

**SPANISH FORK CITY, UTAH  
INDEPENDENT AUDITORS' REPORT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

**SPANISH FORK CITY, UTAH  
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YEAR ENDED JUNE 30, 2006**

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LARSON & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

October 2, 2006

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of and for the year ended June 30, 2006, which collectively comprise Spanish Fork City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Spanish Fork City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages MDA-1 through MDA-9 and the Schedule of Impact Fees are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the State of Utah. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2006, on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Larson & Company  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork City, we offer readers of Spanish Fork City's financial statements this narrative overview and analysis of the financial activities of Spanish Fork City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net assets of Spanish Fork City increased \$ **26,475,813 (22 %)** to **\$146,040,705**. The governmental net assets increased by \$ **9,180,080** and the business-type net assets increased by \$ **17,295,733**.
- The total net assets of \$ **146,040,705** are made up of \$ **108,329,288** in capital assets net of related debt and \$ **37,711,416** in other net assets.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$ **1,509,463**.
- The City's total long-term liabilities decreased by \$ **1,681,104** during the current fiscal year.

### REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net assets* presents information on all of Spanish Fork City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Spanish Fork City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions

of Spanish Fork City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 3-4 of this report.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$146,040,705**.

By far the largest portion of Spanish Fork City's net assets (**\$108,329,288 or 74%**) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets.

Spanish Fork City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	19,063,977	14,991,893	31,816,687	24,109,820	50,880,664	39,101,713
Capital assets	41,875,158	35,929,123	84,071,030	75,299,039	125,946,188	111,228,162
Total assets	60,939,135	50,921,016	115,887,717	99,408,859	176,826,852	150,329,875
Other liabilities	9,972,337	8,882,194	3,876,810	3,264,685	13,849,147	12,146,879
Long-term liabilities outstanding	180,000	432,104	16,757,000	18,186,000	16,937,000	18,618,104
Total liabilities	10,152,337	9,314,298	20,633,810	21,450,685	30,786,147	30,764,983
Net assets:						
Invested in capital assets, net of related debt	41,437,829	35,110,444	66,891,459	56,729,741	108,329,288	91,840,185
Restricted	3,659,310	2,834,650	7,758,205	4,415,735	11,417,515	7,250,385
Unrestricted	5,689,659	3,661,624	20,604,242	16,812,698	26,293,901	20,474,322
Total net assets	50,786,798	41,606,718	95,253,907	77,958,174	146,040,705	119,564,892

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	4,938,994	4,492,234	27,380,698	24,930,777	32,319,692	29,423,011
Operating grants and contribs	963,085	1,062,355	-	-	963,085	1,062,355
Capital grants and contribs	9,004,350	817,138	13,757,365	2,804,021	22,761,715	3,621,159
General revenues:						
Property taxes	1,749,123	1,637,065	-	-	1,749,123	1,637,065
Sales and Use Tax	5,133,795	4,243,038	-	-	5,133,795	4,243,038
Other taxes	149,246	156,331	-	-	149,246	156,331
Unrestricted investment earnings	387,010	243,200	909,991	328,887	1,297,001	572,087
Joint Venture Gain (Loss)	(39,468)	1,880,994	-	-	(39,468)	1,880,994
Gain on Sale of Capital Assets	5,693	9,746	-	-	5,693	9,746
Total revenues	<u>22,291,828</u>	<u>14,542,101</u>	<u>42,048,054</u>	<u>28,063,685</u>	<u>64,339,882</u>	<u>42,605,786</u>
Expenses:						
General government	2,751,890	2,652,215	-	-	2,751,890	2,652,215
Public safety	3,824,681	3,595,457	-	-	3,824,681	3,595,457
Public works	4,785,623	4,934,866	-	-	4,785,623	4,934,866
Parks and recreation	1,713,817	902,481	-	-	1,713,817	902,481
Operating expenses (business type)	-	-	24,752,321	23,321,264	24,752,321	23,321,264
Interest expense	35,737	55,461	-	-	35,737	55,461
Total expenses	<u>13,111,748</u>	<u>12,140,480</u>	<u>24,752,321</u>	<u>23,321,264</u>	<u>37,864,069</u>	<u>35,461,744</u>
Increase in net assets before transfers	9,180,080	2,401,621	17,295,733	4,742,421	26,475,813	7,144,042
Transfers	-	841,196	-	(841,196)	-	-
Increase in net assets	9,180,080	3,242,817	17,295,733	3,901,225	26,475,813	7,144,042
Net assets - beginning	41,606,718	37,993,366	77,958,174	74,427,484	119,564,892	112,420,850
Prior Period Adjustment	-	370,535	-	(370,535)	-	-
Net assets - ending	<u>50,786,798</u>	<u>41,606,718</u>	<u>95,253,907</u>	<u>77,958,174</u>	<u>146,040,705</u>	<u>119,564,892</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, 2006, the City's governmental funds (General, Debt Service, Special Revenue & Capital Project Fund) reported combined fund equity of **\$ 8,885,762**. This represents an increase of **\$2,765,431** over last year's ending balances. This increase is the results of both a planned budget increase with funds being transferred to 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 General Fund (**\$ 6,469,988**) and represent **57%** of total general fund revenues. The largest element of taxes is sales and use taxes as it has been for the last several years. It represents **79%** of total tax revenues and **45%** of total general fund revenues.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$ **11,720,363** to a final budget of \$ **12,502,956**. A major contributing factor in the increase was the budget increase to the use of beginning fund balance. During the fiscal year, the City had some capital expenditures it had not for seen at the time of the original budgeting process.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** - Spanish Fork City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$ **125,946,188** (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:**

Senior Citizens land purchased for \$138,132.

#### Streets Improvements:

1. Maintenance and Rebuilding of existing roads for \$254,460.
2. Land purchased for \$279,580.
3. Salt shed for \$89,755.

Buildings & Grounds Improvements additional carpet City Office Building for \$11,498.

#### Parks Improvements:

1. Sprinkler system at Fireman Field for \$10,354.
2. Sprinkler system at Tennis Courts for 6,189.
3. Fencing and curb at Old Park for 21,065.
4. Dumpsters in Parks for 9,280.
5. Pedestrian Bridge for \$25,000.
6. Sports Park Playground for \$12,864.
7. Spanish Oaks Campground for \$32,807.
8. Playground at Parkside Estates \$24,805.
9. Landscaping at Tennis Courts and Parking Lot for \$48,767.
10. Irrigation ditch piping for \$90,870.
11. Central Control for \$21,583.
12. Trails for \$7,867.

13. Land for Trails for \$19,500.
14. Landscaping for Pavilion for \$11,132.

Library books for \$72,530.

Fairgrounds garage door for Small Arena for \$6,096.

Water and Pressurized Irrigation System Improvements:

1. Equipment PRV for \$29,252.
2. Equipment PRV North Industrial Area for \$76,450.
3. Water line 100 E for \$113,767.
4. Water line 800 N for \$70,586.
5. Water line 2550 E for \$139,837.
6. Water line 100 S for \$164,956.
7. Catwalk – Booster Pump Station for \$17,702.
8. Irrigation Line 2550 E for \$82,449.

Sewer Improvements:

1. Sewer line 400N for \$66,780.
2. Sewer line 200 N for \$33,481.
3. Design of WWTP expansion for \$169,683.

Electric System Improvements:

1. Substations Improvements for \$232,797.
2. Transmission Improvements for \$14,422.
3. Distribution Improvements for \$151,689.
4. Facilities Improvements for \$71,637.

Golf Pro Security System Upper Nine for \$8,954.

Garbage Cans for \$47,160.

Storm Drain 400 N for \$57,955.

Gun Club Improvements:

1. Trap Lights for \$7,559.
2. Asphalt & Septic Line Replaced for \$6,166.

Spanish Fork City Network new nodes hardware for \$233,824.

