaid	16,708	16,708	16,708	3,342	53,466
Inventory	-	-	443,874	-	443,874
Total current assets	<u>737,983</u>	<u>825,776</u>	<u>2,912,841</u>	<u>161,031</u>	<u>4,637,631</u>
Noncurrent assets:					
Restricted cash	850,044	192,576	238,161	308,126	1,588,907
Assessments receivable	-	18,000	-	-	18,000
Bond discounts (net)	50,311	-	-	18,750	69,061
Capital assets:					
Land and water rights	830,875	-	-	22,000	852,875
Construction in progress	-	166,454	-	-	166,454
Buildings	14,594	75,067	46,940	-	136,601
Distribution and collection systems	16,363,825	1,941,674	12,595,178	3,931,798	34,832,475
Machinery and equipment	59,047	209,104	493,594	97,281	859,026
Automobiles and trucks	52,179	359,960	33,966	-	446,105
Less: Accumulated depreciation	<u>(6,485,813)</u>	<u>(1,542,170)</u>	<u>(6,194,462)</u>	<u>(647,506)</u>	<u>(14,869,951)</u>
Total capital assets (net of accumulated depreciation)	<u>10,834,707</u>	<u>1,210,089</u>	<u>6,975,216</u>	<u>3,403,573</u>	<u>22,423,585</u>
Total noncurrent assets	<u>11,735,062</u>	<u>1,420,665</u>	<u>7,213,377</u>	<u>3,730,449</u>	<u>24,099,553</u>
Total assets	<u>12,473,045</u>	<u>2,246,441</u>	<u>10,126,218</u>	<u>3,891,480</u>	<u>28,737,184</u>
Liabilities					
Current liabilities:					
Accounts payable	88,350	142,049	470,964	8,726	710,089
Accrued liabilities	-	-	11,219	-	11,219
Customer deposits	83,473	-	-	-	83,473
Unearned revenue	-	127,686	-	-	127,686
Interest payable	62,880	1,747	74,269	11,647	150,543
Current portion of noncurrent liabilities	284,885	65,552	285,296	256,861	892,594
Total current liabilities	<u>519,588</u>	<u>337,034</u>	<u>841,748</u>	<u>277,234</u>	<u>1,975,604</u>
Noncurrent liabilities:					
Compensated absences payable	17,121	5,373	19,256	5,373	47,123
Bonds payable	8,046,500	-	4,339,000	1,660,500	14,046,000
Capital lease payable	-	222,062	48,450	-	270,512
Less current portion of noncurrent liabilities	<u>(284,885)</u>	<u>(65,552)</u>	<u>(285,296)</u>	<u>(256,861)</u>	<u>(892,594)</u>
Total noncurrent liabilities	<u>7,778,736</u>	<u>161,883</u>	<u>4,121,410</u>	<u>1,409,012</u>	<u>13,471,041</u>
Total liabilities	<u>8,298,324</u>	<u>498,917</u>	<u>4,963,158</u>	<u>1,686,246</u>	<u>15,446,645</u>
Net Position					
Net investment in capital assets	2,788,207	988,027	2,587,766	1,743,073	8,107,073
Restricted for debt service	629,370	-	-	266,282	895,652
Restricted for capital outlay	137,201	192,576	238,161	41,844	609,782
Unrestricted	619,943	566,921	2,337,133	154,035	3,678,032
Total net position	<u>\$ 4,174,721</u>	<u>\$ 1,747,524</u>	<u>\$ 5,163,060</u>	<u>\$ 2,205,234</u>	<u>\$ 13,290,539</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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals Current Year</u>
Operating revenues:					
Charges for services	\$ 1,437,492	\$ 499,432	\$ 3,905,938	\$ 371,990	\$ 6,214,852
Other revenues	34,982	76,023	225,675	2,697	339,377
Total operating revenues	<u>1,472,474</u>	<u>575,455</u>	<u>4,131,613</u>	<u>374,687</u>	<u>6,554,229</u>
Operating expenses:					
Sewer treatment	-	177,555	-	-	177,555
Wholesale power purchases	-	-	2,398,565	-	2,398,565
Salaries and wages	284,323	82,132	351,770	82,132	800,357
Supplies and operating costs	476,209	23,548	372,716	26,198	898,671
Depreciation	578,340	140,783	443,844	140,575	1,303,542
Payroll taxes & employee benefits	149,013	43,109	160,840	42,904	395,866
Office & department supplies	2,368	555	20,648	53,720	77,291
Professional services	23,754	13,721	44,875	38,218	120,568
Insurance and surety bonds	38,027	38,027	38,027	-	114,081
Miscellaneous	9,308	-	46,992	36,590	92,890
Franchise fees	-	-	209,032	-	209,032
Billing and administration	72,269	52,551	61,238	19,310	205,368
Total operating expenses	<u>1,633,611</u>	<u>571,981</u>	<u>4,148,547</u>	<u>439,647</u>	<u>6,793,786</u>
Operating income (loss)	<u>(161,137)</u>	<u>3,474</u>	<u>(16,934)</u>	<u>(64,960)</u>	<u>(239,557)</u>
Non-operating revenues (expenses):					
Intergovernmental	-	-	-	428,118	428,118
Interest income	3,422	1,793	2,008	1,068	8,291
Impact fees	96,697	12,447	182,733	51,273	343,150
Gain (loss) on disposal of assets	-	-	-	(14,663)	(14,663)
Interest expense	(175,089)	(7,669)	(180,821)	(46,249)	(409,828)
Total non-operating revenues (expenses)	<u>(74,970)</u>	<u>6,571</u>	<u>3,920</u>	<u>419,547</u>	<u>355,068</u>
Income before contributions and transfers	<u>(236,107)</u>	<u>10,045</u>	<u>(13,014)</u>	<u>354,587</u>	<u>115,511</u>
Contributions and transfers:					
Transfers in	-	-	-	9,578	9,578
Change in net position	<u>(236,107)</u>	<u>10,045</u>	<u>(13,014)</u>	<u>364,165</u>	<u>125,089</u>
Total net position, beginning of year	4,370,202	1,737,479	5,140,269	1,841,069	13,089,019
Prior period adjustment	40,626	-	35,805	-	76,431
Total net position, end of year	<u>\$ 4,174,721</u>	<u>\$ 1,747,524</u>	<u>\$ 5,163,060</u>	<u>\$ 2,205,234</u>	<u>\$ 13,290,539</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, 2014

