

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

**SPANISH FORK CITY, UTAH
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Independent Auditors' Report

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, Utah, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2015, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as well as the required supplementary information relating to pensions on pages 3–9 and 60-62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spanish Fork City's basic financial statements. The combining and individual nonmajor fund financial statements (pages 65-69) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2015 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Larson & Company, PC

Spanish Fork, Utah
December 15, 2015

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, 2015**. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Spanish Fork City increased **\$10,891,158** to **\$238,451,244**. The governmental net position increased by **\$4,927,591** and the business-type net position increased by **\$5,963,568**.
- The total net position of **\$238,451,244** is made up of **\$192,357,625** in capital assets net of related debt and **\$46,083,620** in other net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of **\$2,177,402**.
- The City's total long-term liabilities increased by **\$1,535,374** 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 position* presents information on all of Spanish Fork City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position 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 position changed during the fiscal year reported. All changes in net position 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 13-14 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 position 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, 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 position 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 **\$238,451,244**.

By far the largest portion of Spanish Fork City's net position (**\$192,357,625 or 81%**) 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 position.

Spanish Fork City's Net position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	26,343,126	28,041,668	39,711,847	38,763,663	66,054,973	66,805,331
Capital assets	90,071,173	88,968,037	126,445,507	123,706,124	216,516,680	212,674,161
Total assets	116,414,299	117,009,705	166,157,354	162,469,787	282,571,653	279,479,492
Deferred outflows - pension	740,549	-	341,275	-	1,081,824	-
Total deferred outflows of resources	740,549	-	341,275	-	1,081,824	-
Total Assets and Deferred outflows	117,154,849	117,009,705	166,498,629	162,469,787	283,653,478	279,479,492
Other liabilities	13,714,243	14,768,493	4,238,998	2,733,512	17,953,241	17,502,005
Long-term liabilities outstanding	15,946,244	16,969,512	8,861,000	10,953,997	24,807,244	27,923,509
Total liabilities	29,660,487	31,738,005	13,099,998	13,687,509	42,760,485	45,425,514
Deferred property tax revenue	1,697,154	1,564,298	-	-	1,697,154	1,564,298
Deferred inflows - pension	509,703	-	234,892	-	744,595	-
Total deferred inflows of resources	2,206,857	1,564,298	234,892	-	2,441,749	1,564,298
Total Liabilities and Deferred inflows	31,867,344	33,302,303	13,334,890	13,687,509	45,202,234	46,989,812
Net Position:						
Invested in capital assets, net of related debt	73,987,614	71,842,405	118,370,011	113,686,472	192,357,625	185,528,877
Restricted	3,497,431	3,813,080	1,854,971	1,837,879	5,352,402	5,650,959
Unrestricted	7,802,460	8,051,917	32,938,756	33,257,927	40,741,217	41,309,844
Total Net Position	85,287,505	83,707,402	153,163,738	148,782,278	238,451,243	232,489,680

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	9,518,466	8,849,966	41,710,752	40,757,551	51,229,217	49,607,517
Operating grants and contribs	1,200,642	1,164,177	-	-	1,200,642	1,164,177
Capital grants and contribs	5,636,435	4,639,637	4,740,540	2,734,752	10,376,975	7,374,389
General revenues:						
Property taxes	2,768,317	2,949,319	-	-	2,768,317	2,949,319
Sales and Use Tax	7,559,036	6,979,827	-	-	7,559,036	6,979,827
Other taxes	571,081	565,510	-	-	571,081	565,510
Unrestricted investment earnings	407,238	75,842	169,999	150,570	577,237	226,412
Joint Venture Gain (Loss)	285,494	1,023,499	(150,738)	(38,179)	134,756	985,320
Miscellaneous	-	-	-	-	-	-
Gain on Sale of Capital Assets	6,322	-	88,526	29,070	94,848	29,070
Total revenues	<u>27,953,029</u>	<u>26,247,777</u>	<u>46,559,078</u>	<u>43,633,764</u>	<u>74,512,107</u>	<u>69,881,541</u>
Expenses:						
General government	3,714,621	4,130,307	-	-	3,714,621	4,130,307
Public safety	6,711,017	5,912,266	-	-	6,711,017	5,912,266
Public Works	8,204,808	8,857,634	-	-	8,204,808	8,857,634
Parks and recreation	5,120,253	4,963,368	-	-	5,120,253	4,963,368
Operating Expenses (Business Type)			38,636,758	37,025,489	38,636,758	37,025,489
Interest Expense	988,494	608,187	-	-	988,494	608,187
Total expenses	<u>24,739,193</u>	<u>24,471,763</u>	<u>38,636,758</u>	<u>37,025,489</u>	<u>63,375,951</u>	<u>61,497,251</u>
Increase in Net Position b/4 xfers	3,213,836	1,776,014	7,922,320	6,608,275	11,136,156	8,384,290
Transfers	1,713,755	4,093,180	(1,958,754)	(4,093,180)	(244,999)	-
Increase in Net Position	4,927,591	5,869,194	5,963,566	2,515,095	10,891,157	8,384,290
Net Position - beginning	83,707,402	77,838,208	148,782,278	146,267,183	232,489,680	224,105,391
Prior Period Adjustment	(3,347,488)		(1,582,106)	-	(4,929,594)	-
Net Position - ending	<u>85,287,505</u>	<u>83,707,402</u>	<u>153,163,738</u>	<u>148,782,278</u>	<u>238,451,243</u>	<u>232,489,680</u>

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, 2015, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$11,376,223**. This represents an increase of **\$1,947,969** under last year's ending balances. This decrease is the result of both a planned budget transfers of funds being held for 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 (**\$10,898,433**) and represent **55%** of total governmental funds revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

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 **\$19,161,659** to a final budget of **\$21,310,306**. 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 foreseen 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, 2015, amounts to **\$216,516,680** (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:

Streets Improvements:

Maintenance and Rebuilding of existing roads and sidewalks for \$4,863,261

Water & Pressurized Irrigation Improvements:

Water Improvement Projects for \$1,535,379

Pressurized Irrigation Improvements for \$499,356

Purchase of Water Rights for \$149,463

Sewer Improvements:

Purchase of SUVMWA Land for \$168,351

Sewer Improvements for \$1,453,730

Electric Improvements:

Electric Improvements for \$1,651,681

Other Improvements:

Library Books & Media for \$80,051

New Garbage and Recycle Cans for \$321,290

Storm Drain Improvements for \$1,643,321

Spanish Fork Community Network:

Hardware for Higher Speed Internet for \$345,120

Motorpool:

City Wide Equipment Purchases for \$572,882

City Wide Vehicle Purchases for \$498,810

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Land	\$ 12,572,668	\$ 12,572,668	\$ 3,055,385	\$ 2,846,180
Water Shares	-	-	4,980,946	4,831,483
Buildings	21,445,733	22,294,924	3,988,903	4,114,707
Improvements	16,984,605	17,640,318	110,736,657	108,288,479
Equipment	4,044,255	3,874,518	3,683,616	3,625,275
Infrastructure	35,023,912	32,585,610	-	-
Total Net Assets -				
Net of Depreciation	<u>\$ 90,071,173</u>	<u>\$ 88,968,038</u>	<u>\$ 126,445,507</u>	<u>\$ 123,706,124</u>

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, 2015, the City had total bonded debt outstanding of **\$24,412,244**. Of that, **\$8,861,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$15,551,244** 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.

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Capital Lease	\$ 146,244	\$ 194,512	\$ -	\$ -
Accrued Vacation & Sick Leave	1,397,560	1,344,198	638,914	566,436
Revenue Bonds	15,800,000	16,775,000	8,861,000	10,953,997
Total Outstanding Debt	<u>\$ 17,343,804</u>	<u>\$ 18,313,710</u>	<u>\$ 9,499,914</u>	<u>\$ 11,520,433</u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$1,555,594,805**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$62,223,792** 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 **\$124,447,584** 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 3.2% compared with a state unemployment rate of 3.6% and a national rate of 5.0 %. (Source: Utah Dept of Workforce Services)

- The General Fund budget for the fiscal year-ending June 30, 2016 reflects a small decrease of \$763,958 over the final budget for the fiscal year-ended June 30, 2015. The largest part of this decrease is a result of the decrease in capital spending for the current year. Some capital improvements budgeted for the FY 2016 include:

1. Additional Trail Projects.
2. Widening of the Cut Bridge Street
3. River Reclamation Projects
4. Water Rights Purchases.
5. Water line replacement.
6. Sewer line replacement.
7. Storm Drainage System Expansion.
8. Pressurized Irrigation System Expansion.
9. Sidewalk replacement and repair of various areas of town.
10. Purchase of City Vehicles.