Equipment Purchases:

1. 4 Police vehicles for \$100,683.
2. 1 Utility truck for \$31,930.
3. 1 Rescue truck for \$178,357.
4. 1 Craftco crack seal for \$25,989.
5. 3 Backhoes for \$19,000.
6. 1 Police speed trailer & solar panel for \$8,360.

7. 3 Kaw Mules for \$20,066.
8. 1 Irrigation trade out for \$10,000.
9. Turf equipment for \$50,950.
10. 1 concrete saw for \$5,397.
11. 1 Fork lift for \$20,425.
12. 1 Electric wire puller for \$39,999.
13. Skid loader, tractor, and RMT equipment for \$10,155.

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

### Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Land	\$ 7,200,793	\$ 6,803,159	\$ 597,911	\$ 597,912
Water Shares	\$ -		\$ 2,250,839	\$ 2,037,779
Buildings	\$ 2,164,580	\$ 2,257,342	\$ 4,072,864	\$ 4,224,513
Improvements	\$ 2,020,738	\$ 3,597,565	\$ 75,828,024	\$ 67,056,664
Equipment	\$ 2,601,120	\$ 2,860,276	\$ 1,321,392	\$ 1,382,172
Infrastructure	\$ 27,887,927	\$ 20,410,781	\$ -	
Total Net Assets	\$ 41,875,158	\$ 35,929,123	\$ 84,071,030	\$ 75,299,040

Net of Depreciation

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

**Long-term debt** - At June 30, 2006, the City had total bonded debt outstanding of **\$ 18,536,000**. The general obligation debt was retired during the past year. This general obligation bond was issued specifically for a public safety building. **\$18,186,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities).

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

**Spanish Fork City's Outstanding Debt**

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Bonds Payable:				
GO Bonds	-	185,000	-	-
RDA Bonds	350,000	512,000	-	-
Capital Lease	80,793	115,143	-	-
Accrued Vacation & Sick Leave	946,506	843,489	415,852	373,890
Revenue Bonds	-	-	18,186,000	19,554,000
Total Outstanding Debt	<u>1,377,299</u>	<u>1,655,632</u>	<u>18,601,852</u>	<u>19,927,890</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 \$ **1,001,420,774**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$40,056,831** 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 **\$ 80,113,662** which again significantly exceeds the outstanding business-type activity debt.

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

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

- The unemployment rate for Utah County (of which Spanish Fork is one of the principal municipalities) was 2.8% compared with a state unemployment rate of 3.0 % and a national rate of 4.6 %. (Source: Utah Dept of Workforce Services)
- The General Fund budget for the fiscal year-ending June 30, 2006 reflects an increase of 3% over the final budget for the fiscal year-ended June 30, 2005. The largest part of this increase is a result of the increase in capital spending for the current year. Some increase is a result in increase personnel and benefits combined with general inflation in the operational portions of the budget. Some capital improvements budgeted for the FY 2007 budget include:

1. Sidewalk replacement and repair various areas of town.
2. Parking lot at the Senior Center and Fire Station.
3. Water Rights Purchases.
4. Water Tank Construction at Sterling Hollow.
5. Water line replacement.
6. Finish 2550 East and Hwy 6 utility crossing.
7. Sewer line replacement.
8. Major Treatment Plant expansion.
9. New Electrical distribution substation.
10. Land purchased for electrical substation.
11. Hardware for new broadband nodes.

12. Storm Drainage expansion.
13. Purchase of mowers, trucks, police car.
14. Finish the construction of a new 4-plex at sports park.
15. New Police/Court building project.

## **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 84663.

## **BASIC FINANCIAL STATEMENTS**

**Spanish Fork City**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,069,308	\$ 20,980,847	\$ 27,050,155
Receivables (net of allowance)	1,943,071	2,581,541	4,524,612
Prepaid expenses	59,147	-	59,147
Internal balances	1,507,037	(1,507,037)	-
Bond issuance costs (net)	-	283,809	283,809
Inventory	-	1,129,057	1,129,057
Equity in joint venture	1,921,152	1,587,968	3,509,120
Restricted Assets:			
Cash and cash equivalents	7,564,262	6,760,502	14,324,764
Capital Assets (net of accumulated depreciation):			
Land	7,200,793	597,911	7,798,704
Water shares	-	2,250,839	2,250,839
Buildings	2,164,580	4,072,864	6,237,444
Improvements other than buildings	2,020,738	75,828,024	77,848,762
Equipment	2,601,120	1,321,392	3,922,512
Infrastructure	27,887,927	-	27,887,927
Total assets	<u>60,939,135</u>	<u>115,887,717</u>	<u>176,826,852</u>
<b>LIABILITIES</b>			
Accounts payable	868,516	791,311	1,659,827
Deposits	6,623,015	1,169,210	7,792,225
Connectors agreement	110,316	-	110,316
Deferred revenue	1,166,655	89,092	1,255,747
Deferred amount of refunding	-	(313,315)	(313,315)
Compensated absences	946,506	415,852	1,362,358
Bond interest payable	6,536	46,132	52,668
Bond premiums	-	249,528	249,528
Noncurrent Liabilities:			
Due within one year	250,793	1,429,000	1,679,793
Due in more than one year	180,000	16,757,000	16,937,000
Total liabilities	<u>10,152,337</u>	<u>20,633,810</u>	<u>30,786,147</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,437,829	66,891,459	108,329,288
Restricted for:			
Class "C" roads	1,414,412	-	1,414,412
Redevelopment agency	1,059,616	-	1,059,616
Impact fees	1,185,282	5,717,593	6,902,875
Water rights	-	1,034,183	1,034,183
Bond requirements	-	1,006,429	1,006,429
Unrestricted	5,689,659	20,604,242	26,293,901
Total net assets	<u>\$ 50,786,798</u>	<u>\$ 95,253,907</u>	<u>\$ 146,040,705</u>

**Spanish Fork City**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,751,890	\$ 3,827,914	\$ 70,484	\$ -	\$ 1,146,508	\$ -	\$ 1,146,508
Public safety	3,824,681	638,624	99,262	-	(3,086,795)	-	(3,086,795)
Public works	4,785,623	-	770,567	7,383,346	3,368,290	-	3,368,290
Parks, recreation and public property	1,713,817	472,456	22,772	1,621,004	402,415	-	402,415
Interest on long-term debt	35,737	-	-	-	(35,737)	-	(35,737)
Total governmental activities	<u>13,111,748</u>	<u>4,938,994</u>	<u>963,085</u>	<u>9,004,350</u>	<u>1,794,681</u>	<u>-</u>	<u>1,794,681</u>
Business-type activities:							
Water	4,449,228	4,840,571	-	5,492,886	-	5,884,229	5,884,229
Sewer	2,215,217	1,677,154	-	3,509,582	-	2,971,519	2,971,519
Electric	15,557,724	18,591,790	-	2,861,700	-	5,895,766	5,895,766
Garbage	694,519	854,983	-	-	-	160,464	160,464
Golf course	867,371	622,892	-	-	-	(244,479)	(244,479)
Swimming pool	427,250	247,798	-	-	-	(179,452)	(179,452)
Storm drainage	333,714	308,621	-	1,893,197	-	1,868,104	1,868,104
Gun club	207,298	236,889	-	-	-	29,591	29,591
Total business-type activities	<u>24,752,321</u>	<u>27,380,698</u>	<u>-</u>	<u>13,757,365</u>	<u>-</u>	<u>16,385,742</u>	<u>16,385,742</u>
Total primary government	<u>\$ 37,864,069</u>	<u>\$ 32,319,692</u>	<u>\$ 963,085</u>	<u>\$ 22,761,715</u>	<u>1,794,681</u>	<u>16,385,742</u>	<u>18,180,423</u>
General revenues:							
Property taxes					1,749,123	-	1,749,123
Sales taxes					5,133,795	-	5,133,795
Other taxes					149,246	-	149,246
Unrestricted investment earnings					387,010	909,991	1,297,001
Joint venture gain (loss)					(39,468)	-	(39,468)
Gain on sale of capital assets					5,693	-	5,693
Total general revenues and transfers					<u>7,385,399</u>	<u>909,991</u>	<u>8,295,390</u>
Change in net assets					<u>9,180,080</u>	<u>17,295,733</u>	<u>26,475,813</u>
Net assets - beginning					<u>41,606,718</u>	<u>77,958,174</u>	<u>119,564,892</u>
Net assets - ending					<u>\$ 50,786,798</u>	<u>\$ 95,253,907</u>	<u>\$ 146,040,705</u>