	<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	\$ 1,453,243	\$ 498,680	\$ 3,906,277	\$ 371,092	\$ 6,229,292
Cash received from customers, capacity fees and other	34,982	76,023	225,675	2,697	339,377
Cash paid to suppliers	(1,158,026)	(200,371)	(2,990,997)	(868,027)	(5,217,421)
Cash paid to employees	(433,436)	(124,770)	(510,761)	(124,565)	(1,193,532)
Net cash flows from operating activities	<u>(103,237)</u>	<u>249,562</u>	<u>630,194</u>	<u>(618,803)</u>	<u>157,716</u>
Cash flows from capital and related financing activities:					
Principal payments on long-term debt	(262,100)	(60,507)	(264,973)	(246,900)	(834,480)
Capital grants	-	-	-	948,516	948,516
Interest paid	(153,629)	(8,145)	(185,211)	(45,903)	(392,888)
Purchase of capital assets	(57,400)	(166,454)	(320,170)	(583,521)	(1,127,545)
Proceeds from the sale of capital assets	-	-	-	25,499	25,499
Impact fees and capital contributions	96,697	12,447	182,733	51,273	343,150
Net cash flows from capital and related financing activities:	<u>(376,432)</u>	<u>(222,659)</u>	<u>(587,621)</u>	<u>148,964</u>	<u>(1,037,748)</u>
Cash flows from investing activities:					
Interest on investments	3,422	1,793	2,008	1,068	8,291
Net change in cash and cash equivalents	(476,247)	28,696	44,581	(459,193)	(862,163)
Cash and cash equivalents, including restricted cash - beginning of year	1,722,513	788,378	1,975,914	884,839	5,371,644
Cash and cash equivalents, including restricted cash - end of year	<u>\$ 1,246,266</u>	<u>\$ 817,074</u>	<u>\$ 2,020,495</u>	<u>\$ 425,646</u>	<u>\$ 4,509,481</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Net operating income (loss)	\$ (161,137)	\$ 3,474	\$ (16,934)	\$ (64,960)	\$ (239,557)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	578,340	140,783	443,844	140,575	1,303,542
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	15,812	(752)	339	(898)	14,501
(Increase) Decrease in inventory	-	-	226,465	-	226,465
(Increase) Decrease in prepaid expenses	(3,064)	(3,064)	(3,064)	(613)	(9,805)
Increase (Decrease) in accounts payable	(305,327)	108,650	(24,062)	(661,853)	(882,592)
Increase (Decrease) in accrued liabilities	(230,764)	-	1,757	(31,525)	(260,532)
Increase (Decrease) in customer deposits	3,003	-	-	-	3,003
Increase (Decrease) in compensated absences	(100)	471	1,849	471	2,691
Net cash flows from operating activities	<u>\$ (103,237)</u>	<u>\$ 249,562</u>	<u>\$ 630,194</u>	<u>\$ (618,803)</u>	<u>\$ 157,716</u>