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.

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BASIC FINANCIAL STATEMENTS

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Spanish Fork City
Statement of Net Position
As of June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 6,639,857	\$ 32,516,992	\$ 39,156,849
Receivables (net of allowance)	3,049,068	3,859,733	6,908,801
Prepaid expenses	33,078	130	33,208
Internal balances	1,619,309	(1,619,309)	-
Inventory	71,403	1,311,677	1,383,080
Equity in joint venture	4,851,008	1,173,126	6,024,134
Restricted cash and cash equivalents	10,074,000	2,467,006	12,541,006
Net Pension Asset	5,404	2,492	7,896
Capital Assets (not being depreciated):			
Land	12,572,668	3,055,385	15,628,053
Water shares	-	4,980,946	4,980,946
Capital Assets (net of accumulated depreciation):			
Buildings	21,445,732	3,988,903	25,434,635
Improvements other than buildings	16,984,605	110,736,657	127,721,262
Equipment	4,044,256	3,683,616	7,727,872
Infrastructure	35,023,912	-	35,023,912
Total assets	<u>116,414,299</u>	<u>166,157,354</u>	<u>282,571,653</u>
Deferred outflows of resources relating to pensions	<u>740,549</u>	<u>341,275</u>	<u>1,081,824</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>117,154,849</u></u>	<u><u>166,498,629</u></u>	<u><u>283,653,478</u></u>
LIABILITIES			
Accounts payable	2,180,453	1,168,089	3,348,542
Developer escrows and deposits	6,814,695	900,938	7,715,633
Connectors agreement	-	36,942	36,942
Compensated absences	1,397,560	638,914	2,036,474
Bond interest payable	137,315	26,696	164,011
Noncurrent Liabilities:			
Net Pension Liability	3,184,220	1,467,419	4,651,639
Due within one year	1,074,835	2,145,000	3,219,835
Due in more than one year	14,871,409	6,716,000	21,587,409
Total liabilities	<u>29,660,487</u>	<u>13,099,998</u>	<u>42,760,485</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	1,697,154	-	1,697,154
Relating to Pensions	<u>509,703</u>	<u>234,892</u>	<u>744,595</u>
Total deferred inflows of resources	<u>2,206,857</u>	<u>234,892</u>	<u>2,441,749</u>
NET POSITION			
Net investments in capital assets	73,987,614	118,370,011	192,357,625
Restricted for:			
Class "C" roads	150,458	-	150,458
Redevelopment agency	2,331,156	-	2,331,156
Impact fees	528,293	828,844	1,357,137
Debt Service	487,524	-	487,524
Water rights	-	240,623	240,623
Bond requirements	-	785,504	785,504
Unrestricted	<u>7,802,460</u>	<u>32,938,757</u>	<u>40,741,218</u>
Total net position	<u><u>\$ 85,287,505</u></u>	<u><u>\$ 153,163,739</u></u>	<u><u>\$ 238,451,244</u></u>
	0	-	0

**Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2015**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,714,621	\$ 41,434	\$ -	\$ 2,050,446	\$ -	\$ 2,050,446
Public safety	6,711,017	47,473	-	(4,717,387)	-	(4,717,387)
Public works	8,204,808	1,070,510	4,863,261	(2,271,038)	-	(2,271,038)
Parks, rec. & public property	5,120,253	41,225	773,174	(2,457,178)	-	(2,457,178)
Interest on long-term debt	988,494	-	-	(988,494)	-	(988,494)
Total governmental activities	24,739,193	1,200,642	5,636,435	(8,383,651)	-	(8,383,651)
Business-type activities:						
Water	5,606,471	-	1,463,491	-	1,212,761	1,212,761
Sewer	2,791,259	-	1,117,008	-	1,220,329	1,220,329
Electric	27,162,975	-	1,141,216	-	4,246,782	4,246,782
Garbage	1,513,309	-	-	-	145,125	145,125
Storm drainage	1,378,339	-	1,018,825	-	1,012,494	1,012,494
Gun club	184,404	-	-	-	(22,957)	(22,957)
Total business-type activities	38,636,757	-	4,740,540	-	7,814,535	7,814,535
Total primary government	\$ 63,375,950	\$ 1,200,642	\$ 10,376,975	(8,383,651)	7,814,535	(569,116)
General revenues:						
Property taxes				2,768,317	-	2,768,317
Sales taxes				7,559,036	-	7,559,036
Other taxes				571,081	-	571,081
Unrestricted investment earnings				407,238	169,999	577,237
Joint venture gain (loss)				285,494	(150,738)	134,756
Gain on sale of capital assets				6,322	88,526	94,848
Transfers				1,713,755	(1,958,754)	(244,999)
Total general revenues and transfers				13,311,242	(1,850,967)	11,460,275
Change in Net Position				4,927,591	5,963,567	10,891,158
Net Position - beginning				83,707,402	148,782,278	232,489,680
Prior Period Adjustment				(3,347,488)	(1,582,106)	(4,929,594)
Net Position - ending	\$ 85,287,505			\$ 153,163,739	\$ 238,451,244	\$ 238,451,244

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2015**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,557,392	\$ 1,568,057	\$ 6,125,449
Receivables (net of allowance):			
Tax	3,049,068	-	3,049,068
Due from other funds	1,307,546	970,097	2,277,643
Prepaid expense	33,078	-	33,078
Inventory	71,403	-	71,403
Equity in joint venture	79,626	-	79,626
Restricted Assets:			
Cash and cash equivalents	7,551,380	2,522,620	10,074,000
Total assets	<u>\$ 16,649,493</u>	<u>\$ 5,060,774</u>	<u>\$ 21,710,267</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,147,034	\$ 243,902	\$ 1,390,936
Due to other funds	9,250.00	-	9,250
Payroll payable	422,009	-	422,009
Developer escrow	6,193,399	-	6,193,399
Final inspection deposit	621,296	-	621,296
Total liabilities	<u>8,392,988</u>	<u>243,902</u>	<u>8,636,890</u>
DEFERRED INFLOWS			
Deferred property tax revenue	1,697,154	-	1,697,154
Total deferred inflows of resources	<u>1,697,154</u>	<u>-</u>	<u>1,697,154</u>
FUND BALANCES			
Nonspendable	112,704	-	112,704
Restricted for:			
Class "C" roads	150,458	-	150,458
Redevelopment agency	-	2,331,156	2,331,156
Debt service	-	487,524	487,524
Impact fees	528,293	-	528,293
Committed for:			
Capital projects	-	792,913	792,913
Redevelopment agency	-	1,205,279	1,205,279
Unassigned	5,767,897	-	5,767,897
Total fund balances	<u>6,559,351</u>	<u>4,816,872</u>	<u>11,376,223</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,649,493</u>	<u>\$ 5,060,774</u>	<u>\$ 21,710,267</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total fund balances - governmental fund types: \$ 11,376,223

Amounts reported for governmental activities in the statement of net position 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	4,771,382	
Cost of capital assets	157,437,365	
Accumulated depreciation	(67,366,192)	
Net Pension Asset	5,269	
Deferred Outflow - Pension	<u>722,084</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>95,569,908</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 position, but not in the Balance Sheet - Governmental Funds (625,526)

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	(137,315)	
Non-current liabilities due within one year	(1,121,409)	
Compensated absences	(1,397,560)	
Unamortized Bond Premium	-	
Non-current liabilities due in more than one year	(14,775,000)	
Net Pension - Liability	(3,104,823)	
Deferred Inflow - Pension	<u>(496,994)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(21,033,101)</u>

Net position of government activities \$ 85,287,505

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 10,023,257	\$ 875,176	\$ 10,898,433
Licenses and permits	1,078,090	-	1,078,090
Intergovernmental revenues	1,200,641	-	1,200,641
Charges for services	2,952,792	-	2,952,792
Fines and forfeitures	155,529	-	155,529
Interest income	90,761	316,477	407,238
Sundry revenue	2,134,513	851,137	2,985,650
Total revenues	<u>17,635,583</u>	<u>2,042,790</u>	<u>19,678,373</u>
EXPENDITURES			
Current:			
General government	3,995,066	-	3,995,066
Public safety	6,223,649	-	6,223,649
Public works	4,873,397	892,143	5,765,540
Parks, recreation and public property	4,230,654	-	4,230,654
Debt Service:			
Principal retirement	-	975,000	975,000
Interest and fiscal charges	-	1,007,299	1,007,299
Capital outlay	-	368,054	368,054
Total expenditures	<u>19,322,767</u>	<u>3,242,496</u>	<u>22,565,263</u>
Excess revenues over (under) expenditures	<u>(1,687,184)</u>	<u>(1,199,706)</u>	<u>(2,886,890)</u>
Other financing sources (uses)			
Sale of fixed assets	1,525	-	1,525
Impact fees	773,174	-	773,174
Indirect services	2,346,405	-	2,346,405
Transfers in	1,255,482	970,273	2,225,755
Transfers out	(512,000)	-	(512,000)
Total other financing sources and uses	<u>3,864,586</u>	<u>970,273</u>	<u>4,834,859</u>
Excess of revenues and other sources over (under) expenditures and other use	2,177,402	(229,433)	1,947,969
Fund balances - beginning of year	4,381,949	5,046,305	9,428,254
Fund balances - end of year	<u>\$ 6,559,351</u>	<u>\$ 4,816,872</u>	<u>\$ 11,376,223</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, 2015

