

Santaquin City
Utah County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Santaquin City
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June 30, 2011

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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITORS' REPORT

January 3, 2012

Honorable Mayor
Members of the City Council
City of Santaquin, Utah

Mayor and Council Members:

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 Santaquin, as of and for the year ended June 30, 2011, which collectively comprise the City of Santaquin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santaquin's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santaquin, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2012, on our consideration of the City of Santaquin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis beginning on page 5, the budgetary comparison information beginning on page 48 and the supplement for the Modified Approach for Infrastructure Reporting beginning on page 49 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santaquin's basic financial statements. The combining non-major fund financial statements beginning on page 54, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larson + Rosenberger, LLP".

Larson & Rosenberger, LLP
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Santaquin City
Management's Discussion and Analysis
June 30, 2011

As management of Santaquin City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- *Total net assets for the City as a whole increased by \$1,233,493.
- *Total unrestricted net assets for the City as a whole increased by \$257,547.
- *Total net assets for governmental activities increased by \$1,950,767.
- *Total net assets for business-type activities decreased by \$717,274.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Santaquin City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Santaquin City
Management's Discussion and Analysis
June 30, 2011

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major governmental funds, the general fund and the airport redevelopment fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses five enterprise funds to account for the operations of the water, sewer, electric, garbage, and irrigation utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Santaquin City
Management's Discussion and Analysis
June 30, 2011

FINANCIAL ANALYSIS

Santaquin City's Net Assets

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 2,163,482	915,157	2,422,535	2,943,048	4,586,018	3,858,205
Net capital assets	12,565,020	11,982,531	21,175,703	20,574,933	33,740,723	32,557,465
Total assets	<u>14,728,503</u>	<u>12,897,688</u>	<u>23,598,238</u>	<u>23,517,981</u>	<u>38,326,741</u>	<u>36,415,670</u>
Other liabilities	532,768	379,514	289,436	263,467	822,204	642,981
Long-term debt outstanding	1,231,335	1,504,545	7,907,286	8,228,159	9,138,621	9,732,704
Total liabilities	<u>1,764,103</u>	<u>1,884,059</u>	<u>8,196,721</u>	<u>8,491,626</u>	<u>9,960,825</u>	<u>10,375,685</u>
Net assets:						
Capital assets, net of debt	11,333,685	10,493,785	13,268,417	12,736,410	24,602,102	23,230,195
Restricted	733,322	622,489	1,998,355	2,505,147	2,731,677	3,127,636
Unrestricted	897,392	(102,644)	134,745	877,234	1,032,137	774,590
Total net assets	<u>\$ 12,964,400</u>	<u>11,013,630</u>	<u>15,401,517</u>	<u>16,118,791</u>	<u>28,365,917</u>	<u>27,132,423</u>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$28,365,917, an increase of \$1,233,493 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$1,032,137, which represents an increase of \$257,547 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Santaquin City
Management's Discussion and Analysis
June 30, 2011

FINANCIAL ANALYSIS (continued)

Santaquin City's Change in Net Assets

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 1,121,496	1,337,614	2,543,097	2,029,212	3,664,593	3,366,826
Operating grants	369,015	345,208	-	-	369,015	345,208
Capital grants	1,684,152	262,881	568,465	687,600	2,252,618	950,481
General revenues:						
Property taxes	529,237	444,044	-	-	529,237	444,044
Sales tax	765,599	731,831	-	-	765,599	731,831
Other taxes	470,699	431,346	-	-	470,699	431,346
Other revenues	103,372	69,612	7,683	12,914	111,054	82,526
Total revenues	<u>5,043,570</u>	<u>3,622,535</u>	<u>3,119,246</u>	<u>2,729,726</u>	<u>8,162,816</u>	<u>6,352,262</u>
Expenses:						
General government	1,142,886	750,582	-	-	1,142,886	750,582
Public safety	1,530,298	1,692,540	-	-	1,530,298	1,692,540
Highways and improvements	571,939	501,561	-	-	571,939	501,561
Sanitation	401,574	375,689	-	-	401,574	375,689
Parks and recreation	746,235	852,042	-	-	746,235	852,042
Cemetery	53,777	54,535	-	-	53,777	54,535
Interest on long-term debt	68,171	-	-	-	68,171	-
Water	-	-	1,570,626	1,677,713	1,570,626	1,677,713
Sewer	-	-	843,817	760,637	843,817	760,637
Total expenses	<u>4,514,880</u>	<u>4,226,949</u>	<u>2,414,442</u>	<u>2,438,350</u>	<u>6,929,322</u>	<u>6,665,299</u>
Excess (deficiency) before transfers and contributions	528,690	(604,413)	704,803	291,377	1,233,493	(313,035)
Transfers	1,422,077	640,202	(1,422,077)	(640,202)	-	-
Change in net assets	<u>\$ 1,950,767</u>	<u>35,790</u>	<u>(717,274)</u>	<u>(348,825)</u>	<u>1,233,493</u>	<u>(313,035)</u>

For the City as a whole, total revenues increased by \$1,810,554 compared to the previous year, while total expenses increased by \$264,024. The total net change of \$1,233,493 is, in private sector terms, the net income for the year which is \$1,546,528 more than the previous year's net change.

Governmental activities revenues of \$5,043,570 is \$1,421,035 more than the previous year. Governmental activities expenses of \$4,514,880 is \$287,931 more than the previous year. These changes were primarily a result of grants received and related expenses made during the year.

Business-type activities revenue of \$3,119,246 is \$389,519 more than the previous year. The City increased sewer rates mid-year, which accounts for this increase in revenues. Business-type activities expenses of \$2,414,442 were more than the previous year by \$23,907.

Santaquin City
Management's Discussion and Analysis
June 30, 2011

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

General Fund

The fund balance of \$328,243 reflects an increase of \$249,424 from the previous year. Total revenues increased by \$14,415. Tax revenues increased by \$158,314. Intergovernmental revenue increased by \$35,652. Licenses and permits revenue decreased by \$132,445. Charges for services, including fines and forfeitures, decreased by \$36,020. All other revenues decreased by \$11,086. There were transfers in made during the year that amounted to \$1,537,925.

Total expenditures, exclusive of transfers out, increased by \$134,624. Current expenditure changes by department were as follows: general government increased by \$60,033, public safety decreased by \$127,268, streets and highways increased by \$192,511, sanitation increased by \$24,916, parks and recreation decreased by \$14,810, and cemetery decreased by \$758. There were transfers out made during the year that amounted to \$638,628.

Fund balance restricted for parks and recreation and liabilities amount to \$35,387 and \$16,873, respectively. Fund balance assigned for other purposes amounts to \$99,090. The unassigned fund balance is \$176,894.

Capital Projects Fund

The fund balance of \$915,248 reflects an increase of \$865,248 from the previous year. Grant revenues amounted to \$1,546,489.

Water Fund

Net operating income for the year was \$168,564. The change in net assets (net loss) was \$565,857. Restricted net assets amount to \$1,798,550. Unrestricted net assets amount to \$1,053,872.

Sewer Fund

Net operating income for the year was \$331,103. The change in net assets (net loss) was \$151,417. Net assets restricted for debt service amount to \$199,805. Unrestricted net assets amount to a deficit of \$919,127.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers, were originally budgeted in the amount of \$3,627,340. Amendments were made during the year resulting in a final budget of \$3,356,689. Actual revenues for the current year, exclusive of transfers, amounted to \$3,340,072, which was \$16,617 less than budgeted. Actual transfers in were equal to the budgeted amount of \$1,537,925.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$4,120,824. Amendments were made during the year resulting in a final budget of \$3,987,521. Actual expenditures, excluding transfers, amounted to \$3,989,946 which was \$2,425 over the budgeted amount. Actual transfers out were less than the budgeted amount of \$843,497 by \$204,869.