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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, 2014

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The government reports the following major governmental funds:

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

The government reports the following major enterprise funds:

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

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

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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, 2014

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, 2014 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, 2014

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, 2014

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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies, Continued

Property taxes

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

Compensated absences

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

Proprietary funds operating and nonoperating revenues and expenses

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

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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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, 2014

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2014 consist of the following:

Deposits:		
Cash on hand	\$	600
Cash in bank		686,687
Investments:		
US Government Securities		16,391
State Treasurer's Investment Pool		<u>5,528,068</u>
Total Deposits and Investments	<u>\$</u>	<u>6,231,746</u>

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

Cash and cash equivalents	\$	4,242,460
Restricted cash and cash equivalents		<u>1,989,286</u>
	<u>\$</u>	<u>6,231,746</u>

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

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

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2014, \$263,941 of the City's bank balance of \$780,333 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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, 2014

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, 2014 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	\$5,528,068	N/A	65.66
US Government Securities	16,391	AAA	Less than 1
Total Fair Value	<u>\$5,544,459</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, 2014

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 2,602,450	\$ -	\$ (1,200,000)	\$ 1,402,450
Total capital assets, not being depreciated:	<u>2,602,450</u>	<u>-</u>	<u>(1,200,000)</u>	<u>1,402,450</u>
Capital assets, being depreciated:				
Buildings	7,164,927	-	-	7,164,927
Improvements	3,339,444	264,822	-	3,604,266
Autos and trucks	1,000,715	21,207	(40,242)	981,680
Machinery and equipment	956,334	19,400	(19,750)	955,984
Office equipment	434,830	5,942	-	440,772
Artwork	198,491	-	-	198,491
Infrastructure	28,512,853	-	-	28,512,853
Total capital assets, being depreciated:	<u>41,607,594</u>	<u>311,371</u>	<u>(59,992)</u>	<u>41,858,973</u>
Less accumulated depreciation for:				
Buildings	(1,648,678)	(237,760)	-	(1,886,438)
Improvements	(1,080,199)	(178,603)	-	(1,258,802)
Autos and trucks	(996,040)	(5,396)	39,932	(961,504)
Machinery and equipment	(633,262)	(74,658)	17,780	(690,140)
Office equipment	(213,322)	(19,770)	-	(233,092)
Artwork	(30,932)	(6,618)	-	(37,550)
Infrastructure	(16,858,885)	(983,019)	-	(17,841,904)
Total accumulated depreciation	<u>(21,461,318)</u>	<u>(1,505,824)</u>	<u>57,712</u>	<u>(22,909,430)</u>
Total capital assets, being depreciated, net	<u>20,146,276</u>	<u>(1,194,453)</u>	<u>(2,280)</u>	<u>18,949,543</u>
Governmental activities capital assets, net	<u>\$ 22,748,726</u>	<u>\$ (1,194,453)</u>	<u>\$ (1,202,280)</u>	<u>\$ 20,351,993</u>

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

Governmental Activities:	
General government	\$ 259,815
Public safety	54,823
Public works	1,026,822
Parks	<u>164,364</u>
Total depreciation expense - governmental activities	<u>\$ 1,505,824</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

NOTE 5. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:				
Land and land easements	\$ 72,000	\$ -	\$ -	\$ 72,000
Construction in progress	1,119,693	166,454	(1,119,693)	166,454
Water rights	780,875	-	-	780,875
Total capital assets, not being depreciated	<u>1,972,568</u>	<u>166,454</u>	<u>(1,119,693)</u>	<u>1,019,329</u>
Capital assets being depreciated:				
Buildings	136,601	-	-	136,601
Machinery and equipment	913,302	-	(54,276)	859,026
Autos and trucks	446,105	-	-	446,105
Distribution system	32,751,691	2,080,784	-	34,832,475
Total capital assets, being depreciated	<u>34,247,699</u>	<u>2,080,784</u>	<u>(54,276)</u>	<u>36,274,207</u>
Less accumulated depreciation for:				
Buildings	(36,684)	(4,575)	-	(41,259)
Machinery and equipment	(585,469)	(35,075)	14,114	(606,430)
Autos and trucks	(187,937)	(64,959)	-	(252,895)
Distribution system	(12,770,434)	(1,198,933)	-	(13,969,367)
Total accumulated depreciation	<u>(13,580,524)</u>	<u>(1,303,542)</u>	<u>14,114</u>	<u>(14,869,951)</u>
Total capital assets, being depreciated, net	<u>20,667,175</u>	<u>777,242</u>	<u>(40,162)</u>	<u>21,404,256</u>
Business-type activities capital assets, net	<u>\$ 22,639,743</u>	<u>\$ 943,696</u>	<u>\$ (1,159,855)</u>	<u>\$ 22,423,585</u>