Net changes in fund balances - total governmental funds \$ 1,947,969

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities 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	427,819	
Depreciation Expense	<u>(4,426,717)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities		<u>(3,998,898)</u>

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

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount that proceeds exceed the gain on the statement of activities.	4,797	
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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>4,863,261</u>	<u>4,868,058</u>
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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.		410,660
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		993,805
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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		285,494
Change in compensated Absences		(52,521)
Change in Pension Expenses		<u>473,024</u>

Change in Net Position of governmental activities		<u><u>\$ 4,927,591</u></u>
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Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 9,397,000	\$ 9,721,298	\$ 10,023,257	\$ 301,959
Licenses and permits	706,500	971,500	1,078,090	106,590
Intergovernmental revenues	1,239,350	1,387,376	1,200,641	(186,735)
Charges for services	2,554,443	2,719,743	2,952,792	233,049
Fines and forfeitures	110,200	125,200	155,529	30,329
Interest income	60,050	85,050	90,761	5,711
Sundry revenue	1,707,508	1,920,233	2,134,513	214,280
Total revenues	<u>15,775,051</u>	<u>16,930,400</u>	<u>17,635,583</u>	<u>705,183</u>
EXPENDITURES				
Current:				
General government	3,883,397	4,211,807	3,995,066	(216,741)
Public safety	6,167,640	6,686,780	6,223,649	(463,131)
Public works	4,880,435	5,863,374	4,873,397	(989,977)
Parks, recreation and public property	4,230,187	4,548,345	4,230,654	(317,691)
Total expenditures	<u>19,161,659</u>	<u>21,310,306</u>	<u>19,322,767</u>	<u>(1,987,539)</u>
Excess revenues over (under) expenditures	<u>(3,386,608)</u>	<u>(4,379,906)</u>	<u>(1,687,184)</u>	<u>2,692,722</u>
Other financing sources (uses)				
Impact fees	-	605,000	773,174	168,174
Indirect services	2,058,126	2,346,405	2,346,405	-
Transfers in	1,255,482	1,255,482	1,255,482	-
Transfers out	(200,000)	(512,000)	(512,000)	-
Total other financing sources and uses	<u>3,113,608</u>	<u>3,694,887</u>	<u>3,864,586</u>	<u>169,699</u>
Excess of revenues and other sources over (under) expenditures and other uses	(273,000)	(685,019)	2,177,402	2,862,421
Fund balances - beginning of year	4,381,949	4,381,949	4,381,949	-
Fund balances - end of year	<u>\$ 4,108,949</u>	<u>\$ 3,696,930</u>	<u>\$ 6,559,351</u>	<u>\$ 2,862,421</u>

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental
					Non Major	Activities -
	Water	Sewer	Electric	Enterprise Funds	Total	Internal Service
						Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,418,817	\$ 11,926,052	\$ 16,721,784	\$ 1,450,339	\$ 32,516,992	\$ 514,408
Accounts receivable	415,967	287,471	2,880,863	320,240	3,904,541	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	638,242	2,829,369	4,303,292	525,335	8,296,238	121,991
Prepaid Expense	-	-	130	-	130	-
Inventory	4,500	3,500	1,283,320	20,357	1,311,677	-
Total current assets	<u>3,468,118</u>	<u>15,043,567</u>	<u>25,159,032</u>	<u>2,314,053</u>	<u>45,984,770</u>	<u>636,399</u>
Noncurrent assets:						
Restricted cash and equivalents	272,507	5,002	1,424,212	765,285	2,467,006	-
Net Pension Asset	449	292	1,577	174	2,492	135
Capital Assets:						
Land	280,483	1,542,651	894,009	338,242	3,055,385	-
Water rights	4,980,946	-	-	-	4,980,946	-
Buildings	2,484,689	508,739	3,399,514	130,327	6,523,269	253,468
Improvements	73,554,098	35,833,485	46,723,786	15,721,165	171,832,534	-
Equipment	2,885,012	2,429,395	3,505,527	1,319,596	10,139,530	11,010,474
Less: accumulated depreciation	(30,014,150)	(18,096,578)	(17,992,003)	(3,983,426)	(70,086,157)	(7,755,782)
Other Assets:						
Equity in joint venture	-	-	-	1,173,126	1,173,126	-
Total noncurrent assets	<u>54,444,034</u>	<u>22,222,986</u>	<u>37,956,622</u>	<u>15,464,489</u>	<u>130,088,131</u>	<u>3,508,295</u>
Total assets	<u><u>57,912,152</u></u>	<u><u>37,266,553</u></u>	<u><u>63,115,654</u></u>	<u><u>17,778,542</u></u>	<u><u>176,072,901</u></u>	<u><u>4,144,694</u></u>
Deferred Outflows of Resources Due to Pensions	61,490	40,042	216,077	23,666	341,275	18,465
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 57,973,642</u></u>	<u><u>\$ 37,306,595</u></u>	<u><u>\$ 63,331,731</u></u>	<u><u>\$ 17,802,208</u></u>	<u><u>\$ 176,414,176</u></u>	<u><u>\$ 4,163,159</u></u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 1,901,395	\$ 8,378,668	\$ 406,559	\$ -	\$ 10,686,622	\$ -
Accounts payable	120,966	19,535	607,238	420,350	1,168,089	366,321
Accrued interest payable	17,982	-	8,714	-	26,696	1,187
Compensated absences payable	115,118	74,965	404,527	44,304	638,914	34,569
Customer deposits	42,423	-	633,705	-	676,128	-
Final inspection deposits	-	-	224,810	-	224,810	-
Connector agreements	-	5,005	31,937	-	36,942	-
Lease payable - current portion	-	-	-	-	-	49,835
Bonds payable - current portion	1,300,000	-	845,000	-	2,145,000	-
Total current liabilities	<u>3,497,884</u>	<u>8,478,173</u>	<u>3,162,490</u>	<u>464,654</u>	<u>15,603,201</u>	<u>451,912</u>
Noncurrent liabilities:						
Net Pension Liability	264,396	172,176	929,091	101,756	1,467,419	79,397
Lease Payable	-	-	-	-	-	96,409
Bonds payable	6,716,000	-	-	-	6,716,000	-
Total noncurrent liabilities	<u>6,980,396</u>	<u>172,176</u>	<u>929,091</u>	<u>101,756</u>	<u>8,183,419</u>	<u>175,806</u>
Total liabilities	<u><u>10,478,280</u></u>	<u><u>8,650,349</u></u>	<u><u>4,091,581</u></u>	<u><u>566,410</u></u>	<u><u>23,786,620</u></u>	<u><u>627,718</u></u>
Deferred Inflows of Resources Due to Pensions	42,322	27,560	148,721	16,289	234,892	12,709
Net Position						
Net investment in capital assets, net of related debt	46,155,078	22,217,692	36,471,337	13,525,904	118,370,011	3,361,916
Restricted for:						
Impact fees	15,259	5,002	5,003	803,580	828,844	-
Water rights	240,623	-	-	-	240,623	-
Bond requirements	-	-	785,504	-	785,504	-
Unrestricted	1,042,080	6,405,992	21,829,585	2,890,025	32,167,682	160,816
Total Net Position	<u><u>\$ 47,453,040</u></u>	<u><u>\$ 28,628,686</u></u>	<u><u>\$ 59,091,429</u></u>	<u><u>\$ 17,219,509</u></u>	<u><u>\$ 152,392,664</u></u>	<u><u>\$ 3,522,732</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					771,075	
Net Position from business-type activities:					<u><u>\$ 153,163,739</u></u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Non Major	Total	Activities-
				Enterprise Funds	Enterprise Funds	Internal Service
						Fund
Operating Revenues:						
Charges for sales and services	\$ 5,140,833	\$ 2,750,163	\$ 29,112,539	\$ 3,189,889	\$ 40,193,424	\$ 1,012,184
Other income	214,908	144,417	1,156,002	2,000	1,517,327	1,337,374
Total operating revenues	<u>5,355,742</u>	<u>2,894,580</u>	<u>30,268,541</u>	<u>3,191,889</u>	<u>41,710,752</u>	<u>2,349,558</u>
Operating Expenses:						
Water assessment	130,945	-	-	-	130,945	-
Power purchases	-	-	14,393,114	-	14,393,114	-
Landfill fees	-	-	-	557,931	557,931	-
Employee salaries	931,323	636,611	3,444,687	463,031	5,475,652	282,465
Materials and supplies	323,080	90,618	2,052,225	128,337	2,594,260	363,356
Repairs and maintenance	41,736	104,058	141,373	24,910	312,077	328,753
Professional services	227,732	165,625	3,741,897	357,159	4,492,413	13,176
Motorpool charges	181,802	137,194	391,566	123,252	833,814	-
Utilities	334,187	241,731	150,010	12,745	738,673	21,584
Insurance	17,887	44,676	57,152	1,306	121,021	3,692
Depreciation	2,446,904	986,480	1,526,982	481,161	5,441,527	830,884
Indirect services	730,155	438,477	699,527	478,247	2,346,406	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	9,811	17,003	90,615	517,538	634,967	-
Total operating expenses	<u>5,511,846</u>	<u>2,872,040</u>	<u>27,431,040</u>	<u>3,145,617</u>	<u>38,960,543</u>	<u>1,843,910</u>
Operating income	<u>(156,104)</u>	<u>22,540</u>	<u>2,837,501</u>	<u>46,272</u>	<u>2,750,209</u>	<u>505,648</u>
Nonoperating revenues (expenses):						
Interest revenue	4,182	-	165,817	-	169,999	-
Impact fees and water right fees	424,249	315,268	435,103	223,142	1,397,762	-
Change in joint venture equity	-	-	-	(150,738)	(150,738)	-
Contributions from private contractors	1,039,241	676,740	706,113	795,683	3,217,777	-
Gain(loss) on sale of fixed assets	90,274	(1,748)	-	-	88,526	84,157
Pension Benefit Expense	109,481	71,295	384,720	42,135	607,631	32,879
Pension Expense	(69,199)	(45,064)	(243,171)	(26,633)	(384,067)	(20,781)
Interest expense	(212,036)	-	(28,056)	-	(240,092)	(5,923)
Total nonoperating revenues (expenses)	<u>1,386,193</u>	<u>1,141,491</u>	<u>1,420,526</u>	<u>883,589</u>	<u>4,831,799</u>	<u>90,332</u>
Income (loss) before operating transfers	<u>1,230,088</u>	<u>1,164,031</u>	<u>4,258,027</u>	<u>929,861</u>	<u>7,582,007</u>	<u>595,980</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	-	-	245,000
Operating transfers out	(168,237)	(87,821)	(1,602,207)	(100,489)	(1,958,754)	-
Total contributions and operating transfers	<u>(168,237)</u>	<u>(87,821)</u>	<u>(1,602,207)</u>	<u>(100,489)</u>	<u>(1,958,754)</u>	<u>245,000</u>
Change in Net Position	1,061,851	1,076,210	2,655,820	829,372	5,623,253	840,980
Total Net Position - beginning	<u>46,676,247</u>	<u>27,738,109</u>	<u>57,437,315</u>	<u>16,499,846</u>	<u>148,351,517</u>	<u>2,767,354</u>
Prior period adjustment	(285,058)	(185,633)	(1,001,706)	(109,709)	(1,582,106)	(85,602)
Total Net Position - ending	<u>\$ 47,453,040</u>	<u>\$ 28,628,686</u>	<u>\$ 59,091,429</u>	<u>\$ 17,219,509</u>	<u>\$ 152,392,664</u>	<u>\$ 3,522,732</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					340,314	
Change in Net Position of business-type activities:					<u>\$ 5,963,567</u>	

Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Non Major	Total
	Fund	Fund	Fund	Enterprise Funds	Enterprise Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 5,289,885	\$ 2,706,314	\$ 29,158,684	\$ 3,172,593	\$ 40,327,476
Other cash receipts	214,908	144,417	1,156,002	2,000	1,517,327
Payments to suppliers	(2,588,889)	(1,343,678)	(22,190,367)	(1,885,129)	(28,008,063)
Payments to employees	(927,778)	(633,856)	(3,401,366)	(460,074)	(5,423,074)
Net cash provided (used) by operating activities	<u>1,988,127</u>	<u>873,197</u>	<u>4,722,953</u>	<u>829,390</u>	<u>8,413,667</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	124,371	(411)	60,232	80,056	264,248
Increase (decrease) in due to other funds	(86,630)	813,160	(206,159)	-	520,371
Transfers in (out)	(168,237)	(87,821)	(1,602,207)	(100,489)	(1,958,754)
Net cash provided (used) by noncapital activities	<u>(130,496)</u>	<u>724,928</u>	<u>(1,748,134)</u>	<u>(20,433)</u>	<u>(1,174,135)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(2,202,104)	(1,775,081)	(2,240,860)	(1,964,611)	(8,182,656)
Principal (paid) issued on capital debt	(1,272,997)	-	(820,000)	-	(2,092,997)
Interest paid on capital debt	(212,036)	-	(28,056)	-	(240,092)
Contributions from (reimbursements to) private contractors	1,039,241	676,740	706,113	795,683	3,217,777
Impact fees collected	424,249	315,268	435,103	223,142	1,397,762
Grant proceeds	-	125,000	-	-	125,000
Cash received from disposal of assets	90,274	-	-	-	90,274
Net cash provided (used) by capital and related financing activities	<u>(2,133,372)</u>	<u>(658,073)</u>	<u>(1,947,700)</u>	<u>(945,786)</u>	<u>(5,684,931)</u>
Cash Flows From Investing Activities					
Interest and dividends received	4,182	-	165,817	-	169,999
Net cash provided (used) by investing activities	<u>4,182</u>	<u>-</u>	<u>165,817</u>	<u>-</u>	<u>169,999</u>
Net increase (decrease) in cash and cash equivalents	(271,560)	940,052	1,192,936	(136,829)	1,724,599
Cash and cash equivalents, July 1	2,962,884	10,991,002	16,953,060	2,352,453	33,259,399
Cash and cash equivalents, June 30	<u>\$ 2,691,324</u>	<u>\$ 11,931,054</u>	<u>\$ 18,145,996</u>	<u>\$ 2,215,624</u>	<u>\$ 34,983,998</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (156,104)	\$ 22,540	\$ 2,837,501	\$ 46,272	2,750,209
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,446,904	986,480	1,526,982	481,161	5,441,527
(Increase) decrease in accounts receivable	149,052	(43,849)	46,145	(17,293)	134,055
Decrease (increase) in inventory	-	-	50,642	(830)	49,812
Increase (decrease) in accrued liabilities	(463,067)	(99,734)	(108,343)	317,123	(354,021)
Increase (decrease) in compensated absences	3,545	2,755	43,321	2,957	52,578
Increase (decrease) in customer deposits	7,797	5,005	326,705	-	339,507
Total adjustments	<u>2,144,231</u>	<u>850,657</u>	<u>1,885,452</u>	<u>783,118</u>	<u>5,663,458</u>
Net cash provided (used) by operating activities	<u>\$ 1,988,127</u>	<u>\$ 873,197</u>	<u>\$ 4,722,953</u>	<u>\$ 829,390</u>	<u>\$ 8,413,667</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2015**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	\$ 97,774
Total assets	<u>97,774</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Total liabilities	<u>-</u>
Net position:	
Deferred compensation	<u>97,774</u>
Total net position	<u>97,774</u>
Total liabilities and net position	<u>\$ 97,774</u>

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 26,449
Interest income	495
Total	26,944
EXPENDITURES:	
Retirement payments	26,449
Total	26,449
Excess of revenues over (under) expenditures	495
Net position - beginning of year	97,279
Net position - end of year	\$ 97,774

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP) as applied to government agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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, Ambulance, Animal Control and Justice Center.

Public Works: Streets, Engineering, Building Inspections, Parks, Fleet Maintenance, Culinary Water and Pressurized Irrigation Services, Sewer Services, Electric and Broadband Services, Solid Waste Services, Street Lighting and Storm Drainage Services.

Recreation: Swimming Pool, Recreation Programs, Building and Grounds, Golf Course, Senior Center, Special Events and Arts Council Programs.

