

**SPANISH FORK CITY, UTAH  
INDEPENDENT AUDITORS' REPORT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**SPANISH FORK CITY, UTAH  
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YEAR ENDED JUNE 30, 2008**

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LARSON & ROSENBERGER LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 24, 2008

Honorable Mayor  
Members of the City Council  
Spanish Fork City, 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 Spanish Fork City, as of and for the year ended June 30, 2008, which collectively comprise Spanish Fork City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Spanish Fork City'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 Spanish Fork City, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages MDA-1 through MDA-9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Additionally, the impact fee schedule on page 54 is not a required part of the basic financial statements. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2008, on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spanish Fork City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor 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.

*Larson + Rosenberger, LLP*

Larson & Rosenberger, LLP  
Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork City, we offer readers of Spanish Fork City's financial statements this narrative overview and analysis of the financial activities of Spanish Fork City for the fiscal year ended **June 30, 2008**. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net assets of Spanish Fork City increased \$ 16,632,095 to \$183,709,192. The governmental net assets increased by \$5,553,742 and the business-type net assets increased by \$11,078,353.
- The total net assets of \$183,709,192 are made up of \$ 131,960,155 in capital assets net of related debt and \$ 51,749,037 in other net assets.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$ 737,360.
- The City's total long-term liabilities decreased by \$ 2,399,636 during the current fiscal year.

### REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Spanish Fork City's basic financial statements. Spanish Fork City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

- *The statement of net assets* presents information on all of Spanish Fork 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 Spanish Fork City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *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 all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions

of Spanish Fork 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 government-wide financial statements can be found on pages 3-4 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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. Spanish Fork 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds is determined to be non-major and is included in the combining statements within this report.

- **Proprietary funds** - Spanish Fork City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Spanish Fork City uses enterprise funds to account for its Electric Utility, Water Utility (Culinary and Pressurized Irrigation), Sewer Utility, Solid Waste Collection Utility, Storm Drainage Utility, Golf Course Operations, Swimming Pool and Gun Club. Internal service funds are an accounting device used to accumulate and allocate costs internally among Spanish Fork City's various functions. The City uses an internal service fund for maintenance of its vehicles and equipment. Because this service primarily benefits governmental activities, it has been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund

classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

• **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$183,709,192**.

By far the largest portion of Spanish Fork City's net assets (**\$ 131,960,155 or 71%**) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets.

Spanish Fork City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	29,720,099	40,716,409	36,076,973	38,900,581	65,797,072	79,616,990
Capital assets	68,413,561	51,017,679	100,187,568	91,272,153	168,601,129	142,289,832
Total assets	98,133,660	91,734,088	136,264,541	130,172,734	234,398,201	221,906,822
Other liabilities	13,987,977	12,918,891	2,239,610	4,226,156	16,227,587	17,145,047
Long-term liabilities outstanding	22,187,421	22,410,677	15,274,000	16,757,000	37,461,421	39,167,677
Total liabilities	36,175,398	35,329,568	17,513,610	20,983,156	53,689,008	56,312,724
Net assets:						
Invested in capital assets, net of related debt	46,026,479	28,600,466	85,933,676	75,548,307	131,960,155	104,148,773
Restricted	2,612,810	4,687,630	6,290,736	8,688,599	8,903,546	13,376,229
Unrestricted	13,318,972	23,116,423	29,526,519	26,435,672	42,845,491	49,552,095
Total net assets	61,958,261	56,404,519	121,750,931	110,672,578	183,709,192	167,077,097

The following table summarizes the City's changes in Net Assets.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	5,569,605	5,775,754	32,295,470	30,155,135	37,865,075	35,930,889
Operating grants and contribs	1,347,433	1,041,888	-	-	1,347,433	1,041,888
Capital grants and contribs	7,022,076	6,141,480	7,507,038	10,088,110	14,529,114	16,229,590
<b>General revenues:</b>						
Property taxes	1,953,307	1,892,303	-	-	1,953,307	1,892,303
Sales and Use Tax	5,925,834	5,427,400	-	-	5,925,834	5,427,400
Other taxes	186,901	164,902	-	-	186,901	164,902
Unrestricted investment earnings	1,399,743	761,634	1,016,409	1,260,937	2,416,152	2,022,571
Joint Venture Gain (Loss)	167,675	25,784	-	-	167,675	25,784
Gain on Sale of Capital Assets	45,300	19,855	-	-	45,300	19,855
<b>Total revenues</b>	<b>23,617,874</b>	<b>21,251,000</b>	<b>40,818,917</b>	<b>41,504,182</b>	<b>64,436,791</b>	<b>62,755,182</b>
<b>Expenses:</b>						
General government	2,871,636	3,017,891	-	-	2,871,636	3,017,891
Public safety	5,426,824	1,631,253	-	-	5,426,824	1,631,253
Public works	6,999,513	8,890,561	-	-	6,999,513	8,890,561
Parks and recreation	2,390,966	2,071,425	-	-	2,390,966	2,071,425
Operating expenses (business type)	-	-	29,001,611	26,085,511	29,001,611	26,085,511
Interest expense	1,114,144	22,150	-	-	1,114,144	22,150
<b>Total expenses</b>	<b>18,803,083</b>	<b>15,633,280</b>	<b>29,001,611</b>	<b>26,085,511</b>	<b>47,804,694</b>	<b>41,718,791</b>
Increase in net assets before transfers	4,814,791	5,617,720	11,817,306	15,418,671	16,632,097	21,036,391
Transfers	738,953	-	(738,953)	-	-	-
Increase in net assets	5,553,744	5,617,720	11,078,353	15,418,671	16,632,097	21,036,391
Net assets - beginning	56,404,518	50,786,798	110,672,578	95,253,907	167,077,096	146,040,705
<b>Net assets - ending</b>	<b>61,958,262</b>	<b>56,404,518</b>	<b>121,750,931</b>	<b>110,672,578</b>	<b>183,709,193</b>	<b>167,077,096</b>

## FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2008, the City's governmental funds (General, Debt Service, Special Revenue & Capital Project Fund) reported combined fund equity of **\$ 16,087,399**. This represents a decrease of **\$11,657,324 under** last year's ending balances. This decrease is the results of both a planned budget uses of funds being held in the Capital Projects Fund and the appropriation of the beginning fund balance. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds (\$8,066,042) and represent 45% of total governmental funds revenues. The largest element of taxes is sales and use taxes as it has been for the last several years. It represents 73% of total tax revenues and 31% of total Governmental Funds revenues.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$ 15,623,150 to a final budget of \$ 16,900,212. A major contributing factor in the increase was the budget increase to the use of beginning fund balance. During the fiscal year, the City had some capital expenditures it had not for seen at the time of the original budgeting process.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** - Spanish Fork City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$ 168,601,129 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. Capital assets include contributed infrastructure from developers.

#### **Major capital asset events during the current fiscal year included the following:**

Near completion of the new Justice Court and Police Station. \$ 12,651,306.

New land for Fire Department, Streets, General Buildings, Sewer Plant, & Electric Department purchased for \$1,085,009.

City Office Building Improvements for \$47,250.

Ambulance Department purchased Auto Pulse Machines for \$31,369.

Fire Station Parking Lot for \$21,765.

City Office South Parking Lot Improvements \$91,594.

Public Works Building Remodel for \$39,930.

Streets Improvements:

1. Maintenance and Rebuilding of existing roads for \$1,817,221.
2. Asphalt Lay Down Box for \$21,645.
3. Traffic/Transportation Plan for \$65,693.
4. Bridge Widening for \$17,822.

Parks Improvements:

1. City Park Restrooms for \$11,667.
2. Pioneer Cemetery for \$7,440.
3. Dripping Rock Trail for \$13,849.
4. Group Campground for \$8,627.
5. Master Plan for \$54,771.
6. Disc Golf for \$12,756.
7. Lights @ Don's Field for \$241,732

Library books for \$81,217.

Fairground Improvements:

1. #1 North Wall for \$7,000.
2. Main Street Parking Lot for \$166,999.
3. Lights Arena #3 for \$5,913.

Water and Pressurized Irrigation System Improvements:

1. Equipment Meters for \$131,921.
2. Equipment AMR-Radio Units for \$761,046.
3. Water Lines for \$216,906.
4. Crab Creek PRV for \$13,905.
5. Water Tank Sterling Hollow for \$1,736,184.
6. Shop Well Filter Building for \$133,300.
7. Lynnbrook Water Services Replacement for \$44,900.
8. Canyon Elementary Well AC for \$12,435.
9. 2550 East Pump House for \$7,459.
10. 1000 North PI Line for \$10,449.

Sewer Improvements:

1. Shop/Storage Building for \$28,346.
2. Sewer Replacement 400 North for \$185,959.
3. Generator Service for \$7,779.
4. Drying Bed Project for \$54,149.
5. Sewer Plant Improvements for \$214,658.
6. Video Inspection of Sewer Main for \$3,366.

Electric System Improvements:

1. Transmission Improvements for \$747,980.
2. Distribution Improvements for \$949,395.
3. Substation Improvements for \$581,860.
4. Facilities Improvements for \$26,728.



Golf Course Pump House for \$200,351.

Swimming Pool Improvements:

1. Purchased UV Filtration System for \$71,694.
2. Restroom Partitions for \$8,030.

Garbage Cans for \$55,215.

Storm Drain Improvements:

1. Fairway Drive/400 N Storm Drain's for \$126,926.
2. Mill Race Piping Projects for \$8,207.
3. Wetland Study/Design for \$9,964.
4. Dry Creek Cleaning for \$8,656.

Gun Club purchased new Traps for \$43,200.

Spanish Fork City Network Plant/Headend Improvements for \$165,227.

Equipment Purchases:

1. 8 Police vehicles for \$269,365.
2. 2 Fire Truck Air Packs for \$28,000.
3. 14 Trucks for \$436,464.
4. 1 Ambulance for \$132,400.
5. 1 Sand Cat for \$13,443.
6. 2 Backhoes for \$12,855.
7. 1 John Deere for \$29,925.
8. 6 Utility/Golf Carts for \$48,605.
9. 3 Mowers for \$83,951.
10. Loader for \$99,198.

The following table summarizes the City's changes in Capital Assets.

### Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land	\$ 9,737,433	\$ 9,313,881	\$ 1,259,368	\$ 597,911
Water Shares	-	-	2,944,524	2,350,739
Buildings	16,975,272	4,758,826	4,309,902	4,098,161
Improvements	7,307,090	5,668,456	88,128,450	81,206,848
Equipment	3,339,784	2,904,127	3,545,324	3,018,494
Infrastructure	31,053,982	28,372,388	-	-
<b>Total Net Assets</b>	<b>\$ 68,413,561</b>	<b>\$ 51,017,678</b>	<b>\$ 100,187,568</b>	<b>\$ 91,272,153</b>

Net of Depreciation

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

**Long-term debt** - At June 30, 2008, the City had total bonded debt outstanding of **\$ 35,061,785**. **\$13,720,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$ 22,341,785** is debt secured solely by tax sources (ie., Sales Tax revenue and Property Tax increment for the RDA).