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

Business-Type Activities:	
Water	\$ 578,340
Sewer	140,783
Electric	443,844
Storm Water	140,575
Total depreciation expense - business-type activities	<u>\$ 1,303,542</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

Governmental Activities:

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
Sales Tax Revenue Bonds	\$ 132,000	\$ 3,685,000	\$ -	\$ 3,817,000	\$ 104,000
MBA Lease Revenue Bonds	5,055,000	-	(5,055,000)	-	-
Capital Leases Payable	237,499	-	(81,302)	156,197	84,751
Excise Tax Road Revenue Bonds	500,000	-	(50,000)	450,000	50,000
Compensated Absences	31,486	25,000	(21,135)	35,351	24,746
Total Governmental Activities	\$ 5,955,985	\$ 3,710,000	\$ (5,207,437)	\$ 4,458,548	\$ 263,497

Business-type Activities

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
Bonds payable:					
Revenue bonds	\$ 14,797,000	\$ -	\$ (751,000)	\$ 14,046,000	\$ 774,000
Total Bonds	14,797,000	-	(751,000)	14,046,000	774,000
Capital Leases Payable	353,992	-	(83,480)	270,512	85,608
Compensated Absences	44,432	21,955	(19,264)	47,123	32,986
Total Business-Type Activities	15,195,424	21,955	(853,744)	14,363,635	892,594
Total Long-Term Liabilities	\$ 21,151,409	\$ 3,731,955	\$ (6,061,181)	\$ 18,822,183	\$ 1,156,091

Long-term debt for the primary government at June 30, 2014 is comprised of the following issues:

Revenue Bonds:

Governmental Activities:

Series 2013 Sales Tax Revenue Bonds, due in annual principal installments ranging from \$98,000 to \$260,000, bearing interest semi-annually at 1.10% to 4.06%, maturing October 1, 2033. \$ 3,685,000

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. 450,000

Total Governmental Activities 4,267,000

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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.	93,000
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.	3,505,000
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.	609,000
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.	3,590,000
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>749,000</u>
Total Business-Type Activities	<u>14,046,000</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>156,197</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>270,512</u>
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Accrued Compensated Absences

	<u>82,474</u>
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Total Long-Term Debt	18,822,183
Less Current portion:	
Business-Type Activities	(892,594)
Governmental Activities	<u>(263,497)</u>
Net Long-Term Debt	<u><u>\$ 17,666,092</u></u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

NOTE 6. Long-Term Debt, Continued

The annual requirements to amortize bonds payable at June 30, 2014 are as follows:

Revenue Bonds

Year Ending June 30,	Excise Tax Road Revenue Bonds		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 50,000	\$ -	104,000	176,880
2016	50,000	-	146,000	130,188
2017	50,000	-	148,000	127,997
2018	50,000	-	151,000	125,317
2019	50,000	-	153,000	122,016
2020-2024	200,000	-	836,000	533,849
2025-2029	-	-	1,007,000	355,655
2030-2034	-	-	1,228,000	131,862
2035-2039	-	-	26,000	3,400
2040-2044	-	-	18,000	720
Totals	<u>\$ 450,000</u>	<u>\$ -</u>	<u>3,817,000</u>	<u>1,707,884</u>

	Water Revenue Bonds		Electric Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 272,900	\$ 128,234	\$ 248,000	\$ 173,204
2016	280,200	120,616	259,000	162,091
2017	508,600	112,180	270,000	149,391
2018	313,100	103,530	288,000	137,218
2019	320,400	97,249	294,000	125,721
2020-2024	1,627,700	385,728	1,677,000	438,732
2025-2029	1,435,600	222,365	1,303,000	93,493
2030-2034	915,000	147,525	-	-
2035-2039	956,000	104,125	-	-
2040-2044	1,185,000	55,100	-	-
2045	232,000	-	-	-
Totals	<u>\$ 8,046,500</u>	<u>\$ 1,476,652</u>	<u>\$ 4,339,000</u>	<u>\$ 1,279,850</u>