Santaquin City
Management's Discussion and Analysis
June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Santaquin City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and rights	\$ 819,380	617,660	124,032	124,032	943,412	741,692
Water shares and rights	-	-	535,148	535,148	535,148	535,148
Buildings	4,255,592	4,255,592	275,389	275,389	4,530,981	4,530,981
Water system	-	-	18,729,616	18,630,377	18,729,616	18,630,377
Sewer system	-	-	9,879,175	9,879,175	9,879,175	9,879,175
Machinery and equipment	2,496,352	2,316,649	484,589	484,589	2,980,941	2,801,238
Infrastructure	7,264,840	7,264,840	-	-	7,264,840	7,264,840
Construction in progress	632,368	-	1,795,247	1,022,311	2,427,615	1,022,311
 Total	 15,468,531	 14,454,740	 31,823,196	 30,951,021	 47,291,728	 45,405,761
 Less accumulated depreciation	 (2,903,511)	 (2,472,209)	 (10,647,494)	 (9,353,777)	 (13,551,005)	 (11,825,985)
 Net capital assets	 <u>\$ 12,565,020</u>	 <u>11,982,531</u>	 <u>21,175,703</u>	 <u>21,597,244</u>	 <u>33,740,723</u>	 <u>33,579,776</u>

The total amount of capital assets, net of depreciation, of \$33,740,723 is an increase of \$160,947 from the previous year.

Governmental activities capital assets, net of depreciation, of \$12,565,020 represents a decrease of \$582,489 from the previous year. This decrease is equal to the amount the depreciation charged on assets exceeded additions to general fixed assets during the year.

Business-type activities capital assets, net of depreciation, of \$21,175,703 increased during the year by \$421,541, which represents the amount additions to assets exceeded depreciation charged on the assets.

Additional information regarding capital assets may be found in the notes to financial statements.

Santaquin City
Management's Discussion and Analysis
June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Santaquin City's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
Compensated absences	\$ 277,830	170,909
Capital leases	394,335	412,747
Revenue bonds	837,000	1,076,000
Total governmental	\$ 1,509,165	1,659,656
Business-type activities:		
Compensated absences	\$ 67,382	37,161
Notes payable and revenue bonds	7,907,286	8,228,159
Total business-type	\$ 7,974,668	8,265,319
Total outstanding debt	\$ 9,483,832	9,924,976

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Santaquin City's finances for all those with an interest in the City's finances and to show the City's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Parowan City, PO Box 576, Parowan, Utah 84761.

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BASIC FINANCIAL STATEMENTS

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Santaquin City
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 415,536	291,582	707,118
Accounts receivable, net	887,768	238,959	1,126,726
Total current assets	1,303,304	530,540	1,833,844
Non-current assets:			
Restricted cash and cash equivalents	860,179	1,825,995	2,686,174
Unamortized bond issue costs	-	66,000	66,000
Capital assets:			
Not being depreciated	8,716,587	2,454,427	11,171,015
Net of accumulated depreciation	3,848,433	18,721,275	22,569,709
Total non-current assets	13,425,199	23,067,698	36,492,897
Total assets	\$ 14,728,503	23,598,238	38,326,741
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 236,986	8,233	245,219
Accrued interest payable	-	188,621	188,621
Customer deposits	-	25,200	25,200
Bonds and leases, due within one year	354,234	341,924	696,158
Total current liabilities	591,220	563,978	1,155,197
Non-current liabilities:			
Compensated absences	277,830	67,382	345,212
Closure and post closure costs	17,953	-	17,953
Bonds and leases, due after one year	877,101	7,565,362	8,442,463
Total non-current liabilities	1,172,883	7,632,744	8,805,627
Total liabilities	1,764,103	8,196,721	9,960,825
NET ASSETS:			
Invested in capital assets, net of related debt	11,333,685	13,268,417	24,602,102
Restricted:			
Parks and recreation	35,387	-	35,387
Bond requirements	-	834,819	834,819
Water assessments	-	375,192	375,192
Impact fees	681,063	260,147	941,210
Money in lieu of water	-	528,197	528,197
Liabilities	16,873	-	16,873
Unrestricted	897,392	134,745	1,032,137
Total net assets	12,964,400	15,401,517	28,365,917
Total liabilities and net assets	\$ 14,728,503	23,598,238	38,326,741

The notes to the financial statements are an integral part of this statement.

Santaquin City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 1,142,886	328,545	-	-	(814,342)
Public safety	1,530,298	172,737	54,416	24,579	(1,278,566)
Highways and public improvements	571,939	-	309,672	1,546,489	1,284,222
Sanitation	401,574	416,939	-	-	15,365
Parks, recreation and public property	746,235	175,280	4,927	113,084	(452,944)
Cemetery	53,777	27,995	-	-	(25,782)
Interest on long-term debt	68,171	-	-	-	(68,171)
Total governmental activities	<u>4,514,880</u>	<u>1,121,496</u>	<u>369,015</u>	<u>1,684,152</u>	<u>(1,340,217)</u>
Business-type activities:					
Water	1,570,626	1,439,220	-	84,162	(47,244)
Sewer	843,817	1,103,877	-	484,303	744,364
Total business-type activities	<u>2,414,442</u>	<u>2,543,097</u>	<u>-</u>	<u>568,465</u>	<u>697,121</u>
Total primary government	<u>\$ 6,929,322</u>	<u>3,664,593</u>	<u>369,015</u>	<u>2,252,618</u>	<u>(643,096)</u>

(The statement of activities continues on the following page)

The notes to the financial statements are an integral part of this statement.

Santaquin City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2011

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (1,340,217)</u>	<u>697,121</u>	<u>(643,096)</u>
General revenues:			
Property taxes	529,237	-	529,237
Sales tax	765,599	-	765,599
Other taxes	470,699	-	470,699
Unrestricted investment earnings	7,420	7,683	15,103
Miscellaneous	95,951	-	95,951
Total general revenues	<u>1,868,907</u>	<u>7,683</u>	<u>1,876,590</u>
Transfers	1,422,077	(1,422,077)	-
Total general revenues and transfers	<u>3,290,984</u>	<u>(1,414,395)</u>	<u>1,876,590</u>
Change in net assets	1,950,767	(717,274)	1,233,493
Net assets - beginning	11,013,632	16,118,791	27,132,423
Net assets - ending	<u>\$ 12,964,399</u>	<u>15,401,517</u>	<u>28,365,916</u>

The notes to the financial statements are an integral part of this statement.

Santaquin City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 349,011	66,525	-	415,536
Accounts receivable, net	35,813	851,955	-	887,768
Due from other funds	124,391	-	-	124,391
Restricted cash and cash equivalents	52,259	-	807,920	860,179
TOTAL ASSETS	<u>\$ 561,474</u>	<u>918,480</u>	<u>807,920</u>	<u>2,287,874</u>
 LIABILITIES				
Accrued liabilities	\$ 233,231	3,232	523	236,986
Due to other funds	-	-	124,391	124,391
TOTAL LIABILITIES	<u>233,231</u>	<u>3,232</u>	<u>124,914</u>	<u>361,377</u>
 FUND BALANCES:				
Restricted for:				
Parks and recreation	35,387	-	-	35,387
Impact fees and grants	-	-	681,063	681,063
Liabilities	16,873	-	-	16,873
Committed for:				
Senior citizens	-	-	1,943	1,943
Assigned for:				
Capital projects	-	915,248	-	915,248
Other	99,090	-	-	99,090
Unassigned	176,894	-	-	176,894
TOTAL FUND BALANCES	<u>328,243</u>	<u>915,248</u>	<u>683,006</u>	<u>1,926,497</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 561,474</u>	 <u>918,480</u>	 <u>807,920</u>	 <u>2,287,874</u>

The notes to the financial statements are an integral part of this statement.

