



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**With Report of**

**Independent Certified Public Accountants**

## Table of Contents

	Page
<b>Financial Section:</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to the Financial Statements .....	21
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability .....	52
Schedule of Contributions .....	53
Notes to Required Supplementary Information .....	54
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	55
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Impact Fees Fund .....	57
Supplementary Information:	
Bond Disclosures .....	59
<b>Federal and State Reports:</b>	
Report on Compliance and on Internal Control over Financial Reporting .....	61
Report on Compliance with State Fiscal Laws .....	63
Findings and Recommendations .....	67
Responses to the Findings and Recommendations .....	71

**FINANCIAL SECTION**

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**HINTONBURDICK**  
CPAs & ADVISORS

## **Independent Auditors' Report**

The Honorable Mayor and  
Members of the City Council  
City of Santa Clara, Utah 84765

### **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, 2019, 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, 2019, 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, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison for the General Fund and Impact Fees Fund, as listed in the table of contents 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 Bond Disclosures 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 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 8, 2019, 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 8, 2019

## **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, 2019. 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 \$35,525,417 (net position). Of this amount, \$3,676,634 (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 increased by \$1,388,956. The majority of this increase resulted from improved economic conditions which contributed to higher tax revenue.
- As of the close of the current fiscal year, Santa Clara City's governmental funds reported combined ending fund balances of \$6,178,384.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,581,292.
- Santa Clara City's total bonds payable increased by \$1,242,807 or 9% during the current fiscal year.
- At the end of the current fiscal year, Santa Clara City's general fund revenues exceeded expenditures by \$2,686,746.

### **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 \$35,525,417 at the close of the most recent fiscal year.

By far the largest portion of Santa Clara's net position, (80% for Government Activities & 54% 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	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 8,158,568	\$ 5,760,157	\$ 9,015,751	\$ 8,293,055
Capital assets	18,053,542	18,486,333	19,592,185	20,141,206
Total assets	26,212,110	24,246,490	28,607,936	28,434,261
Deferred outflows of resources	332,531	254,741	381,960	358,519
Long-term liabilities outstanding	6,096,844	3,837,134	11,018,089	11,514,520
Other liabilities	1,092,044	1,078,604	836,844	1,068,521
Total liabilities	7,188,888	5,226,402	11,854,933	12,583,041
Deferred inflows of resources	931,815	1,054,799	33,484	293,308
Net position:				
Invested in capital assets, net of related debt	14,680,891	14,962,172	9,309,327	9,076,562
Restricted	4,569,538	2,246,217	3,289,027	2,958,599
Unrestricted	(826,491)	1,011,641	4,503,125	3,881,270
Total net position	\$ 18,423,938	\$ 18,220,030	\$ 17,101,479	\$ 15,916,431

<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	79.69%	54.44%	67.53%
Restricted net position	24.80%	19.23%	22.12%
Unrestricted net position	-4.49%	26.33%	10.35%
Total net position	100.00%	100.00%	100.00%

An additional portion of Santa Clara’s net position (26% & 19% respectfully) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$3,519,549 (-5% and 26% 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, for the primary government. The governmental activities however, report deficit unrestricted net position of \$826,491.

**Governmental activities.** Governmental activities increased Santa Clara’s net position by \$203,908.

**Business-type activities.** Business-type activities increased Santa Clara’s net position by \$1,185,048.

	Governmental activities		Business-type activities	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues:				
Program revenues:				
Charges for services	\$ 2,147,012	\$ 2,129,374	\$ 8,733,924	7,880,700
Operating grants and contributions	1,467,222	850,271	-	-
Capital grants and contributions	835,142	976,187	648,878	1,160,957
General revenues:				
Taxes	2,755,228	2,491,996	-	-
Unrestricted investment earnings	109,018	43,032	123,204	69,952
Gain on sale of capital assets	47,937	7,633	-	-
Other	-	-	-	-
Total revenues	<u>7,361,559</u>	<u>6,498,493</u>	<u>9,506,006</u>	<u>9,111,609</u>
Expenses:				
General government	1,177,054	1,025,909	-	-
Public safety	3,035,723	2,434,264	-	-
Public works	1,982,585	1,441,982	-	-
Parks and recreation	887,371	919,335	-	-
Community development	102,238	79,241	-	-
Interest on long-term debt	156,416	134,085	-	-
Water	-	-	1,768,580	2,046,027
Sewer	-	-	698,372	571,070
Electric	-	-	5,141,119	4,778,281
Storm drain	-	-	529,151	509,210
Total expenses	<u>7,341,387</u>	<u>6,034,816</u>	<u>8,137,222</u>	<u>7,904,588</u>
Increase in net position before transfers	20,172	463,677	1,368,784	1,207,021
Transfers	183,736	-	(183,736)	-
Increase in net position	203,908	463,677	1,185,048	1,207,021
Net position, beginning	18,220,030	17,756,353	15,916,431	14,709,410
Net position, ending	<u>\$ 18,423,938</u>	<u>\$ 18,220,030</u>	<u>\$ 17,101,479</u>	<u>\$ 15,916,431</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, 2019, the unassigned fund balance was \$1,581,292.

As of the end of the current fiscal year, Santa Clara's governmental funds reported combined ending fund balances of \$6,178,384 an increase of \$2,626,093 in comparison with the prior year. Of the fund balance, \$4,569,538 is *restricted* (unspent debt proceeds, impact fees and RAP tax), \$27,554 is *assigned* (Swiss Days and other), and \$1,581,292 is unassigned. The restricted, committed and assigned fund balances indicate that the balances are not available for discretionary 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 \$1,581,292.

Other governmental funds (impact fee fund) have a total fund balance of \$1,967,340, 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 \$4,503,125.

## Budgetary Highlights

The budget was amended during the year to make adjustments for unanticipated revenues and expenditures.

In June 2019, the City Council adopted the 2019-2020 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, 2019, amounts to \$37,645,727 (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	Business-type	
	Activities	Activities	Total
Land and water rights	\$ 2,091,942	\$ 1,487,859	\$ 3,579,801
Buildings	4,428,388	293,416	4,721,804
Improvements	2,073,325	21,859	2,095,184
Autos & trucks	213,297	638,940	852,237
Machinery and equipment	262,925	199,619	462,544
Office equipment	121,906	-	121,906
Artwork	127,861	-	127,861
Construction in progress	649,752	584,575	1,234,327
Infrastructure	8,084,146	16,365,917	24,450,063
Total	<u>\$ 18,053,542</u>	<u>\$ 19,592,185</u>	<u>\$ 37,645,727</u>

This year’s major capital asset additions primarily consisted of various pieces of equipment and infrastructure.

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 capital asset and depreciated in subsequent years. All new roads received by the City from new subdivision development will be added to the City’s road infrastructure assets.

**Long-term debt.** At year-end the City had \$15,410,000 in bonds outstanding—an increase of 9% 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		%
	2019	2018	2019	2018	2019	2018	Change
Revenue bonds	<u>5,471,000</u>	<u>3,521,000</u>	<u>9,939,000</u>	<u>10,651,000</u>	<u>15,410,000</u>	<u>14,172,000</u>	8.74%
Total	<u>\$ 5,471,000</u>	<u>\$ 3,521,000</u>	<u>\$ 9,939,000</u>	<u>\$ 10,651,000</u>	<u>\$ 15,410,000</u>	<u>\$ 14,172,000</u>	8.74%