**Spanish Fork City  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,096,691	\$ 1,972,617	\$ 6,069,308
Receivables (net of allowance):			
Tax	1,903,146	9,925	1,913,071
Due from other funds	1,146,985	763,537	1,910,522
Prepaid expense	50,102	9,045	59,147
Equity in joint venture	79,626	-	79,626
Restricted Assets:			
Cash and cash equivalents	6,732,007	832,255	7,564,262
Total assets	<u>\$ 14,008,557</u>	<u>\$ 3,587,379</u>	<u>\$ 17,595,936</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 427,218	\$ -	\$ 427,218
Payroll payable	382,970	-	382,970
Developer escrow	5,563,210	-	5,563,210
Final inspection deposit	1,059,805	-	1,059,805
Connector agreements	110,316	-	110,316
Deferred revenue	1,166,655	-	1,166,655
Total liabilities	<u>8,710,174</u>	<u>-</u>	<u>8,710,174</u>
Fund balances:			
Reserved for:			
Class "C" roads	1,414,412	-	1,414,412
Redevelopment agency	-	1,059,616	1,059,616
Impact fees	1,185,282	-	1,185,282
Designated for:			
Capital projects	-	2,152,352	2,152,352
Undesignated	2,698,689	375,411	3,074,100
Total fund balances	<u>5,298,383</u>	<u>3,587,379</u>	<u>8,885,762</u>
Total liabilities and fund balances	<u>\$ 14,008,557</u>	<u>\$ 3,587,379</u>	<u>\$ 17,595,936</u>

**Spanish Fork City**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2006**

Total fund balances - governmental fund types: \$ 8,885,762

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

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

City's portion of joint ventures	1,841,526	
Cost of capital assets	69,639,278	
Accumulated depreciation	(27,764,120)	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		43,716,684

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

(512,606)

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	(6,536)	
Non-current liabilities due within one year	(170,000)	
Compensated absences	(946,506)	
Non-current liabilities due in more than one year	(180,000)	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		(1,303,042)

Net assets of government activities

\$ 50,786,798

**Spanish Fork City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 6,469,988	\$ 562,176	\$ 7,032,164
Licenses and permits	1,312,986	-	1,312,986
Intergovernmental revenues	963,085	-	963,085
Charges for services	1,042,573	-	1,042,573
Fines and forfeitures	147,601	-	147,601
Interest income	380,512	6,498	387,010
Sundry revenue	989,846	-	989,846
Total revenues	<u>11,306,591</u>	<u>568,674</u>	<u>11,875,265</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,729,495	-	2,729,495
Public safety	3,683,198	-	3,683,198
Public works	3,425,836	34,315	3,460,151
Parks, recreation and public property	1,515,863	-	1,515,863
Debt Service:			
Principal retirement	-	347,000	347,000
Interest and fiscal charges	-	35,737	35,737
Capital outlay	-	450,654	450,654
Total expenditures	<u>11,354,392</u>	<u>867,706</u>	<u>12,222,098</u>
Excess revenues over (under) expenditures	<u>(47,801)</u>	<u>(299,032)</u>	<u>(346,833)</u>
<b>Other financing sources (uses)</b>			
Sale of fixed assets	45,272	-	45,272
Impact fees	1,621,004	-	1,621,004
Indirect services	1,445,988	-	1,445,988
Transfers in	0	1,555,000	1,555,000
Transfers out	(1,555,000)	-	(1,555,000)
Total other financing sources and uses	<u>1,557,264</u>	<u>1,555,000</u>	<u>3,112,264</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,509,463	1,255,968	2,765,431
Fund balances - beginning of year	3,788,920	2,331,411	6,120,331
Fund balances - end of year	<u>\$ 5,298,383</u>	<u>\$ 3,587,379</u>	<u>\$ 8,885,762</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, 2006**

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

Net changes in fund balances - total governmental funds \$ 2,765,431

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	1,181,274
Depreciation Expense	<u>(2,395,995)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>(1,214,721)</u>

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

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.	(39,579)
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The statement of activities reports capital contributions from developers are revenue. Conversely, governmental funds do not report any capital contibutions from developers as revenue.	<u>7,383,346</u>
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7,343,767

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

347,000

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.

78,357

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	(39,468)
Change in compensated Absences	<u>(100,286)</u>

Change in net assets of governmental activities	<u><u>\$ 9,180,080</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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,273,722	\$ 6,126,000	\$ 6,469,988	\$ 343,988
Licenses and permits	705,000	1,129,300	1,312,986	183,686
Intergovernmental revenues	850,038	884,204	963,085	78,881
Charges for services	933,700	1,027,200	1,042,573	15,373
Fines and forfeitures	89,000	138,500	147,601	9,101
Interest income	168,050	325,530	380,512	54,982
Sundry revenue	913,838	913,277	989,846	76,569
Total revenues	8,933,348	10,544,011	11,306,591	762,580
<b>EXPENDITURES</b>				
Current:				
General government	2,710,266	2,901,103	2,729,495	(171,608)
Public safety	3,980,517	4,002,288	3,683,198	(319,090)
Public works	3,515,654	3,985,176	3,425,836	(559,340)
Parks, recreation and public property	1,513,926	1,614,389	1,515,863	(98,526)
Total expenditures	11,720,363	12,502,956	11,354,392	(1,148,564)
Excess revenues over (under) expenditures	(2,787,015)	(1,958,945)	(47,801)	1,911,144
<b>Other financing sources (uses)</b>				
Sale of fixed assets	10,000	49,000	45,272	(3,728)
Impact fees	10,000	970,103	1,621,004	650,901
Indirect services	1,422,465	1,445,988	1,445,988	-
Transfers in	1,282,550	276,003	-	(276,003)
Transfers out	-	(1,555,000)	(1,555,000)	-
Total other financing sources and uses	2,725,015	1,186,094	1,557,264	371,170
Excess of revenues and other sources over (under) expenditures and other uses	(62,000)	(772,851)	1,509,463	2,282,314
Fund balances - beginning of year	3,788,920	3,788,920	3,788,920	-
Fund balances - end of year	\$ 3,726,920	\$ 3,016,069	\$ 5,298,383	\$ 2,282,314