Santaquin City
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2011

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 1,765,535	-	-	1,765,535
Licenses and permits	119,895	-	-	119,895
Intergovernmental revenues	364,088	1,546,489	4,927	1,915,504
Charges for services	794,841	-	13,517	808,357
Fines and forfeitures	193,243	-	-	193,243
Interest	7,420	-	-	7,420
Miscellaneous revenue	95,049	-	903	95,951
Total revenues	<u>3,340,072</u>	<u>1,546,489</u>	<u>19,346</u>	<u>4,905,907</u>
EXPENDITURES:				
General government	989,025	286	-	989,311
Public safety	1,302,079	-	-	1,302,079
Highways and public improvements	503,827	-	-	503,827
Sanitation	399,419	-	-	399,419
Parks, recreation and public property	610,828	-	47,859	658,687
Cemetery	53,008	-	-	53,008
Capital outlay	-	1,013,791	-	1,013,791
Debt service:				
Principal	118,480	137,932	126,000	382,412
Interest	13,280	21,656	33,235	68,171
Total expenditures	<u>3,989,946</u>	<u>1,173,665</u>	<u>207,094</u>	<u>5,370,705</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(649,874)</u>	<u>372,824</u>	<u>(187,748)</u>	<u>(464,798)</u>
Other Financing Sources and (Uses):				
Proceeds from capital leases	-	125,000	-	125,000
Impact fees	-	-	137,663	137,663
Transfers in	1,537,925	367,424	155,356	2,060,705
Transfers (out)	(638,628)	-	-	(638,628)
Total other financing sources and (uses)	<u>899,298</u>	<u>492,424</u>	<u>293,019</u>	<u>1,684,740</u>
Net Change in Fund Balances	<u>249,424</u>	<u>865,248</u>	<u>105,271</u>	<u>1,219,942</u>
Fund balances - beginning of year	78,820	50,000	577,735	706,554
Fund balances - end of year	<u>\$ 328,243</u>	<u>915,248</u>	<u>683,006</u>	<u>1,926,497</u>

The notes to the financial statements are an integral part of this statement.

Santaquin City
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2011

Total Fund Balances for Governmental Funds	<u>\$ 1,926,497</u>
<p>Total net assets reported for governmental activities in the Statement of Net Assets is different because:</p>	
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.</p>	
Capital assets, at cost	15,468,531
Less accumulated depreciation	<u>(2,903,511)</u>
Net capital assets	<u>12,565,020</u>
<p>Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.</p>	
General long-term debt	<u>(1,231,335)</u>
Compensated absences	<u>(277,830)</u>
Closure and post closure costs	<u>(17,953)</u>
Total Net Assets of Governmental Activities	<u><u>\$ 12,964,400</u></u>

The notes to the financial statements are an integral part of this statement.

Santaquin City
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds **\$ 1,219,942**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlay	1,013,791
Depreciation expense	<u>(431,302)</u>
Net	<u>582,489</u>

Bond proceeds are reported as financing sources in governmental funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.

Debt issued - capital leases **(125,000)**

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal repayments **382,412**

Some 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.

Change in compensated absences liability **(106,921)**

Change in closure and post closure cost liability **(2,155)**

Change in Net Assets of Governmental Activities **\$ 1,950,768**

The notes to the financial statements are an integral part of this statement.

Santaquin City
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2011

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 291,582	-	291,582
Accounts receivable, net	144,604	94,355	238,959
Due from other funds	975,386	-	975,386
Total current assets	1,411,571	94,355	1,505,926
Non-current assets:			
Restricted cash and cash equivalents	1,626,190	199,805	1,825,995
Unamortized bond issue costs	66,000	-	66,000
Capital assets:			
Not being depreciated	549,180	1,905,247	2,454,427
Net of accumulated depreciation	13,945,349	4,775,927	18,721,275
Total non-current assets	16,186,719	6,880,979	23,067,698
Total assets	\$ 17,598,290	6,975,334	24,573,624
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 3,828	4,405	8,233
Accrued interest payable	188,621	-	188,621
Due to other funds	-	975,386	975,386
Compensated absences	33,691	33,691	67,382
Customer deposits	25,200	-	25,200
Revenue bonds, current portion	217,000	124,924	341,924
Total current liabilities	468,339	1,138,406	1,606,745
Non-current liabilities:			
Revenue bonds, long-term	6,130,000	1,435,362	7,565,362
Total non-current liabilities	6,130,000	1,435,362	7,565,362
Total liabilities	6,598,339	2,573,768	9,172,107
NET ASSETS:			
Invested in capital assets, net of related debt	8,147,529	5,120,888	13,268,417
Restricted for:			
Money in lieu of water	528,197	-	528,197
Debt service	635,014	199,805	834,819
Water assessments	375,192	-	375,192
Impact fees	260,147	-	260,147
Unrestricted	1,053,872	(919,127)	134,745
Total net assets	10,999,951	4,401,566	15,401,517
Total liabilities and net assets	\$ 17,598,290	6,975,334	24,573,624

The notes to the financial statements are an integral part of this statement.

Santaquin City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating income:			
Charges for sales and service	\$ 1,355,931	1,080,695	2,436,626
Connection fees	23,471	8,500	31,971
Other operating income	59,818	14,682	74,500
Total operating revenue	<u>1,439,220</u>	<u>1,103,877</u>	<u>2,543,097</u>
Operating expenses:			
Personnel services	185,232	185,227	370,460
Utilities	88,096	38,694	126,790
Repair & maintenance	45,198	52,288	97,486
Other supplies & expenses	103,901	51,077	154,978
Depreciation expense	848,228	445,489	1,293,717
Total operating expense	<u>1,270,656</u>	<u>772,775</u>	<u>2,043,430</u>
Net operating income (loss)	<u>168,564</u>	<u>331,103</u>	<u>499,667</u>
Non-operating income (expense):			
Impact fees collected	84,162	134,303	218,465
Impact fees reimbursed	(67,500)	(32,400)	(99,900)
Investment income (loss)	6,889	794	7,683
Interest on long-term debt	(232,470)	(38,642)	(271,112)
Total non-operating income (expense)	<u>(208,919)</u>	<u>64,055</u>	<u>(144,864)</u>
Income (loss) before contributions and transfers	(40,355)	395,158	354,803
Capital contributions	-	350,000	350,000
Transfers in (out)	<u>(525,502)</u>	<u>(896,575)</u>	<u>(1,422,077)</u>
Change in net assets	(565,857)	(151,417)	(717,274)
Net assets, beginning	<u>11,565,808</u>	<u>4,552,983</u>	<u>16,118,791</u>
Net assets, ending	<u>\$ 10,999,951</u>	<u>4,401,566</u>	<u>15,401,517</u>

The notes to the financial statements are an integral part of this statement.