Library: Library Administration 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 as a Special Revenue Fund.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The Statement of Net position 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: 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 Funds are used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes five

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Capital Project Funds which are used to account for the acquisition of capital assets with transfers made from other 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 measurement similar to the private sector. The reporting entity includes the Water, Sewer, Electric, Garbage, 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.
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. Water Fund consists of culinary and secondary water systems. Electric Fund consists of electric and broadband systems. Sewer Fund consists of sewer collections and sewer plant systems.
Nonmajor Governmental 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 Fund (RDA)	Accounts for activity within the City's redevelopment agency.
Capital Projects Funds	Accounts for the accumulation of funds, revenues and expenditures on specific projects.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.
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:	

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Motor Pool	This fund is used to account for the costs of operating and maintaining vehicles and equipment owned by the City.
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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 Position 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 position (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 position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net position 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

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, “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 Position. 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 the Basic Financial Statements
For the Year Ended June 30, 2015

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 Position 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 Position. 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:

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.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, impact fees 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 240 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.

At June 30, 2015, 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	\$ 857,093	\$ 399,928	\$ 1,257,021
Sick Leave Liability	540,467	238,988	779,455
Total Compensated Absences	\$ 1,397,560	\$ 638,916	\$ 2,036,476

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.

Pensions

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

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Equity Classifications

Government-wide Statements

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

- a. Net investments in capital assets—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 position—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 position—All other net assets that do not meet the definition of “restricted” or “net investments in capital assets.”

Fund Statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, which is the City Council.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The role of assigning fund balance resides with the City Council.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted fund balance is available for use, it is the City’s policy to first use restricted fund balance, then committed funds, followed by assigned and then unassigned funds. 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 the Basic Financial Statements
For the Year Ended June 30, 2015

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 inflows.

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.

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.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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 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

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

For the year ended June 30, 2015, 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, 2015, 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, 2015, the City had \$24,807,244 of such indebtedness.

Bonds 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, 2015.

Requirement	Level of Compliance
a. Bonds Payable Coverage:	1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 (electric revenue bonds) and 1.25 (water revenue bonds) 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 2009 Electric Revenue Bonds, the 2002, 2011, & 2012 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.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

- 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 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 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- 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 25% of the total revenue of the general fund. For the year ended June 30, 2015 the City's general fund exceeded the 25% limit.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

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, 2015, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2015
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	5,799,503
Total Depository Accounts		\$ 6,049,503

Investments

As of June 30, 2015 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	More Than 10
Investments in Public					
Treasurers' Investment	\$ 33,371,960	\$ 33,371,960	\$ -	\$ -	\$ -
Bond Escrows	1,383,230	1,383,230	-	-	-
Money Market Account	677,848	677,848	-	-	-
Mutual Fund	10,197,003	10,197,003	-	-	-
Total Fair Value	\$ 45,630,041	\$ 45,630,041	\$ -	\$ -	\$ -

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 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.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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

Reconciliation to Government-wide Statement of Net Position:

Deposits & Investments	\$	6,049,503
Investments		45,620,698
Cash on hand		125,428
Total	\$	<u>51,795,629</u>

Government - Wide

Cash and Cash Equivalents	\$	39,156,849
Restricted Cash & Cash Equivalents		12,541,006
Fiduciary Restricted Cash		97,774
Total	\$	<u>51,795,629</u>

Net Cash on Statement of Net Position	\$	51,697,855
Fiduciary Restricted Cash		97,774
Total	\$	<u>51,795,629</u>

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SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, 2015 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water impact fees	\$ 5,003	\$ -	\$ -	\$ 5,003
Water right fees	5,122	-	-	5,122
Customer deposits	569,533	-	-	569,533
Storm drainage impact fees	803,580	-	-	803,580
Water bond requirements	175,886	-	-	175,886
Electric bond requirements	785,504	-	-	785,504
Total	<u>\$ 2,344,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,344,628</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 6,193,399	\$ -	\$ -	\$ 6,193,399
Final inspection deposits	1,171,146	-	-	1,171,146
Class "C" roads	397,291	-	-	397,291
Recreation impact fees	1,097,273	-	-	1,097,273
Debt service	487,524	-	-	487,524
RDA requirements	3,016,368	-	-	3,016,368
Total	<u>12,363,001</u>	<u>-</u>	<u>-</u>	<u>12,363,001</u>
Grand Totals	<u>\$ 14,707,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,707,629</u>

3.C. ACCOUNTS RECEIVABLE & DEFERRED OUTFLOWS

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2015, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 3,904,541	\$ 3,904,541
Property tax	1,697,154	-	1,697,154
Other tax	1,351,914	-	1,351,914
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 3,049,068</u>	<u>\$ 3,859,733</u>	<u>\$ 6,908,801</u>

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Governmental activities:				
Land (not being depreciated)	\$ 12,572,668	\$ -	\$ -	\$ 12,572,668
Buildings	31,947,234	80,952	(7,875)	32,020,311
Improvements	26,821,111	223,781	-	27,044,892
Machinery and equipment	13,107,627	1,150,743	(995,993)	13,262,377
Infrastructure	67,611,532	4,925,584	-	72,537,116
Totals at historical cost	<u>152,060,172</u>	<u>6,381,060</u>	<u>(1,003,868)</u>	<u>157,437,364</u>
Less accumulated depreciation				
Buildings	\$ (9,652,310)	\$ (930,144)	\$ 7,875	(10,574,579)
Improvements	(9,180,174)	(880,113)	-	(10,060,287)
Machinery and equipment	(9,228,537)	(946,520)	956,936	(9,218,121)
Infrastructure	(35,025,921)	(2,487,283)	-	(37,513,204)
Total accumulated depreciation	<u>(63,086,942)</u>	<u>(5,244,060)</u>	<u>964,811</u>	<u>(67,366,191)</u>
Governmental activities capital assets, net	<u>\$ 88,973,230</u>	<u>\$ 1,137,000</u>	<u>\$ (39,057)</u>	<u>\$ 90,071,173</u>
Business-type activities:				
Land (not being depreciated)	\$ 2,846,183	\$ 209,204	\$ -	\$ 3,055,387
Water shares (not being depreciated)	4,831,484	149,463	-	4,980,947
Buildings and structures	6,470,681	52,589	-	6,523,270
Improvements	164,896,063	6,936,467	-	171,832,530
Machinery and equipment	9,327,098	834,933	(22,503)	10,139,528
Totals at historical cost	<u>188,371,509</u>	<u>8,182,655</u>	<u>(22,503)</u>	<u>196,531,661</u>
Less accumulated depreciation				
Buildings and structures	(2,355,974)	(178,391)	-	(2,534,365)
Improvements other than buildings	(56,607,587)	(4,488,290)	-	(61,095,877)
Machinery and equipment	(5,701,824)	(774,147)	20,057	(6,455,914)
Total accumulated depreciation	<u>(64,665,385)</u>	<u>(5,440,828)</u>	<u>20,057</u>	<u>(70,086,156)</u>
Business-type activities capital assets, net	<u>\$ 123,706,124</u>	<u>\$ 2,741,827</u>	<u>\$ (2,446)</u>	<u>\$ 126,445,505</u>

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 246,373
Public safety	696,612
Public works	2,642,467
Parks	840,815
Governmental portion of internal service fund	817,342
Total depreciation expense - governmental activities	<u>\$ 5,243,609</u>
Business-type activities	
Water	\$ 2,446,903
Electric	1,526,982
Sewer	985,782
Garbage	62,908
Storm drainage	412,251
Gun club	6,002
Total depreciation expense - business-type activities	<u>\$ 5,440,828</u>

3.E. ACCOUNTS PAYABLE & DEFERRED INFLOW

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

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time.

Governmental funds report revenue that is unavailable as deferred inflows of resources. Governmental funds report unavailable revenue from property taxes and from special assessments. These amounts are deferred and recognized as revenue in the period that they become available.