**Spanish Fork City  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 263,689	\$ 5,714,070	\$ 11,183,203	\$ 3,819,884	\$ 20,980,847	\$ -
Accounts receivable	503,553	153,206	1,847,416	117,863	2,622,038	30,000
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,220)	(44,810)	-
Assessments receivable	4,313	-	-	-	4,313	-
Due from other funds	-	-	1,410,305	375,719	1,786,024	-
Inventory	4,500	3,500	1,008,780	112,277	1,129,057	-
Total current assets	<u>766,647</u>	<u>5,867,951</u>	<u>15,419,347</u>	<u>4,423,523</u>	<u>26,477,469</u>	<u>30,000</u>
Noncurrent assets:						
Restricted cash and equivalents	2,760,884	1,419,628	2,430,670	149,321	6,760,502	-
Capital Assets:						
Land	280,483	8,711	134,925	173,792	597,911	-
Water rights	2,250,839	-	-	-	2,250,839	-
Buildings	2,249,501	343,703	2,464,197	495,889	5,553,290	205,920
Improvements	47,221,802	23,450,428	25,027,394	9,054,817	104,754,441	-
Equipment	782,739	532,105	1,107,888	755,416	3,178,148	7,123,656
Less: accumulated depreciation	(11,144,357)	(9,042,683)	(8,111,690)	(3,964,869)	(32,263,599)	(5,060,681)
Other Assets:						
Equity in joint venture	-	-	-	1,587,968	1,587,968	-
Deferred bond costs	171,778	-	112,031	-	283,809	-
Total noncurrent assets	<u>44,573,669</u>	<u>16,711,892</u>	<u>23,165,415</u>	<u>8,252,334</u>	<u>92,703,309</u>	<u>2,268,895</u>
Total assets	<u>\$45,340,316</u>	<u>\$ 22,579,843</u>	<u>\$ 38,584,762</u>	<u>\$ 12,675,857</u>	<u>\$ 119,180,778</u>	<u>\$ 2,298,895</u>
<b>LIABILITIES</b>						
Current liabilities:						
Due to other funds	\$ 384,358	\$ 1,296,544	\$ -	\$ 1,757,386	\$ 3,438,288	\$ 258,258
Accounts payable	117,510	123,009	363,234	187,558	791,311	57,846
Accrued interest payable	46,132	-	-	-	46,132	482
Compensated absences payable	70,443	48,259	224,211	72,939	415,852	24,606
Customer deposits	-	-	296,139	-	296,139	-
Final inspection deposits	-	-	873,071	-	873,071	-
Current Portion:						
Lease payable	-	-	-	-	-	80,793
Bonds payable	884,000	-	545,000	-	1,429,000	-
Total current liabilities	<u>1,502,443</u>	<u>1,467,812</u>	<u>2,301,655</u>	<u>2,017,883</u>	<u>7,289,793</u>	<u>421,985</u>
Noncurrent liabilities:						
Deferred revenue	10,314	56,590	17,188	5,000	89,092	-
Bonds payable	10,437,000	-	6,320,000	-	16,757,000	-
Bond premiums	249,528	-	-	-	249,528	-
Deferred amount of refunding	(313,315)	-	-	-	(313,315)	-
Total noncurrent liabilities	<u>10,383,527</u>	<u>56,590</u>	<u>6,337,188</u>	<u>5,000</u>	<u>16,782,305</u>	<u>-</u>
Total liabilities	<u>11,885,970</u>	<u>1,524,402</u>	<u>8,638,843</u>	<u>2,022,883</u>	<u>24,072,098</u>	<u>421,985</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	30,676,303	15,292,264	14,407,848	6,515,045	66,891,459	2,268,895
Restricted for:						
Impact fees	2,306,190	1,419,628	1,780,536	211,239	5,717,593	-
Water rights	1,034,183	-	-	-	1,034,183	-
Bond requirements	356,296	-	650,134	-	1,006,429	-
Unrestricted	(918,626)	4,343,549	13,107,402	3,926,690	20,459,015	(391,985)
Total net assets	<u>\$33,454,346</u>	<u>\$ 21,055,441</u>	<u>\$ 29,945,919</u>	<u>\$ 10,652,974</u>	<u>\$ 95,108,680</u>	<u>\$ 1,876,910</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund: 145,227  
Net assets from business-type activities: \$ 95,253,907

**Spanish Fork City**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total Enterprise Funds	
<b>Operating Revenues:</b>						
Charges for sales and services	\$ 4,637,628	\$ 1,492,848	\$ 18,213,790	\$ 2,271,048	\$ 26,615,314	\$ 1,445,173
Other income	202,943	184,306	378,000	135	765,384	-
Total operating revenues	<u>4,840,571</u>	<u>1,677,154</u>	<u>18,591,790</u>	<u>2,271,183</u>	<u>27,380,698</u>	<u>1,445,173</u>
<b>Operating Expenses:</b>						
Water assessment	25,862	-	-	-	25,862	-
Power purchases	-	-	8,575,662	-	8,575,662	-
Landfill fees	-	-	-	567,891	567,891	-
Employee salaries	629,573	425,020	1,961,182	671,402	3,687,177	210,631
Materials and supplies	300,660	93,155	799,339	281,121	1,474,275	234,664
Repairs and maintenance	70,604	51,315	60,243	108,812	290,974	192,825
Professional services	281,733	169,030	1,466,736	116,071	2,033,570	2,631
Motorpool charges	145,644	61,344	169,997	112,334	489,319	-
Utilities	218,916	202,461	64,048	93,217	578,642	12,580
Insurance	10,253	25,075	42,307	26,139	103,774	6,592
Depreciation	1,479,939	719,533	763,224	336,832	3,299,528	704,320
Amortization	45,842	-	12,222	-	58,064	-
Indirect services	446,421	345,981	435,726	217,861	1,445,989	-
Plant assessment	189,000	94,500	94,500	-	378,000	-
Sundry charges	9,051	34,014	108,507	11,788	163,360	-
Total operating expenses	<u>3,853,498</u>	<u>2,221,428</u>	<u>14,553,693</u>	<u>2,543,468</u>	<u>23,172,087</u>	<u>1,364,243</u>
Operating income	<u>987,073</u>	<u>(544,274)</u>	<u>4,038,097</u>	<u>(272,285)</u>	<u>4,208,611</u>	<u>80,930</u>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	90,024	51,145	754,506	14,316	909,991	-
Impact fees and water right fees	1,991,669	722,942	784,118	59,006	3,557,735	-
Contributions from private contractors	3,501,217	2,786,640	2,077,582	1,834,191	10,199,630	-
Gain(loss) on sale of fixed assets	-	-	-	-	-	42,201
Interest expense	(598,310)	-	(1,020,475)	-	(1,618,785)	(4,572)
Total nonoperating revenues (expenses)	<u>4,984,600</u>	<u>3,560,727</u>	<u>2,595,731</u>	<u>1,907,513</u>	<u>13,048,571</u>	<u>37,629</u>
Income (loss) before operating transfers	<u>5,971,673</u>	<u>3,016,453</u>	<u>6,633,828</u>	<u>1,635,228</u>	<u>17,257,182</u>	<u>118,559</u>
<b>Operating Transfers from (to) Other Funds</b>						
Operating transfers in	-	-	-	242,169	242,169	-
Operating transfers out	-	-	(242,169)	-	(242,169)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(242,169)</u>	<u>242,169</u>	<u>-</u>	<u>-</u>
Change in net assets	5,971,673	3,016,453	6,391,659	1,877,397	17,257,182	118,559
Total net assets - beginning	27,482,673	18,038,988	23,554,260	8,775,577	77,851,498	1,758,351
Total net assets - ending	<u>\$ 33,454,346</u>	<u>\$ 21,055,441</u>	<u>\$ 29,945,919</u>	<u>\$ 10,652,974</u>	<u>\$ 106,608,680</u>	<u>\$ 1,876,910</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					50,458	
Change in net assets of business-type activities:					<u>\$ 17,307,640</u>	