Santaquin City
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers - service	\$ 1,503,829	1,077,365	2,581,194
Cash paid to suppliers	(237,188)	(141,674)	(378,862)
Cash paid to employees	(169,594)	(169,589)	(339,184)
Net cash provided (used) in operating activities	<u>1,097,047</u>	<u>766,102</u>	<u>1,863,148</u>
Cash flows from noncapital financing activities:			
Change in customer deposits	(5,699)	-	(5,699)
Net interfund activity	(973,656)	(364,318)	(1,337,974)
Net cash provided (used) in noncapital financing activities	<u>(979,355)</u>	<u>(364,318)</u>	<u>(1,343,673)</u>
Cash flows from capital and related financing activities:			
Cash received from capital grants	-	350,000	350,000
Impact fees collected	84,162	134,303	218,465
Impact fees reimbursed	(67,500)	(32,400)	(99,900)
Cash payments for capital assets	(99,239)	(772,937)	(872,176)
Cash payments for long-term debt	(197,000)	(123,873)	(320,873)
Cash payments for long-term debt interest	(228,345)	(38,642)	(266,987)
Net cash provided (used) in capital and related financing activities	<u>(507,922)</u>	<u>(483,548)</u>	<u>(991,470)</u>
Cash flows from investing activities:			
Cash received from interest earned	6,889	794	7,683
Net cash provided (used) in investing activities	<u>6,889</u>	<u>794</u>	<u>7,683</u>
Net increase (decrease) in cash	(383,342)	(80,971)	(464,313)
Cash balance, beginning	2,301,113	280,776	2,581,889
Cash balance, ending	<u>\$ 1,917,772</u>	<u>199,805</u>	<u>2,117,577</u>
Cash reported on the balance sheet:			
Cash and cash equivalents	\$ 291,582	-	291,582
Non-current restricted cash	1,626,190	199,805	1,825,995
Total cash and cash equivalents	<u>\$ 1,917,772</u>	<u>199,805</u>	<u>2,117,577</u>

The notes to the financial statements are an integral part of this statement.

Santaquin City
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2011

**Reconciliation of Operating Income to Net
Cash Provided (Used) in Operating Activities:**

	Water Fund	Sewer Fund	Total Enterprise Funds
Net operating income (expense)	\$ 168,564	331,103	499,667
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	848,228	445,489	1,293,717
Changes in assets and liabilities:			
(Increase) decrease in receivables	64,609	(26,513)	38,096
Increase (decrease) in payables	534	912	1,446
Increase (decrease) in compensated absences	15,111	15,111	30,221
Net cash provided (used) in operating activities	\$ 1,097,047	766,102	1,863,148

The notes to the financial statements are an integral part of this statement.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Santaquin City (the City), a municipal corporation located in Utah County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Policy regarding use of restricted resources

When faced with a choice, it is the City's policy to use restricted resources first, then committed and assigned amounts before spending unassigned amounts. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities or items.

The City reports the following as non-major governmental funds:

The *senior citizens fund* is used to account for activities relating to senior citizens.

The *cheiften museum fund* is used to account for the activity relating to the museum.

The *park impact fees fund* is used to account for the collection and use of park impact fees.

The *public safety impact fee fund* is used to account for the collection and use of public safety impact fees.

Proprietary funds

The City reports the following major proprietary funds:

The *water fund* is used to account for the activities of the culinary water production, treatment and distribution.

The *sewer fund* is used to account for the activities of the sewer operations.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund as well as certificates of deposits and bonds. Additional information is contained in Note 3.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-2. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of any allowance for uncollectible accounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. For they year ending June 30, 2011, the City reported \$88,129 as allowance for uncollectible accounts receivable.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Utah County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	30-45
Machinery & Equipment	10-15
Vehicles	5-10
Office Furniture & Equipment	5-15
Utility Systems	30-45
Infrastructure	30-45

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-8. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

1-E-9. *Fund Equity*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

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

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

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

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

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

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

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

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

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

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-9. Fund Equity (continued)

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

1-F. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

In accordance with State Law, annual budgets are reported and adopted by the City Council on or before June 22, for the fiscal year commencing the following July 1. Prior to June 22, an advertised public hearing is conducted to receive taxpayer input. The operating budgets include proposed revenues and expenditures. Control of budget appropriations is exercised under State Law at the department level. Budget amendments are required to increase expenditure budgets and are adopted following a public hearing before the end of the fiscal year. During the current fiscal year budget amendments were made to prevent budget overruns and to increase revenue estimates and appropriations for unanticipated revenues and expenditures. The governmental fund type budgets are prepared using the modified accrual basis of accounting. Budgets for the proprietary funds are prepared using the accrual basis of accounting.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Fund balance deficit

As of June 30, 2011, the Public Safety Impact Fees Fund had a negative fund balance of \$124,391.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

Deposits:	
Cash in bank	\$ 326,745
Investments:	
State Treasurer's Investment Pool	<u>3,066,546</u>
Total deposits and investments	<u><u>\$ 3,393,292</u></u>

Deposits and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 707,118
Restricted cash and cash equivalents (non-current)	<u>2,686,174</u>
	<u><u>\$ 3,393,292</u></u>

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

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depositor 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 bank failure, the City's deposit may not be returned to it. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2011, \$169,023 of the City's bank balance of \$419,023 was exposed to custodial risk because it was uninsured and uncollateralized.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

3-A. Deposits and investments (continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s, bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer’s office.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses - net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2011 the government had the following investment and maturities:

	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurers' Investment Fund	\$ 3,066,546	3,066,546	-	-	-
Total Fair Value	<u>\$ 3,066,546</u>	<u>3,066,546</u>	<u>-</u>	<u>-</u>	<u>-</u>

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3-A. 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 exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2011 the City had the following investments and quality ratings:

	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurers' Investment Fund	\$ 3,066,546	-	-	-	3,066,546
Total Fair Value	\$ 3,066,546	-	-	-	3,066,546

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the City's funds are shown below:

	General Fund	Capital Projects Fund	Water Fund	Sewer Fund	Pressurized Irrigation Fund	Total
Customers	\$ 47,270	-	148,093	125,200	42,338	362,901
Grant receivables	-	851,955	-	-	-	851,955
Total receivables	47,270	851,955	148,093	125,200	42,338	1,214,855
Allowance for uncollectibles	(11,457)	-	(36,133)	(30,845)	(9,694)	(88,129)
Net receivables	\$ 35,813	851,955	111,960	94,355	32,644	1,126,726

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 617,660	201,720	-	819,380
Infrastructure	7,264,840	-	-	7,264,840
Construction in progress	-	632,368	-	632,368
Total capital assets, not being depreciated	<u>7,882,499</u>	<u>834,088</u>	<u>-</u>	<u>8,716,587</u>
Capital assets, being depreciated:				
Buildings	4,255,592	-	-	4,255,592
Machinery and equipment	2,316,649	179,703	-	2,496,352
Total capital assets, being depreciated	<u>6,572,241</u>	<u>179,703</u>	<u>-</u>	<u>6,751,944</u>
Less accumulated depreciation for:				
Buildings	795,184	151,792	-	946,976
Machinery and equipment	1,677,025	279,510	-	1,956,535
Total accumulated depreciation	<u>2,472,209</u>	<u>431,302</u>	<u>-</u>	<u>2,903,511</u>
Total capital assets being depreciated, net	<u>4,100,032</u>	<u>(251,599)</u>	<u>-</u>	<u>3,848,433</u>
Governmental activities capital assets, net	<u>\$ 11,982,531</u>	<u>582,489</u>	<u>-</u>	<u>12,565,020</u>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

Governmental activities:	
General government	\$ 46,654
Public safety	228,219
Highways and public improvements	68,111
Parks and recreation	87,548
Cemetery	769
Total	<u>\$ 431,302</u>

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3-C. Capital assets (continued)