The following table summarizes the City's changes in Long-term debt.

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Capital Lease	\$ 141,784	\$ 187,420	\$ -	\$ -
Accrued Vacation & Sick Leave	1,121,320	1,061,210	482,095	384,064
Revenue Bonds	21,200,000	22,000,000	13,720,000	15,274,000
<b>Total Outstanding Debt</b>	<b>\$ 22,463,104</b>	<b>\$ 23,248,630</b>	<b>\$ 14,202,095</b>	<b>\$ 15,658,064</b>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$ 1,244,091,424**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$49,763,657** which is significantly in excess of the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus **99,527,314** which again significantly exceeds the outstanding business-type activity debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**



- The unemployment rate for Utah County (of which Spanish Fork is one of the principal municipalities) was 2.5% compared with a state unemployment rate of 3.0 % and a national rate of 4.6 %. (Source: Utah Dept of Workforce Services)

- The General Fund budget for the fiscal year-ending June 30, 2009 reflects a decrease of 10% under the final budget for the fiscal year-ended June 30, 2008. The largest part of this decrease is a result of the decrease in capital spending for the current year. This decline in spending is a result of declining general fund revenues. Some increases in individual departments are results in increase personnel and benefits combined with general inflation in the operational portions of the budget. Some capital improvements budgeted for the FY 2009 include:

1. Parking lot at the Fire Station and Fairgrounds.
2. Water Rights Purchases.
3. Completion of Water Tank Construction at Sterling Hollow.
4. Water line replacement.
5. Automated Metering System.
6. Sewer line replacement.
7. Additional Trail Projects.
8. Electrical distribution substation.
9. Hardware for new broadband nodes.
10. Broadband Higher Speed Internet Upgrade.
11. Storm Drainage System Expansion.
12. Pressurized Irrigation System Expansion.
13. Sidewalk replacement and repair various areas of town.
14. Swenson Park Maintenance Building Addition.
15. Broadband Building Expansion (Purchase School Portion of SFCN Building).
16. Purchase of mowers, trucks, police cars.
17. New Fire Pumper Truck.
18. New Dump Truck.
19. New Electrical Bucket Truck.
20. New Senior Citizen Van.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Spanish Fork City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: Finance Director, Spanish Fork City, 40 South Main St, Spanish Fork, UT 84660.

**BASIC FINANCIAL STATEMENTS**

**Spanish Fork City  
Statement of Net Assets  
June 30, 2008**

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,052,513	\$ 30,212,643	\$ 45,265,156
Receivables (net of allowance)	2,431,544	3,010,002	5,441,546
Prepaid expenses	74,315	59,405	133,720
Internal balances	2,722,184	(2,722,184)	-
Bond issuance costs (net)	-	221,343	221,343
Inventory	-	1,514,916	1,514,916
Equity in joint venture	2,114,611	1,587,968	3,702,579
Restricted Assets:			
Cash and cash equivalents	7,324,932	5,192,880	12,517,812
Capital Assets (not being depreciated):			
Land	9,737,433	1,259,368	10,996,801
Water shares	-	2,944,524	2,944,524
Capital Assets (net of accumulated depreciation):			
Buildings	16,975,272	4,309,902	21,285,174
Improvements other than buildings	7,307,090	88,128,450	95,435,540
Equipment	3,339,784	3,545,324	6,885,108
Infrastructure	31,053,982	-	31,053,982
Total assets	<u>98,133,660</u>	<u>139,264,541</u>	<u>237,398,201</u>
<b>LIABILITIES</b>			
Accounts payable	3,511,955	764,036	4,275,991
Deposits	7,485,492	894,168	8,379,660
Connectors agreement	16,183	-	16,183
Deferred revenue	1,415,839	102,250	1,518,089
Deferred amount of refunding	-	(246,855)	(246,855)
Compensated absences	1,121,320	482,095	1,603,415
Bond interest payable	199,661	40,455	240,116
Bond premiums	237,527	203,461	440,988
Noncurrent Liabilities:			
Due within one year	845,636	1,554,000	2,399,636
Due in more than one year	21,341,785	13,720,000	35,061,785
Total liabilities	<u>36,175,398</u>	<u>17,513,610</u>	<u>53,689,008</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	46,026,479	85,933,676	131,960,155
Restricted for:			
Class "C" roads	1,641,261	-	1,641,261
Redevelopment agency	971,549	-	971,549
Impact fees	-	3,671,340	3,671,340
Water rights	-	1,599,288	1,599,288
Bond requirements	-	1,020,108	1,020,108
Unrestricted	13,318,973	29,526,519	42,845,491
Total net assets	<u>\$ 61,958,262</u>	<u>\$ 121,750,931</u>	<u>\$ 183,709,192</u>

**Spanish Fork City**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

Function/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-type Activities	Total
General government activities:						
General government	\$ 2,871,636	\$ 4,021,122	\$ 88,023	\$ 1,237,509	\$ -	\$ 1,237,509
Public safety	5,426,824	859,653	76,658	(3,740,513)	-	(3,740,513)
Public works	6,999,513	-	1,124,156	(528,028)	-	(528,028)
Parks, recreation and public property	2,390,966	688,830	58,596	(718,793)	-	(718,793)
Interest on long-term debt	1,114,144	-	-	(1,114,144)	-	(1,114,144)
Total governmental activities	18,803,083	5,569,605	1,347,433	(4,863,970)	-	(4,863,970)
Business-type activities:						
Water	4,614,454	5,085,117	-	-	2,826,680	2,826,680
Sewer	2,450,609	2,300,640	-	-	1,468,449	1,468,449
Electric	19,181,358	22,282,501	-	-	5,207,059	5,207,059
Garbage	845,983	908,114	-	-	62,131	62,131
Golf course	801,253	676,011	-	-	(125,242)	(125,242)
Swimming pool	426,165	223,538	-	-	(202,627)	(202,627)
Storm drainage	470,098	508,438	-	-	1,465,027	1,465,027
Gun club	211,691	311,111	-	-	99,420	99,420
Total business-type activities	29,001,611	32,295,470	-	-	10,800,897	10,800,897
Total primary government	\$ 47,804,694	\$ 37,865,075	\$ 1,347,433	(4,863,970)	10,800,897	5,936,927
General revenues:						
Property taxes				1,953,307	-	1,953,307
Sales taxes				5,925,834	-	5,925,834
Other taxes				186,901	-	186,901
Unrestricted investment earnings				1,399,743	1,016,409	2,416,152
Joint venture gain (loss)				167,675	-	167,675
Gain on sale of capital assets				45,300	-	45,300
Transfers				738,953	(738,953)	-
Total general revenues and transfers				10,417,713	277,456	10,695,169
Change in net assets				5,553,744	11,078,353	16,632,096
Net assets - beginning				56,404,518	110,672,578	167,077,096
Net assets - ending				\$ 61,958,262	\$ 121,750,931	\$ 183,709,192

The Notes to the Financial Statements are an Integral Part of this Statement.

**Spanish Fork City  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2008**

	General Fund	Major Capital Project Fund Police/Court	Total Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,262,457	\$ 3,989,040	\$ 3,801,016	\$ 15,052,513
Receivables (net of allowance):				
Tax	2,319,125	-	82,419	2,401,544
Due from other funds	1,636,896	899,213	1,024,418	3,560,527
Prepaid expense	56,224	-	18,091	74,315
Equity in joint venture	79,626	-	-	79,626
Restricted Assets:				
Cash and cash equivalents	6,539,063	-	785,869	7,324,932
Total assets	<u>\$ 17,893,391</u>	<u>\$ 4,888,253</u>	<u>\$ 5,711,813</u>	<u>\$ 28,493,457</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,000,475	\$ -	\$ -	\$ 3,000,475
Due to other funds	-	-	37,494	37,494
Payroll payable	450,575	-	-	450,575
Developer escrow	6,031,286	-	-	6,031,286
Final inspection deposit	1,454,206	-	-	1,454,206
Connector agreements	16,183	-	-	16,183
Deferred revenue	1,415,839	-	-	1,415,839
Total liabilities	<u>12,368,564</u>	<u>-</u>	<u>37,494</u>	<u>12,406,058</u>
Fund balances:				
Reserved for:				
Class "C" roads	1,641,261	-	-	1,641,261
Redevelopment agency	-	-	971,549	971,549
Impact fees	-	-	-	-
Designated for:				
Capital projects	-	4,888,253	4,312,037	9,200,290
Undesignated	3,883,566	-	390,733	4,274,299
Total fund balances	<u>5,524,827</u>	<u>4,888,253</u>	<u>5,674,319</u>	<u>16,087,399</u>
Total liabilities and fund balances	<u>\$ 17,893,391</u>	<u>\$ 4,888,253</u>	<u>\$ 5,711,813</u>	<u>\$ 28,493,457</u>

Spanish Fork City  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008

Total fund balances - governmental fund types: \$ 16,087,399

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

City's portion of joint ventures	2,034,985	
Cost of capital assets	102,962,723	
Accumulated depreciation	<u>(34,549,162)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		<u>70,448,546</u>

Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, but not in the Balance Sheet - Governmental Funds

(877,390)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(199,662)	
Non-current liabilities due within one year	(941,785)	
Compensated absences	(1,121,320)	
Unamortized Bond Premium	(237,527)	
Non-current liabilities due in more than one year	<u>(21,200,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		<u>(23,700,294)</u>

Net assets of government activities \$ 61,958,261

**Spanish Fork City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	General Fund	Major Capital Project Fund Police/Court	Total Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 7,697,540	\$ -	\$ 368,502	\$ 8,066,042
Licenses and permits	880,047	-	-	880,047
Intergovernmental revenues	1,347,433	-	-	1,347,433
Charges for services	1,451,610	-	-	1,451,610
Fines and forfeitures	155,833	-	-	155,833
Interest income	1,383,669	-	16,074	1,399,743
Sundry revenue	1,275,513	750,000	-	2,025,513
Total revenues	<u>14,191,645</u>	<u>750,000</u>	<u>384,576</u>	<u>15,326,221</u>
	14,998,294			
<b>EXPENDITURES</b>				
Current:				
General government	3,248,283	-	-	3,248,283
Public safety	4,998,321	-	-	4,998,321
Public works	4,551,390	-	12,147	4,563,537
Parks, recreation and public property	2,447,940	-	-	2,447,940
Debt Service:				
Principal retirement	-	-	180,000	180,000
Interest and fiscal charges	-	-	933,520	933,520
Capital outlay	-	12,651,306	1,646,736	14,298,042
Total expenditures	<u>15,245,934</u>	<u>12,651,306</u>	<u>2,772,403</u>	<u>30,669,643</u>
Excess revenues over (under) expenditures	<u>(1,054,290)</u>	<u>(11,901,306)</u>	<u>(2,387,827)</u>	<u>(15,343,423)</u>
<b>Other financing sources (uses)</b>				
Sale of fixed assets	45,300	-	-	45,300
Bond Proceeds	-	-	-	-
Grant Proceeds	-	-	170,497	170,497
Impact fees	924,747	-	-	924,747
Indirect services	1,806,602	-	-	1,806,602
Transfers in	-	-	1,723,953	1,723,953
Transfers out	(985,000)	-	-	(985,000)
Total other financing sources and uses	<u>1,791,649</u>	<u>-</u>	<u>1,894,450</u>	<u>3,686,099</u>
Excess of revenues and other sources over (under) expenditures and other uses	737,360	(11,901,306)	(493,377)	(11,657,324)
Fund balances - beginning of year	4,787,467	16,789,559	6,167,696	27,744,722
Fund balances - end of year	<u>\$ 5,524,827</u>	<u>\$ 4,888,253</u>	<u>\$ 5,674,319</u>	<u>\$ 16,087,399</u>

Spanish Fork 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, 2008

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

Net changes in fund balances - total governmental funds \$ (11,657,324)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	15,049,617	
Depreciation Expense	<u>(3,229,984)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities		<u>11,819,633</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.