At the end of the current fiscal year, the various components of *deferred inflows* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (general fund)	<u>\$ 1,697,154</u>	<u>\$ -</u>
Total deferred inflows of resources for governmental funds	<u>\$ 1,697,154</u>	<u>\$ -</u>

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

	Rate	Dates	Balance
Sales Tax Revenue Bond Series 2007 (Original amount \$22,000,000)	4.0% to 4.75%	2017	\$ 2,100,000
Sales Tax Revenue Bond Series 2014 (Original amount \$13,700,000)	0.75% to 5.000%	2027	<u>\$ 13,700,000</u>
Total bonds payable - governmental activities			15,800,000
		Less current portion	<u>(1,025,000)</u>
Total long-term portion of bonds payable - governmental activities			<u><u>\$ 14,775,000</u></u>

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	\$ 146,244
Current portion of capital leases payable	<u>(49,835)</u>
Long term portion of capital leases payable	<u><u>\$ 96,409</u></u>

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Business-type Activities:

As of June 30, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

	Interest Rate	Maturity Dates	Balance
Water Revenue Bonds Series 2011 Dated October 26, 2011 (Original amount \$2,040,000)	1.87%	2032	\$ 1,780,000
Electric Utility Revenue Refunding Bonds 2009 Dated December 29, 2009 (Original amount \$4,690,000)	2.75%	2016	845,000
Water Revenue Refunding Bonds 2010 Dated August 18, 2010 (Original amount \$12,895,000)	1.72%	2017	2,345,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,891,000
Total bonds payable - business-type activities			8,861,000
Less current portion			(2,145,000)
Total bonds payable - long term portion			<u>\$ 6,716,000</u>

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

Type of Debt	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Governmental activities:				
Bonds payable	\$ 16,775,000	\$ -	\$ (975,000)	\$ 15,800,000
Capital leases payable	194,512	-	(48,268)	146,244
Compensated absences	1,344,198	53,362	-	1,397,560
Total - Governmental Activities	<u>\$ 18,313,710</u>	<u>\$ 53,362</u>	<u>\$ (1,023,268)</u>	<u>\$ 17,343,804</u>
Business-type Activities:				
Bonds payable	\$ 10,954,000	\$ -	\$ (2,093,000)	\$ 8,861,000
Compensated absences	586,336	52,580	-	638,916
Total - Business-type Activities	<u>\$ 11,540,336</u>	<u>\$ 52,580</u>	<u>\$ (2,093,000)</u>	<u>\$ 9,499,916</u>
Due Within One Year	\$ 3,033,750	\$ 3,219,835	\$ (3,033,750)	\$ 3,219,835

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2016	1,025,000	638,613	2,145,000	195,155
2017	1,075,000	596,613	1,327,000	157,363
2018	1,115,000	570,931	813,000	127,690
2019	1,100,000	544,750	834,000	107,375
2020	1,170,000	493,500	854,000	76,767
2021-2025	6,745,000	1,511,375	2,086,000	144,897
2026-2030	3,570,000	127,700	562,000	54,380
2031-2035			240,000	6,751
Total	<u>\$ 15,800,000</u>	<u>\$ 4,483,482</u>	<u>\$ 8,861,000</u>	<u>\$ 870,378</u>

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Machinery and equipment	\$ 295,845
Less: Accumulated depreciation	(162,917)
Total	<u>\$ 132,928</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, 2015 are:

Fiscal Year	Amount
2016	54,583
2017	98,000
Total minimum lease payments	152,583
Less amounts representing interest	(6,339)
Present value of minimum lease payments	<u>\$ 146,244</u>

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 1,255,482	\$ 512,000
RDA Fund	-	-
Debt Service Fund	903,273	-
Capital project fund-Community Center	55,000	-
Capital project fund-Canyon Road	12,000	-
Motorpool Fund	245,000	-
Total Governmental Activities	<u>2,470,755</u>	<u>512,000</u>
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	1,602,207
Sewer Fund	-	87,821
Water Fund	-	168,237
<i>Non-major funds:</i>		
Garbage Fund	-	52,244
Storm Drainage Fund	-	48,245
Total Business-type Activities	<u>-</u>	<u>1,958,754</u>
Grand Totals	<u>\$ 2,470,755</u>	<u>\$ 2,470,754</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>
<i>Business-type Activities:</i>		
Water fund	\$ 136,284	\$ -
Sewer fund	9,567	-
Electric fund	68,142	-
Broadband plant	-	213,993
Totals	<u>\$ 213,993</u>	<u>\$ 213,993</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 the Basic Financial Statements
For the Year Ended June 30, 2015

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 730,155	\$ -
Sewer Fund	438,477	-
Electric Fund	699,527	-
Non-major business type activities:		
Garbage	80,450	-
Storm Drain	397,797	-
Major Governmental activities:		
General fund	-	2,346,406
	\$ 2,346,406	\$ 2,346,406

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

Due to/from other funds:

Fund	Due to	Due From
Governmental funds		
General fund	\$ 9,250	\$ 1,307,546
Non-major funds		
Special revenue fund	-	715,590
Debt service fund	-	93,453
Capital projects fund	-	161,053
Total Governmental	9,250	2,277,642
Business-type funds		
Major funds		
Water fund	1,901,395	638,242
Sewer fund	8,378,668	2,829,369
Electric fund	406,559	4,303,292
Non-major funds		
Garbage fund	-	297,407
Storm drainage fund	-	183,989
Gun club fund	-	43,939
Total Business-Type	10,686,622	8,296,238
Internal service fund		
Motorpool fund	-	121,992
Grand Total	\$ 10,695,872	\$ 10,695,872

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

3.H. RESERVED FUND BALANCES

The City has reserved fund balance amounts for impact fees. The City has reserved net position 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 position 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. 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.B. 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.C. 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%

- 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, 2015 is as follows from UMPA:

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

	UMPA	Spanish Fork City's Share
Total assets and deferred outflow of resources	\$ 53,634,486	\$ 5,046,469
Total liabilities and deferred inflow of resources	\$ 53,631,136	\$ 5,046,154
Total net position	\$ 3,350	\$ 315
Total operating revenues	\$ 74,122,387	\$ 6,974,175
Total operating expenses	(64,474,080)	(6,066,366)
Net operating income	9,648,307	907,809
Total non-operating income (expenses)	(9,648,307)	(907,809)
Change in net assets	\$ -	\$ -
The joint venture has the following long-term debt:		
Revenue bonds payable	\$ 15,360,320	\$ 1,445,253

- e. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office.

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) | 0.000% |
| | 100.000% |
- 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.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

- 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.
- d. Audited summary financial information of the District as June 30, 2015 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets & deferred inflows	\$ 16,701,480	\$ 1,962,424
Total liabilities & deferred outflows	\$ 6,717,426	\$ 789,298
Total net position	\$ 9,984,054	\$ 1,173,126
Total operating revenues	\$ 6,300,827	\$ 740,347
Total operating expenses	6,585,327	773,776
Net operating income	(284,500)	(33,429)
Total non-operating income (expenses)	(418,854)	(49,215)
Change in net assets	\$ (703,354)	\$ (82,644)

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,549,523	\$ 299,569
Accrued compensated absences	215,408	25,310
Long Term Debt	2,084,393	244,916
Total long-term liabilities	\$ 4,849,324	\$ 569,796

- e. 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 its 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 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.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

- d. Summary financial information, as of the joint venture's last year end of June 30, 2015, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
Total assets	\$ 10,397,471	\$ 5,198,736
Total liabilities	\$ (695,457)	\$ (347,729)
Total net position	\$ 9,702,014	\$ 4,851,007
Program revenues	\$ 906,580	\$ 453,290
General revenues	1,315	658
Program expenses	(336,908)	(168,454)
Change in net position	\$ 570,987	\$ 285,494

- e. Audited financial statements for the Spanish Fork/Springville Airport are available at the Airport offices, 50 South Main, Springville, Utah.

4.D. 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 \$1,500,000 expiring June 16, 2016 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring March 31, 2016 covering all employees and elected officials of the City issued by Moreton & Company.
2. 10,135 water connections at June 30, 2015
3. Total culinary water billings for the year were \$2,359,775.
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base is	\$1.14
Connection/Impact fee (1 inch)	\$1,011.71

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

4.E. 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	\$	223,290
B. Kirby RDA		349,368
C. Wasatch Wind CDA		302,517
Total Collected		\$ 875,175

2. The amount of tax increment paid to any taxing agency:

A. North Industrial RDA	\$	-
B. Kirby RDA		-
C. Wasatch Wind CDA		90,755
Total Paid		\$ 90,755

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		
B. Site improvements		
C. Installation of public utilities and roads		589,146
D. Administrative & contracted costs		212,243
Total Expended		\$ 801,389

4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website www.urs.gov.

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

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

<u>Utah Retirement Systems</u>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111-Local Government Division Tier 2	N/A	N/A	14.94%
Noncontributory System			
15-Local Government Division Tier 1	N/A	N/A	18.47%
Public Safety Retirement System			
43- Other Division A Noncontributory Tier 1	N/A	N/A	34.04%
122-Other Division A Contributory Tier 2	N/A	N/A	22.55%

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

At December 31, 2014, we reported a net pension asset of \$7,894 and a net pension liability of \$4,651,637.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.7580962%	\$ -	\$ 3,291,832
Public Safety System	1.0812842%	-	1,359,805
Tier 2 Public Employees System	0.1617363%	4,901	-
Tier 2 Public Safety and Fire Fighter System	0.2023030%	2,993	-
Total Net Pension Asset / Liability		<u>\$ 7,894</u>	<u>\$ 4,651,637</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

For the year ended December 31, 2014. We recognized pension expense of \$1,217,472. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98	\$ 239,468
Changes in assumptions	-	505,127
Net difference between projected and actual earnings on pension plan investments	107,374	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	974,353	-
Total	\$ 1,081,825	\$ 744,595

\$974,353 was reported as deferred outflows of resources related to pension's results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2015	\$ (171,909)
2016	(171,909)
2017	(171,909)
2018	(115,930)
2019	(865)
Thereafter	(4,604)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75 percent
Salary increases	3.50-10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense including inflation

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based on plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Woment EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008-December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

SPANISH FORK CITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	\$11,385,217	\$4,643,743	\$(928,145)

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

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 15, 2015, which is the date that the financial statements were available to be issued.