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 124,032	-	-	124,032
Construction in progress	1,022,311	772,937	-	1,795,247
Total capital assets, not being depreciated	<u>1,146,343</u>	<u>772,937</u>	<u>-</u>	<u>1,919,279</u>
Capital assets, being depreciated:				
Buildings and improvements	275,389	-	-	275,389
Water distribution system	19,165,525	99,239	-	19,264,764
Sewer collection/treatment system	9,879,175	-	-	9,879,175
Machinery and equipment	484,589	-	-	484,589
Total capital assets, being depreciated	<u>29,804,678</u>	<u>99,239</u>	<u>-</u>	<u>29,903,917</u>
Less accumulated depreciation for:				
Buildings and improvements	228,385	2,564	-	230,949
Water distributions system	3,943,979	842,925	-	4,786,904
Sewer collection/treatment system	4,761,483	420,169	-	5,181,652
Machinery and equipment	419,930	28,059	-	447,989
Total accumulated depreciation	<u>9,353,777</u>	<u>1,293,717</u>	<u>-</u>	<u>10,647,494</u>
Total capital assets being depreciated, net	<u>20,450,902</u>	<u>(1,194,478)</u>	<u>-</u>	<u>19,256,424</u>
Business-type activities capital assets, net	<u>21,597,244</u>	<u>(421,541)</u>	<u>-</u>	<u>21,175,703</u>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-type activities:	
Water	\$ 848,228
Sewer	445,489
Total	<u>\$ 1,293,717</u>

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3-D. Long-term debt

Long-term debt activity for governmental activities for the year was as follows:

	Original Principal	% Rate	6/30/2010	Additions	Reductions	6/30/2011	Due Within One Year
<u>Governmental activities:</u>							
2006 Crown Victoria Lease Matures 7/1/2010	\$ 31,816	7.05	\$ 6,780	-	6,780	-	-
2007 Ford F-150 Lease Matures 7/1/2010	16,665	6.90	4,295	-	4,295	-	-
2007 Crown Victoria Lease Matures 8/1/2010	36,929	6.00	9,519	-	9,519	-	-
2007 Ford 500 Lease Matures 10/1/2010	20,850	7.05	4,151	-	4,151	-	-
2006 Dump Truck Lease Matures 10/15/2010	92,500	4.34	6,812	-	6,812	-	-
2007 Crown Victoria Lease Matures 11/1/2010	30,782	7.05	6,560	-	6,560	-	-
Park Lights Lease Matures 4/30/2011	56,000	1.02	5,480	-	5,480	-	-
2008 Crown Victoria Lease Matures 2/1/2012	40,843	5.90	16,764	-	8,142	8,622	8,622
2002 Excise Tax Revenue Matures 5/1/2012	525,000	4.95	231,000	-	113,000	118,000	118,000
Krober Building Lease Matures 9/30/2012	60,000	5.50	20,221	-	5,947	14,274	6,274
2009 Ford F-150 Lease Matures 11/1/2012	38,843	7.25	23,230	-	7,208	16,022	7,731
2007 Fire Truck Lease Matures 1/1/2013	83,000	4.13	43,676	-	16,941	26,735	17,654
2007 Komatsu Loader Lease Matures 1/1/2013	107,350	4.37	67,156	-	21,425	45,731	11,065
2006 Ambulance Lease Matures 1/15/2016	64,000	4.355	40,373	-	6,272	34,101	6,551
2006 Fire Truck Lease Matures 1/15/2016	250,000	4.355	157,730	-	24,499	133,231	25,587
2005 Sales Tax Revenue (General) Matures 2/15/2016	1,300,000	4.25	845,000	-	126,000	719,000	132,000
2010 Dump Truck Lease Matures 1/8/2017	125,000	3.73	-	125,000	9,391	115,609	19,311
Compensated absences			170,909	106,921	-	277,830	-
Total governmental activity long-term liabilities			<u>\$1,659,656</u>	<u>231,921</u>	<u>382,422</u>	<u>1,509,155</u>	<u>352,795</u>

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

3-D. Long-term debt (continued)

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2012	\$ 352,794	48,606	401,401
2013	239,835	33,063	272,899
2014	210,655	22,686	233,341
2015	208,189	13,861	222,051
2016	208,344	4,945	213,288
2017 - 2017	11,508	215	11,722
Total	\$1,231,325	123,376	1,354,701

Long-term debt activity for business-type activities for the year was as follows:

	Original Principal	%	6/30/2010	Additions	Reductions	6/30/2011	Due Within One Year
<u>Business-type activities:</u>							
1991A Water Bond Matures 12/1/2012	\$ 765,000	-	\$ 77,000	-	39,000	38,000	38,000
2003 Zions Goudy Loan Matures 9/1/2014	174,097	2.95	49,385	-	11,457	37,927	11,776
1993B Sewer Bond Matures 6/30/2016	1,307,000	-	396,000	-	66,000	330,000	66,000
1993A Sewer Bond Matures 6/30/2020	1,000,000	-	538,000	-	33,000	505,000	33,000
2005 Sales Tax Revenue (Irrigation) Matures 9/1/2026	6,600,000	3.50	6,467,000	-	158,000	6,309,000	179,000
1993D Sewer Bond Matures 4/1/2035	509,200	5.45	423,737	-	8,447	415,290	8,901
1993C Sewer Bond Matures 7/1/2036	333,000	5.45	277,037	-	4,968	272,069	5,246
Compensated absences			37,160	30,222	-	67,382	-
Total business-type activity long-term liabilities			\$8,265,319	30,222	320,872	7,974,668	341,923

All business-type bonds are revenue bonds secured by the revenues of the water, sewer, or irrigation systems.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

3-D. Long-term debt (continued)

Debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2012	\$ 341,924	258,222	600,146
2013	371,043	250,838	621,881
2014	401,215	241,091	642,306
2015	420,137	230,275	650,412
2016	450,497	218,719	669,216
2017 - 2021	2,265,892	888,383	3,154,275
2022 - 2026	2,745,202	474,663	3,219,865
2027 - 2031	715,044	96,036	811,080
2032 - 2036	195,933	24,664	220,596
2037 - 2036	398	2	400
Total	\$7,907,286	2,682,893	10,590,178

Capital Leases:

The City acquired the following assets through capital leases. Amortization of assets under capital lease are included in depreciation expense. As of June 30, 2011 the net book values are as follows:

Building	\$ 60,000
Equipment	709,036
Less accumulated depreciation	475,514
Total	<u>\$ 293,522</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Year ending June 30:	
2012	\$ 117,807
2013	112,884
2014	74,297
2015	62,233
2016-2017	65,695
Total remaining minimum lease payments	432,916
Less: amount representing interest	38,591
Present value of minimum lease payments	<u>\$ 394,325</u>

3-E. Interfund receivables, payables and transfers

As of June 30, 2011, interfund receivables and payables consisted of the following:

From the Public Safety Impact Fees Fund to the General Fund: \$124,391
 From the Sewer Fund to the Water Fund: \$104,943
 From the sewer impact fee fund to the Water Fund: \$870,443

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

3-E. Interfund receivables, payables and transfers (continued)

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

	<u>Transfers in</u>	<u>Transfer out</u>
Governmental activities:		
General fund	\$ 1,375,502	637,691
Senior citizens fund	18,000	-
Capital projects	367,424	-
Chieften museum fund	2,825	-
Library fund	64,598	936
LSTA Federal grant fund	496	-
PSDG State grant fund	441	-
Recreation fund	90,000	-
Santaquin days fund	5,000	-
Public safety impact fees fund	136,419	-
Total governmental activities	<u>2,060,704</u>	<u>638,627</u>
Business-type activities:		
Water fund	-	450,262
Sewer fund	-	896,575
Pressurized irrigation fund	-	552,914
Water impact fees fund	477,674	-
Total business-type activities	<u>477,674</u>	<u>1,899,751</u>
Grant totals	<u>\$ 2,538,378</u>	<u>2,538,378</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4-B. Employee pension and other benefit plans

Plan Description:

Santaquin City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and the Public Safety Noncontributory Retirement System (Public Safety Noncontributory System) for employees with Social Security Coverage, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement System (the Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the System and Plans. a copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

The City is required to contribute a percentage of covered salary to the respective system to which they belong; 13.37% to the Noncontributory System, and 26.13% to the Public Safety Noncontributory System. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the Systems for the years ending June 30, 2011, 2010, and 2009, respectively, were: for the Noncontributory System, \$116,167, \$99,223 and \$99,472; and for the Public Safety Noncontributory System, \$91,544, \$82,830 and \$87,794, respectively. The contributions were equal to the required contributions for each year.