The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.	<u>5,176,832</u>	
		<u>5,176,832</u>

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities. 100,282

Some revenues expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in joint venture equity	167,675	
Change in compensated Absences	<u>(53,355)</u>	

Change in net assets of governmental activities \$ 5,553,744



**Spanish Fork City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,635,600	\$ 7,603,000	\$ 7,697,540	\$ 94,540
Licenses and permits	1,203,055	840,400	880,047	39,647
Intergovernmental revenues	1,588,050	1,571,000	1,347,433	(223,567)
Charges for services	1,186,200	1,285,700	1,451,610	165,910
Fines and forfeitures	150,000	143,000	155,833	12,833
Interest income	418,050	550,050	1,383,669	833,619
Sundry revenue	1,167,969	1,196,681	1,275,513	78,832
Total revenues	13,348,924	13,189,831	14,191,645	1,001,814
<b>EXPENDITURES</b>				
Current:				
General government	3,315,219	3,458,395	3,248,283	(210,112)
Public safety	5,027,207	5,454,567	4,998,321	(456,246)
Public works	5,115,222	5,476,267	4,551,390	(924,877)
Parks, recreation and public property	2,165,502	2,510,983	2,447,940	(63,043)
Total expenditures	15,623,150	16,900,212	15,245,934	(1,654,278)
Excess revenues over (under) expenditures	(2,274,226)	(3,710,381)	(1,054,290)	2,656,092
<b>Other financing sources (uses)</b>				
Sale of fixed assets	10,000	45,000	45,300	300
Impact fees	770,000	923,500	924,747	1,247
Indirect services	1,728,143	1,806,601	1,806,602	1
Transfers in	481,083	1,400,410	-	(1,400,410)
Transfers out	(825,000)	(985,000)	(985,000)	-
Total other financing sources and uses	2,164,226	3,190,511	1,791,649	(1,398,862)
Excess of revenues and other sources over (under) expenditures and other uses	(110,000)	(519,870)	737,360	1,257,230
Fund balances - beginning of year	4,787,467	4,787,467	4,787,467	-
Fund balances - end of year	\$ 4,677,467	\$ 4,267,597	\$ 5,524,827	\$ 1,257,230

**Spanish Fork City  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,255,056	\$ 8,221,414	\$ 15,880,981	\$ 4,855,192	\$ 30,212,643	\$ -
Accounts receivable	491,715	235,790	2,141,754	185,551	3,054,810	30,000
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	856,269	1,885,450	3,975,954	1,263,261	7,980,934	-
Prepaid Expense	-	-	59,405	-	59,405	-
Inventory	4,500	3,500	1,475,034	31,882	1,514,916	-
Total current assets	<u>2,598,132</u>	<u>10,343,329</u>	<u>23,502,771</u>	<u>6,333,668</u>	<u>42,777,900</u>	<u>30,000</u>
Noncurrent assets:						
Restricted cash and equivalents	2,543,475	142,718	1,756,928	749,759	5,192,880	-
Capital Assets:						
Land	280,483	280,884	524,209	173,792	1,259,368	-
Water rights	2,944,524	-	-	-	2,944,524	-
Buildings	2,382,801	512,049	2,503,948	696,240	6,095,038	205,920
Improvements	52,786,125	26,963,709	31,931,696	11,877,127	123,558,657	-
Equipment	2,043,554	2,108,604	1,078,251	877,731	6,108,140	8,639,323
Less: accumulated depreciation	(14,450,182)	(10,811,893)	(9,816,112)	(4,699,972)	(39,778,159)	(5,883,389)
Other Assets:						
Equity in joint venture	-	-	-	1,587,968	1,587,968	-
Deferred bond costs	133,755	-	87,588	-	221,343	-
Total noncurrent assets	<u>48,664,535</u>	<u>19,196,071</u>	<u>28,066,508</u>	<u>11,262,645</u>	<u>107,189,759</u>	<u>2,961,854</u>
Total assets	<u>\$ 51,262,667</u>	<u>\$ 29,539,400</u>	<u>\$ 51,569,279</u>	<u>\$ 17,596,313</u>	<u>\$ 149,967,659</u>	<u>\$ 2,991,854</u>
<b>LIABILITIES</b>						
Current liabilities:						
Due to other funds	\$ 601,324	\$ 4,622,506	\$ 2,376,343	\$ 3,358,508	\$ 10,958,681	\$ 545,286
Accounts payable	117,510	123,009	337,991	185,526	764,036	57,846
Accrued interest payable	40,455	-	-	-	40,455	3,059
Compensated absences payable	87,790	58,753	277,703	57,849	482,095	29,995
Customer deposits	-	-	347,218	-	347,218	-
Final inspection deposits	-	-	546,950	-	546,950	-
Connector agreements	-	-	-	-	-	-
Current Portion:						
Lease payable	-	-	-	-	-	45,636
Bonds payable	954,000	-	600,000	-	1,554,000	-
Total current liabilities	<u>1,801,079</u>	<u>4,804,268</u>	<u>4,486,205</u>	<u>3,601,883</u>	<u>14,693,435</u>	<u>681,822</u>
Noncurrent liabilities:						
Deferred revenue	6,002	76,974	14,274	5,000	102,250	-
Lease Payable	-	-	-	-	-	141,785
Bonds payable	8,570,000	-	5,150,000	-	13,720,000	-
Bond premiums	203,461	-	-	-	203,461	-
Deferred amount of refunding	(246,855)	-	-	-	(246,855)	-
Total noncurrent liabilities	<u>8,532,608</u>	<u>76,974</u>	<u>5,164,274</u>	<u>5,000</u>	<u>13,778,856</u>	<u>141,785</u>
Total liabilities	<u>10,333,687</u>	<u>4,881,242</u>	<u>9,650,479</u>	<u>3,606,883</u>	<u>28,472,291</u>	<u>823,607</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	36,804,411	19,053,353	21,150,994	8,924,918	85,933,676	2,961,854
Restricted for:						
Impact fees	1,911,785	142,718	1,077,926	538,911	3,671,340	-
Water rights	1,599,288	-	-	-	1,599,288	-
Bond requirements	341,106	-	679,002	-	1,020,108	-
Unrestricted	272,390	5,462,087	19,010,878	4,525,601	29,270,956	(793,607)
Total net assets	<u>\$ 40,928,980</u>	<u>\$ 24,658,158</u>	<u>\$ 41,918,800</u>	<u>\$ 13,989,430</u>	<u>121,495,368</u>	<u>\$ 2,168,247</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					255,563	
Net assets from business-type activities:					<u>\$ 121,750,931</u>	

**Spanish Fork City**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds		
<b>Operating Revenues:</b>						
Charges for sales and services	\$ 4,698,312	\$ 2,137,892	\$ 20,180,632	\$ 2,475,828	\$ 29,492,664	\$ 1,721,695
Other income	386,805	162,748	2,101,869	151,384	2,802,806	57,999
Total operating revenues	<u>5,085,117</u>	<u>2,300,640</u>	<u>22,282,501</u>	<u>2,627,212</u>	<u>32,295,470</u>	<u>1,779,694</u>
<b>Operating Expenses:</b>						
Water assessment	55,063	-	-	-	55,063	-
Power purchases	-	-	9,709,166	-	9,709,166	-
Landfill fees	-	-	-	691,177	691,177	-
Employee salaries	726,581	470,067	2,268,593	690,646	4,155,887	241,000
Materials and supplies	144,077	87,716	2,097,608	235,123	2,564,524	360,249
Repairs and maintenance	23,283	84,361	73,378	102,853	283,875	200,003
Professional services	292,901	171,431	2,130,014	52,603	2,646,949	4,647
Motorpool charges	83,612	67,993	220,102	193,971	565,678	2,075
Utilities	259,636	171,542	67,810	75,071	574,059	14,088
Insurance	20,825	23,516	39,765	28,618	112,724	6,423
Depreciation	1,726,943	937,049	905,497	412,094	3,981,583	763,804
Amortization	45,246	-	12,222	-	57,468	-
Indirect services	559,151	432,315	537,833	277,303	1,806,602	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	23,010	4,069	116,402	16,838	160,319	-
Total operating expenses	<u>4,096,612</u>	<u>2,459,626</u>	<u>18,920,282</u>	<u>2,776,297</u>	<u>28,252,817</u>	<u>1,592,289</u>
Operating income	<u>988,505</u>	<u>(158,986)</u>	<u>3,362,219</u>	<u>(149,085)</u>	<u>4,042,653</u>	<u>187,405</u>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	12,068	19,513	974,515	10,313	1,016,409	-
Impact fees and water right fees	821,307	516,784	765,484	412,863	2,516,438	-
Contributions from private contractors	1,534,710	1,101,634	1,340,432	1,013,824	4,990,600	-
Interest expense	(530,991)	-	(288,693)	-	(819,684)	(15,264)
Total nonoperating revenues (expenses)	<u>1,837,094</u>	<u>1,637,931</u>	<u>2,791,738</u>	<u>1,437,000</u>	<u>7,703,763</u>	<u>(15,264)</u>
Income (loss) before operating transfers	<u>2,825,599</u>	<u>1,478,945</u>	<u>6,153,957</u>	<u>1,287,915</u>	<u>11,746,416</u>	<u>172,141</u>
<b>Operating Transfers from (to) Other Funds</b>						
Operating transfers in	-	-	-	558,918	558,918	-
Operating transfers out	-	-	(1,297,871)	-	(1,297,871)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(1,297,871)</u>	<u>558,918</u>	<u>(738,953)</u>	<u>-</u>
Change in net assets	2,825,599	1,478,945	4,856,086	1,846,833	11,007,463	172,141
Total net assets - beginning	38,103,381	23,179,213	37,062,714	12,142,597	110,487,905	1,996,106
Total net assets - ending	<u>\$ 40,928,980</u>	<u>\$ 24,658,158</u>	<u>\$ 41,918,800</u>	<u>\$ 13,989,430</u>	<u>\$ 121,495,368</u>	<u>\$ 2,168,247</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					70,890	
Change in net assets of business-type activities:					<u>\$ 11,078,353</u>	