Year Ending June 30,	Storm Water Revenue Bonds	
	Principal	Interest
2015	\$ 253,100	\$ 41,600
2016	257,800	187,443
2017	287,400	30,918
2018	219,900	181,774
2019	66,600	21,246
2020-2024	336,300	71,112
2025-2029	239,400	15,649
Totals	<u>\$ 1,660,500</u>	<u>\$ 549,742</u>

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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
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:	27,467	25,701	114,584	167,752	231,532	51,200	282,732
Less amount representing interest:	(1,125)	(1,052)	(9,377)	(11,555)	(9,469)	(2,750)	(12,219)
Present value of net remaining minimum lease payments:	<u>\$ 26,342</u>	<u>\$ 24,649</u>	<u>\$ 105,206</u>	<u>\$ 156,197</u>	<u>\$ 222,062</u>	<u>\$ 48,450</u>	<u>\$ 270,512</u>

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

	<u>Cost</u>	<u>Expense</u>	<u>Depreciation</u>
Vehicles and Equipment	\$ 1,466,357	\$ 166,492	\$ (1,213,400)

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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, 2014, the City's fund balances are as follows:

General Fund:			
Nonspendable			
Prepays		\$	13,366
Committed to:			
Debt service			458,605
Assigned to:			
Swiss days			10,985
Vineyard drive improvements			10,887
Unassigned:			147,710
Total		<u>\$</u>	<u>641,553</u>
Special Revenue Funds:			
Restricted for:			
Street impact fees			162,549
Public safety impact fees			74,235
Unassigned:			(3,022)
Total		<u>\$</u>	<u>233,762</u>

NOTE 9. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

		Transfers From	
		Non-major Funds	Total
Transfers To	Storm Water	\$ 9,578	\$ 9,578
	Total	\$ 9,578	\$ 9,578

This transfer was made to move residual funds from the Capital Projects Fund to the Storm Water Fund since the remaining expenditures related to the project for which these funds were received are being made by the Storm Water Fund.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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.

Funding policy

In the Local Governmental Noncontributory Retirement System, the City of Santa Clara is required to contribute 17.29% of their annual covered salary. In the Contributory System, the City of Santa Clara is required to make contributions at the rate of 13.99% 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.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

NOTE 10. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2014 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				
2014	N/A	N/A	\$ 12,392	\$ 145,787
2013	N/A	N/A	3,088	36,073
2012	N/A	N/A	1,330	17,518
Noncontributory System:				
Local Governmental Division				
2014	N/A	N/A	\$ 210,026	\$ 1,168,435
2013	N/A	N/A	182,749	1,129,934
2012	N/A	N/A	148,460	1,078,140
Public Safety System				
Other Division A Noncontributory				
2014	N/A	N/A	N/A	N/A
2013	N/A	N/A	\$ 11,708	\$ 39,891
2012	N/A	N/A	94,071	385,011
Defined Contribution System:				
457 Plan				
2014	\$ 5,919	\$ -	N/A	N/A
2013	3,506	-	N/A	N/A
2012	6,364	-	N/A	N/A
401 (k) Plan				
2014	\$ 17,421	\$ 2,318	N/A	N/A
2013	19,582	1,025	N/A	N/A
2012	27,244	8,182	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, 2014

NOTE 11. Risk Management

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

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

NOTE 12. Contracts

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

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

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

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

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

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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 \$2,398,565 during the fiscal year ended June 30, 2014.

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, 2014.

NOTE 15. Commitments / Subsequent Events

The City is committed to participate in the Regional Water Line Project. The City incurred \$62,180 in cost during the current audit period and their future ownership costs are expected to be \$875,220 or approximately \$62,516 annually for 14 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, 2014 had an outstanding balance of \$216,891,000.

CITY OF SANTA CLARA, UTAH
Notes to the Financial Statements
June 30, 2014

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 \$1,142,289. 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 2014, the City paid Rosenberg Associates a total of \$51,535 for engineering services. Rosenberg Associates is owned by Rick Rosenberg who is currently serving as Mayor.

NOTE 17. Prior Period Adjustment

A prior period adjustment was recorded to correctly state the cash balance in the Zion's bond service cash accounts for the Water and Electric Funds. In the prior year, deposits in transit of \$76,431 had not been included in the prior year bank reconciliation leaving cash understated and interest expense overstated at year end. This resulted in a prior period adjustment being posted to beginning equity in the Water and Electric Funds in the amounts of \$40,626 and \$35,805 respectively. Assets of the Funds were increased by the same amounts.