**Spanish Fork City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 4,353,957	\$ 1,487,907	\$ 17,682,761	\$ 2,278,820	\$ 25,803,445
Other cash receipts	202,943	184,306	378,000	135	765,384
Interfund services provided	159,414	-	386,360	-	545,774
Payments to suppliers	(1,700,827)	(1,078,748)	(11,766,658)	(1,554,831)	(16,101,064)
Payments to employees	(630,603)	(415,868)	(1,926,735)	(671,979)	(3,645,185)
Net cash provided (used) by operating activities	<u>2,384,884</u>	<u>177,597</u>	<u>4,753,728</u>	<u>52,145</u>	<u>7,368,354</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Decrease (increase) in due from other funds	-	-	48,390	48,429	96,819
Increase (decrease) in due to other funds	(799,526)	496,318	-	485,980	182,772
Transfers in (out)	-	-	(242,169)	242,169	-
Net cash provided (used) by noncapital activities	<u>(799,526)</u>	<u>496,318</u>	<u>(193,779)</u>	<u>776,578</u>	<u>279,591</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases of capital assets	(4,296,911)	(2,999,994)	(2,793,890)	(1,961,984)	(12,052,779)
Principal paid on capital debt	(848,000)	-	(520,000)	-	(1,368,000)
Interest paid on capital debt	(598,310)	-	(1,020,475)	-	(1,618,785)
(Increase) decrease in deferred amount on refunding	34,920	-	-	-	34,920
Contributions from (reimbursements to) private contractors	3,501,217	2,786,640	2,077,582	1,834,191	10,199,630
Impact fees collected	1,991,669	722,942	784,118	59,006	3,557,735
Net cash provided (used) by capital and related financing activities	<u>(215,415)</u>	<u>509,588</u>	<u>(1,472,665)</u>	<u>(68,787)</u>	<u>(1,247,279)</u>
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	90,024	51,145	754,506	14,316	909,991
Increase (decrease) in unamortized bond premiums	(23,033)	-	-	-	(23,033)
Net cash provided (used) by investing activities	<u>66,991</u>	<u>51,145</u>	<u>754,506</u>	<u>14,316</u>	<u>886,958</u>
Net increase (decrease) in cash and cash equivalents	1,436,934	1,234,648	3,841,790	774,252	7,287,624
Cash and cash equivalents, July 1	1,587,639	5,899,050	9,772,083	3,194,953	20,453,725
Cash and cash equivalents, June 30	<u>\$ 3,024,573</u>	<u>\$ 7,133,698</u>	<u>\$ 13,613,873</u>	<u>\$ 3,969,205</u>	<u>\$ 27,741,349</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 987,073	\$ (544,274)	\$ 4,038,097	\$ (272,285)	4,208,611
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,479,939	719,533	763,224	336,832	3,299,528
Amortization expense	45,842	-	12,222	-	58,064
(Increase) decrease in accounts receivable	(124,257)	(4,941)	(157,205)	7,772	(278,631)
Decrease (increase) in inventory	-	-	(386,058)	(15,838)	(401,896)
Increase (decrease) in accrued liabilities	(2,683)	(1,873)	(4,221)	(3,759)	(12,536)
Increase (decrease) in compensated absences	(1,030)	9,152	34,447	(577)	41,992
Increase (decrease) in customer deposits	-	-	440,686	-	440,686
Increase (decrease) in deferred revenue	-	-	12,536	-	12,536
Total adjustments	<u>1,397,811</u>	<u>721,871</u>	<u>715,631</u>	<u>324,430</u>	<u>3,159,743</u>
Net cash provided (used) by operating activities	<u>\$ 2,384,884</u>	<u>\$ 177,597</u>	<u>\$ 4,753,728</u>	<u>\$ 52,145</u>	<u>\$ 7,368,354</u>

**Spanish Fork City  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006**

	<u>Fire Retirement Capital Fund</u>
<b>ASSETS</b>	
Cash and equivalents	<u>\$ 53,892</u>
Total assets	<u><u>\$ 53,892</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Fund Balances:	
Deferred compensation	<u>\$ 53,892</u>
Total fund balances	<u>53,892</u>
Total liabilities and fund balance	<u><u>\$ 53,892</u></u>

**Spanish Fork City**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2006**

	Fire Retirement Capital Fund
<b>REVENUES:</b>	
Employer contribution	\$ 5,000
Interest income	3,442
Total	8,442
<b>EXPENDITURES:</b>	
Retirement payments	8,438
Total	8,438
Excess of revenues over (under) expenditures	4
Fund balances - beginning of year	53,888
Fund balances - end of year	\$ 53,892

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

**1.A. FINANCIAL REPORTING ENTITY**

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

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

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

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

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

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

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

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

# **SPANISH FORK CITY NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

*Recreation:* Swimming Pool Operations, Outdoor Recreation Programs and Senior Citizen Programs.

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

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

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

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

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

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

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

### ***Fund Financial Statements:***

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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.

**Capital Project Fund**

The Capital Project Fund is used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is 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, Golf Course, Swimming Pool, Storm Drainage, and Gun Club funds.

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006**

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.
Nonmajor Governmental Funds:	
Debt Service Fund	See above for description.
Special Revenue Fund (RDA)	Accounts for activity within the City's redevelopment agency.
Capital Projects Fund	Accounts for the accumulation of funds, revenues and expenditures on projects such as the police/court building.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.
Golf Course Fund	Accounts for revenues and expenditures of Spanish Oaks Golf Course
Swimming Pool Fund	Accounts for revenues and expenditures of the swimming pool.
Storm Drainage Fund	Accounts for revenues and expenditures of storm drainage utility
Gun Club Fund	Accounts for revenues and expenditures of the gun club.

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006**

Internal Service Funds:	
Motor Pool	This fund is used to account for the costs of operating and maintaining vehicles and equipment owned by the City.

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

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

***Measurement Focus***

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

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

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

***Basis of Accounting***

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

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

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

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

***Cash and Investments***

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

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

***Interfund Receivables and Payables***

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

***Receivables***

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

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

***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.

**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2006**

***Restricted assets***

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

***Capital Assets***

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

***Government-wide Statements***

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

***Fund Financial Statements***

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

***Restricted Assets***

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

***Long-term Debt***

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

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

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

***Compensated Absences***

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

At June 30, 2006, 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	\$ 606,103	\$ 261,455	\$ 867,558
Sick Leave Liability	340,403	154,397	494,800
Total Compensated Absences	<u>\$ 946,506</u>	<u>\$ 415,852</u>	<u>\$ 1,362,358</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Equity Classifications**

***Government-wide Statements***

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

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

***Fund Statements***

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

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

***Sales Tax***

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

***Property Tax***

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Utah County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

***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 BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

### **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.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

**2.B. REVENUE RESTRICTIONS**

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

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

For the year ended June 30, 2006, 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, 2006, the City had \$350,000 of outstanding 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 percent for third class cities. For the year ended June 30, 2006, the City had \$18,186,000 of such indebtedness.

***Notes Payable***

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2006.



**SPANISH FORK CITY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
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resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B above must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

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

**2.E. FUND EQUITY RESTRICTIONS**

*Utah Code 10-6-116(4)* indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. For the year ended June 30, 2006 the City’s general fund exceeded the maximum by \$498,767.

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

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

**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, 2006, The City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	Balance June 30, 2006
Depository Accounts	Insured	\$ 100,000
	Uninsured and uncollateralized	<u>7,473,279</u>
Total Depository Accounts		<u><u>\$ 7,573,279</u></u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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*Investments*

As of June 30, 2006 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'	\$33,939,450	\$33,939,450	\$ -	\$ -	\$ -
Bond Escrows	1,166,465	1,166,465			
Money Market	734,296	734,296			
Total Fair Value	<u>\$35,840,211</u>	<u>\$35,840,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

*Credit Risk* – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money 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 BASIC FINANCIAL STATEMENTS  
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The deposits and investments described above are included on the Statement of Net Assets as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Assets:

Deposits & Investments		\$	5,585,864
Investments			35,840,211
Cash on hand			2,736
	Total	\$	<u>41,428,811</u>

Government - Wide

Cash and Cash Equivalents		\$	27,050,155
Restricted Cash & Cash Equivalents			14,324,764
Fiduciary Restricted Cash			53,892
	Total		<u>\$41,428,811</u>

Net Cash on Statement of Net Assets		\$	41,374,919
Fiduciary Restricted Cash			53,892
	Total	\$	<u>41,428,811</u>