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

- The property tax levy for FY 2019-2020 is .001893 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 2019-2020, 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 FY2018-2019 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, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,354,068	\$ 4,190,702	\$ 10,544,770
Receivables (net of allowance)	1,352,090	1,206,484	2,558,574
Internal balances	82,401	(82,401)	-
Inventory	-	373,479	373,479
Bond discounts (net)	-	38,460	38,460
Restricted cash and cash equivalents	359,135	3,289,027	3,648,162
Net pension asset	10,874	-	10,874
Capital assets not being depreciated:			
Land and water rights	2,091,942	1,487,859	3,579,801
Construction in progress	649,752	584,575	1,234,327
Capital assets, net of accumulated depreciation:			
Buildings	4,428,388	293,416	4,721,804
Improvements	2,073,325	21,859	2,095,184
Autos & trucks	213,297	638,940	852,237
Machinery and equipment	262,925	199,619	462,544
Office equipment	121,906	-	121,906
Artwork	127,861	-	127,861
Infrastructure	8,084,146	16,365,917	24,450,063
Total assets	<u>26,212,110</u>	<u>28,607,936</u>	<u>54,820,046</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	332,531	381,960	714,491
Total deferred outflows of resources	<u>332,531</u>	<u>381,960</u>	<u>714,491</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,066,645	742,695	1,809,340
Interest payable	25,399	94,149	119,548
Noncurrent liabilities:			
Due within one year	270,525	864,848	1,135,373
Due in more than one year	5,826,319	10,153,241	15,979,560
Total liabilities	<u>7,188,888</u>	<u>11,854,933</u>	<u>19,043,821</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	29,150	33,484	62,634
Unavailable revenue - property taxes	902,665	-	902,665
Total deferred inflows of resources	<u>931,815</u>	<u>33,484</u>	<u>965,299</u>
<b>Net Position</b>			
Net investment in capital assets	14,680,891	9,309,327	23,990,218
Restricted for:			
Debt service	359,135	884,535	1,243,670
Capital outlay	4,210,403	2,404,492	6,614,895
Unrestricted	(826,491)	4,503,125	3,676,634
Total net position	<u>\$ 18,423,938</u>	<u>\$ 17,101,479</u>	<u>\$ 35,525,417</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, 2019**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,177,054	\$ 957,493	\$ 163,630	\$ -	\$ (55,931)	\$ -	\$ (55,931)
Public safety	3,035,723	929,848	2,675	284,044	(1,819,156)	-	(1,819,156)
Public works	1,982,585	129,606	1,249,267	180,491	(423,221)	-	(423,221)
Community development	102,238	38,059	-	-	(64,179)	-	(64,179)
Interest on long-term debt	156,416	-	-	-	(156,416)	-	(156,416)
Total governmental activities	<u>7,341,387</u>	<u>2,147,012</u>	<u>1,467,222</u>	<u>835,142</u>	<u>(2,892,011)</u>	<u>-</u>	<u>(2,892,011)</u>
Business-type activities:							
Water	1,768,580	1,802,680	-	188,269	-	222,369	222,369
Sewer	698,372	771,479	-	32,203	-	105,310	105,310
Electric	5,141,119	5,385,675	-	380,308	-	624,864	624,864
Storm drain	529,151	774,090	-	48,098	-	293,037	293,037
Total business-type activities	<u>8,137,222</u>	<u>8,733,924</u>	<u>-</u>	<u>648,878</u>	<u>-</u>	<u>1,245,580</u>	<u>1,245,580</u>
Total primary government	<u>\$ 15,478,609</u>	<u>\$ 10,880,936</u>	<u>\$ 1,467,222</u>	<u>\$ 1,484,020</u>	<u>(2,892,011)</u>	<u>1,245,580</u>	<u>(1,646,431)</u>
<b>General Revenue</b>							
Taxes:							
Property taxes levied for general purposes					985,028	-	985,028
Sales and use taxes					1,339,231	-	1,339,231
Franchise taxes					383,799	-	383,799
Telecommunications tax					47,170	-	47,170
Unrestricted investment earnings					109,018	123,204	232,222
Gain on sale of capital assets					47,937	-	47,937
Transfers					183,736	(183,736)	-
Total general revenues & transfers					<u>3,095,919</u>	<u>(60,532)</u>	<u>3,035,387</u>
Change in net position					203,908	1,185,048	1,388,956
Net position - beginning					18,220,030	15,916,431	34,136,461
Net position - ending					<u>\$ 18,423,938</u>	<u>\$ 17,101,479</u>	<u>\$ 35,525,417</u>

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

**CITY OF SANTA CLARA, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>General Fund</u>	<u>Impact Fees</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,290,007	\$ 2,064,061	\$ 6,354,068
Receivables	76,281	-	76,281
Property taxes receivable	902,665	-	902,665
Due from other governments	373,144	-	373,144
Due from other funds	257,401	-	257,401
Restricted cash and cash equivalents	359,135	-	359,135
<b>Total assets</b>	<u><u>\$ 6,258,633</u></u>	<u><u>\$ 2,064,061</u></u>	<u><u>\$ 8,322,694</u></u>
<b>Liabilities</b>			
Accounts payable	509,630	\$ 96,721	\$ 606,351
Accrued liabilities	20,837	-	20,837
Customer deposits	80,322	-	80,322
Security holdings	359,135	-	359,135
Due to other Funds	175,000	-	175,000
<b>Total liabilities</b>	<u>1,144,924</u>	<u>96,721</u>	<u>1,066,645</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	902,665	-	902,665
<b>Total deferred inflows of resources</b>	<u>902,665</u>	<u>-</u>	<u>902,665</u>
<b>Fund Balances:</b>			
Restricted	2,602,198	1,967,340	4,569,538
Assigned	27,554	-	27,554
Unassigned	1,581,292	-	1,581,292
<b>Total fund balances</b>	<u>4,211,044</u>	<u>1,967,340</u>	<u>6,178,384</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 6,258,633</u></u>	<u><u>\$ 2,064,061</u></u>	<u><u>\$ 8,322,694</u></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, 2019**

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

Total fund balances - total governmental funds	\$	6,178,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets		\$ 48,852,413
Accumulated depreciation		<u>(30,798,871)</u>
		18,053,542
Net pension asset is not an available resource and, therefore, is not reported in the funds.		
		10,874
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows		332,531
Deferred inflows		<u>(29,150)</u>
		303,381
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable		(5,471,000)
Capital leases payable		(1,650)
Compensated absences		(62,882)
Net pension liability		(561,311)
Accrued interest payable		<u>(25,400)</u>
		<u>(6,122,243)</u>
Net position of governmental activities	\$	<u><u>18,423,938</u></u>

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

**CITY OF SANTA CLARA, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<u>General</u>	<u>Impact Fees</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 2,755,228	\$ -	\$ 2,755,228
Licenses, permits and fees	252,953	-	252,953
Intergovernmental revenue	523,539	-	523,539
Charges for services	2,325,294	-	2,325,294
Fines and forfeitures	190,446	-	190,446
Investment earnings	109,018	52,976	161,994
Other revenues	513,672	-	513,672
	<u>6,670,150</u>	<u>52,976</u>	<u>6,723,126</u>
<b>Expenditures:</b>			
Current:			
General government	894,147	-	894,147
Public safety	2,932,603	-	2,932,603
Public works	654,085	-	654,085
Parks, recreation & public property	714,067	-	714,067
Community and economic development	101,345	-	101,345
Debt service:			
Principal	3,237,682	50,000	3,287,682
Interest	84,092	-	84,092
Capital outlay:			
Parks and recreation	191,975	333,328	525,303
Public works	502,467	255,666	758,133
Public safety	60,614	65,131	125,745
	<u>9,373,077</u>	<u>704,125</u>	<u>10,077,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,702,927)</u>	<u>(651,149)</u>	<u>(3,354,076)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	47,937	-	47,937
Debt proceeds	5,158,000	-	5,158,000
Impact fees	-	590,496	590,496
Transfers in	183,736	-	183,736
	<u>5,389,673</u>	<u>590,496</u>	<u>5,980,169</u>
Net change in fund balances	2,686,746	(60,653)	2,626,093
Fund balances, beginning of year	<u>1,524,298</u>	<u>2,027,993</u>	<u>3,552,291</u>
Fund balances, end of year	<u>\$ 4,211,044</u>	<u>\$ 1,967,340</u>	<u>\$ 6,178,384</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, 2019**

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

Net change in fund balances - total governmental funds		\$ 2,626,093
<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</p>		
Capital outlay	\$ 1,246,863	
Depreciation expense	<u>(1,679,653)</u>	(432,790)
<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>		
		(1,948,490)
<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>		
		(4,665)
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net position liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
		(42,088)
<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>5,848</u>
Change in net position of governmental activities		<u>\$ 203,908</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, 2019**