457 Deferred Compensation and 401K Plans:

The City also participates in a 457 deferred compensation and a 401k plan offered through the Utah State Retirement Systems. The City's contribution for the years ending June 30, 2011, 2010 and 2009, respectively, were: for the 457 deferred compensation \$10,442, \$21,468 and \$21,044; and for the 401K \$20,213, \$9,760 and \$21,270.

4-C. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

Santaquin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4-D. Class IVb Landfill

State and Federal law and regulations require the City to place a final cover on its landfill site when it stops accepting waste. The final closure of this Class IVb Landfill shall consist of leveling waste to the extent practicable, covering with a minimum of two feet of earthen material, and seeding with grass according to the closure plan contained in the permit applications. Santaquin City shall also meet the requirements of UAC R315-309 by recording with the Utah County Recorder, as part of the record of title, that the property was used as landfill. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as expenditure in the General Fund each period based on landfill capacity used as of each balance sheet date. The \$17,953 reported as landfill closure and post closure care liability for the Class IVb Landfill at June 30, 2011, represents the cumulative amount reported to date based on the use of 15% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$96,364 as the remaining estimate capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2011. The City expects to close the landfill in the year 2129. Actual costs may be higher due to inflation or changes in regulations.

The City is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The City is in compliance with these requirements, and, at June 30, 2011, investments of \$48,048 are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that inflation costs will be paid from interest earnings on these annual contributions. However, if interest is inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future Landfill users or from future tax revenue.

The City has established a trust fund for \$48,048 for post-closure costs.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Santaquin City
Notes to Required Supplementary Information
June 30, 2011

Budgetary Comparison Schedules

The Budgetary Comparison Schedule presented in this section of the report is for the City's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2011, spending within the following departments exceeded appropriations:

General government by \$1,450
Public safety by \$12,026
Highways and public improvements by \$2,509

Santaquin City
**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
(Unaudited)
For the Year Ended June 30, 2011

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,713,631	1,738,551	1,765,535	26,984
Licenses and permits	341,000	117,650	119,895	2,245
Intergovernmental revenues	320,429	350,208	364,088	13,880
Charges for services	930,580	873,380	794,841	(78,539)
Fine and forfeitures	209,300	185,300	193,243	7,943
Interest	17,000	6,000	7,420	1,420
Miscellaneous revenue	95,400	85,600	95,049	9,449
Total revenues	<u>3,627,340</u>	<u>3,356,689</u>	<u>3,340,072</u>	<u>(16,617)</u>
Expenditures				
General government	1,065,678	987,575	989,025	(1,450)
Public safety	1,320,067	1,290,054	1,302,079	(12,026)
Highways and public improvements	638,677	627,446	629,955	(2,509)
Santitation	392,427	399,461	399,419	43
Parks, recreation and public property	645,802	629,640	616,460	13,180
Cemetery	58,173	53,345	53,008	337
Total expenditures	<u>4,120,824</u>	<u>3,987,521</u>	<u>3,989,946</u>	<u>(2,425)</u>
Excess (deficiency) of revenues over (under) expenditures	(493,484)	(630,832)	(649,874)	(19,043)
Other financing forces and (uses)				
Transfers in	1,056,625	1,537,925	1,537,925	-
Transfers out	(562,978)	(843,497)	(638,628)	(204,869)
Total other financing sources and (uses)	<u>493,647</u>	<u>694,429</u>	<u>899,298</u>	<u>(204,869)</u>
Net change in fund balances	163	63,597	249,424	185,826
Fund balances - beginning of year	78,820	78,820	78,820	-
Fund balances - end of year	<u><u>\$ 78,983</u></u>	<u><u>142,417</u></u>	<u><u>328,244</u></u>	<u><u>185,826</u></u>

Santaquin City
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING
 June 30, 2011

As allowed by GASB 34, Santaquin City has adopted an alternative to reporting depreciation on roads (infrastructure assets) maintained by the Public Works Department. Under the modified approach, infrastructure assets are not depreciated and maintenance and preservation costs are expensed.

Infrastructure assets that are part of a network are not required to be depreciated as long as the following requirements are met:

- The assets will be managed using an asset management system
- Document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level as disclosed below

The asset management system will provide:

- An up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale at least every three years
- Estimate yearly the annual amount of funds needed to maintain and preserve the eligible infrastructure assets at the condition level established
- The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved at the disclosed level
- All expenditures, except for additions and improvements, made for the eligible infrastructure assets will be expensed in the period incurred
- Additions and improvements to the eligible infrastructure assets will be capitalized, as they increase the capacity or efficiency of the asset rather than preserve the useful life of the asset

Roads

Santaquin City will utilize the Pavement Management System to determine the condition of the city roads. The assessment is based on the Ride Index, which is a measurement of ride quality on a scale of 1-5, with 5 representing new or nearly new pavement.

Category	Range	Description
Good	3.55 – 4.34	Pavements, which provide an adequate, ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.

Santaquin City
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING
June 30, 2011

Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Santaquin City
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING
 June 30, 2011

Condition Level

Santaquin City’s condition level policy is to maintain 60% of the roads with a rating of “fair” or better and no more than 20% with a rating of “poor-very poor.” All city roads are chip sealed on a rotating basis, with all new city streets done in a given year, and the rotation started every four to five years. The whole city had roads chip sealed between the years 2000 and current.

Complete assessments of the roads are performed on a fiscal year basis. The following chart shows the results of the pavement ratings for the last four years:

Rating	2011	2010	2009	2008
Fair or Better	65%	80%	80%	80%
Poor - Very Poor	35%	20%	20%	20%

The following table shows the estimated amounts needed to maintain and preserve the roads at or above the established condition levels addressed above, and the amounts actually spent for each of the last three fiscal years.

Fiscal Year	Estimated Spending	Actual Spending
2011	421,244	407,525
2010	438,205	437,444
2009	341,992	343,693
2008	415,046	413,186

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

The **Senior Citizens Fund** accounts for the activities related to the senior citizens.

The **Library Grant Fund** accounts for specific grants and expenses relating to the internet and library.

The **Park Impact Fees Fund** accounts for the City's collection and spending of impact fees relating to the City's parks.

The **Public Safety Impact Fees Fund** accounts for the City's collection and spending of impact fees relating to the City's public safety department.