**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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
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The restricted assets as of June 30, 2006 are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>	<u>Investments</u>	<u>Accrued Int.</u>	<u>Total</u>
<b><i>Business-Type Activities:</i></b>				
Water impact fees	\$ 2,306,190	\$ -	\$ -	\$ 2,306,190
Water right fees	1,034,183			1,034,183
Sewer impact fees	1,419,628			1,419,628
Electric impact fees	1,780,536			1,780,536
Storm drainage impact fees	211,239			211,239
Water bond requirements	356,296			356,296
Electric bond requirements	650,134			650,134
				-
Total	<u>7,758,206</u>	<u>-</u>	<u>-</u>	<u>7,758,206</u>
<b><i>Governmental Activities:</i></b>				
Developer escrows	5,563,210			5,563,210
Class "C" roads	1,168,797			1,168,797
Recreation impact fees	1,185,282			1,185,282
RDA bond requirements	160,035			160,035
				-
Total	<u>8,077,324</u>	<u>-</u>	<u>-</u>	<u>8,077,324</u>
Grand Totals	<u>\$ 15,835,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,835,530</u>

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2006, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivables	\$ -	\$ 2,622,038	\$ 2,622,038
Property tax	1,166,655	-	1,166,655
Other tax	746,416	-	746,416
Assessments	-	4,313	4,313
Other	30,000	-	30,000
Allowance for doubtful accounts	-	(44,810)	(44,810)
Net accounts receivable	<u>\$ 1,943,071</u>	<u>\$ 2,581,541</u>	<u>\$ 4,524,612</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 1,166,655	\$ -
	-	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,166,655</u>	<u>\$ -</u>

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2006</u>
Governmental activities:				
Land (not being depreciated)	\$ 6,803,159	\$ 437,213	\$ (39,579)	\$ 7,200,793
Buildings	5,907,877	101,253	-	6,009,130
Improvements	5,013,139	315,816	-	5,328,955
Machinery and equipment	8,568,690	593,840	(216,639)	8,945,891
Infrastructure	34,516,702	7,637,807	-	42,154,509
Totals at historical cost	<u>60,809,567</u>	<u>9,085,929</u>	<u>(256,218)</u>	<u>69,639,278</u>
Less accumulated depreciation				
Buildings	(3,650,535)	(161,005)	-	(3,811,540)
Improvements	(1,415,574)	(193,670)	-	(1,609,244)
Machinery and equipment	(5,708,415)	(852,997)	216,641	(6,344,771)
Infrastructure	(14,105,921)	(1,892,643)	-	(15,998,564)
Total accumulated depreciation	<u>(24,880,445)</u>	<u>(3,100,315)</u>	<u>216,641</u>	<u>(27,764,119)</u>
Governmental activities capital assets, net	<u>\$ 35,929,122</u>	<u>\$ 5,985,614</u>	<u>\$ (39,577)</u>	<u>\$ 41,875,159</u>
Business-type activities:				
Land (not being depreciated)	\$ 597,912	\$ -	\$ -	\$ 597,912
Water shares (not being depreciated)	2,037,779	213,060	-	2,250,839
Buildings and structures	5,553,291	-	-	5,553,291
Improvements	93,052,356	11,843,877	(141,795)	104,754,438
Machinery and equipment	3,041,109	152,862	(15,825)	3,178,146
Totals at historical cost	<u>104,282,447</u>	<u>12,209,799</u>	<u>(157,620)</u>	<u>116,334,626</u>
Less accumulated depreciation				
Buildings and structures	(1,328,778)	(151,648)	-	(1,480,426)
Improvements other than buildings	(25,995,695)	(2,930,723)	3,516	(28,922,902)
Machinery and equipment	(1,658,937)	(217,158)	15,825	(1,860,270)
Total accumulated depreciation	<u>(28,983,410)</u>	<u>(3,299,529)</u>	<u>19,341</u>	<u>(32,263,598)</u>
Business-type activities capital assets, net	<u>\$ 75,299,037</u>	<u>\$ 8,910,270</u>	<u>\$ (138,279)</u>	<u>\$ 84,071,028</u>

**SPANISH FORK CITY  
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Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 215,156
Public safety	107,655
Public works	1,922,260
Parks	150,924
Governmental portion of internal service fund	704,320
Total depreciation expense - governmental activities	<u>\$ 3,100,315</u>
Business-type activities	
Water	\$ 1,479,939
Electric	763,224
Sewer	719,533
Garbage	21,681
Golf course	51,892
Swimming pool	127,652
Storm drainage	115,766
Gun club	19,842
Total depreciation expense - business-type activities	<u>\$ 3,299,529</u>

**3.E. ACCOUNTS PAYABLE**

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

**SPANISH FORK CITY  
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**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, 2006, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
RDA Tax Increment Revenue Bond North Industrial Project Dated June 2, 1998 (original amount \$925,000)	5.100% to 5.300%	2008	\$ 224,000
RDA Tax Increment Bond Kirby Lane Project Dated June 2, 1998 (original amount \$520,000)	5.100% to 5.300%	2008	126,000
General Obligation Bond Public Safety Bonds dated August 1, 1995 (Original amount \$1,500,000)	4.750% to 5.300%	2006	-
Total bonds payable - governmental activities			<u>\$ 350,000</u>
		Less current portion	<u>(170,000)</u>
Total long term portion of bonds payable - governmental activities			<u><u>\$ 180,000</u></u>

*Capital leases payable*

Governmental activities:

Capital leases payable	80,793
Current portion of capital leases payable	<u>(80,793)</u>
Long term portion of capital leases payable	<u><u>\$ -</u></u>

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

As of June 30, 2006, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Water Revenue Bonds Series 1991B/98B Dated October 23, 1991 (Original amount \$875,000)	0.00%	2012	\$ 261,000
Water Revenue Refunding Bond Series 1998A - Dated October 1, 1998 (Original amount \$1,310,000)	3.65% to 4.35%	2011	695,000
Electric Utility Revenue Bond Dated August 15, 2000 (Original amount \$9,230,000)	4.25% to 5.20%	2015	6,865,000
Water Revenue Bond 2002 Dated March 15, 2002 (Original amount \$16,255,000)	4.00% to 5.50%	2017	<u>10,365,000</u>
Total bonds payable - business-type activities			18,186,000
Less current portion			<u>(1,429,000)</u>
Total bonds payable - long term portion			<u>\$ 16,757,000</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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***Changes in Long-term Debt:***

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

Type of Debt	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Governmental activities:				
Bonds payable	\$ 350,000	\$ -	\$ (170,000)	\$ 180,000
Capital leases payable	82,104	-	(82,104)	-
Compensated absences	843,489	103,017	-	946,506
Total - Governmental Activities	\$ 1,275,593	\$ 103,017	\$ (252,104)	\$ 1,126,506
Business-type Activities:				
Bonds payable	\$ 18,186,000	\$ -	\$ (1,429,000)	\$ 16,757,000
Compensated absences	373,890	41,962		415,852
Total - Business-type Activities	\$ 18,559,890	\$ 41,962	\$ (1,429,000)	\$ 17,172,852
Due Within One Year	\$ 1,748,039	\$ -	\$ (68,246)	\$ 1,679,793

***Annual Debt Service Requirements:***

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2006, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2007	\$ 170,000	\$ 18,550	1,429,000	882,847
2008	180,000	9,540	1,483,000	823,360
2009	-	-	1,554,000	756,325
2010	-	-	1,628,000	682,955
2011	-	-	1,854,000	606,338
2012 - 2016	-	-	9,038,000	1,693,989
2017 - 2021	-	-	1,200,000	66,000
Total	\$ 350,000	\$ 28,090	\$ 18,186,000	\$ 5,511,814

**SPANISH FORK CITY  
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***Depreciation and Other Information on Capital Leases***

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 278,593
Less: Accumulated depreciation	<u>(194,786)</u>
Total	<u><u>\$ 83,807</u></u>

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

The present value of future minimum capital lease payments under these leases as of June 30, 2006 are:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 84,000
2008	-
Total minimum lease payments	<u>84,000</u>
Less amounts representing interest	<u>(3,207)</u>
Present value of minimum lease payments	<u><u>\$ 80,793</u></u>