NOTE 18. Current Refunding

In the year ended June 30, 2014, the City issued \$3,685,000 of lease revenue refunding bonds (series 2013) along with \$1,500,000 of land sale proceeds for a current refunding of \$5,055,000 on lease revenue bonds (series 2007). The reacquisition price exceeded the net carrying amount of the old debt by \$69,250 which is not material to the government-wide financial statements and, therefore, has not been reported on the Statement of Net Position as a deferred outflow or resources. As a result, the refunded bonds are considered to be defeased. The transaction resulted in an economic loss of \$157,329 and an increase of \$169,980 in future debt service payments.

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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, 2014

	<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	\$ 716,500	\$ 721,500	\$ 719,976	\$ (1,524)
Prior year's delinquent taxes	15,000	15,000	19,798	4,798
General sales and use taxes	662,000	697,000	685,594	(11,406)
Franchise taxes	293,252	293,252	292,534	(718)
Telecommunications tax	80,000	80,000	68,530	(11,470)
Total taxes	<u>1,766,752</u>	<u>1,806,752</u>	<u>1,786,432</u>	<u>(20,320)</u>
Licenses & permits:				
Business license & permits	10,000	10,000	11,960	1,960
Non-business license & permits	73,450	103,450	103,808	358
Total license & permits	<u>83,450</u>	<u>113,450</u>	<u>115,768</u>	<u>2,318</u>
Intergovernmental revenues:				
Federal & state grants	10,000	32,525	22,525	(10,000)
Class "C" roads	225,000	310,000	229,864	(80,136)
State liquor allotment	-	-	4,925	4,925
Total intergovernmental revenues	<u>235,000</u>	<u>342,525</u>	<u>257,314</u>	<u>(85,211)</u>
Charges for services:				
Refuse collection	277,000	287,000	286,678	(322)
Street maintenance fees	48,000	48,000	53,017	5,017
Public safety	595,113	617,336	248,404	(368,932)
Parks & public property	133,700	152,700	142,635	(10,065)
Cemetery	17,500	33,500	34,695	1,195
Other	15,000	15,000	19,963	4,963
Total charges for services	<u>1,086,313</u>	<u>1,153,536</u>	<u>785,392</u>	<u>(368,144)</u>
Fines and forfeitures:				
Court fines & forfeitures	85,100	135,100	115,776	(19,324)
Miscellaneous:				
Investment earnings	10,000	15,000	15,252	252
Administrative service revenue	205,389	205,389	205,368	(21)
Community development	32,000	32,000	40,177	8,177
Contributions	-	-	1,100	1,100
Other	66,000	172,367	61,777	(110,590)
Total miscellaneous	<u>313,389</u>	<u>424,756</u>	<u>323,674</u>	<u>(101,082)</u>
Total revenues	<u>3,570,004</u>	<u>3,976,119</u>	<u>3,384,356</u>	<u>(591,763)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government	718,354	718,354	721,451	(3,097)
Public safety				
Judicial	106,136	161,136	144,406	16,730
Law enforcement	816,672	851,672	807,594	44,078
Fire protection	406,010	412,010	370,956	41,054
Building inspection	183,293	225,793	219,122	6,671
Total public safety	<u>1,512,111</u>	<u>1,650,611</u>	<u>1,542,078</u>	<u>108,533</u>
Highways and public improvements				
Public works	363,734	603,734	565,012	38,722
Capital outlay	-	5,000	4,393	607
Total highways and public improvements	<u>363,734</u>	<u>608,734</u>	<u>569,405</u>	<u>39,329</u>
Parks, recreation & public property				
Parks, trails & cemetery	460,984	513,984	487,409	26,575
Swiss days	49,978	73,978	60,430	13,548
Princess pageant	2,000	4,500	3,938	562
Total parks, recreation & public property	<u>512,962</u>	<u>592,462</u>	<u>551,777</u>	<u>40,685</u>
Debt service:				
Principal	50,000	50,000	131,302	(81,302)
Interest	249,523	249,523	191,458	58,065
Total debt service	<u>299,523</u>	<u>299,523</u>	<u>322,760</u>	<u>(23,237)</u>
Total expenditures	<u>3,406,684</u>	<u>3,869,684</u>	<u>3,707,471</u>	<u>162,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>163,320</u>	<u>106,435</u>	<u>(323,115)</u>	<u>(429,550)</u>
Other financing sources (uses)				
Sale of capital assets	5,000	1,518,762	1,513,762	(5,000)
Refunded bonds issued	-	3,685,000	3,685,000	-
Payment to refunded bond escrow agent	(350,000)	(5,405,000)	(5,055,000)	350,000
Total other financing sources and uses	<u>(345,000)</u>	<u>(201,238)</u>	<u>143,762</u>	<u>345,000</u>
Net change in fund balances	(181,680)	(94,803)	(179,353)	(84,550)
Fund balances, beginning of year	820,906	820,906	820,906	-
Fund balances, end of year	<u>\$ 639,226</u>	<u>\$ 726,103</u>	<u>\$ 641,553</u>	<u>\$ (84,550)</u>