	Water	Sewer	Electric	Storm Water	Totals Current Year
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,011,936	\$ 898,624	\$ 2,194,366	\$ 85,776	\$ 4,190,702
Receivables, net of allowance	318,415	78,784	722,370	50,401	1,169,970
Interfund receivable	-	175,000	-	-	175,000
Intergovernmental receivable	-	9,745	-	8,769	18,514
Inventory	-	-	373,479	-	373,479
Total current assets	<u>1,330,351</u>	<u>1,162,153</u>	<u>3,290,215</u>	<u>144,946</u>	<u>5,927,665</u>
Noncurrent assets:					
Restricted cash	1,777,511	94,911	1,053,586	363,019	3,289,027
Assessments receivable	-	18,000	-	-	18,000
Bond discounts (net)	26,922	-	-	11,538	38,460
Capital assets:					
Land and water rights	830,875	-	-	656,984	1,487,859
Construction in progress	-	-	461,540	123,035	584,575
Buildings	14,594	301,251	69,414	-	385,259
Distribution and collection systems	16,448,547	2,041,143	13,684,076	4,041,250	36,215,016
Improvements	-	6,614	18,000	-	24,614
Machinery and equipment	105,854	39,342	547,331	120,022	812,549
Automobiles and trucks	141,932	831,500	389,286	61,074	1,423,792
Less: Accumulated depreciation	<u>(9,341,271)</u>	<u>(2,035,976)</u>	<u>(8,542,621)</u>	<u>(1,421,611)</u>	<u>(21,341,479)</u>
Total capital assets (net of accumulated depreciation)	<u>8,200,531</u>	<u>1,183,874</u>	<u>6,627,026</u>	<u>3,580,754</u>	<u>19,592,185</u>
Total noncurrent assets	<u>10,004,964</u>	<u>1,296,785</u>	<u>7,680,612</u>	<u>3,955,311</u>	<u>22,937,672</u>
Total assets	<u>11,335,315</u>	<u>2,458,938</u>	<u>10,970,827</u>	<u>4,100,257</u>	<u>28,865,337</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources related to pensions	125,079	38,975	180,252	37,654	381,960
Total deferred outflows of resources	<u>125,079</u>	<u>38,975</u>	<u>180,252</u>	<u>37,654</u>	<u>381,960</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	17,428	53,439	452,846	40,799	564,512
Accrued liabilities	-	16,343	16,828	-	33,171
Customer deposits	145,012	-	-	-	145,012
Interfund payable	-	-	-	257,401	257,401
Interest payable	48,290	9,145	30,861	5,853	94,149
Current portion of noncurrent liabilities	349,272	72,216	365,243	78,117	864,848
Total current liabilities	<u>560,002</u>	<u>151,143</u>	<u>865,778</u>	<u>382,170</u>	<u>1,959,093</u>
Noncurrent liabilities:					
Compensated absences payable	29,985	9,502	40,371	10,627	90,485
Net pension liability	211,133	65,790	304,264	63,559	644,746
Bonds payable	6,351,300	-	3,012,000	575,700	9,939,000
Loans payable	-	337,254	-	-	337,254
Capital lease payable	1,651	1,651	1,651	1,651	6,604
Less current portion of noncurrent liabilities	<u>(349,272)</u>	<u>(72,216)</u>	<u>(365,243)</u>	<u>(78,117)</u>	<u>(864,848)</u>
Total noncurrent liabilities	<u>6,244,797</u>	<u>341,981</u>	<u>2,993,043</u>	<u>573,420</u>	<u>10,153,241</u>
Total liabilities	<u>6,804,799</u>	<u>493,124</u>	<u>3,858,821</u>	<u>955,590</u>	<u>12,112,334</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources related to pensions	10,965	3,417	15,801	3,301	33,484
Total deferred inflows of resources	<u>10,965</u>	<u>3,417</u>	<u>15,801</u>	<u>3,301</u>	<u>33,484</u>
<b>Net Position</b>					
Net investment in capital assets	1,847,580	844,969	3,613,375	3,003,403	9,309,327
Restricted for debt service	730,901	-	-	153,634	884,535
Restricted for capital outlay	1,046,610	94,911	1,053,586	209,385	2,404,492
Unrestricted	1,019,539	1,061,492	2,609,496	(187,402)	4,503,125
Total net position	<u>\$ 4,644,630</u>	<u>\$ 2,001,372</u>	<u>\$ 7,276,457</u>	<u>\$ 3,179,020</u>	<u>\$ 17,101,479</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, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals</u> <u>Current Year</u>
<b>Operating revenues:</b>					
Charges for services	\$ 1,745,103	\$ 700,771	\$ 5,097,349	\$ 490,590	\$ 8,033,813
Other revenues	57,577	70,708	288,326	283,500	700,111
Total operating revenues	<u>1,802,680</u>	<u>771,479</u>	<u>5,385,675</u>	<u>774,090</u>	<u>8,733,924</u>
Sewer treatment	-	296,363	-	-	296,363
Wholesale power purchases	-	-	2,986,300	-	2,986,300
Salaries and wages	379,438	119,511	540,105	126,902	1,165,956
Supplies and operating costs	358,375	26,878	259,337	27,856	672,446
Depreciation	551,787	121,523	504,606	160,792	1,338,708
Payroll taxes & employee benefits	196,088	65,055	286,039	63,422	610,604
Office & department supplies	3,453	16	63,378	55,536	122,383
Professional services	23,745	9,543	41,069	47,012	121,369
Insurance and surety bonds	19,965	11,979	27,951	-	86,817
Miscellaneous	16,053	-	14,600	9,644	40,297
Franchise fees	-	-	283,853	-	17,825,655
Billing and administration	64,575	35,525	58,450	15,948	174,498
Total operating expenses	<u>1,613,479</u>	<u>686,393</u>	<u>5,065,688</u>	<u>507,112</u>	<u>25,441,396</u>
Operating income (loss)	<u>189,201</u>	<u>85,086</u>	<u>319,987</u>	<u>266,978</u>	<u>(16,707,472)</u>
<b>Non-operating revenues (expenses):</b>					
Interest income	56,885	3,823	51,316	11,180	123,204
Impact fees	188,269	32,203	380,308	48,098	648,878
Interest expense	(155,101)	(11,979)	(75,431)	(22,039)	(264,550)
Total non-operating revenues (expenses)	<u>90,053</u>	<u>24,047</u>	<u>356,193</u>	<u>37,239</u>	<u>507,532</u>
Income before contributions and transfers	<u>279,254</u>	<u>109,133</u>	<u>676,180</u>	<u>304,217</u>	<u>(16,199,940)</u>
<b>Contributions and transfers:</b>					
Transfers out	(80,000)	-	(71,000)	(32,736)	(183,736)
Change in net position	199,254	109,133	605,180	271,481	(16,383,676)
Total net position, beginning of year	<u>4,445,376</u>	<u>1,892,239</u>	<u>6,671,277</u>	<u>2,907,539</u>	<u>15,916,431</u>
<b>Total net position, end of year</b>	<u>\$ 4,644,630</u>	<u>\$ 2,001,372</u>	<u>\$ 7,276,457</u>	<u>\$ 3,179,020</u>	<u>\$ 17,101,479</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, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	<u>Totals Current Year</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers, service fees	\$ 1,803,536	\$ 680,245	\$ 5,160,269	\$ 487,335	\$ 8,131,385
Cash received from customers, capacity fees and other	57,577	70,708	288,326	283,500	700,111
Cash paid to suppliers	(687,937)	(362,506)	(4,174,256)	(121,300)	(5,345,999)
Cash paid to employees	(580,653)	(183,798)	(433,944)	(221,259)	(1,419,654)
Net cash flows from operating activities	<u>592,523</u>	<u>204,649</u>	<u>840,395</u>	<u>428,276</u>	<u>2,065,843</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	(80,000)	-	(71,000)	(32,736)	(183,736)
Advances (to) from other funds	-	25,000	-	(899,038)	(874,038)
Net cash flows from noncapital financing activities	<u>(80,000)</u>	<u>25,000</u>	<u>(71,000)</u>	<u>(931,774)</u>	<u>(1,057,774)</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal payments on long-term debt	(321,910)	(65,255)	(326,510)	(68,110)	(781,785)
Capital grants	-	-	-	480,036	480,036
Interest paid	(154,144)	(12,939)	(77,541)	(21,246)	(265,870)
Purchase of capital assets	(52,093)	(22,093)	(660,213)	(22,093)	(756,492)
Impact fees and capital contributions	188,269	32,203	380,307	48,098	648,877
Net cash flows from capital and related financing activities:	<u>(339,878)</u>	<u>(68,084)</u>	<u>(683,957)</u>	<u>416,685</u>	<u>(675,234)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	56,885	3,823	51,316	11,180	123,204
Net change in cash and cash equivalents	229,530	165,388	136,754	(75,633)	456,039
Cash and cash equivalents, including restricted cash - beginning of year	<u>2,559,917</u>	<u>828,147</u>	<u>3,111,198</u>	<u>524,428</u>	<u>7,023,690</u>
<b>Cash and cash equivalents, including restricted cash - end of year</b>	<u>\$ 2,789,447</u>	<u>\$ 993,535</u>	<u>\$ 3,247,952</u>	<u>\$ 448,795</u>	<u>\$ 7,479,729</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Net operating income (loss)	\$ 189,201	\$ 85,086	\$ 319,987	\$ 266,978	\$ 861,252
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities					
Depreciation/amortization	551,787	121,523	504,606	160,792	1,338,708
Pension expense	52,163	17,465	99,411	(523)	168,516
Employer pension contributions	(58,666)	(17,091)	(87,505)	(32,149)	(195,411)
Changes in operating assets and liabilities:					
(Increase) Decrease in receivables	47,084	(20,526)	62,920	(3,255)	86,223
(Increase) Decrease in inventory	-	-	21,847	-	21,847
Increase (Decrease) in accounts payable	(201,771)	17,798	(91,405)	34,696	(240,682)
Increase (Decrease) in accrued liabilities	-	-	3,784	-	3,784
Increase (Decrease) in customer deposits	11,349	-	-	-	11,349
Increase (Decrease) in compensated absences	1,376	394	6,750	1,737	10,257
Net cash flows from operating activities	<u>\$ 592,523</u>	<u>\$ 204,649</u>	<u>\$ 840,395</u>	<u>\$ 428,276</u>	<u>\$ 2,065,843</u>