4. H. PRIOR PERIOD ADJUSTMENT

The requirement to implement and apply GASB 68 this fiscal year resulted in adjustments to the prior period net positions. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources, and if applicable, a Net Pension Asset.

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REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Spanish Fork City
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
As of December 31, 2014
Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	0.7580962%	1.0812842%	0.1617363%	0.2023030%
Proportionate share of the net pension liability (asset)	\$ 3,291,832	\$ 1,359,805	\$ (4,901)	\$ (2,993)
Covered Employee Payroll	\$ 6,433,835	\$ 1,579,886	\$ 794,624	\$ 83,973
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.2%	86.1%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability.	90.2%	90.5%	103.5%	120.5%

* In accordance with paragraph 81 of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10 year schedule will need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.

**Spanish Fork City
Schedule of Contributions
Utah Retirement Systems
As of December 31, 2014
Last 10 Fiscal Years***

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Contractually required contribution	\$ 1,191,515	\$ 532,592	\$ 66,728	\$ 9,116
Contributions in relation to the contractually required contributions	(1,191,515)	(532,592)	(66,728)	(9,116)
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	\$ 6,433,835	\$ 1,579,886	\$ 794,624	\$ 83,973
Contributions as a percentage of covered-employee payroll**	18.52%	33.71%	8.40%	10.86%

* Amounts presented were determined as of calendar year January 1-December 31. Employers will be required to prospectively develop this table in future years of information. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

Spanish Fork City
Notes to Required Supplementary Information
For the Year Ended December 31, 2014

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 – December 31.

Defined Contribution System

31-Dec-14

	Employee Paid <u>Contributions</u>	Employer Paid <u>Contributions</u>
401(k) Plan	\$ 6,531	\$ 23,407
457 Plan	\$ -	\$ -
Roth IRA Plan	\$ 2,440	\$ -
Traditional IRA Plan	\$ 450	\$ -
HRA Plan	\$ -	\$ -

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

SUPPLEMENTARY INFORMATION

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**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2015**

	Special Revenue		Debt Service		Capital Projects					Total Non-major Governmental Funds	
	RDA Fund		Debt Service Fund	Special Fund	Cemetery Driveway Fund	Canyon Crossing Fund	River Reclamation Fund	Community Center Fund	Canyon Road Intersection Fund		Street Cut Bridge Fund
ASSETS											
Cash and cash equivalents	\$ 494,861		\$ 362,301	\$ 31,770	\$ -	\$ 302,458	\$ 61,328	\$ 33,423	\$ 4,348	\$ 277,568	\$ 1,568,057
Due from other funds	715,590		85,919	7,534	-	71,727	14,544	7,926	1,031	65,826	970,097
Restricted Assets:											
Cash and cash equivalents	2,522,620		-	-	-	-	-	-	-	-	2,522,620
Total assets	\$ 3,733,071		\$ 448,220	\$ 39,304	\$ -	\$ 374,185	\$ 75,872	\$ 41,349	\$ 5,379	\$ 343,394	\$ 5,060,774
LIABILITIES											
Accounts Payable	\$ 196,636		\$ -	\$ -	\$ -	\$ -	\$ 46,566	\$ 700	\$ -	\$ -	243,902
Total liabilities	\$ 196,636		\$ -	\$ -	\$ -	\$ -	\$ 46,566	\$ 700	\$ -	\$ -	243,902
FUND BALANCES											
Restricted for:											
Redevelopment	2,331,156		-	-	-	-	-	-	-	-	2,331,156
Debt Service	-		448,220	39,304	-	-	-	-	-	-	487,524
Committed for:											
Capital projects	-		-	-	-	374,185	29,306	40,649	5,379	343,394	792,913
Redevelopment	1,205,279		-	-	-	-	-	-	-	-	1,205,279
Total fund balances	\$ 3,536,435		\$ 448,220	\$ 39,304	\$ -	\$ 374,185	\$ 29,306	\$ 40,649	\$ 5,379	\$ 343,394	\$ 4,816,872
Total liabilities and fund balance	\$ 3,733,071		\$ 448,220	\$ 39,304	\$ -	\$ 374,185	\$ 75,872	\$ 41,349	\$ 5,379	\$ 343,394	\$ 5,060,774

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue		Debt Service		Capital Projects					Total Non-major Governmental Funds
	RDA Fund	Special Guarantee Fund	Debt Service Fund	Special Guarantee Fund	Cemetery Driveway Fund	Canyon Crossing Fund	River Reclamation Fund	Community Center Fund	Canyon Road Fund	
REVENUES:										
Taxes	\$ 875,176	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -
Sundry Revenues	-	-	824,102	-	-	-	-	-	-	27,035
Interest income	-	-	316,477	-	-	-	-	-	-	-
Total revenues	875,176	-	1,140,579	-	-	-	-	-	-	27,035
EXPENDITURES:										
Current Expenditures:										
RDA	892,143	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	-	-	975,000	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	1,007,299	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	62,323	-	63,371	14,351	6,621	221,388
Total expenditures	892,143	-	1,982,299	-	62,323	-	63,371	14,351	6,621	221,388
Excess of revenues over (under) expenditures	(16,967)	-	(841,720)	-	(62,323)	-	(63,371)	(14,351)	(6,621)	(194,353)
Other financing sources (uses):										
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	-	-	903,273	-	-	-	-	55,000	12,000	-
Total other financing sources (uses)	-	-	903,273	-	-	-	-	55,000	12,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(16,967)	-	61,553	-	(62,323)	-	(63,371)	40,649	5,379	(194,353)
Fund balances - beginning of year	3,553,402	-	386,667	39,304	62,323	374,185	92,677	-	-	537,747
Fund balances - end of year	\$ 3,536,435	-	\$ 448,220	\$ 39,304	\$ -	\$ 374,185	\$ 29,306	\$ 40,649	\$ 5,379	\$ 343,394