**Spanish Fork City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	Total Enterprise Funds
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 4,611,220	\$ 2,105,008	\$ 19,697,940	\$ 2,425,848	\$ 28,840,016
Other cash receipts	386,805	162,748	2,101,869	151,384	2,802,806
Interfund services provided	117,236	-	446,664	-	563,900
Payments to suppliers	(1,600,711)	(1,052,510)	(15,891,675)	(1,651,502)	(20,196,398)
Payments to employees	(706,263)	(456,418)	(2,207,542)	(687,634)	(4,057,857)
Net cash provided (used) by operating activities	<u>2,808,287</u>	<u>758,828</u>	<u>4,147,256</u>	<u>238,096</u>	<u>7,952,467</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Decrease (increase) in due from other funds	(596,764)	(1,885,450)	(3,389,193)	(971,006)	(6,842,413)
Increase (decrease) in due to other funds	601,324	1,872,216	2,376,343	1,046,708	5,896,591
Transfers in (out)	-	-	(1,297,871)	558,918	(738,953)
Net cash provided (used) by noncapital activities	<u>4,560</u>	<u>(13,234)</u>	<u>(2,310,721)</u>	<u>634,620</u>	<u>(1,684,775)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases of capital assets	(5,236,646)	(1,880,932)	(4,450,122)	(1,591,957)	(13,159,657)
Principal paid on capital debt	(913,000)	-	(570,000)	-	(1,483,000)
Interest paid on capital debt	(530,991)	-	(288,693)	-	(819,684)
(Increase) decrease in deferred amount on refunding	14,060	-	(12,222)	-	1,838
Contributions from (reimbursements to) private contractors	1,534,710	1,101,634	1,340,432	1,013,824	4,990,600
Impact fees collected	821,307	516,784	765,484	412,863	2,516,438
Net cash provided (used) by capital and related financing activities	<u>(4,310,560)</u>	<u>(262,514)</u>	<u>(3,215,121)</u>	<u>(165,270)</u>	<u>(7,953,465)</u>
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	12,068	19,513	974,515	10,313	1,016,409
Increase (decrease) in unamortized bond premiums	(23,034)	-	-	-	(23,034)
Net cash provided (used) by investing activities	<u>(10,966)</u>	<u>19,513</u>	<u>974,515</u>	<u>10,313</u>	<u>993,375</u>
Net increase (decrease) in cash and cash equivalents	(1,508,679)	502,593	(404,071)	717,759	(692,398)
Cash and cash equivalents, July 1	5,307,210	7,861,539	18,041,980	4,887,192	36,097,921
Cash and cash equivalents, June 30	<u>\$ 3,798,531</u>	<u>\$ 8,364,132</u>	<u>\$ 17,637,909</u>	<u>\$ 5,604,951</u>	<u>\$ 35,405,523</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 988,505	\$ (158,986)	\$ 3,362,219	\$ (149,085)	4,042,653
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,726,943	937,049	905,497	412,094	3,981,583
Amortization expense	45,246	-	12,222	-	57,468
(Increase) decrease in accounts receivable	30,144	(34,757)	(21,366)	(49,980)	(75,959)
Decrease (increase) in inventory	-	-	238,113	14,264	252,377
Increase (decrease) in accrued liabilities	(2,869)	-	(21,924)	7,791	(17,002)
Increase (decrease) in compensated absences	20,318	13,649	61,051	3,012	98,030
Increase (decrease) in customer deposits	-	-	(373,894)	-	(373,894)
Increase (decrease) in deferred revenue	-	1,873	(14,662)	-	(12,789)
Total adjustments	<u>1,819,782</u>	<u>917,814</u>	<u>785,037</u>	<u>387,181</u>	<u>3,909,814</u>
Net cash provided (used) by operating activities	<u>\$ 2,808,287</u>	<u>\$ 758,828</u>	<u>\$ 4,147,256</u>	<u>\$ 238,096</u>	<u>\$ 7,952,467</u>

**Spanish Fork City  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008**

	Fire Retirement Capital Fund
<b>ASSETS</b>	
Cash and equivalents	\$ 54,839
Total assets	<u>\$ 54,839</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Fund Balances:	
Deferred compensation	\$ 54,839
Total fund balances	<u>54,839</u>
Total liabilities and fund balance	<u>\$ 54,839</u>

Spanish Fork City  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2008

	Fire Retirement Capital Fund
<b>REVENUES:</b>	
Employer contribution	\$ 5,000
Interest income	4,036
Total	9,036
<b>EXPENDITURES:</b>	
Retirement payments	9,002
Total	9,002
Excess of revenues over (under) expenditures	34
Fund balances - beginning of year	54,805
Fund balances - end of year	\$ 54,839

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. FINANCIAL REPORTING ENTITY**

The City of Spanish Fork was incorporated in 1855 under the laws of the State of Utah. The city operates under a Mayor-Council form of government. The City provides municipal services under the following organizational structure.

*Mayor and City Council:* Mayor and City Council, Community Promotion, and Advisory Boards and Commissions.

*City Administration:* City Administrator, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, and Computer Services.

*Financial Services:* Finance Director, Treasurer, Utilities, Accounting, Facilities, and Purchasing.

*City Attorney:* Legal Services, Prosecution, Civil and Environmental Law, and Personnel.

*Development Services:* Economic Development, Planning and Zoning and Code Enforcement.

*Public Safety:* Police, Fire, Animal Control and Emergency Medical Services.

*Public Works:* Streets, Engineering Parks, Fleet Maintenance, Water, Solid Waste Services, Water Reclamation, Street Lighting and Storm Sewer Services.

*Recreation:* Swimming Pool Operations, Outdoor Recreation Programs, Senior Citizen Programs, Special Events and Arts Council Programs.



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

*Library:* Library Administration, Collection Development and Public Services.

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Redevelopment Agency is governed by a separate governing board, who are the City's Mayor and Council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit.

**1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

***Government-wide Financial Statements:***

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of inter-fund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories:

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Debt Service Fund**

The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of 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 reporting entity reports the Redevelopment Fund (RDA) as a Special Revenue Fund.

**Capital Project Fund**

The Capital Project Fund is used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes only four Capital Project Funds and it is used to account for the acquisition of capital assets with transfers made from other funds. The reporting entity includes the Major Capital Project fund of Police/Court Building. The reporting entity also includes the Non-Major Governmental funds of Recreation, North Park Development and River Reclamation funds.

***Proprietary Fund***

**Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

measurement similar to the private sector. The reporting entity includes the Water, Sewer, Electric, Garbage, Golf Course, Swimming Pool, Storm Drainage, and Gun Club funds.

**Internal Service Fund**

Internal Service Funds account for fleet management services provide to other departments or agencies of the government on a cost reimbursement basis.

***Major and Nonmajor Funds***

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Capital Projects Fund—Police/Court Bldg.	Accounts for the accumulation of funds, revenues and expenditures on projects such as the police/court building.
Enterprise Funds:	
Water, Sewer and Electric	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.
Nonmajor Governmental Funds:	
Debt Service Fund	See above for description.
Special Revenue Fund (RDA)	Accounts for activity within the City's redevelopment agency.
Capital Projects Fund	Accounts for the accumulation of funds, revenues and expenditures on projects such as the North Park Development, Recreation Complex Improvements and the River Reclamation Project.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008**

Golf Course Fund	Accounts for revenues and expenditures of Spanish Oaks Golf Course
Swimming Pool Fund	Accounts for revenues and expenditures of the swimming pool.
Storm Drainage Fund	Accounts for revenues and expenditures of storm drainage utility
Gun Club Fund	Accounts for revenues and expenditures of the gun club.
Internal Service Funds:	
Motor Pool	This fund is used to account for the costs of operating and maintaining vehicles and equipment owned by the City.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

***Basis of Accounting***

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations.

Sales taxes, use taxes, franchise taxes, and earned but un-reimbursed state and federal grant associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenue when they become available. Available means when due, or past due and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Another exception is the plant assessment charged by the electric fund to the water and sewer funds for the use of assets owned by the electric fund.



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**1.D. ASSETS, LIABILITIES, AND EQUITY**

*Cash and Investments*

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.A. and 3.A.

*Interfund Receivables and Payables*

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to" and "due from" other funds. Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

*Receivables*

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales and use taxes and franchise taxes. Business-type activities report utilities billings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

***Inventories and prepaid items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

***Restricted assets***

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as "restricted cash" on the Statement of Net Assets and on the Balance Sheets.

***Capital Assets***

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

***Government-wide Statements***

In the government-wide financial statements, capital assets are accounted for as capital assets. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008**

Description	Years
Buildings and structures	30-50
Improvements other than buildings	20-50
Machinery and equipment	5-10
Furniture and fixtures	5-10
Infrastructure	20-40

***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

***Restricted Assets***

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

***Long-term Debt***

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

***Compensated Absences***

The City's personnel policies permits departmental heads to accumulate up to 480 hours and other employees to accumulate up to 120 hours of earned, but unused, vacation time. Accumulated vacation time will be paid to employees upon termination. Accumulated sick leave is paid upon termination or retirement at a rate of between 25% and 33% of the accumulated amount. The accrued liability is based on a 28% rate.



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

At June 30, 2008, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liability Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 734,026	\$ 291,934	\$ 1,025,960
Sick Leave Liability	387,294	190,161	577,455
Total Compensated Absences	<u>\$ 1,121,320</u>	<u>\$ 482,095</u>	<u>\$ 1,603,415</u>

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. 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 it is incurred.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of 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.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

*Sales Tax*

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

***Property Tax***

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Utah County prior to the commencement of the fiscal year. 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 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

***Operating Revenues and Expenses***

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

***Expenditures/Expenses***

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

Current (further classified by function)

Debt Service

Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

***Interfund Transfers***

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds and between individual business-type funds have been eliminated.

***Use of estimates***

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law 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 Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

Statutes authorize the City to invest in negotiable or non-negotiable 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 by the Act; and the Utah Public Treasurers' Investment Fund.