SUPPLEMENTARY INFORMATION

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Impact Fees – This fund is used to account for the collection of impact fees and the expenditure of these fees on public facilities and infrastructure.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Flood Damage 2012 – This fund is used to account for the acquisition, repair and construction of capital assets damaged or destroyed by the 2012 flood.

CITY OF SANTA CLARA, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Impact Fees</u>	<u>Flood Damage - 2012</u>	
Assets			
Cash and cash equivalents	\$ 311,450	\$ -	\$ 311,450
Total assets	<u>311,450</u>	<u>-</u>	<u>311,450</u>
Liabilities			
Accounts payable	\$ 77,688	\$ -	\$ 77,688
Total liabilities	<u>77,688</u>	<u>-</u>	<u>77,688</u>
Fund Balances:			
Restricted			
Capital Outlay	236,784	-	236,784
Unassigned	(3,022)	-	(3,022)
Total fund balances	<u>233,762</u>	<u>-</u>	<u>233,762</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 311,450</u>	<u>\$ -</u>	<u>\$ 311,450</u>

CITY OF SANTA CLARA, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Impact Fees</u>	<u>Flood Damage - 2012</u>	
Revenues:			
Investment earnings	\$ 1,634	-	\$ 1,634
Total revenues	<u>1,634</u>	<u>-</u>	<u>1,634</u>
Expenditures:			
Capital outlay:			
Parks and recreation	173,341	-	173,341
Public works	13,098	-	13,098
Public safety	28,126	-	28,126
Total expenditures	<u>214,565</u>	<u>-</u>	<u>214,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,931)</u>	<u>-</u>	<u>(212,931)</u>
Other Financing Sources (Uses)			
Impact fees	236,069	-	236,069
Transfers out	-	(9,578)	(9,578)
Total other financing sources and uses	<u>236,069</u>	<u>(9,578)</u>	<u>226,491</u>
Net change in fund balances	23,138	(9,578)	13,560
Fund balances, beginning of year	<u>210,624</u>	<u>9,578</u>	<u>220,202</u>
Fund balances, end of year	<u>\$ 233,762</u>	<u>\$ -</u>	<u>\$ 233,762</u>

CITY OF SANTA CLARA, UTAH
Schedule of Capital Assets Used in the Operations of
Governmental Funds by Function and Activity
As of June 30, 2014

Functions and Activity	Total	Land	Buildings	Improvements	Machinery & Equipment	Office Equipment	Autos & Trucks	Artwork	Infrastructure
General government									
Administration	\$ 7,729,069	\$ 651,121	\$ 6,280,808	\$ 100,450	\$ 25,463	\$ 440,772	\$ 31,964	\$ 198,491	\$ -
Public safety	1,767,616	-	508,437	33,333	431,237	-	794,609	-	-
Public works									
Streets	29,801,840	196,282	-	696,145	319,627	-	76,933	-	28,512,853
Parks and recreation									
Parks and grounds maintenance	3,962,898	555,047	375,682	2,774,338	179,657	-	78,174	-	-
Total governmental funds capital assets	\$ 43,261,423	\$ 1,402,450	\$ 7,164,927	\$ 3,604,266	\$ 955,984	\$ 440,772	\$ 981,680	\$ 198,491	\$ 28,512,853

CITY OF SANTA CLARA, UTAH
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2014

Functions and Activity	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
General government				
Administration	\$ 8,901,920	\$ 27,149	\$ (1,200,000)	\$ 7,729,069
Public safety	1,775,555	27,480	(35,419)	1,767,616
Public works				
Streets	29,826,413	-	(24,573)	29,801,840
Parks and recreation				
Parks and grounds maintenance	3,706,156	256,742	-	3,962,898
Total governmental funds capital assets	<u>\$ 44,210,044</u>	<u>\$ 311,371</u>	<u>\$ (1,259,992)</u>	<u>\$ 43,261,423</u>