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,254,101	\$ 10,554	\$ 185,684	\$ 1,450,339
Accounts receivable	169,606	150,634	-	320,240
Allowance for doubtful accounts	(1,730)	(488)	-	(2,218)
Due from other funds	297,407	183,989	43,939	525,335
Inventory	-	-	20,357	20,357
Total current assets	<u>1,719,384</u>	<u>344,689</u>	<u>249,980</u>	<u>2,314,053</u>
Noncurrent assets:				
Restricted cash and equivalents	-	765,285	-	765,285
Net Pension Asset	27	145	2	174
Capital Assets:				
Land	217,906	120,336	-	338,242
Buildings	94,855	7,356	28,116	130,327
Improvements	37,378	15,588,314	95,473	15,721,165
Equipment	1,227,476	8,000	84,120	1,319,596
Less: accumulated depreciation	(865,781)	(2,986,286)	(131,359)	(3,983,426)
Other Assets:				
Equity in joint venture	1,173,126	-	-	1,173,126
Total noncurrent assets	<u>1,884,987</u>	<u>13,503,150</u>	<u>76,352</u>	<u>15,464,489</u>
Total assets	<u>3,604,371</u>	<u>13,847,839</u>	<u>326,332</u>	<u>17,778,542</u>
Deferred Outflows of Resources Due to Pensions				
	<u>3,699</u>	<u>19,734</u>	<u>233</u>	<u>23,666</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,608,070</u>	<u>\$ 13,867,573</u>	<u>\$ 326,565</u>	<u>\$ 17,802,208</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 66,560	\$ 309,708	\$ 44,082	\$ 420,350
Compensated absences	6,925	36,944	435	44,304
Total current liabilities	<u>73,485</u>	<u>346,652</u>	<u>44,517</u>	<u>464,654</u>
Noncurrent liabilities:				
Net Pension Liability	<u>15,904</u>	<u>84,851</u>	<u>1,001</u>	<u>101,756</u>
Total noncurrent liabilities	<u>15,904</u>	<u>84,851</u>	<u>1,001</u>	<u>101,756</u>
Total liabilities	<u>89,389</u>	<u>431,503</u>	<u>45,518</u>	<u>566,410</u>
Deferred Inflows of Resources Due to Pensions				
	<u>2,546</u>	<u>13,582</u>	<u>161</u>	<u>16,289</u>
Net Position				
Net investment in capital assets	711,834	12,737,720	76,350	13,525,904
Restricted for:				
Impact fees	-	803,580	-	803,580
Unrestricted	2,804,301	(118,812)	204,536	2,890,025
Total Net Position	<u>\$ 3,516,135</u>	<u>\$ 13,422,488</u>	<u>\$ 280,886</u>	<u>\$ 17,219,509</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
Operating Revenues:				
Charges for sales and services	\$ 1,658,434	\$ 1,370,008	\$ 161,447	\$ 3,189,889
Other income	-	2,000	-	2,000
Total operating revenues	<u>1,658,434</u>	<u>1,372,008</u>	<u>161,447</u>	<u>3,191,889</u>
Operating Expenses:				
Landfill fees	557,931	-	-	557,931
Employee salaries	66,726	331,992	64,313	463,031
Materials and supplies	12,202	53,448	62,687	128,337
Repairs and maintenance	-	4,756	20,154	24,910
Professional services	271,379	66,917	18,863	357,159
Motorpool charges	2,067	119,821	1,364	123,252
Utilities	-	1,832	10,913	12,745
Insurance	78	968	260	1,306
Depreciation	62,908	412,251	6,002	481,161
Indirect services	80,450	397,797	-	478,247
Sundry charges	516,054	1,484	-	517,538
Total operating expenses	<u>1,569,795</u>	<u>1,391,266</u>	<u>184,556</u>	<u>3,145,617</u>
Operating income	<u>88,639</u>	<u>(19,258)</u>	<u>(23,109)</u>	<u>46,272</u>
Nonoperating revenues (expenses):				
Pension benefit expense	6,586	35,135	414	42,135
Pension expense	(4,163)	(22,208)	(262)	(26,633)
Impact fees	-	223,142	-	223,142
Change in joint venture equity	(150,738)	-	-	(150,738)
Contributions from private contractors	-	795,683	-	795,683
Total nonoperating revenues (expenses)	<u>(148,315)</u>	<u>1,031,752</u>	<u>152</u>	<u>883,589</u>
Income (loss) before operating transfers	<u>(59,676)</u>	<u>1,012,494</u>	<u>(22,957)</u>	<u>929,861</u>
Operating Transfers:				
Operating transfers in/(out)	<u>(52,244)</u>	<u>(48,245)</u>	<u>-</u>	<u>(100,489)</u>
Total operating transfers	<u>(52,244)</u>	<u>(48,245)</u>	<u>-</u>	<u>(100,489)</u>
Change in Net Position	(111,920)	964,249	(22,957)	829,372
Total Net Position - beginning	<u>3,645,202</u>	<u>12,549,722</u>	<u>304,922</u>	<u>16,499,846</u>
Prior Period Adjustment	<u>(17,147)</u>	<u>(91,483)</u>	<u>(1,079)</u>	<u>(109,709)</u>
Total Net Position - ending	<u>\$ 3,516,135</u>	<u>\$ 13,422,488</u>	<u>\$ 280,886</u>	<u>\$ 17,219,509</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Non-Major Funds
Cash Flows From Operating Activities				
Receipts from customers	1,642,143	1,369,003	161,447	3,172,593
Other cash receipts	-	2,000	-	2,000
Payments to suppliers	(1,449,830)	(359,679)	(75,620)	(1,885,129)
Payments to employees	(66,210)	(329,141)	(64,723)	(460,074)
Net cash provided (used) by operating activities	<u>126,103</u>	<u>682,183</u>	<u>21,104</u>	<u>829,390</u>
Cash Flows From Noncapital Financing Activities				
Decrease (increase) in due from other funds	70,837	10,556	(1,337)	80,056
Transfers in (out)	(52,244)	(48,245)	-	(100,489)
Net cash provided (used) by noncapital activities	<u>18,593</u>	<u>(37,689)</u>	<u>(1,337)</u>	<u>(20,433)</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(321,290)	(1,643,321)	-	(1,964,611)
Contributions from private contractors	-	795,683	-	795,683
Impact fees collected	-	223,142	-	223,142
Net cash provided (used) by capital and related financing activities	<u>(321,290)</u>	<u>(624,496)</u>	<u>-</u>	<u>(945,786)</u>
Net increase (decrease) in cash and cash equivalents	<u>(176,594)</u>	<u>19,998</u>	<u>19,767</u>	<u>(136,829)</u>
Cash and cash equivalents, July 1	<u>1,430,695</u>	<u>755,841</u>	<u>165,917</u>	<u>2,352,453</u>
Cash and cash equivalents, June 30	<u>1,254,101</u>	<u>775,839</u>	<u>185,684</u>	<u>2,215,624</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	<u>88,639</u>	<u>(19,258)</u>	<u>(23,109)</u>	<u>46,272</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	62,908	412,251	6,002	481,161
(Increase) decrease in accounts receivable	(16,291)	(1,002)	-	(17,293)
(Increase) decrease in inventory	1.00	-	(831)	(830)
Increase (decrease) in accrued liabilities	(9,670)	287,341	39,452	317,123
Increase (decrease) in compensated absences	516	2,851	(410)	2,957
Total adjustments	<u>37,464</u>	<u>701,441</u>	<u>44,213</u>	<u>783,118</u>
Net cash provided (used) by operating activities	<u>126,103</u>	<u>682,183</u>	<u>21,104</u>	<u>829,390</u>

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OTHER REPORTS

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

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

Mayor and Council Members:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Spanish Fork City's basic financial statements and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Larson & Company, PC

Spanish Fork, Utah
December 15, 2015



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS, COMPLIANCE FOR EACH MAJOR STATE PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

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

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

We have audited Spanish Fork City's (herein referred to as the "City") compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2015

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Enterprise Fund Transfers
- Other Grants
- Tax Levy Rev. Recognition
- Restricted Taxes
- Open and Public Meetings act

The City received the following major assistance programs from the State of Utah:
B&C Road Funds

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion

In our opinion, Spanish Fork City, complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

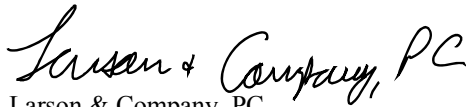
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over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

Purpose of Report

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

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 15, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State Compliance Audit Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.


Larson & Company, PC

Spanish Fork, Utah
December 15, 2015

Spanish Fork City
Schedule of Expenditures of State Grants, Contracts, and Loan Funds
For the Year Ended June 30, 2015

<u>Grant Name</u>	<u>Award/Contract # (if applicable)</u>	<u>Expenditures</u>
<u>Utah Department of Transportation</u>		
Class C Road Funds		\$ 1,070,510
Subtotal – Utah Department of Transportation		1,070,510
<u>Utah Department of Public Safety</u>		
Justice Assitance Grant (JAG)		7,500
Department of Justice - Vests		2,076
Alcohol Enforcement		34,047
Subtotal – Utah Department of Public Safety		43,623
<u>Utah Department of Heritage and Arts</u>		
Community Library Enhancement Fund (CLEF)		8,598
Subtotal – Utah Department of Heritage and Arts		8,598
<u>Utah County</u>		
Utah County Activities Grant Fairgrounds and Trails		41,225
Subtotal – Utah County		41,225
<u>Utah Department of Health</u>		
Bureau of Emergency Medical Services		4,888
Subtotal – Utah Department of Health		4,888
<u>Mountainland Association of Governments</u>		
Senior Grant		24,081
Subtotal – Mountainland Association of Governments		24,081
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES		\$ 1,192,924

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2015



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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Spanish Fork City for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. 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 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2015.

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.

Other Audit Findings or Issues

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.

Other Matters

We applied certain limited procedures to the combining and individual fund statements and schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Fund Statements and Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the management of Spanish Fork City and the Utah State Auditor's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Larson & Company, PC

Spanish Fork, Utah
December 15, 2015

State Compliance Findings – Current Year

SC-2015.1 General Fund Balance.

Finding: *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 minimum fund balance. The maximum committed, assigned, and unassigned fund balance may not exceed 25% of the total revenue of the general fund. At year end the City’s committed, assigned, and unassigned fund balance was in excess of the required maximum fund balance limit.

Recommendation: We recommend that the City monitor the balances in committed, assigned, and unassigned fund balance categories to ensure compliance with State requirements. If there are upcoming projects that are being planned for, the funds should be properly transferred to a capital projects fund.

Client Response: The City will monitor more closely the fund balances to ensure compliance in the future.

Internal Control Findings – Current Year

No Internal Control findings noted in current year.

Status of State Compliance Findings – Prior Year

No State Compliance findings noted in prior year.

Status of Internal Control Findings – Prior Year

No Internal Control findings noted in prior year.