The Utah Public Treasurers' Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. UPTIF is not registered with the SEC as an investment company. The UPTIF is authorized and regulated by the Utah Money Management Act. The Act establishes the Money Management Council, which

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008**

oversees the activities of the State Treasurer and the UPTIF and details the types of investments that are authorized. UPTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the UPTIF are allocated to participants on the ratio of the participant's average daily balance. The fair value of the UPTIF investment pool is approximately equal to the value of pool shares.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

**2.B. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Water and Electric Revenue	Debt Service and Utility Operations
Impact Fee Revenue	Capital Improvements
B & C Road Funds	Eligible B & C Roads

For the year ended June 30, 2008, the City complied, in all material respects, with these revenue restrictions.

**2.C. DEBT RESTRICTIONS AND COVENANTS**

***General Obligation Debt***

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2008, the City had no general obligation debt.

***Other Long-term Debt***

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight (8%) percent for third class cities. For the year ended June 30, 2008, the City had \$37,461,421 of such indebtedness.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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*Notes Payable*

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2008.

Requirement	Level of Compliance
-------------	---------------------

a. Note Payable Coverage:

1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 and 1.25 times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 2000 Electric Revenue Bonds, the 2002 Water Revenue Bonds. Sales tax Revenue Bond 2007 must equal 2.0 times the annual debt service.

b. Reserve Account Requirement:

Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

**2.D. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.

- C. On or before June 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B above must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

**2.E. FUND EQUITY RESTRICTIONS**

*Utah Code 10-6-116(4)* indicates only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. For the year ended June 30, 2008 it appears that the City's general fund will exceed the 18% limit.

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the financial statements for its assets, liabilities, equity, revenues, and expenditures/expenses.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**3.A. CASH AND INVESTMENTS**

*Deposits*

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2008, The City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2008</u>
Depository Accounts	Insured	\$ 100,000
	Uninsured and uncollateralized	6,028,557
Total Depository Accounts		<u>\$ 6,128,557</u>

*Investments*

As of June 30, 2008 the government had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturity in Years</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Investments in Public					
Treasurers'	\$40,805,315	\$40,805,315	\$ -	\$ -	\$ -
Bond Escrows	1,015,736	1,015,736	-	-	-
Money Market	1,381,606	1,381,606	-	-	-
Total Fair Value	<u>\$43,202,657</u>	<u>\$43,202,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

The deposits and investments described above are included on the Statement of Net Assets as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Assets:

Deposits & Investments		\$	5,497,415
Investments			52,337,656
Cash on hand			2,736
	Total	\$	<u>57,837,807</u>

Government - Wide

Cash and Cash Equivalents		\$	45,265,156
Restricted Cash & Cash Equivalents			12,517,812
Fiduciary Restricted Cash			54,839
	Total	\$	<u>57,837,807</u>

Net Cash on Statement of Net Assets		\$	57,782,968
Fiduciary Restricted Cash			54,839
	Total	\$	<u>57,837,807</u>



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**3.B. RESTRICTED ASSETS**

The amounts reported as restricted assets or cash, investments, and accrued interest held by the trustee bank on behalf of the various public trusts (Authorities) related to their required note payable accounts as described in Note 2.C, and amounts held in trust for developers and unspent impact fees collected. The restricted assets as of June 30, 2008 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<b><i>Business-Type Activities:</i></b>				
Water impact fees	\$ 503,408	\$ -	\$ -	\$ 503,408
Water right fees	2,353,488	-	-	2,353,488
Sewer impact fees	414,893	-	-	414,893
Electric impact fees	1,204,579	-	-	1,204,579
Pressurized Irrigation Impact Fee	1,202,590	-	-	1,202,590
Storm drainage impact fees	1,158,299	-	-	1,158,299
Water bond requirements	341,105	-	-	341,105
Electric bond requirements	679,002	-	-	679,002
Total	<u>\$ 7,857,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,857,364</u>
<b><i>Governmental Activities:</i></b>				
Developer escrows	\$ 6,031,286	\$ -	\$ -	\$ 6,031,286
Class "C" roads	507,778	-	-	507,778
Recreation impact fees	5,809	-	-	5,809
Capital Projects-Public Safety Buildings	5,130,628	-	-	5,130,628
Capital Projects-Park Improvements	4,000,000	-	-	4,000,000
Firemans	91,832	-	-	91,832
RDA bond requirements	659,474	-	-	659,474
Total	<u>16,426,807</u>	<u>-</u>	<u>-</u>	<u>16,426,807</u>
Grand Totals	<u>\$ 24,284,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,284,171</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2008, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 3,054,810	\$ 3,054,810
Property tax	1,395,830	-	1,395,830
Other tax	923,295	-	923,295
Assessments	-	-	-
Other	112,419	-	112,419
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 2,431,544</u>	<u>\$ 3,010,002</u>	<u>\$ 5,441,546</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (general fund)	\$ 1,395,830	\$ -
	-	-
Total deferred/unearned revenue for govern	<u>\$ 1,395,830</u>	<u>\$ -</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Governmental activities:				
Land (not being depreciated)	\$ 9,313,881	\$ 423,552	\$ -	\$ 9,737,433
Buildings	8,768,285	12,662,973	-	21,431,258
Improvements	7,516,432	1,956,218	-	9,472,650
Machinery and equipment	9,748,447	1,302,289	(326,321)	10,724,415
Infrastructure	46,551,984	5,044,983	-	51,596,967
Totals at historical cost	<u>81,899,029</u>	<u>21,390,015</u>	<u>(326,321)</u>	<u>102,962,723</u>
Less accumulated depreciation				
Buildings	(4,009,458)	(446,528)	-	(4,455,986)
Improvements	(1,847,976)	(317,584)	-	(2,165,560)
Machinery and equipment	(6,844,320)	(866,632)	326,321	(7,384,631)
Infrastructure	(18,179,596)	(2,363,390)	-	(20,542,986)
Total accumulated depreciation	<u>(30,881,350)</u>	<u>(3,994,134)</u>	<u>326,321</u>	<u>(34,549,163)</u>
Governmental activities capital assets, net	<u>\$51,017,677</u>	<u>\$ 17,395,881</u>	<u>\$ -</u>	<u>\$ 68,413,560</u>
Business-type activities:				
Land (not being depreciated)	\$ 597,912	\$ 661,456	\$ -	\$ 1,259,368
Water shares (not being depreciated)	2,350,739	593,785	-	2,944,524
Buildings and structures	5,780,239	314,799	-	6,095,038
Improvements	113,260,388	10,298,269	-	123,558,657
Machinery and equipment	5,167,710	1,290,820	(350,390)	6,108,140
Totals at historical cost	<u>127,156,988</u>	<u>13,159,129</u>	<u>(350,390)</u>	<u>139,965,727</u>
Less accumulated depreciation				
Buildings and structures	(1,634,881)	(150,256)	-	(1,785,137)
Improvements other than buildings	(32,100,739)	(3,418,476)	-	(35,519,215)
Machinery and equipment	(2,149,965)	(323,844)	-	(2,473,809)
Total accumulated depreciation	<u>(35,885,584)</u>	<u>(3,892,576)</u>	<u>-</u>	<u>(39,778,160)</u>
Business-type activities capital assets, net	<u>\$91,271,404</u>	<u>\$ 9,266,553</u>	<u>\$ (350,390)</u>	<u>\$ 100,187,567</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 204,327
Public safety	373,981
Public works	2,397,597
Parks	254,081
Governmental portion of internal service fund	764,148
Total depreciation expense - governmental activities	<u>\$ 3,994,134</u>

**3.E. ACCOUNTS PAYABLE**

Accounts payable are composed of payroll related items, sales taxes and day to day operating purchases.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**3.F. LONG-TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

***Governmental Activities:***

As of June 30, 2008, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Maturity Dates	Balance
RDA Tax Increment Revenue Bond North Industrial Project Dated June 2, 1998 (original amount \$925,000)	5.100% to 5.300%	2008	\$ -
RDA Tax Increment Bond Kirby Lane Project Dated June 2, 1998 (original amount \$520,000)	5.100% to 5.300%	2008	-
Sales Tax Revenue Bond Series 2007 (Original amount \$22,000,000)	4.0% to 4.750%	2027	22,000,000
			<u>\$ 22,000,000</u>
			<u>(800,000)</u>
			<u>\$ 21,200,000</u>

***Capital leases payable***

Governmental activities: (Internal Service Fund)

Capital leases payable	187,421
Current portion of capital leases payable	<u>(45,636)</u>
Long term portion of capital leases payable	<u>\$ 141,785</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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***Business-type Activities:***

As of June 30, 2008, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Water Revenue Bonds Series 1991B/98B Dated October 23, 1991 (Original amount \$875,000)	0.00%	2012	\$ 174,000
Water Revenue Refunding Bond Series 1998A - Dated October 1, 1998 (Original amount \$1,310,000)	3.4% to 4.35%	2011	490,000
Electric Utility Revenue Bond Dated August 15, 2000 (Original amount \$9,230,000)	4.25% to 5.20%	2015	5,750,000
Water Revenue Bond 2002 Dated March 15, 2002 (Original amount \$16,255,000)	4.00% to 5.50%	2017	8,860,000
Total bonds payable - business-type activities			<u>15,274,000</u>
Less current portion			<u>(1,554,000)</u>
Total bonds payable - long term portion			<u>\$ 13,720,000</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

***Changes in Long-term Debt:***

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

Type of Debt	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental activities:</b>				
Bonds payable	\$ 22,000,000		\$ (800,000)	\$ 21,200,000
Capital leases payable	187,420		(45,636)	141,784
Compensated absences	1,061,210	60,110		1,121,320
Total - Governmental Activities	<u>\$ 23,248,630</u>	<u>\$ 60,110</u>	<u>\$ (845,636)</u>	<u>\$ 22,463,104</u>
<b>Business-type Activities:</b>				
Bonds payable	\$ 15,274,000		\$ (1,554,000)	\$ 13,720,000
Compensated absences	384,064	98,031		482,095
Total - Business-type Activities	<u>\$ 15,658,064</u>	<u>\$ 98,031</u>	<u>\$ (1,554,000)</u>	<u>\$ 14,202,095</u>
Due Within One Year	\$ 1,706,257	\$ 2,399,636	\$ (1,706,257)	\$ 2,399,636

***Annual Debt Service Requirements:***

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2008, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2009	800,000	958,375	1,554,000	756,325
2010	825,000	926,375	1,628,000	682,955
2011	850,000	893,375	1,854,000	606,338
2012	875,000	859,375	1,663,000	516,773
2013	925,000	824,375	1,705,000	432,585
2014 - 2018	5,150,000	3,542,875	6,870,000	810,631
2019 - 2023	6,350,000	2,357,563	-	-
2024-2027	6,225,000	755,250	-	-
Total	<u>\$ 22,000,000</u>	<u>\$ 11,117,563</u>	<u>\$ 15,274,000</u>	<u>\$ 3,805,607</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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*Depreciation and Other Information on Capital Leases*

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 286,621
Less: Accumulated depreciation	<u>(72,369)</u>
Total	<u><u>\$ 214,252</u></u>

Amortization of capital assets purchased under capital leases is included in depreciation expense.