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



**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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**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, 2019**

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

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**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 **Impact Fees** Special Revenue Fund is used to account for the collection and use of impact fees related to the City’s governmental activities.

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, 2019**

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

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**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, 2019**

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

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**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, 2019 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, 2019**

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

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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 City has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See Note 10 for more information.

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 City has two types of items, 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. The second item is pension related items reported on the government-wide and proprietary fund financial statements. See Note 10 for more information.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***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.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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*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.

*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.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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**Revenues and expenditures/expenses**

*Program revenues*

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

*Property taxes*

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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**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.

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

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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.



**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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**Budgets and budgetary accounting**

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

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

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**NOTE 4. Deposits and Investments**

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Deposits and investments of the City at June 30, 2019 consist of the following:

Deposits:	
Cash on hand	\$ 600
Cash in bank	1,765,106
Investments:	
State Treasurer's Investment Pool	<u>8,452,383</u>
Total Deposits and Investments	<u><u>\$ 14,192,932</u></u>

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

Cash and cash equivalents	\$ 10,544,770
Restricted cash and cash equivalents	<u>3,648,162</u>
	<u><u>\$ 14,192,932</u></u>

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

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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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, 2019, \$184,812 of the City's bank balance of \$934,003 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**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.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

**Interest rate risk**

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

**Credit risk**

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

As of June 30, 2019 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	\$ 8,452,383	N/A	47.67
Total Fair Value	<u>\$ 8,452,383</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.

**Fair value measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2019:

- PTIF of \$8,824,417 are valued using amortized cost (Level 2 inputs).

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2019</b>
Capital assets, not being depreciated:				
Land	\$ 1,596,795	\$ 495,147	\$ -	\$ 2,091,942
Construction in progress	211,503	438,249	-	649,752
Total capital assets, not being depreciated:	<u>1,808,298</u>	<u>933,396</u>	<u>-</u>	<u>2,741,694</u>
Capital assets, being depreciated:				
Buildings	7,546,966	-	-	7,546,966
Improvements	4,103,729	167,321	-	4,271,050
Autos and trucks	1,270,353	61,800	(10,757)	1,321,396
Machinery and equipment	1,121,298	77,922	(9,890)	1,189,330
Office equipment	494,849	6,424	-	501,273
Artwork	198,491	-	-	198,491
Infrastructure	31,082,213	-	-	31,082,213
Total capital assets, being depreciated:	<u>45,817,899</u>	<u>313,467</u>	<u>(20,647)</u>	<u>46,110,719</u>
Less accumulated depreciation for:				
Buildings	(2,865,520)	(253,058)	-	(3,118,578)
Improvements	(2,043,697)	(154,028)	-	(2,197,725)
Autos and trucks	(1,054,818)	(64,038)	10,757	(1,108,099)
Machinery and equipment	(869,825)	(66,469)	9,890	(926,404)
Office equipment	(345,923)	(33,444)	-	(379,367)
Artwork	(64,014)	(6,616)	-	(70,630)
Infrastructure	(21,896,067)	(1,102,000)	-	(22,998,067)
Total accumulated depreciation	<u>(29,139,864)</u>	<u>(1,679,653)</u>	<u>20,647</u>	<u>(30,798,870)</u>
Total capital assets, being depreciated, net	<u>16,678,035</u>	<u>(1,366,186)</u>	<u>-</u>	<u>15,311,849</u>
Governmental activities capital assets, net	<u>\$ 18,486,333</u>	<u>\$ (432,790)</u>	<u>\$ -</u>	<u>\$ 18,053,543</u>

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

<b>Governmental Activities:</b>	
General government	\$ 275,011
Public safety	77,233
Public works	1,160,407
Parks	167,002
Total depreciation expense - governmental activities	<u>\$ 1,679,653</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 5. Capital Assets, Continued**

<b>Business Type Activities:</b>	<b>Balance 6/30/2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2019</b>
Capital assets not being depreciated:				
Land and land easements	\$ 706,984	\$ -	\$ -	\$ 706,984
Construction in progress	138,285	446,290	-	584,575
Water rights	780,875	-	-	780,875
Total capital assets, not being depreciated	<u>1,626,144</u>	<u>446,290</u>	<u>-</u>	<u>2,072,434</u>
Capital assets being depreciated:				
Buildings	385,259	-	-	385,259
Machinery and equipment	822,648	-	(10,099)	812,549
Autos and trucks	1,206,972	216,820	-	1,423,792
Distribution system	36,113,053	126,577	-	36,239,630
Total capital assets, being depreciated	<u>38,527,932</u>	<u>343,397</u>	<u>(10,099)</u>	<u>38,861,230</u>
Less accumulated depreciation for:				
Buildings	(83,100)	(11,498)	-	(94,598)
Machinery and equipment	(578,014)	(45,015)	10,099	(612,930)
Autos and trucks	(658,387)	(126,465)	-	(784,852)
Distribution system	(18,693,369)	(1,155,730)	-	(19,849,099)
Total accumulated depreciation	<u>(20,012,870)</u>	<u>(1,338,708)</u>	<u>10,099</u>	<u>(21,341,479)</u>
Total capital assets, being depreciated, net	<u>18,515,062</u>	<u>(995,311)</u>	<u>-</u>	<u>17,519,751</u>
Business-type activities capital assets, net	<u>\$ 20,141,206</u>	<u>\$ (549,021)</u>	<u>\$ -</u>	<u>\$ 19,592,185</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 551,787
Sewer	121,523
Electric	504,606
Storm Water	160,792
Total depreciation expense - business-type activities	<u>\$ 1,338,708</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 6. Long-Term Debt**

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The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