Santaquin City
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Senior Citizens	Library Grant	Park Impact Fees	Public Safety Impact Fees	
ASSETS					
Restricted cash and cash equivalents	\$ 2,465	-	805,454	-	807,920
TOTAL ASSETS	<u>2,465</u>	<u>-</u>	<u>805,454</u>	<u>-</u>	<u>807,920</u>
LIABILITIES					
Accounts payable	\$ 523	-	-	-	523
Due to other funds	-	-	-	124,391	124,391
TOTAL LIABILITIES	<u>523</u>	<u>-</u>	<u>-</u>	<u>124,391</u>	<u>124,914</u>
FUND BALANCES:					
Restricted for:					
Impact fees and grants	-	-	805,454	(124,391)	681,063
Committed for:					
Senior citizens	1,943	-	-	-	1,943
TOTAL FUND BALANCES	<u>1,943</u>	<u>-</u>	<u>805,454</u>	<u>(124,391)</u>	<u>683,006</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,465</u>	<u>-</u>	<u>805,454</u>	<u>-</u>	<u>807,920</u>

Santaquin City
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Senior Citizens	Library Grant	Park Impact Fees	Public Safety Impact Fees	
REVENUES:					
Intergovernmental revenues	\$ -	-	4,927	-	4,927
Charges for services	13,517	-	-	-	13,517
Miscellaneous revenue	808	95	-	-	903
Total revenues	14,324	95	4,927	-	19,346
EXPENDITURES:					
Parks, recreation and public property	31,050	4,092	12,717	-	47,859
Debt service:					
Principal	-	-	-	126,000	126,000
Interest	-	-	-	33,235	33,235
Total expenditures	31,050	4,092	12,717	159,235	207,094
Excess (Deficiency) of Revenues over (Under) Expenditures	(16,726)	(3,997)	(7,790)	(159,235)	(187,748)
Other Financing Sources and (Uses):					
Impact fees	-	-	113,084	24,579	137,663
Transfers in	18,000	936	-	136,419	155,356
Total other financing sources and (uses)	18,000	936	113,084	160,998	293,019
Net Change in Fund Balances	1,274	(3,060)	105,294	1,763	105,271
Fund balances - beginning of year	669	3,060	700,160	(126,154)	577,735
Fund balances - end of year	\$ 1,943	-	805,454	(124,391)	683,006

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**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**

January 3, 2012

Honorable Mayor and
Members of the City Council
Santaquin City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santaquin City, Utah (herein referred to as the “City”), as of and for the year ended June 30, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the management letter that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in management letter

We noted certain matters that we reported to management of the City, in a separate letter dated January 3, 2012.

The City's response to the findings identified in our audit is described in the management letter. We did not audit The City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the entity, and various Federal and State funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



Larson & Rosenberger, LLP
Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE IN
ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT
GUIDE***

January 3, 2012

Honorable Mayor and
City Council Members
Santaquin City, Utah

Mayor and Council Members:

We have audited the basic financial statements of Santaquin City, Utah, (herein referred to as the "City") as of and for the year ended June 30, 2011, and have issued our report thereon dated January 3, 2012. As part of our audit, we have audited the City's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Other General Compliance Issues
- Impact Fees and Other Development Fees
- Justice Courts Compliance
- Asset Forfeiture
- Utah Retirement System Compliance
- Uniform Building Code Standards
- Fund Balance

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

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

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

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

In our opinion, Santaquin City complied in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated January 3, 2012.

Management's response to the finding(s) identified in our audit is described in the accompanying letter to management. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the entity, Office of the Utah State Auditor, and other Federal and State funding agencies and is not intended to be and should not be used by anyone other than these specified parties. However the report is a matter of public record and its distribution is not limited.



Larson & Rosenberger, LLP
Certified Public Accountants

**CITY OF SANTAQUIN, UTAH
COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE
(MANAGEMENT LETTER)
JUNE 30, 2011**

**CITY OF SANTAQUIN, UTAH
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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 3, 2012

The Honorable Mayor and
Members of the City Council
City of Santaquin, Utah

Mayor and Council Members:

We have audited the financial statements of the governmental activities and the business-type activities, of Santaquin City for the year ended June 30, 2011, and have issued our report thereon dated January 3, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 19, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Santaquin City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Santaquin City and management of Santaquin City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Larson & Rosenberger, LLP
Certified Public Accountants

SCHEDULE OF FINDINGS

Internal Control Findings – Current Year

IC 2011.1 Segregation of Duties – *Significant Deficiency*

Finding:

Proper segregation of duties is a key effective internal control because it can aid in reducing the risk of mistakes and inappropriate actions, and can help fight fraud through discouraging collusion. We noted during our audit that the town lacks proper segregation of duties which results in weaknesses in internal controls

Recommendation:

We recommend that to the extent possible, the City segregate duties to serve as a check and balance to maintain the best control system possible. Due to the limited number of staff at the City we also recommend that the Mayor and Council provide oversight on the financial operations of the City.

Client Response:

The Mayor and all Council Members will, along with the Recorder and Treasurer, review all financial matters and promptly investigate anything unusual.

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State Compliance Findings – Current Year

SC 2011.1 Deficit fund balance/net assets

Finding:

According to *Utah Code*, appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. At the end of the fiscal year the Public Safety Impact Fee fund was in a deficit position (\$124,391).

Recommendation:

We recommend that the City appropriate necessary transfers or reduction in expenditures in the governmental funds to bring them into compliance with Utah State Code.

Client Response:

The City will make the necessary transfers and/or reduction in expenditures to correct the deficit fund balance in the Public Safety Impact Fee fund.

SC 2011.2 General Fund Balance

Finding:

Utah Code 10-6-116(4) indicates that only the fund balance in excess of 5% of total revenues of the General Fund opinion unit may be utilized for budget purposes. The remaining 5% *must be maintained as a minimum fund balance*. The fund balance of the General Fund opinion unit was under the required 5% minimum fund balance required at the end of the year.

Recommendation:

It is recommended that the City properly budget less expenditures, or make the appropriate transfers in the General fund to increase the fund balance to the appropriate level.

Client Response:

The City will make the necessary transfers and/or reduction in expenditures in the General fund.

SC 2011.3 Budgetary Compliance

Finding:

Officers and employees of the City shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. For municipalities State Law requires budget integrity at the following levels; General Fund – each department; Special Revenue- each separate activity; all other funds by fund in total. The following departments or funds exceeded budget for the fiscal year: General Government (\$1,450); Public Safety (\$12,026); Highways and Public Improvements (\$2,509)

Recommendation:

It is recommended that Management not incur expenditures in excess of the amounts appropriated for each department or fund, or account for those additional expenditures when the final budget is adopted.

Client Response:

Management will monitor expenditures in comparison with budgeted appropriations on a more consistent basis and will make necessary budgetary adjustments as needed.

SC 2011.4 Impact Fee Report

Finding:

Each municipality shall present an impact fee report which identifies impact fees funds by the year in which they were received, the source from which the funds were collected, the capital projects for which the funds were budgeted, and the projected schedule for expenditure; in a format developed by the state auditor, certified by their financial officer; and transmitted annually to the state auditor. It was noted that this report was not submitted to the State Auditor by the City for the year ended June 30, 2010.

Recommendation:

It is recommended that the City gather the necessary information, compile it in a manner appropriate to state requirements, and submit to the State Auditor in a timely manner.

Client Response:

Client is aware that the report had not been filed for the year under audit. However, the report for the year ended June 30, 2011 has been prepared and filed with the State Auditor.

SC 2011.5 Asset Forfeiture Proceeds

Finding:

Proceeds from the disposition of forfeited property, and forfeited monies collected through state forfeitures shall be deposited (with the State) in a restricted account in the general fund called the Criminal Forfeiture Restricted Account. The amount deposited shall be reduced by the entities direct costs and expenses related to the forfeited assets. The proceeds of the assets collected and sold by the City were not deposited in the State restricted fund.

Recommendation:

When assets are seized in the future, the City should submit the proceeds to the State less the costs and expenditures of housing and disposing of those assets incurred by the City.

Client Response:

Management was not aware that they needed to submit the funds directly to the State. They will submit all funds in the future.