**3.G. INTERFUND TRANSACTIONS AND BALANCES**

***Operating Transfers:***

<b><i>Governmental Activities :</i></b>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 1,555,000
Capital project fund	1,555,000	
Total Governmental Activities	<u>1,555,000</u>	<u>1,555,000</u>
<b><i>Business-type Activities:</i></b>		
<b><i>Major funds:</i></b>		
Electric fund		242,169
<b><i>Non-major funds:</i></b>		
Golf course	176,364	
Swimming pool	65,805	
Total Business-type Activities	<u>242,169</u>	<u>242,169</u>
<b><i>Grand Totals</i></b>	<u><u>\$ 1,797,169</u></u>	<u><u>\$ 1,797,169</u></u>

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

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*Plant Assessments:*

	<u>Paid</u>	<u>Received</u>
<i>Business-type Activities:</i>		
Water fund	\$ 189,000	\$ -
Sewer fund	94,500	-
Electric fund	94,500	378,000
Totals	<u>\$ 378,000</u>	<u>\$ 378,000</u>

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

*Indirect services:*

	<u>Indirect Service Expense</u>	<u>Indirect Service Revenue</u>
<b>Major Business-type activities:</b>		
Water Fund	\$ 446,421	\$ -
Sewer Fund	345,981	-
Electric Fund	435,726	-
<b>Non-major business type activities:</b>		
Golf Course	39,665	-
Swimming Pool	24,189	-
Garbage	77,168	-
Storm Drain	86,839	-
<b>Major Governmental activities:</b>		
General fund		1,445,989
	<u>\$ 1,455,989</u>	<u>\$ 1,445,989</u>

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

**SPANISH FORK CITY  
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*Due to/from other funds:*

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
<b>Governmental funds</b>		
General fund	\$ 1,146,985	\$ -
<i>Non-major funds</i>		
Special revenue fund	218,316	-
Debt service fund	79,146	-
Capital projects fund	466,075	-
<b>Total Governmental</b>	<u>1,910,522</u>	<u>-</u>
<b>Business-type funds</b>		
<i>Major funds</i>		
Water fund	-	384,358
Sewer fund	-	1,296,544
Electric fund	1,410,305	-
<i>Non-major funds</i>		
Golf course fund	-	1,649,723
Swimming pool fund	-	8,427
Garbage fund	334,446	-
Storm drainage fund	41,273	-
Gun club fund	-	99,236
<b>Total Business-type</b>	<u>1,786,024</u>	<u>3,438,288</u>
<b>Internal service fund</b>		
Motorpool fund	-	258,258
<b>Grand Total</b>	<u>\$ 3,696,546</u>	<u>\$ 3,696,546</u>

**3.H. RESERVED FUND BALANCES**

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

**NOTE 4. OTHER NOTES**

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

The City participates in the following employee pension systems:

Local Governmental - Cost Sharing Defined Benefits Pension Plans

**Plan Description.** The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing, multiple-employer defined benefit pensions plans administered by

**SPANISH FORK CITY  
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the Utah Retirement Systems (Systems). The Systems provide, retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the State Retirement Office (Office) for the administration of the Utah retirement Systems and Plans. Chapter 40 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy.** The City is required to contribute a percentage of covered salary to the respective systems, 11.09% to the Noncontributory, and 19.340% to the Public Safety Noncontributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City contributions to the various systems for the years ending June 30, 2006, 2005, and 2004 were; for the Noncontributory System \$541,325, \$515,543, and \$418,146; and for the Public Safety Noncontributory, \$211,092, \$203,138, and \$153,888, respectively. The contributions were equal to or greater than the required contributions for each year.

**401(k) Plan**

The employees of City also participate in a 401(k) deferred compensation plan with MetLife. The amount of the employer contributions for the year ended June 30, 2006, 2005, and 2004, were \$427,535, \$452,667, and \$524,808, respectively.

**4.B. RISK MANAGEMENT**

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

**SPANISH FORK CITY  
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**4.C. COMMITMENTS AND CONTINGENCIES**

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

**4.D. JOINT VENTURES**

**Utah Municipal Power Agency**

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

Additional information is as follows:

a. Participants and their percentage shares:

Spanish Fork City Corporation	9.409%
Provo City Corporation	80.540%
Nephi City Corporation	5.839%
Manti City Corporation	2.164%
Salem City Corporation	1.446%
Levan Town	<u>0.602%</u>
	100.000%

- 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, 2006 is as follows:

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	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 61,100,239</u>	<u>\$ 5,748,921</u>
Total liabilities	<u>\$ 61,096,889</u>	<u>\$ 5,748,606</u>
Total net assets	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 70,251,407	\$ 6,609,955
Total operating expenses	<u>58,041,449</u>	<u>5,461,120</u>
Net operating income	12,209,958	1,148,835
Total non-operating income (expenses)	<u>(12,209,958)</u>	<u>(1,148,835)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>
The joint venture has the following long-term debt:		
Revenue bonds payable	<u>\$ 37,870,878</u>	<u>\$ 3,563,271</u>

- f. 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 Souty Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's sanitation service revenue comes from these governmental entities.

Additional information is as follows:

- a. Participants and their percentage shares:
- |                                    |                 |
|------------------------------------|-----------------|
| Spanish Fork City Corporation      | 11.750%         |
| Provo City Corporation             | 69.750%         |
| Springville City Corporation       | 15.000%         |
| Mapleton City Corporation          | 2.000%          |
| Salem City Corporation             | 1.500%          |
| Goshen Town (Landfill participant) | <u>0.000%</u>   |
|                                    | <u>100.000%</u> |
- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.

- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting and financing.
- d. Audited summary financial information of the District as June 30, 2006 is as follow:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	<u>\$ 16,922,769</u>	<u>\$ 1,988,425</u>
Total liabilities	<u>\$ 3,058,221</u>	<u>\$ 359,341</u>
Total net assets	<u>\$ 13,864,548</u>	<u>\$ 1,629,084</u>
Total operating revenues	\$ 4,105,005	\$ 482,338
Total operating expenses	<u>4,265,757</u>	<u>501,226</u>
Net operating income	(160,752)	(18,888)
Total non-operating income (expenses)	<u>364,307</u>	<u>42,806</u>
Change in net assets	<u>\$ 203,555</u>	<u>\$ 23,918</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,691,748	\$ 316,280
Accrued compensated absences	<u>167,261</u>	<u>19,653</u>
Total long-term liabilities	<u>\$ 2,859,009</u>	<u>\$ 335,934</u>

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

**Spanish Fork/Springville Airport**

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

a. Participants and their percentage shares:

Springville City	50.00%
Spanish Fork	50.00%

b. The Airport is governed by it's own board which is selected from members of the participants' City councils and other citizens of the two communities.

c. The Airport board governs the operations of the airport through management employed by the board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal managements, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

d. Summary financial information, as of the joint venture's last year end of June 30, 2006, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
	<u>                    </u>	<u>                    </u>
Total assets	\$ 3,845,532	\$ 1,922,766
Total liabilities	\$ 3,229	\$ 1,615
Total net assets	\$ 3,842,303	\$ 1,921,152
Program revenues	\$ 103,836	\$ 51,918
General revenues	10,204	5,102
Program expenses	<u>(192,346)</u>	<u>(96,173)</u>
Change in net assets	<u>\$ (78,306)</u>	<u>\$ (39,153)</u>

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**4.E. WATER LOAN PROGRAM**

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

1. Fidelity Bonds
  - A. Public Treasurer Bond for \$1,200,000 expiring December 31, 2006 issued by Leavitt Insurance.
  - B. \$10,000 Blanket Employee Bond expiring March 31, 2007 covering all employees and elected officials of the City issued by Leavitt Insurance.
  - C. \$510,000 Water bond expiring April 30, 2007 covering billing clerk, cashier, treasurer and administrative finance director issued by Leavitt Insurance.
2. 7,916 water connections at June 30, 2006.
3. Total water billings for the year were \$2,219,238
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base:	
0 to 9,000 gallons	\$1.29
9,001 to 16,000 gallons	\$1.75
Over 16,000 gallons	\$3.50
Connection/Impact fee	\$1,232.00
5. The balance in the reserve and emergency repair funds is \$41,000.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