The present value of future minimum capital lease payments under these leases as of June 30, 2008 are:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 45,636
2010	48,146
2011	<u>93,639</u>
Total minimum lease payments	187,421
Less amounts representing interest	<u>(22,467)</u>
Present value of minimum lease payments	<u><u>\$ 164,954</u></u>



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**3.G. INTERFUND TRANSACTIONS AND BALANCES**

***Operating Transfers:***

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 985,000
Debt Service Fund	938,953	-
Capital project fund-River Reclaim	35,000	-
Capital project fund-Recreation	750,000	-
Total Governmental Activities	<u>1,723,953</u>	<u>985,000</u>
<b><i>Business-type Activities:</i></b>		
<b><i>Major funds:</i></b>		
Electric fund	-	1,297,871
<b><i>No n-major funds:</i></b>		
Golf course	369,479	-
Swimming pool	189,439	-
Total Business-type Activities	<u>558,918</u>	<u>1,297,871</u>
<b><i>Grand Totals</i></b>	<u><u>\$ 2,282,871</u></u>	<u><u>\$ 2,282,871</u></u>

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

***Plant Assessments:***

	<u>Paid</u>	<u>Received</u>
<b><i>Business-type Activities:</i></b>		
Water fund	\$ 136,284	\$ -
Sewer fund	9,567	-
Electric fund	68,142	213,993
Totals	<u><u>\$ 213,993</u></u>	<u><u>\$ 213,993</u></u>

Plant assessments are each funds share of the cost of the use of assets purchased with the bond in the electric fund.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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*Indirect services:*

	Indirect Service Expense	Indirect Service Revenue
<b>Major Business-type activities:</b>		
Water Fund	\$ 559,151	\$ -
Sewer Fund	432,315	-
Electric Fund	537,833	-
<b>Non-major business type activities:</b>		
Golf Course	50,500	-
Swimming Pool	31,872	-
Garbage	95,597	-
Storm Drain	99,334	-
<b>Major Governmental activities:</b>		
General fund	-	1,806,602
	<u>\$ 1,806,602</u>	<u>\$ 1,806,602</u>

Indirect services are charges assessed to the business type activities for services provided by the general fund.

*Due to/from other funds:*

Fund	Due from	Due to
<b>Governmental funds</b>		
General fund	\$ 1,636,896	\$ -
<b>Non-major funds</b>		
Special revenue fund	167,589	-
Debt service fund	70,051	-
Capital projects fund	1,648,497	-
<b>Total Governmental</b>	<u>3,523,033</u>	
<b>Business-type funds</b>		
<b>Major funds</b>		
Water fund	254,945	-
Sewer fund	-	2,737,056
Electric fund	1,599,611	-
<b>Non-major funds</b>		
Golf course fund	-	2,478,640
Swimming pool fund	1,857	-
Garbage fund	287,914	-
Storm drainage fund	169,010	-
Gun club fund	-	75,388
<b>Total Business-Type</b>	<u>2,313,337</u>	<u>5,291,084</u>
<b>Internal service fund</b>		
Motorpool fund	-	545,286
<b>Grand Total</b>	<u>\$ 5,836,370</u>	<u>\$ 5,836,370</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**3.H. RESERVED FUND BALANCES AND NET ASSETS**

The City has reserved fund balance amounts for impact fees. The City has reserved net assets in the Proprietary Fund for unspent impact fees. These fees will be used to construct appropriate projects as designated by the impact fee ordinance. The City has reserved net assets in the Water Fund and the Electric Fund and fund balance in the Debt Service fund for the debt service requirements of the bonds acquired.

**NOTE 4. OTHER NOTES**

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

The City participates in the following employee pension systems:

Local Governmental - Cost Sharing Defined Benefits Pension Plans

**Plan Description.** The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing, multiple-employer defined benefit pensions plans administered by the Utah Retirement Systems (Systems). The Systems provide, retirement benefits, annual cost of living allowances, 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 State Retirement Office (Office) for the administration of the Utah retirement Systems and Plans. Chapter 40 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 Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy.** The City is required to contribute a percentage of covered salary to the respective systems, 11.62% to the Noncontributory, and 22.61% to the Public Safety Noncontributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City contributions to the various systems for the years ending June 30, 2008, 2007 and 2006 were; for the Noncontributory System \$678,292, \$606,690 and \$541,325; for the Public Safety Noncontributory \$309,578, \$264,706 and \$211,092, respectively. The

**SPANISH FORK CITY  
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contributions were equal to or greater than the required contributions for each year.

**401(k) Plan**

The employees of City also participate in a 401(k) deferred compensation plan with MetLife. The amount of the employer contributions for the year ended June 30, 2008, 2007 and 2006, were \$ 480,073.96, \$436,115, and \$ 427,535, respectively.

**4.B. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other government in the State of Utah to form the Utah Risk Management Mutual Association (URMMA), a public entity risk pool currently operating as a common risk management insurance program for the Utah State governments. The City pays an annual premium to URMMA for its tort liability insurance coverage.

**4.C. COMMITMENTS AND CONTINGENCIES**

The City is involved in claims arising in the normal course of business. It is not possible to state the ultimate liability, if any, in these matters. In the opinion of management, such litigation will have no material effect on the financial operations of the City.

**4.D. JOINT VENTURES**

**Utah Municipal Power Agency**

In September 1980 Spanish Fork City joined in a joint venture with several other municipalities to create the Utah Municipal Power Agency (UMPA). UMPA was created under the Inter-local Cooperation Act to evaluate, finance, construct and operate facilities for the generation, transmission and distribution of electric power for member cities.

Additional information is as follows:

a. Participants and their percentage shares:	
Spanish Fork City Corporation	9.409%
Provo City Corporation	80.540%
Nephi City Corporation	5.839%
Manti City Corporation	2.164%
Salem City Corporation	1.446%
Levan Town	<u>0.602%</u>
	100.000%

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. Audited summary financial information of UMPA at June 30, 2008 is as follows:

Total assets	<u>\$ 57,731,299</u>	<u>\$ 5,431,938</u>
Total liabilities	<u>\$ 57,727,949</u>	<u>\$ 5,431,623</u>
Total net assets	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 74,458,305	\$ 7,005,782
Total operating expenses	<u>(74,125,968)</u>	<u>(6,974,512)</u>
Net operating income	332,337	13,980,294
Total non-operating income (expenses)	<u>(332,337)</u>	<u>(31,270)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The joint venture has the following long-term debt:

Revenue bonds payable	<u>\$ 33,019,881</u>	<u>\$ 3,106,841</u>
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- e. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**South Utah Valley Solid Waste District**

Spanish Fork City joined in a joint venture with several other municipalities to create the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's sanitation service revenue comes from these governmental entities.

Additional information is as follows:

- a. Participants and their percentage shares:
- |                                    |                 |
|------------------------------------|-----------------|
| Spanish Fork City Corporation      | 11.750%         |
| Provo City Corporation             | 69.750%         |
| Springville City Corporation       | 15.000%         |
| Mapleton City Corporation          | 2.000%          |
| Salem City Corporation             | 1.500%          |
| Goshen Town (Landfill participant) | <u>0.000%</u>   |
|                                    | <u>100.000%</u> |
- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.
- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting and financing.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

- d. Audited summary financial information of the District as June 30, 2008 is as follows:

Total assets	<u>\$ 17,315,731</u>	<u>\$ 2,034,598</u>
Total liabilities	<u>\$ 3,592,825</u>	<u>\$ 422,157</u>
Total net assets	<u>\$ 13,722,906</u>	<u>\$ 1,612,441</u>
Total operating revenues	\$ 4,888,577	\$ 574,408
Total operating expenses	<u>5,485,732</u>	<u>644,574</u>
Net operating income	(597,155)	(70,166)
Total non-operating income (expenses)	<u>257,492</u>	<u>30,255</u>
Change in net assets	<u>\$ (339,663)</u>	<u>\$ (39,910)</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,816,922	\$ 330,988
Accrued compensated absences	201,507	23,677
Capital Lease Payable	<u>114,938</u>	
Total long-term liabilities	<u>\$ 3,133,367</u>	<u>\$ 354,665</u>

- f. Audited financial statements for South Utah Valley Solid Waste District are available at the District office.

**Spanish Fork/Springville Airport**

The City is party to a joint venture with Springville, a neighboring municipality, in the Spanish Fork/Springville Airport (the airport). The joint venture is organized as a special service district of the cities of Springville and Spanish Fork under an inter-local agreement per Section 11-13 of the Utah Code. It was created to provide airport services for both communities. Additional information is as follows:

- a. Participants and their percentage shares:
- |                  |        |
|------------------|--------|
| Springville City | 50.00% |
| Spanish Fork     | 50.00% |
- b. The Airport is governed by it's own board which is selected from members of the participants' City councils and other citizens of the two communities.
- c. The Airport board governs the operations of the airport through management employed by the board. The Airport is subject to the same laws as the

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal managements, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

- d. Summary financial information, as of the joint venture's last year end of June 30, 2008, is as follows:

	<u>Springville Airport</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 4,078,763</u>	<u>\$ 2,039,382</u>
Total liabilities	<u>\$ (8,793)</u>	<u>\$ (4,397)</u>
Total net assets	<u>\$ 4,087,556</u>	<u>\$ 2,043,778</u>
Program revenues	\$ 392,365	\$ 196,183
General revenues	12,667	6,334
Program expenses	<u>(228,933)</u>	<u>(114,467)</u>
Change in net assets	<u>\$ 176,099</u>	<u>\$ 88,050</u>

- e. Audited financial statements for the Spanish Fork/Springville Airport are available at the Airport offices, 5300 South 200 West, Spanish Fork, Utah.

**4.E. WATER LOAN PROGRAM**

The following information is presented as required by the State of Utah Water Loan Program:

1. Fidelity Bonds
  - A. Public Treasurer Bond for \$1,900,000 expiring December 31, 2008 issued by Leavitt Insurance.
  - B. \$100,000 Blanket Employee Bond expiring March 31, 2011 covering all employees and elected officials of the City issued by Leavitt Insurance.
  - C. \$100,000 Water bond expiring April 30, 2009 covering billing clerk, cashier, treasurer and administrative finance director issued by Leavitt Insurance.