**Governmental Activities:**

	Balance 6/30/2018	Additions	Retirements	Balance 6/30/2019	Current Portion
Bonds payable from direct borrowings and direct placements:					
Sales Tax Revenue Bonds	\$ 3,271,000	\$ 5,158,000	\$ (3,158,000)	\$ 5,271,000	\$ 175,000
Excise Tax Road Revenue Bonds	250,000	-	(50,000)	200,000	50,000
Capital Leases Payable	3,161	-	(1,510)	1,651	1,508
Compensated Absences	58,217	31,441	(26,776)	62,882	44,017
Net Pension Liability	254,756	306,555	-	561,311	-
	<u>\$ 3,837,134</u>	<u>\$ 5,495,996</u>	<u>\$ (3,236,286)</u>	<u>\$ 6,096,844</u>	<u>\$ 270,525</u>

**Business-type Activities**

	Balance 6/30/2018	Additions	Retirements	Balance 6/30/2019	Current Portion
Bonds payable from direct borrowings and direct placements:					
Revenue bonds	\$ 10,651,000	\$ -	\$ (712,000)	\$ 9,939,000	\$ 730,000
Less bond discounts	(43,268)	-	4,807	(38,461)	-
Capital Leases Payable	12,642	-	(6,040)	6,602	7,924
Loans Payable	401,000	-	(63,746)	337,254	63,584
Compensated Absences	80,228	45,243	(34,986)	90,485	63,340
Net Pension Liability	369,648	275,099	-	644,747	-
	<u>11,471,250</u>	<u>320,342</u>	<u>(811,965)</u>	<u>10,979,627</u>	<u>864,848</u>
Total Business-Type Activities	<u>11,471,250</u>	<u>320,342</u>	<u>(811,965)</u>	<u>10,979,627</u>	<u>864,848</u>
Total Long-Term Liabilities	<u>\$ 15,308,384</u>	<u>\$ 5,816,338</u>	<u>\$ (4,048,251)</u>	<u>\$ 17,076,471</u>	<u>\$ 1,135,373</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

Long-term debt for the primary government at June 30, 2019 is comprised of the following issues:

**Revenue bonds from direct borrowings and direct placements:**

**Governmental Activities:**

Series 2019 Sales Tax Revenue Bonds, due in annual principal installments ranging from \$88,000 to \$130,000, bearing interest annually at 2.50%, maturing March 1, 2040. Secured by City sales tax revenues.	\$ 2,100,000
Series 2019 Lease Revenue Refunding Bonds, due in annual principal installments ranging from \$171,000 to \$244,000, bearing interest semi-annually at 2.76%, maturing October 1, 2033.	3,058,000
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. Secured by City sales tax revenues.	113,000
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. Secured by City excise tax revenues.	<u>200,000</u>
Total Governmental Activities	<u>\$ 5,471,000</u>

**Business-Type Activities:**

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. Secured by water fund revenues.	\$ 1,919,000
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. Secured by water and stormwater fund revenues.	1,859,000
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. Secured by water and stormwater fund revenues.	3,149,000

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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Electric Revenue Refunding Bonds, Series 2017, due in annual principal installments ranging from \$281,000 to \$335,000, bearing interest semi-annually at 1.00% to 3.04% maturing August 1, 2026. Secured by electric fund revenues.	2,467,000
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. Secured by electric fund revenues.	<u>545,000</u>
Total Business-Type Activities	<u>\$ 9,939,000</u>
<b>Loans and Leases Payable:</b>	
<b>Governmental Activities:</b>	
Lease payable in annual installments through October 2019, at interest from 2.53%.	\$ 1,651
<b>Business-Type Activities:</b>	
Loan payable in annual installments of \$87,137 through July 2022, at interest of 3.05%.	337,254
Leases payable in semi-annual installments through October 2019, at interest of 2.11% to 3.67%.	6,602
<b>Accrued Compensated Absences</b>	153,367
<b>Net Pension Liability</b>	1,206,058
<b>Bond Discounts</b>	<u>(38,461)</u>
Total Long-Term Debt	<u>\$ 17,076,471</u>
Less Current portion:	
Business-Type Activities	(864,848)
Governmental Activities	<u>(270,525)</u>
Net Long-Term Debt	<u><u>\$ 15,941,098</u></u>



**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

The annual requirements to amortize bonds payable from direct borrowing and direct placements, at June 30, 2019 are as follows:

**Revenue Bonds**

Year Ending June 30,	Excise Tax Road Revenue Bonds		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 50,000	\$ -	\$ 175,000	\$ 81,897
2021	50,000	-	176,000	131,928
2022	50,000	-	270,000	127,018
2023	50,000	-	276,000	119,770
2024	-	-	283,000	112,347
2025-2029	-	-	1,533,000	443,369
2030-2034	-	-	1,744,000	226,150
2035-2039	-	-	663,000	68,250
2040-2044	-	-	151,000	3,970
Totals	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 5,271,000</u>	<u>\$ 1,314,699</u>

	Water Revenue Bonds		Electric Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 326,300	\$ 90,754	\$ 335,000	\$ 71,966
2021	363,700	83,667	341,000	65,584
2022	306,200	76,798	346,000	58,492
2023	312,800	70,507	357,000	50,775
2024	318,700	64,003	359,000	42,287
2025-2029	1,435,600	222,365	1,274,000	70,722
2030-2034	915,000	147,525	-	-
2035-2039	956,000	104,125	-	-
2040-2044	1,185,000	55,100	-	-
2045-2048	232,000	-	-	-
Totals	<u>\$ 6,351,300</u>	<u>\$ 914,844</u>	<u>\$ 3,012,000</u>	<u>\$ 359,826</u>

Year Ending June 30,	Storm Water Revenue Bonds		Sewer Loan	
	Principal	Interest	Principal	Interest
2020	\$ 68,700	\$ 18,977	\$ 63,584	\$ 10,286
2021	84,300	16,464	65,523	8,347
2022	58,800	14,056	67,522	6,348
2023	61,200	11,917	69,581	4,289
2024	63,300	9,698	71,044	2,167
2025-2029	239,400	15,649	-	-
2030-2034	-	-	-	-
Totals	<u>\$ 575,700</u>	<u>\$ 86,761</u>	<u>\$ 337,254</u>	<u>\$ 31,437</u>

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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,	Mini Excavator	Total Gov. Activities	Mini Excavator	Total Bus. Activities
2020	\$ 1,625	\$ 1,625	\$ 6,500	\$ 6,500
2021	1,625	1,625	6,500	6,500
Total remaining lease payments:	3,250	3,250	13,000	13,000
Less amount representing interest:	(1,599)	(1,600)	(6,398)	(6,398)
Present value of net remaining minimum lease payments:	\$ 1,651	\$ 1,651	\$ 6,602	\$ 6,602

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

	Cost	Expense	Depreciation
Vehicles and Equipment	\$ 47,709	\$ 4,771	\$ 23,855

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

**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, 2019, the City's fund balances are as follows:

**General Fund:**

**Restricted for:**

Capital outlay	\$ 2,100,000
RAP tax	143,063
Debt service	359,135

**Assigned to:**

Swiss days	16,667
Vineyard drive improvements	10,887

**Unassigned:**

Total	\$ 4,211,044
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**Special Revenue Funds:**

**Restricted for:**

Street impact fees	\$ 714,072
Park impact fees	902,312
Public safety impact fees	350,956
Total	\$ 1,967,340

**NOTE 9. Interfund Receivables and Payables**

At June 30, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Due From		
		General Fund	Storm Water Fund	Total
Due To	General Fund	\$ -	\$ 257,401	\$ 257,401
	Sewer Fund	175,000	-	175,000
	Total	\$ 175,000	\$ 257,401	\$ 432,401

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 9. Interfund Receivables and Payables, Continued**

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With the exception of the interfund loan described below, interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

In 2017, the Sewer Fund loaned the General Fund \$250,000 to finance the purchase of land. The loan bears interest at 2.0% and is payable in 10 installments ranging from \$29,500 to \$25,500.