CITY OF SANTA CLARA, UTAH
Bond Disclosures
For the Year Ended June 30, 2014

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

Additional disclosures required by the Resolutions are:

	Water	Sewer
Number of connections within the boundaries of the City at June 30, 2014	2,058	1,984
Total billings for the fiscal year ended June 30, 2014	\$ 1,366,303	\$ 500,015

Water rates for the fiscal year ended June 30, 2014 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, 2014:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Comprehensive General Liability	13640-GL2010	12/15/13	07/01/18	10,000,000
Utah Local Government Trust	Auto Liability	13640-GL2010	12/15/13	12/15/14	5,000,000
Utah Local Government Trust	Property Coverage - Buildings	ulgt-apdp-2010	12/15/13	12/15/14	17,962,900
Utah Local Government Trust	Property Coverage - Contents	ulgt-apdp-2010	12/15/13	12/15/14	1,705,600
Utah Local Government Trust	Property Coverage - Contractors Equipment	ulgt-apdp-2010	12/15/13	12/15/14	378,409
Utah Local Government Trust	Property Coverage - EDP	ulgt-apdp-2010	12/15/13	12/15/14	56,000
Utah Local Government Trust	Property Coverage - Equipment in the Open	ulgt-apdp-2010	12/15/13	12/15/14	4,171,612
Utah Local Government Trust	Property Coverage - Mobile equipment	ulgt-apdp-2010	12/15/13	12/15/14	7,480
Utah Local Government Trust	Property Coverage - Miscellaneous equipment	ulgt-apdp-2010	12/15/13	12/15/14	389,750
Utah Local Government Trust	Workers Compensation	13640-WC2011	01/02/14	01/02/15	100/500/100
CNA Surety	Blanket Employee Bond	58461366	01/02/14	01/02/15	40,000
CNA Surety	Position Schedule Bond - Mayor/Recorder/Treasurer	58461367	08/01/13	08/01/14	198,000
CNA Surety	Blanket E&O Bond - 2 Notaries	68564329	01/02/14	01/02/15	10,000
CNA Surety	Position Schedule Bond - Treasurer	70089593	01/01/14	01/01/15	430,000
CNA Surety	Notary Bond	53471720N	06/05/14	06/05/15	5,000
CNA Surety	Notary Bond	69660112N	05/11/14	05/11/15	5,000

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FEDERAL AND STATE REPORTS

**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, 2014, 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 15, 2014.

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*.

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 15, 2014

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

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

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

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

We have audited Santa Clara City, Utah's compliance with the general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems Compliance
Enterprise Fund Transfers, Reimbursements, Loans, and Services

The City did not have any state funding classified as a major program during the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a direct and material effect on the City. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Santa Clara City, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying Findings and Recommendations dated November 15, 2014 as item 09-01.

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

Report On Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC
St. George, Utah
November 15, 2014

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Mayor
Rick Rosenberg

City Manager
Edward O. Dickie III



City Council
Jerry Amundsen
Herb Basso
Mary Jo Hafen
Kenneth Sizemore
David Whitehead

**Findings and Recommendations
For the Year Ended June 30, 2014**

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, 2014, 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.

- Not all of the bank reconciliations agreed to the cash balances as reported on the City's general ledger. While all differences were subsequently identified and corrected during the course of the audit, this does indicate the City's controls over cash may be lacking.
- Approximately \$500 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.
- The State Bank of Southern Utah Money Market account reconciliation contained several outstanding deposits that were not valid.

Reponse:

The City will continue to work with Caselle and Xpress Bill Pay to find out why the deposits in Caselle do not match the deposits on the bank 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 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 help us understand the purpose of the entries recommended by the auditors. We will also work to make the necessary adjustments to the general ledger prior to the audit.

Significant Deficiencies:

07-03. Accounting for Capital Assets

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

Response:

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

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. Although another individual reviews and approves the amounts to be direct deposited, the amount actually direct deposited is not reviewed. In order for the City's funds to be properly safeguarded and to ensure payroll is completed and recorded accurately, these duties should be segregated or other mitigating controls implemented.

Response:

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

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 budget. The Impact Fees Special Revenue Fund's expenditures exceeded the budgeted amounts.

Response:

The City will review the budget monthly and amend the budget as need to ensure expenditures do not exceed the budgeted amount.

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,

HintonBurdick, PLLC
November 15, 2014