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

2. 8,445 water connections at June 30, 2008.
3. Total water billings for the year were \$2,330,455.
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base:	
0 to 9,000 gallons	\$ 1.19
9,001 to 16,000 gallons	\$ 1.72
Over 16,000 gallons	\$ 3.44
Connection/Impact fee	\$ 807.00
5. The balance in the reserve and emergency repair funds is \$41,000.

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2008**

**4.F. SPANISH FORK REDEVELOPMENT AGENCY**

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1. The tax increment collected by the agency for each project area:	
A. North Industrial RDA	\$ 171,940
B. Kirby RDA	196,562
C. Canyon EDA	-
D. Gateway	-
Total Collected	<u>\$ 368,502</u>
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Canyon EDA	-
Total Paid	<u>\$ -</u>
3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	
	\$ -
4. The actual amounts expended for :	
A. Acquisition of property	\$ 100,764
B. Site improvements	260,950
C. Installation of public utilities and roads	-
D. Administrative costs	333,155
Total Expended	<u>\$ 694,869</u>

**SUPPLEMENTARY INFORMATION**

Spanish Fork City  
 Combining Balance Sheet  
 Non-major Governmental Funds  
 June 30, 2008

	Debt Service			Capital Projects		Total Non-major Governmental Funds
	RDA Fund	Debt Service Fund	Special Guarantee Fund	River Reclaim. Fund	North Park Dev Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 278,683	\$ 32,074	\$ -	\$ 3,063,233	\$ 427,026
Prepaid interest	18,091	-	-	-	-	-
Accounts receivable	-	9,925	-	72,494	-	-
Due from other funds	167,589	62,821	7,230	-	690,517	96,261
Restricted Assets:						
Cash and cash equivalents	785,869	-	-	-	-	-
Total assets	\$ 971,549	\$ 351,429	\$ 39,304	\$ 72,494	\$ 3,753,750	\$ 523,287
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ 37,494	\$ -	\$ -
Total liabilities	-	-	-	37,494	-	-
Fund balances:						
Designated for:						
Capital projects	-	-	-	35,000	3,753,750	523,287
Reserved for:						
Redevelopment	971,549	-	-	-	-	-
Unreserved:						
Unreserved fund balance	-	351,429	39,304	-	-	-
Total fund balances	971,549	351,429	39,304	35,000	3,753,750	523,287
Total liabilities and fund balance	\$ 971,549	\$ 351,429	\$ 39,304	\$ 72,494	\$ 3,753,750	\$ 523,287

Notes to the Financial Statements are an Integral Part of this Statement.

Spanish Fork City  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2008**

	RDA Fund	Debt Service			Projects			Capital Recreation Fund	Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	River Reclaim. Fund	North Park Dev Fund	Recreation Fund			
<b>REVENUES:</b>									
Taxes	\$ 368,502	\$ -	-	\$ -	\$ -	-	\$ -	368,502	
Sundry Revenues	7,280	8,794	-	-	-	-	-	16,074	
Interest income	375,782	8,794	-	-	-	-	-	384,576	
<b>Total revenues</b>									
<b>EXPENDITURES:</b>									
Current Expenditures:									
RDA	12,147	-	-	-	-	-	-	12,147	
Debt service:									
Principal retirement	180,000	-	-	-	-	-	-	180,000	
Interest and fiscal charges	1,095	932,425	-	-	-	-	-	933,520	
Capital outlay	501,627	-	-	170,497	246,250	728,362	728,362	1,646,736	
<b>Total expenditures</b>	694,869	932,425	-	170,497	246,250	728,362	728,362	1,125,667	
<b>Excess of revenues over (under) expenditures</b>	(319,087)	(923,631)	-	(170,497)	(246,250)	(728,362)	(728,362)	(1,145,109)	
<b>Other financing sources (uses):</b>									
Bond Proceeds	-	-	-	-	-	-	-	-	
Grant Proceeds	-	938,953	170,497	35,000	-	750,000	750,000	1,723,953	
Transfers in	-	938,953	205,497	-	-	750,000	750,000	1,723,953	
<b>Total other financing sources (uses)</b>									
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	(319,087)	15,322	-	35,000	(246,250)	21,638	(493,377)		
<b>Fund balances - beginning of year</b>	1,290,636	336,107	39,304	-	4,000,000	501,649	6,167,696		
<b>Fund balances - end of year</b>	\$ 971,549	\$ 351,429	\$ 39,304	\$ 35,000	\$ 3,753,750	\$ 523,287	\$ 5,674,319		

Notes to the Financial Statements are an Integral Part of this Statement.

**Spanish Fork City**  
**Combining Statement of Net Assets**  
**Non-major Proprietary Funds**  
**June 30, 2008**

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,569,171	\$ 8,444	\$ 1,277,227	\$ -	\$ 350	\$ 4,855,192
Accounts receivable	-	-	101,729	45,309	38,513	185,551
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	804,479	1,857	287,914	169,011	-	1,263,261
Inventory	-	-	-	-	31,882	31,882
Total current assets	<u>4,373,650</u>	<u>10,301</u>	<u>1,665,140</u>	<u>213,832</u>	<u>70,745</u>	<u>6,333,668</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	749,759	-	749,759
Capital Assets:						
Land	19,955	-	143,505	10,332	-	173,792
Buildings	620,058	-	48,066	-	28,116	696,240
Improvements	1,201,487	2,256,484	111,779	8,211,904	95,473	11,877,127
Equipment	138,722	13,938	650,749	-	74,322	877,731
Less: accumulated depreciation	(1,513,864)	(1,756,637)	(550,597)	(845,449)	(33,425)	(4,699,972)
Other Assets:						
Equity in joint venture	-	-	1,587,968	-	-	1,587,968
Total noncurrent assets	<u>466,358</u>	<u>513,785</u>	<u>1,991,470</u>	<u>8,126,546</u>	<u>164,486</u>	<u>11,262,645</u>
Total assets	<u>\$ 4,840,008</u>	<u>\$ 524,086</u>	<u>\$ 3,656,610</u>	<u>\$ 8,340,378</u>	<u>\$ 235,231</u>	<u>\$ 17,596,313</u>
<b>LIABILITIES</b>						
Current liabilities:						
Due to other funds	\$ 3,283,120	\$ -	\$ -	\$ -	\$ 75,388	\$ 3,358,508
Accounts payable	46,082	42,789	50,726	7,266	38,663	185,526
Compensated absences	37,335	3,908	3,262	13,344	-	57,849
Total current liabilities	<u>3,366,537</u>	<u>46,697</u>	<u>53,988</u>	<u>20,610</u>	<u>114,051</u>	<u>3,601,883</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	5,000	-	5,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total liabilities	<u>3,366,537</u>	<u>46,697</u>	<u>53,988</u>	<u>25,610</u>	<u>114,051</u>	<u>3,606,883</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	466,358	513,785	403,502	7,376,787	164,486	8,924,918
Restricted for:						
Impact fees	-	-	-	538,911	-	538,911
Unrestricted	1,007,113	(36,396)	3,199,120	399,070	(43,306)	4,525,601
Total net assets	<u>\$ 1,473,471</u>	<u>\$ 477,389</u>	<u>\$ 3,602,622</u>	<u>\$ 8,314,768</u>	<u>\$ 121,180</u>	<u>\$ 13,989,430</u>

**Spanish Fork City**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Non-major Proprietary Funds**  
**For the Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Operating Revenues:						
Charges for sales and services	\$ 676,011	\$ 220,858	\$ 908,114	\$ 468,438	\$ 202,407	\$ 2,475,828
Other income	-	2,680	-	40,000	108,704	151,384
Total operating revenues	<u>676,011</u>	<u>223,538</u>	<u>908,114</u>	<u>508,438</u>	<u>311,111</u>	<u>2,627,212</u>
Operating Expenses:						
Landfill fees	-	-	691,177	-	-	691,177
Employee salaries	377,327	169,234	24,696	102,938	16,451	690,646
Materials and supplies	64,371	39,664	381	25,270	105,437	235,123
Repairs and maintenance	60,476	8,413	-	23,091	10,873	102,853
Professional services	8,896	4,414	18,650	(37,035)	57,678	52,603
Motorpool charges	129,513	333	-	64,125	-	193,971
Utilities	34,958	31,752	-	44	8,317	75,071
Insurance	14,598	9,791	2,331	665	1,233	28,618
Depreciation	46,007	130,591	32,361	191,433	11,702	412,094
Indirect services	50,500	31,872	95,597	99,334	-	277,303
Sundry charges	14,607	101	1,897	233	-	16,838
Total operating expenses	<u>801,253</u>	<u>426,165</u>	<u>867,090</u>	<u>470,098</u>	<u>211,691</u>	<u>2,776,297</u>
Operating income	<u>(125,242)</u>	<u>(202,627)</u>	<u>41,024</u>	<u>38,340</u>	<u>99,420</u>	<u>(149,085)</u>
Nonoperating revenues (expenses):						
Interest revenue	-	-	-	10,313	-	10,313
Impact fees	-	-	-	412,863	-	412,863
Contributions from private contractors	-	-	-	1,013,824	-	1,013,824
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,437,000</u>	<u>-</u>	<u>1,437,000</u>
Income (loss) before operating transfers	<u>(125,242)</u>	<u>(202,627)</u>	<u>41,024</u>	<u>1,475,340</u>	<u>99,420</u>	<u>1,287,915</u>
Operating Transfers:						
Operating transfers in	369,479	189,439	-	-	-	558,918
Total operating transfers	<u>369,479</u>	<u>189,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,918</u>
Change in net assets	244,237	(13,188)	41,024	1,475,340	99,420	1,846,833
Total net assets - beginning	1,229,234	490,577	3,561,598	6,839,428	21,760	12,142,597
Total net assets - ending	<u>\$ 1,473,471</u>	<u>\$ 477,389</u>	<u>\$ 3,602,622</u>	<u>\$ 8,314,768</u>	<u>\$ 121,180</u>	<u>\$ 13,989,430</u>



**Spanish Fork City**  
**Combining Statement of Cash Flows**  
**Non-major Proprietary Funds**  
**For the Year Ended June 30, 2008**