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**NOTE 10. Defined Benefit Pension Plan**

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General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); Firefighters Retirement System (Firefighters System); are multiple employer cost-sharing retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system.
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer cost-sharing public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial deductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

**Contribution Rate Summary**

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

**Utah Retirement Systems**

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k) Plan</u>
<b>Contributory System</b>			
111 Local Government Div - Tier 2	N/A	15.54%	1.15%
<b>Noncontributory System</b>			
15 Local Government Div - tier 1	N/A	18.47%	N/A
<b>Public Safety System</b>			
<b>Contributory</b>			
122 Tier 2 DB Hybrid Public Safety	N/A	23.09%	0.74%
<b>Noncontributory</b>			
43 Other Div A with 2.5% COLA	N/A	34.04%	N/A
<b>Firefighters Retirement System</b>			
31 Other Division A	15.05%	4.61%	N/A
132 Tier 2 DB Hybrid Firefighters	N/A	11.34%	0.74%
<b>Tier 2 DC Only</b>			
211 Local Government	N/A	6.69%	10.00%
222 Public Safety	N/A	11.83%	12.00%
232 Firefighters	N/A	0.08%	12.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 241,664	N/A
Firefighters System	5,615	\$ 18,332
Tier 2 Public Employees System	67,125	-
Tier 2 Public Safety and Firefighter	20,352	-
Tier 2 DC Only System	4,642	N/A
Tier 2 DC Public Safety and Firefighter System	45	N/A
Total Contributions	\$ 339,443	\$ 18,332

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

***Combined Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the City reported a net pension asset of \$0 and a net pension liability of \$1,206,058.

	<b>Measurement Date: December 31, 2018</b>				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2017</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$ 1,138,865	0.1546589%	0.1418812%	0.0127777%
Firefighters System	-	50,459	0.3886043%	0.4050682%	-0.0164639%
Tier 2 Public Employees System	-	13,931	0.0325277%	0.0315360%	0.0009917%
Tier 2 Public Safety and Firefighter	-	2,803	0.1118523%	0.0036548%	0.1081975%
	\$ -	\$ 1,206,058			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the Systems during the plan year.

For the year ended June 30, 2019 the City recognized pension expense of \$398,603.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,698	\$ 33,223
Changes in assumptions	185,560	6,211
Net difference between projected and actual earnings on pension plan investments	269,790	-
Change in proportion and differences between contributions and proportional share of contributions	67,716	23,199
Contributions made subsequent to the measurement date	164,728	-
Total	<u>\$ 714,492</u>	<u>\$ 62,633</u>

\$164,728 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	\$ 199,342
2020	98,169
2021	48,203
2022	132,969
2023	3,840
Thereafter	4,608



**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25- 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, which adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<b>Expected Return Arithmetic Basis</b>		
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

<b>System</b>	<b>1% Decrease (5.95%)</b>	<b>Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
Noncontributory System	\$ 2,334,059	\$ 1,138,865	\$ 143,585
Firefighters System	188,296	50,459	(61,152)
Tier 2 Public Employees System	55,810	13,931	(18,389)
Tier 2 Public Safety and Firefighter	21,138	2,803	(11,229)
Total	\$ 2,599,303	\$ 1,206,058	\$ 52,815

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

**Defined Contribution Savings Plans**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The City of Santa Clara participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- \* 401(k) Plan
- \* 457(b) Plan
- \* Roth IRA Plan
- \* Traditional IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>401(k) Plan</b>					
Employer Contributions	\$ 46,975	\$ 15,677	\$ 8,940	\$ 7,997	\$ 5,061
Employee Contributions	\$ 46,477	\$ 16,261	\$ 15,600	\$ 14,336	\$ 16,118
<b>457 Plan</b>					
Employer Contributions	\$ 4,466	\$ -	\$ -	\$ -	\$ -
Employee Contributions	\$ 13,378	\$ 9,286	\$ 8,265	\$ 8,115	\$ 7,636
<b>Roth IRA Plan</b>					
Employer Contributions	N/A	N/A	N/A	N/A	N/A
Employee Contributions	\$ 10,585	\$ 2,930	\$ 2,600	\$ 900	\$ -
<b>Traditional IRA Plan</b>					
Employer Contributions	N/A	N/A	N/A	N/A	N/A
Employee Contributions	\$ -	\$ -	\$ 115	\$ 45	\$ -

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**NOTE 11. Risk Management**

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

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

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**NOTE 12. Contracts**

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

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

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, 2019**

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**NOTE 13.      Jointly Governed Organization**

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The City, in conjunction with 38 other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power totaling \$2,720,620 during the fiscal year ended June 30, 2019.

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**NOTE 14.      Contingent Liabilities**

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

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Due to the uncertainty of these items and inability of management to estimate an amount for which the City may be liable, the City has not recognized on the financial statements any amount related to contingent liabilities at June 30, 2019.

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**NOTE 15.      Commitments / Subsequent Events**

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The City is committed to participate in the Regional Water Line Project. The City incurred \$58,622 in cost during the current audit period and their future ownership costs are expected to be \$456,548 or approximately \$55,000 annually for 8.5 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, 2019 had an outstanding balance of \$184,520,000. The City's share of this amount is \$6,082,288.

**CITY OF SANTA CLARA, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2019**

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

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As a member of UAMPS, the City has committed to participate in various projects. . The City has made a down payment on the projects of \$300,000. The City's share of the debt related to this projects is disclosed above. The City is also 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.

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**NOTE 16.      Related Party Transactions**

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During fiscal year 2019, the City paid Rosenberg Associates a total of \$51,576 for engineering services. Rosenberg Associates is owned by Rick Rosenberg who is currently serving as Mayor.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SANTA CLARA, UTAH**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Utah Retirement System**  
**Last 10 Fiscal Years\***

<b>As of fiscal year ended June 30,</b>	<b>Proportion of the net pension liability (asset)</b>	<b>Proportionate share of the net pension liability (asset)</b>	<b>Covered employee payroll</b>	<b>Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
<b>Noncontributory System</b>					
2015	0.1430226%	\$ 621,038	\$ 1,198,561	51.82%	90.2%
2016	0.1397285%	\$ 790,652	\$ 1,164,433	67.90%	87.8%
2017	0.1324804%	\$ 850,686	\$ 1,133,297	75.06%	87.3%
2018	0.1418812%	\$ 621,624	\$ 1,190,195	52.23%	91.9%
2019	0.1546589%	\$ 1,138,865	\$ 1,312,265	86.79%	87.0%
<b>Firefighters System</b>					
2015	0.0000000%	\$ -	\$ -	0.00%	0.0%
2016	0.2134537%	\$ (3,866)	\$ 56,193	-6.88%	101.0%
2017	0.3930163%	\$ (3,098)	\$ 110,627	-2.80%	100.4%
2018	0.4050682%	\$ (25,299)	\$ 118,394	-21.37%	103.0%
2019	0.3886043%	\$ 50,459	\$ 119,749	42.14%	94.3%
<b>Tier 2 Public Employees System</b>					
2015	0.0324165%	\$ (982)	\$ 158,967	-0.62%	103.5%
2016	0.0307646%	\$ (67)	\$ 198,763	-0.03%	100.2%
2017	0.0246362%	\$ 2,748	\$ 202,035	1.36%	95.1%
2018	0.0315360%	\$ 2,780	\$ 308,303	0.90%	97.4%
2019	0.0325277%	\$ 13,931	\$ 379,389	3.67%	90.8%
<b>Tier 2 Public Safety and Firefighter System</b>					
2015	0.0000000%	\$ -	\$ -	0.00%	0.0%
2016	0.0485649%	\$ (710)	\$ 28,961	-2.45%	110.7%
2017	0.0322655%	\$ (280)	\$ 26,658	-1.05%	103.6%
2018	0.0036548%	\$ (42)	\$ 3,846	-1.09%	103.0%
2019	0.1118523%	\$ 2,803	\$ 149,623	1.87%	95.6%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.