Status of Internal Control Findings – Prior Year

IC 2010.1 Segregation of Duties – Significant Deficiency

Finding:

Proper segregation of duties is a key effective internal control because it can aid in reducing the risk of mistakes and inappropriate actions, and can help fight fraud through discouraging collusion. We noted during our audit that the town lacks proper segregation of duties which results in weaknesses in internal controls

Recommendation:

We recommend that to the extent possible, the City segregate duties to serve as a check and balance to maintain the best control system possible. Due to the limited number of staff at the City we also recommend that the Mayor and Council provide oversight on the financial operations of the City.

Status:

See current year findings

IC 2010.2 Year end adjusting entries – Significant Deficiency

Finding:

Management does not currently record all year-end or closing journal entries, specifically revenue and grant accruals; debt adjustments including correct allocation of principal payments and interest accruals; and depreciation expense. Management reviews, approves, and accepts responsibility for the auditors year-end proposed adjusting entries.

Recommendation:

It is recommended that the client develop a system or improve the current system for financial reporting to ensure that all necessary entries are made in a timely and accurate manner. This can be accomplished through additional training of Management or through work with the Auditors, should this be their desire.

Status:

No issues noted in current period

IC 2010.3 Drafting of financial statements – Significant Deficiency

Finding:

Management does not currently draft the City's basic financial statements and related footnotes. The Auditor, with oversight from Management, drafts the financial statements and footnotes. Management then reviews, approves, and accepts responsibility for the financial statements.

Recommendation:

Management should work both independently and with the Auditors to receive the training that will enable them to draft the financial statements and related footnotes, should this also be their desire.

Status:

No issues noted in current period

IC 2010.4 Inappropriate journal entries to fund balance

Finding:

Management currently records an entry for use of prior year fund balance directly to fund balance in the financial records. While this can be done for budgeting purposes, it should not be an entry made for financial statement purposes. The effect of such entries causes beginning fund balances to be misstated on the financial statements without auditor adjustments.

Recommendation:

It is recommended that management not make these budgetary adjustments directly in the financial records in the future. They should be limited to the budgetary records.

Status:

No issues noted in current period

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Status of State Compliance Findings – Prior Year

SC 2010.1 Deficit fund balance/net assets

Finding:

According to *Utah Code*, appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal. At the end of the fiscal year the Public Safety Impact Fee fund was in a deficit position (\$126,154).

Recommendation:

We recommend that the City appropriate necessary transfers or reduction in expenditures in the governmental funds to bring them into compliance with Utah State Code.

Client Response:

See current year findings.

SC 2010.2 General Fund Balance

Finding:

Utah Code 10-6-116(4) indicates that only the fund balance in excess of 5% of total revenues of the General Fund opinion unit may be utilized to budget purposes. The remaining 5% *must be maintained as a minimum fund balance*. The fund balance of the General Fund opinion unit was under the required 5% minimum fund balance required at the end of the year.

Recommendation:

It is recommended that the City properly budget less expenditures, or make the appropriate transfers in the General fund to increase the fund balance to the appropriate level.

Status:

See current year findings.

SCHEDULE OF UNCORRECTED MISSTATEMENTS

- 1) Genola Police Contract revenue account. \$50,000

**REPORT ON BOND COMPLIANCE
CITY OF SANTAQUIN, UTAH
JUNE 30, 2011**

**CITY OF SANTAQUIN, UTAH
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YEAR ENDED JUNE 30, 2011**

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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON BOND COMPLIANCE

January 3, 2012

Honorable Mayor
Members of the City Council
City of Santaquin, Utah

Mayor and Council Members:

We have audited the financial statements of Santaquin City, Utah, for the year ended June 30, 2011, and have issued our report thereon dated January 3, 2012. As part of our audit, we reviewed your compliance with the requirements of your bond issues. Based on our review, we are not aware of any areas of non-conformance.

Larson & Rosenberger, LLP

Larson & Rosenberger, LLP
Certified Public Accountants

**CITY OF SANTAQUIN, UTAH
NET REVENUE BOND REQUIREMENT
SEWER FUND
YEAR ENDED JUNE 30, 2011**

Operating Income		\$ 331,103
Interest Income		794
Operating Expense Not Requiring Funds:		
Depreciation		<u>445,489</u>
Net Revenues		777,386
Debt Service - 2012 Fiscal Year		
Principal	\$ 125,660	
Interest	<u>38,827</u>	
Total	<u>164,487</u>	
Required 120%		<u>197,384</u>
Net Revenues In Excess		<u><u>\$ 580,002</u></u>

**CITY OF SANTAQUIN, UTAH
NET REVENUE BOND REQUIREMENT
WATER FUND
YEAR ENDED JUNE 30, 2011**

Operating Income		\$ 168,564
Interest Income		6,889
Operating Expense Not Requiring Funds:		
Depreciation		<u>848,228</u>
Net Revenues		1,023,681
Debt Service - 2011 Fiscal Year		
Principal	\$ 217,000	
Interest	231,000	
Total	<u>448,000</u>	
Required 125%		<u>560,000</u>
Net Revenues In Excess		<u><u>\$ 463,681</u></u>

**CITY OF SANTAQUIN, UTAH
INSURANCE COVERAGE
YEAR ENDED JUNE 30, 2011**

<u>COMPANY</u>	<u>COVERAGE AMOUNT</u>	<u>COVERAGE</u>	<u>EXPIRATION DATE</u>
Utah Local Governments' Trust	\$ 2,000,000	General Liability, Bodily Injury, Personal Injury, Property Damage, Public Officials, Errors and Omissions	6/30/2012
Utah Local Governments' Trust	\$ 2,000,000	Automotive Liability, Automotive Bodily Injury, and Property Damage	6/30/2012
Utah Local Governments' Trust	\$ 65,000	Uninsured Motorist	6/30/2012
Utah Local Governments' Trust	\$ 50,000	Underinsured Motorist	6/30/2012

**CITY OF SANTAQUIN, UTAH
WATER AND SEWER CONNECTION FEES,
CONNECTIONS, AND BILLINGS
YEAR ENDED JUNE 30, 2011**

CONNECTION FEES

Water connection fees per connection are as follows:

3/4" meter	\$310.00
1" meter	470.00
1 1/2" meter	670.00
2" meter	770.00

Sewer connection fees are \$250.00 per connection.

Pressurized irrigation connection fees are \$200.00 per connection.

CONNECTIONS

Currently the City services 2,392 water connections and 2,318 sewer connections, and 2,339 pressurized irrigation connections.

BILLINGS

For the year ended June 30, 2011, the total water billings were \$1,355,931 and the total sewer billings were \$1,080,695.

**CITY OF SANTAQUIN, UTAH
WATER AND SEWER RATES
YEAR END JUNE 30, 2011**

SEWER

The base rate for sewer service shall be \$36.80 per unit per month.

An additional charge of \$0.70 per 1,000 gallons will be assessed as determined by the customer's winter water usage.

New accounts shall be charged the minimum of \$15.20 plus an average of 8 (eight) thousand gallons, until the customer has established their winter water usage.

WATER

Base Rate	\$ 17.60
0 to 4,000 gallons	\$ 0.50 per 1,000 gallons
4,001 to 8,000 gallons	\$ 0.75 per 1,000 gallons
8,001 to 12,000 gallons	\$ 1.00 per 1,000 gallons
12,001 + gallons	\$ 1.85 per 1,000 gallons

PRESSURIZED IRRIGATION

Base Rate	\$ 12.85
-----------	----------

An additional charge of \$0.65 per 1,000 gallons is assessed based