	Business-Type Activities - Enterprise Funds					Total Non-Major Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
<b>Cash Flows From Operating Activities</b>						
Receipts from customers	\$ 676,011	\$ 220,858	\$ 900,736	\$ 464,336	\$ 163,907	\$ 2,425,848
Other cash receipts	-	2,680	-	40,000	108,704	151,384
Payments to suppliers	(385,951)	(126,173)	(810,033)	(175,727)	(153,618)	(1,651,502)
Payments to employees	(377,211)	(168,041)	(24,011)	(99,050)	(19,321)	(687,634)
Net cash provided (used) by operating activities	(87,151)	(70,676)	66,692	229,559	99,672	238,096
<b>Cash Flows From Noncapital Financing Activities</b>						
Decrease (increase) in due from other funds	(804,479)	(1,857)	(60,340)	(104,330)	-	(971,006)
Increase (decrease) in due to other funds	1,115,600	(28,943)	-	-	(39,949)	1,046,708
Transfers in (out)	369,479	189,439	-	-	-	558,918
Net cash provided (used) by noncapital activities	680,600	158,639	(60,340)	(104,330)	(39,949)	634,620
<b>Cash Flows From Capital and Related Financing Activities</b>						
Purchases of capital assets	(208,074)	(79,724)	(55,215)	(1,189,371)	(59,573)	(1,591,957)
Contributions from (reimbursements to) private contractors	-	-	-	1,013,824	-	1,013,824
Impact fees collected	-	-	-	412,863	-	412,863
Net cash provided (used) by capital and related financing activities	(208,074)	(79,724)	(55,215)	237,316	(59,573)	(165,270)
<b>Cash Flows From Investing Activities</b>						
Interest and dividends received	-	-	-	10,313	-	10,313
Net cash provided (used) by investing activities	-	-	-	10,313	-	10,313
Net increase (decrease) in cash and cash equivalents	385,375	8,239	(48,863)	372,858	150	717,759
Cash and cash equivalents, July 1	3,183,796	205	1,326,090	376,901	200	4,887,192
Cash and cash equivalents, June 30	<u>\$ 3,569,171</u>	<u>\$ 8,444</u>	<u>\$ 1,277,227</u>	<u>\$ 749,759</u>	<u>\$ 350</u>	<u>\$ 5,604,951</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income	\$ (125,242)	\$ (202,627)	\$ 41,024	\$ 38,340	\$ 99,420	(149,085)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	46,007	130,591	32,361	191,433	11,702	412,094
(Increase) decrease in accounts receivable	-	-	(7,378)	(4,102)	(38,500)	(49,980)
(Increase) decrease in inventory	-	-	-	-	14,264	14,264
Increase (decrease) in accrued liabilities	(8,032)	167	-	-	15,656	7,791
Increase (decrease) in compensated absences	116	1,193	685	3,888	(2,870)	3,012
Total adjustments	38,091	131,951	25,668	191,219	252	387,181
Net cash provided (used) by operating activities	<u>\$ (87,151)</u>	<u>\$ (70,676)</u>	<u>\$ 66,692</u>	<u>\$ 229,559</u>	<u>\$ 99,672</u>	<u>\$ 238,096</u>

**Spanish Fork City**  
**Schedule of Impact Fees Collected and Spent**  
**and Capital Facilities Budget for 2009 thru 2013**  
**June 30, 2008**

Fiscal Year	Water Impact Fee	Sewer Impact Fee	Electric Impact Fee	Pressurized Irrigation Impact Fee	Recreation Impact Fee	South East Storm Drainage Impact Fee	North East Storm Drainage Impact Fee	West Fields Storm Drainage Impact Fee
Pre 1996 Balance	\$ 528,097	\$ 879,611	\$ 235,144	\$ -	\$ 265,905	\$ -	\$ -	\$ -
1996 Collected	279,900	701,435	102,027	-	226,277	-	-	-
1996 Spent	-	-	-	-	(289,082)	-	-	-
1997 Collected	267,627	503,998	106,506	-	182,853	-	-	-
1997 Spent	(1,120,294)	(2,146,920)	(142,575)	-	(253,425)	-	-	-
1998 Collected	222,649	277,642	146,883	-	225,451	105,815	-	-
1998 Spent	(115,380)	(205,140)	(383,678)	-	(357,071)	(32,752)	-	-
1999 Collected	251,828	255,970	155,255	-	253,114	87,656	-	-
1999 Spent	(240,000)	(237,963)	(175,000)	-	(335,210)	(2,576)	-	-
2000 Collected	417,714	399,277	219,020	-	404,599	140,859	-	-
2000 Spent	(116,653)	(303,020)	(212,000)	-	(313,352)	(83,168)	-	-
2001 Collected	534,381	609,157	310,409	-	493,052	91,411	-	-
2001 Spent	(95,851)	(468,822)	(8,668)	-	(432,250)	(39,491)	-	-
2002 Collected	298,454	451,002	195,641	-	419,702	51,909	-	-
2002 Spent	-	(627,307)	(470,000)	-	(550,000)	(158,628)	-	-
2003 Collected	448,054	585,097	310,127	111,229	599,923	64,120	-	-
2003 Spent	(396,400)	(116,554)	(79,500)	(7,000)	(4,000)	(39,156)	-	-
2004 Collected	373,921	436,416	278,022	105,779	506,416	57,672	-	-
2004 Spent	(1,413,374)	(566,856)	-	-	(837,169)	(21,068)	-	-
2005 Collected	461,620	390,241	375,545	176,938	670,635	202,837	65,012	47,433
2005 Spent	-	(10,489)	-	-	(96,413)	(367,670)	-	(32,297)
2006 Collected	859,112	749,489	817,378	548,839	1,643,675	4,201	70,499	31,468
2006 Spent	(75,000)	(136,636)	-	-	(1,238,349)	(13,490)	-	(19,356)
2007 Collected	815,450	826,564	939,668	542,253	972,080	183,249	346,682	13,042
2007 Spent	(69,843)	(2,094,513)	(1,263,616)	-	(4,083,341)	(60,796)	-	(21,317)
2008 Collected	329,367	516,784	765,484	401,285	1,011,650	2,618	470,212	76,394
2008 Spent	(1,736,184)	(525,745)	(1,144,146)	(676,732)	(750,000)	-	-	(63,024)
Ending Balance	\$ 709,195	\$ 142,718	\$ 1,077,926	\$ 1,202,591	\$ (1,664,330)	\$ 173,552	\$ 952,405	\$ 32,343

**Capital Facilities Budget - 2009 thru 2014**

Project	2009	2010	2011	2012	2013	2014	Total
Culinary Water Projects	\$ 989,000	\$ 538,000	\$ 488,000	\$ 488,000	\$ 488,000	\$ 488,000	\$ 3,479,000
Sewer Projects	332,100	2,782,100	182,100	182,100	182,100	182,100	3,842,600
Electric Projects	3,560,000	500,000	284,000	1,500,000	2,400,000	500,000	8,744,000
Pressurized Irrigation Projects	773,200	684,000	75,000	75,000	75,000	75,000	1,757,200
Parks and Recreation Projects	112,500	1,750,000	950,000	150,000	150,000	150,000	3,262,500
Storm Drainage Projects	-	2,889,060	2,436,700	1,876,620	2,192,300	500,000	9,894,680

**SPANISH FORK CITY  
MANAGEMENT LETTER  
INDEPENDENT AUDITORS' REPORT IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITORS' REPORT  
ON LEGAL COMPLIANCE  
JUNE 30, 2008**

**SPANISH FORK CITY, UTAH  
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***GOVERNMENT AUDITING STANDARDS REPORT***



LARSON & ROSENBERGER LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 24, 2008

The Honorable Mayor and  
Members of the City Council  
Spanish Fork City, Utah

Mayor and Council Members:

We have audited the accompanying basic financial statements of the Spanish Fork City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. 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.

**Compliance**

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

**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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

This report is intended for the information of the Mayor and City Council, management, and various federal and state funding and auditing agencies and is and is not intended to be and should not be used by anyone other than these specified parties.

*Larson & Rosenberger, LLP*

Larson & Rosenberger, LLP  
Certified Public Accountants

# STATE COMPLIANCE REPORT





LARSON & ROSENBERGER LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

September 24, 2008

The Honorable Mayor and  
Members of the City Council  
Spanish Fork City, Utah

Mayor and Council Members:

We have audited the basic financial statements of the Spanish Fork City, Utah, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2008. The City received the following major State assistance programs from the State of Utah:

B&C Road Funds (Department of Transportation)  
Liquor Law Enforcement

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Other General Compliance Issues  
Uniform Building Code Standards  
Impact Fees and Other Development Fees  
Asset Forfeiture

The management of the Spanish Fork City, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the attached management letter dated September 24, 2008. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Spanish Fork City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2008.

*Larson & Rosenberger, LLP*

Larson & Rosenberger, LLP  
Certified Public Accountants

## **MANAGEMENT LETTER**



LARSON & ROSENBERGER LLP  
CERTIFIED PUBLIC ACCOUNTANTS

September 24, 2008

The Honorable Mayor and  
Members of the City Council  
City of Spanish Fork, Utah

Mayor and Council Members:

We have audited the financial statements of the governmental activities and the business-type activities, of Spanish Fork City for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. 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 July 1, 2008, 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 Spanish Fork 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

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9065 SOUTH 1300 EAST  
SALT LAKE CITY, UTAH 84094  
(801) 313-1900  
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LOS ANGELES OFFICE  
801 NORTH BRAND BLVD STE 1180  
GLENDALE, CALIFORNIA 91203  
(818) 334-8623  
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SPANISH FORK OFFICE  
765 NORTH MAIN  
SPANISH FORK, UTAH 84660  
(801) 798-3545  
FAX (801) 798-3678

MOAB OFFICE  
115 WEST 200 SOUTH #4  
MOAB, UTAH 84532  
(435) 259-9100  
FAX (435) 259-1100

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. Management has corrected all such misstatements.

#### 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.

#### Internal Control Findings – Current Year

**There were no internal control findings noted during the current period under audit.**

## State Compliance Findings – Current Year

### **General Fund Balance**

#### **Finding:**

*Utah Code 10-6-116* indicates that only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. The city exceeded the authorized limitation of 18% in regards to the ending undesignated fund balance of the general fund.

#### **Recommendation:**

We recommend that the City comply with state requirements, or codes in regards to fund balance. If funds are being accumulated for future use, we recommend that the city reserve those funds through the necessary approval process.

#### **Client Response:**

Management is aware of the problem. The City budgeted for certain projects that were not completed during the year, but will be completed during the next fiscal year. Thus the funds were retained to complete those projects.

## Status of Internal Control Findings – Prior Year

**There were no internal control findings noted in the prior audit period.**

## Status of State Compliance Findings – Prior Year

### **Treasurer’s Bond**

#### **Finding:**

*Utah Code 51-7-15* and Rule 4 of the Utah Money Management Councils states that every public treasurer shall secure a fidelity bond, based on the previous years budgeted gross revenue, which includes all funds collected or handled by the public treasurer. Currently the City of Spanish Fork’s treasurer’s bond is underfunded by \$ 299,376.

#### **Recommendation:**

We recommend that the City comply with this state regulation by increasing the value of its treasurer’s bond.

#### **Status:**

There were no instances of non compliance of this nature noted during the current period under audit.

This information is intended solely for the use of Spanish Fork City and management of Spanish Fork 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*  
Larson & Rosenberger, LLP  
Certified Public Accountants