**CITY OF SANTA CLARA, UTAH**  
**Schedule of Contributions**  
**Utah Retirement System**  
**Last 10 Fiscal Years**

As of fiscal year ended June 30,	Actuarly determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered- employee payroll **
<b>Noncontributory System</b>					
2014	\$ 202,022	\$ 202,022	\$ -	\$ 1,168,435	17.29%
2015	223,327	223,327	-	1,209,634	18.46%
2016	207,823	207,823	-	1,125,190	18.47%
2017	210,192	210,192	-	1,138,016	18.47%
2018	232,513	232,513	-	1,263,370	18.40%
2019	241,664	241,664	-	1,324,708	18.24%
<b>Firefighters System</b>					
2014	\$ -	\$ -	\$ -	-	0.00%
2015	-	-	-	-	0.00%
2016	4,058	4,058	-	101,703	3.99%
2017	4,382	4,382	-	112,642	3.89%
2018	4,925	4,925	-	125,318	3.93%
2019	5,615	5,615	-	121,810	4.61%
<b>Tier 2 Public Employees System***</b>					
2014	\$ 20,396	\$ 20,396	\$ -	\$ 145,787	13.99%
2015	25,814	25,814	-	172,785	14.94%
2016	29,493	29,493	-	197,809	14.91%
2017	35,964	35,964	-	241,204	14.91%
2018	52,947	52,947	-	350,410	15.11%
2019	67,125	67,125	-	431,813	15.54%
<b>Tier 2 Public Safety and Fire fighter System***</b>					
2014	\$ -	\$ -	\$ -	-	0.00%
2015	-	-	-	-	0.00%
2016	5,127	5,127	-	47,696	10.75%
2017	852	852	-	7,923	10.75%
2018	7,985	7,985	-	73,802	10.82%
2019	20,352	20,352	-	179,439	11.34%
<b>Tier 2 Public Employees DC Only System***</b>					
2014	\$ -	\$ -	\$ -	-	0.00%
2015	1,334	1,334	-	19,856	6.72%
2016	2,570	2,570	-	38,421	6.69%
2017	3,038	3,038	-	45,410	6.69%
2018	4,257	4,257	-	63,626	6.69%
2019	4,642	4,642	-	69,382	6.69%
<b>Tier 2 Public Safety and Fire fighter DC Only System***</b>					
2014	\$ -	\$ -	\$ -	-	0.00%
2015	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2018	19	19	-	23,736	0.08%
2019	45	45	-	56,590	0.08%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

\*\*\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

See accompanying notes to required supplementary information

**CITY OF SANTA CLARA, UTAH**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2019**

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**Changes in Assumptions:**

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

**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, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General property taxes	\$ 908,971	\$ 908,971	\$ 928,636	\$ 19,665
Prior year's delinquent taxes	40,000	40,000	56,392	16,392
General sales and use taxes	1,209,000	1,209,000	1,339,231	130,231
Franchise taxes	362,000	362,000	383,799	21,799
Telecommunications tax	60,000	60,000	47,170	(12,830)
Total taxes	<u>2,579,971</u>	<u>2,579,971</u>	<u>2,755,228</u>	<u>175,257</u>
<b>Licenses &amp; permits:</b>				
Business license & permits	5,000	5,000	6,935	1,935
Non-business license & permits	224,500	224,500	246,018	21,518
Total license & permits	<u>229,500</u>	<u>229,500</u>	<u>252,953</u>	<u>23,453</u>
<b>Intergovernmental revenues:</b>				
Federal & state grants	-	158,000	164,226	6,226
Class "C" roads	300,000	300,000	353,683	53,683
State liquor allotment	6,735	6,735	5,630	(1,105)
Total intergovernmental revenues	<u>306,735</u>	<u>464,735</u>	<u>523,539</u>	<u>58,804</u>
<b>Charges for services:</b>				
Refuse collection	366,032	366,032	376,967	10,935
Street maintenance fees	97,670	97,670	102,537	4,867
Public safety	1,177,533	1,177,533	1,538,888	361,355
Parks & public property	209,250	209,250	210,049	799
Cemetery	49,000	49,000	69,580	20,580
Other	32,700	32,700	27,273	(5,427)
Total charges for services	<u>1,932,185</u>	<u>1,932,185</u>	<u>2,325,294</u>	<u>393,109</u>
<b>Fines and forfeitures:</b>				
Court fines & forfeitures	170,000	201,680	190,446	(11,234)
<b>Miscellaneous:</b>				
Investment earnings	15,000	15,000	109,018	94,018
Administrative service revenue	174,375	174,375	174,375	-
Community development	47,000	47,000	43,879	(3,121)
Contributions	-	205,320	205,370	50
Other	66,600	516,600	90,048	(426,552)
Total miscellaneous	<u>302,975</u>	<u>958,295</u>	<u>622,690</u>	<u>(335,605)</u>
Total revenues	<u>5,521,366</u>	<u>6,366,366</u>	<u>6,670,150</u>	<u>303,784</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
<b>General government</b>	975,308	981,308	894,147	87,161
<b>Public safety</b>				
Judicial	311,365	311,365	291,790	19,575
Law enforcement	957,945	1,009,945	977,816	32,129
Fire protection	1,133,561	1,310,061	1,220,254	89,807
Building inspection	428,650	465,650	442,743	22,907
Capital outlay	54,840	54,840	60,614	(5,774)
Total public safety	<u>2,886,361</u>	<u>3,151,861</u>	<u>2,993,217</u>	<u>158,644</u>
<b>Highways and public improvements</b>				
Public works	554,744	566,744	654,085	(87,341)
Capital outlay	9,000	517,000	502,467	14,533
Total highways and public improvements	<u>563,744</u>	<u>1,083,744</u>	<u>1,156,552</u>	<u>(72,808)</u>
<b>Parks, recreation &amp; public property</b>				
Parks, trails & cemetery	416,516	465,700	433,433	32,267
Sports field maintenance	305,966	301,782	280,634	21,148
Swiss days / Economic Development	96,425	110,925	97,316	13,609
Princess pageant	6,000	-	4,029	(4,029)
Capital outlay	190,000	190,000	191,975	(1,975)
Total parks, recreation & public property	<u>1,014,907</u>	<u>1,068,407</u>	<u>1,007,387</u>	<u>61,020</u>
<b>Debt service</b>				
Principal	246,350	246,350	3,237,682	(2,991,332)
Interest	55,432	55,432	84,092	(28,660)
Total debt service	<u>301,782</u>	<u>301,782</u>	<u>3,321,774</u>	<u>(3,019,992)</u>
<b>Total expenditures</b>	<u>5,742,102</u>	<u>6,587,102</u>	<u>9,373,077</u>	<u>(2,785,975)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(220,736)</u>	<u>(220,736)</u>	<u>(2,702,927)</u>	<u>(2,482,191)</u>
<b>Other financing sources (uses)</b>				
Sale of capital assets	37,000	37,000	47,937	10,937
Debt proceeds	-	-	5,158,000	5,158,000
Transfers in	183,736	183,736	183,736	-
Total other financing sources and uses	<u>220,736</u>	<u>220,736</u>	<u>5,389,673</u>	<u>5,168,937</u>
Net change in fund balances	-	-	2,686,746	2,686,746
Fund balances, beginning of year	<u>1,524,298</u>	<u>1,524,298</u>	<u>1,524,298</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,524,298</u>	<u>\$ 1,524,298</u>	<u>\$ 4,211,044</u>	<u>\$ 2,686,746</u>

**CITY OF SANTA CLARA, UTAH**  
**Impact Fees**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment earnings	\$ 12,000	\$ 12,000	\$ 52,976	\$ 40,976
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>52,976</u>	<u>40,976</u>
<b>Expenditures:</b>				
Capital Outlay:				
Parks and recreation	1,575,000	1,575,000	333,328	1,241,672
Public works	200,000	200,000	255,666	655,666
Public safety	276,000	276,000	65,131	617,131
Debt Service				
Principal	<u>85,000</u>	<u>85,000</u>	<u>50,000</u>	<u>35,000</u>
Total expenditures	<u>2,136,000</u>	<u>2,136,000</u>	<u>704,125</u>	<u>2,549,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,124,000)</u>	<u>(2,124,000)</u>	<u>(651,149)</u>	<u>(2,508,493)</u>
<b>Other Financing Sources (Uses)</b>				
Impact fees	<u>767,867</u>	<u>762,867</u>	<u>590,496</u>	<u>(172,371)</u>
Total other financing sources and uses	<u>767,867</u>	<u>762,867</u>	<u>590,496</u>	<u>(172,371)</u>
Net change in fund balances	(1,356,133)	(1,361,133)	(60,653)	(2,680,864)
Fund balances, beginning of year	<u>2,027,993</u>	<u>2,027,993</u>	<u>2,027,993</u>	<u>-</u>
Fund balances, end of year	<u>\$ 671,860</u>	<u>\$ 666,860</u>	<u>\$ 1,967,340</u>	<u>\$ (2,680,864)</u>

**SUPPLEMENTARY INFORMATION**

**CITY OF SANTA CLARA, UTAH**  
**Bond Disclosures**  
**For the Year Ended June 30, 2019**

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, 2019	2,680	2,614
Total billings for the fiscal year ended June 30, 2019	\$ 1,637,198	\$ 700,771

Water rates for the fiscal year ended June 30, 2019 are as follows:

0 to 5,000 gallons	\$32.00 per month
5001 to 9000 gallons	\$.50 per 1,000 gallons
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	\$ 21.52
Commercial	\$ 26.00

Insurance coverage is as follows:

Provider	Type	Policy Number	Effective	Expires	Limits
Utah Local Government Trust	Comprehensive General Liability	13640-GL2010	07/01/18	07/01/19	10,000,000
Utah Local Government Trust	Auto Liability	13640-GL2010	07/01/18	07/01/19	10,000,000
Utah Local Government Trust	Property Coverage - Buildings	ulgt-apdp-2010	07/01/18	07/01/19	22,545,293
Utah Local Government Trust	Property Coverage - Contents	ulgt-apdp-2010	07/01/18	07/01/19	1,705,600
Utah Local Government Trust	Property Coverage - Contractors Equipment	ulgt-apdp-2010	07/01/18	07/01/19	459,634
Utah Local Government Trust	Property Coverage - EDP	ulgt-apdp-2010	07/01/18	07/01/19	56,000
Utah Local Government Trust	Property Coverage - Equipment in the Open	ulgt-apdp-2010	07/01/18	07/01/19	2,985,112
Utah Local Government Trust	Property Coverage - Mobile equipment	ulgt-apdp-2010	07/01/18	07/01/19	7,480
Utah Local Government Trust	Property Coverage - Miscellaneous equipment	ulgt-apdp-2010	07/01/18	07/01/19	389,750
Utah Local Government Trust	Workers Compensation	13640-WC2011	01/01/19	01/01/20	100/500/1,000
CNA Surety	Blanket E&O Bond - 2 Notaries	68564329	01/02/18	01/02/19	10,000
CNA Surety	Notary Bond	53471720N	06/05/18	06/05/19	5,000
CNA Surety	Notary Bond	69660112N	05/11/18	05/11/19	5,000

**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 84765

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, 2019, 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 8, 2019.

**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.

2007-002      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:

2007-003      Accounting for capital assets

### **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 8, 2019



**Independent Auditors' Report on Compliance and  
Report on Internal Control over Compliance  
As Required by the State *Compliance Audit Guide***

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

**Report On Compliance with General State Compliance Requirements**

We have audited Santa Clara City, Utah's compliance with the applicable 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 of Santa Clara for the year ended June 30, 2019.

General state compliance requirements were tested for the year ended June 30, 2019 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Public Treasurer's Bond
- Impact Fees

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above.

***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 state compliance requirements referred to above that could have a direct and material effect on the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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***

In our opinion, Santa Clara City, Utah, complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2019.

### ***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 8, 2019 as item 2019-001.

Santa Clara City's responses to the noncompliance finding identified in our audit is described in the accompanying responses to the schedule of findings and recommendations. Santa Clara City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **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 state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over 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 state 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 state 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 state 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 cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
St. George, Utah  
November 8, 2019

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## Findings and Recommendations For the Year Ended June 30, 2019

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, 2019, 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:

##### 2007-002. Reconciliations and Year-End Accounting

- *Statement of Condition:* Audit procedures identified various journal entries that were necessary to make accruals, record allocations, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements.
- *Criteria:* Accounts should be analyzed and reconciled on a regular basis to ensure financial data is complete and accurate.
- *Effect of Condition:* By not identifying and recording all needed journal entries the City may utilize financial information that is inaccurate.
- *Cause of Condition:* Not all accounts had been completely reconciled.
- *Recommendation:* We recommend that management review our proposed journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the City develop an action plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place or interim reports are provided to the City Council.

#### Status

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

**Significant Deficiencies:**

2007-003.      Accounting for Capital Assets

- *Statement of Condition:* the City has not completely implemented accounting procedures and controls to accurately account for capital assets.
- *Criteria:* Audit procedures identified several capital asset additions and disposals that were not identified by the City.
- *Effect of Condition:* By not identifying and recording all capital asset activity accurate data was not initially available for inclusion in the City’s financial statements.
- *Cause of Condition:* The City has not developed effective procedures to track capital asset additions and disposals and to record these transactions in their capital asset software.
- *Recommendation:* We recommend that management review their internal control policies over capital assets accounting to ensure accurate data is available for inclusion in the financial statements.

Status

Partially implemented, management is still working to put procedures in place to address the issues set forth

**COMPLIANCE AND OTHER MATTERS**

**State Compliance Findings:**

2019-001.      Expenditures in Excess of Budget – General Fund

- *Statement of Condition:* The General Fund incurred expenditures in excess of te the City’s adopted budget.
- *Criteria:* UCA 10-6-123 states that a City may not incur expenditures in excess of the appropriations.
- *Effect of Condition:* The City is not in compliance with UCA-10-6-123.
- *Cause of Condition:* The City retired (refinanced) a significant amount of debt. This debt retirement was not included in the City’s adopted budget.
- *Recommendation:* In the future, we recommend the City properly amend its budget to allow for these types of expenditures.

Status

No implemented.

**Other Matters:**

None noted



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

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

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

Sincerely,

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

HintonBurdick, PLLC  
November 8, 2019

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## Management Responses to the Findings and Recommendations

### 2007-002. **Reconciliations and Year-End Accounting**

- *Statement of Condition:* Audit procedures identified various journal entries that were necessary to make accruals, record allocations, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements.
- *Criteria:* Accounts should be analyzed and reconciled on a regular basis to ensure financial data is complete and accurate.
- *Effect of Condition:* By not identifying and recording all needed journal entries the City may utilize financial information that is inaccurate.
- *Cause of Condition:* Not all accounts had been completely reconciled.
- *Recommendation:* We recommend that management review our proposed journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the City develop an action plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place or interim reports are provided to the City Council.

#### Response:

The City will discuss with the auditors the journal entries proposed to make sure we understand the purpose and accounting principles associated with the entries. We will also work to make the necessary adjustments prior to the audit.

### 2007-003. **Accounting for Capital Assets**

- *Statement of Condition:* The City has not completely implemented accounting procedures and controls to accurately account for capital assets.
- *Criteria:* Audit procedures identified several capital asset additions and disposals that were not identified by the City.
- *Effect of Condition:* By not identifying and recording all capital asset activity accurate data was not initially available for inclusion in the City's financial statements.
- *Cause of Condition:* The City has not developed effective procedures to track capital asset additions and disposals and to record these transactions in their capital asset software.
- *Recommendation:* We recommend that management review their internal control policies over capital assets accounting to ensure accurate data is available for inclusion in the financial statements.

#### Response:

The City will conduct an annual inventory of capital assets. We will also work to put into place measures to identify additions and disposals of assets in a timely manner.

2019-001. **Expenditures in Excess of Budget - General Fund**

- *Statement of Condition:* The General Fund incurred expenditures in excess of the city's adopted budget.
- *Criteria:* UCA 10-6-123) states that a City may not incur expenditures in excess of the appropriations.
- *Effect of Condition:* The City is not in compliance with UCA-10-6-123.
- *Cause of Condition:* The City retired (refinanced) a significant amount of debt. This debt retirement was not included in the City's adopted budget.
- *Recommendation:* In the future, we recommend the City properly amend its budget to allow for these types of expenditures.

Response:

The City will strive to make sure that during the fiscal year the general fund expenditures do not exceed revenues. The City will amend its budget each year to make sure we are in compliance with state code.