1. The tax increment collected by the agency for each project area:	
A. North Industrial RDA	\$ 157,514
B. Kirby RDA	120,917
C. Canyon EDA	-
D. Gateway	94,394
Total Collected	<u>\$ 372,825</u>
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Canyon EDA	-
Total Paid	<u>\$ -</u>
3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ 350,000
4. The actual amounts expended for :	
A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	-
D. Administrative costs	34,315
Total Expended	<u>\$ 34,315</u>

## **SUPPLEMENTARY INFORMATION**

**Spanish Fork City  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2006**

	RDA Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	Police/Court Fund	Recreation Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 255,547	\$ 30,793	\$ 821,078	\$ 865,199	\$ 1,972,617
Prepaid interest	9,045	-	-	-	-	9,045
Accounts receivable	-	9,925	-	-	-	9,925
Due from other funds	218,316	70,635	8,511	226,928	239,147	763,537
Restricted Assets:						
Cash and cash equivalents	832,255	-	-	-	-	832,255
Total assets	<u>\$ 1,059,616</u>	<u>\$ 336,107</u>	<u>\$ 39,304</u>	<u>\$ 1,048,006</u>	<u>\$ 1,104,346</u>	<u>\$ 3,587,379</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:						
Designated for:						
Capital projects	-	-	-	1,048,006	1,104,346	2,152,352
Reserved for:						
Redevelopment	1,059,616	-	-	-	-	1,059,616
Unreserved:						
Unreserved fund balance	-	336,107	39,304	-	-	375,411
Total fund balances	<u>1,059,616</u>	<u>336,107</u>	<u>39,304</u>	<u>1,048,006</u>	<u>1,104,346</u>	<u>3,587,379</u>
Total liabilities and fund balance	<u>\$ 1,059,616</u>	<u>\$ 336,107</u>	<u>\$ 39,304</u>	<u>\$ 1,048,006</u>	<u>\$ 1,104,346</u>	<u>\$ 3,587,379</u>

**Spanish Fork City**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2006**

	RDA Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	Police/Court Fund	Recreation Fund	
<b>REVENUES:</b>						
Taxes	\$ 372,825	\$ 189,351	\$ -	\$ -	\$ -	562,176
Interest income	6,498	-	-	-	-	6,498
Total revenues	<u>379,323</u>	<u>189,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,674</u>
<b>EXPENDITURES:</b>						
Current Expenditures:						
RDA	34,315	-	-	-	-	34,315
Debt service:						
Principal retirement	162,000	185,000	-	-	-	347,000
Interest and fiscal charges	30,736	5,001	-	-	-	35,737
Capital outlay	-	-	-	-	450,654	450,654
Total expenditures	<u>227,051</u>	<u>190,001</u>	<u>-</u>	<u>-</u>	<u>450,654</u>	<u>417,052</u>
Excess of revenues over (under) expenditures	<u>152,272</u>	<u>(650)</u>	<u>-</u>	<u>-</u>	<u>(450,654)</u>	<u>(450,654)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	1,555,000	1,555,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555,000</u>	<u>1,555,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>152,272</u>	<u>(650)</u>	<u>-</u>	<u>-</u>	<u>1,104,346</u>	<u>1,255,968</u>
Fund balances - beginning of year	907,344	336,757	39,304	1,048,006	-	2,331,411
Fund balances - end of year	<u>\$ 1,059,616</u>	<u>\$ 336,107</u>	<u>\$ 39,304</u>	<u>\$ 1,048,006</u>	<u>\$ 1,104,346</u>	<u>\$ 3,587,379</u>

**Spanish Fork City**  
**Combining Statement of Net Assets**  
**Non-major Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,609,501	\$ 205	\$ 1,209,978	\$ -	\$ 200	\$ 3,819,884
Accounts receivable	-	-	91,673	26,178	12	117,863
Allowance for doubtful accounts	-	-	(1,730)	(490)	-	(2,220)
Due from other funds	-	-	334,446	41,273	-	375,719
Inventory	68,819	-	-	-	43,458	112,277
Total current assets	<u>2,678,320</u>	<u>205</u>	<u>1,634,367</u>	<u>66,961</u>	<u>43,670</u>	<u>4,423,523</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	149,321	-	149,321
Capital Assets:						
Land	19,955	-	143,505	10,332	-	173,792
Buildings	419,707	-	48,066	-	28,116	495,889
Improvements	1,146,567	2,151,713	111,779	5,549,285	95,473	9,054,817
Equipment	138,722	13,938	523,807	-	78,949	755,416
Less: accumulated depreciation	(1,414,180)	(1,497,566)	(491,440)	(496,139)	(65,544)	(3,964,869)
Other Assets:						
Equity in joint venture	-	-	1,587,968	-	-	1,587,968
Total noncurrent assets	<u>310,771</u>	<u>668,085</u>	<u>1,923,685</u>	<u>5,212,799</u>	<u>136,994</u>	<u>8,252,334</u>
Total assets	<u>\$ 2,989,091</u>	<u>\$ 668,290</u>	<u>\$ 3,558,052</u>	<u>\$ 5,279,760</u>	<u>\$ 180,664</u>	<u>\$ 12,675,857</u>
<b>LIABILITIES</b>						
Current liabilities:						
Due to other funds	\$ 1,649,723	\$ 8,427	\$ -	\$ -	\$ 99,236	\$ 1,757,386
Accounts payable	56,775	42,314	50,726	7,264	30,479	187,558
Compensated absences	54,686	2,817	2,672	9,980	2,784	72,939
Total current liabilities	<u>1,761,184</u>	<u>53,558</u>	<u>53,398</u>	<u>17,244</u>	<u>132,499</u>	<u>2,017,883</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	5,000	-	5,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total liabilities	<u>1,761,184</u>	<u>53,558</u>	<u>53,398</u>	<u>22,244</u>	<u>132,499</u>	<u>2,022,883</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	310,771	668,085	335,717	5,063,478	136,994	6,515,045
Restricted for:						
Impact fees	-	-	-	211,239	-	211,239
Unrestricted	917,136	(53,353)	3,168,937	(17,201)	(88,829)	3,926,690
Total net assets	<u>\$ 1,227,907</u>	<u>\$ 614,732</u>	<u>\$ 3,504,654</u>	<u>\$ 5,257,516</u>	<u>\$ 48,165</u>	<u>\$ 10,652,974</u>

**Spanish Fork City**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Non-major Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Operating Revenues:						
Charges for sales and services	\$ 622,892	\$ 247,798	\$ 854,983	\$ 308,621	\$ 236,754	\$ 2,271,048
Other income	-	-	-	-	135	135
Total operating revenues	<u>622,892</u>	<u>247,798</u>	<u>854,983</u>	<u>308,621</u>	<u>236,889</u>	<u>2,271,183</u>
Operating Expenses:						
Landfill fees	-	-	567,891	-	-	567,891
Employee salaries	400,008	141,975	22,603	86,849	19,967	671,402
Materials and supplies	144,428	31,024	277	21,748	83,644	281,121
Repairs and maintenance	64,088	36,457	-	36	8,231	108,812
Professional services	15,360	5,273	16,282	13,892	65,264	116,071
Motorpool charges	93,964	1	-	18,347	22	112,334
Utilities	34,876	49,947	-	22	8,372	93,217
Insurance	14,044	9,997	241	-	1,857	26,139
Depreciation	51,892	127,652	21,681	115,766	19,841	336,832
Indirect services	39,665	24,189	77,168	76,839	-	217,861
Sundry charges	9,046	735	1,692	215	100	11,788
Total operating expenses	<u>867,371</u>	<u>427,250</u>	<u>707,835</u>	<u>333,714</u>	<u>207,298</u>	<u>2,543,468</u>
Operating income	<u>(244,479)</u>	<u>(179,452)</u>	<u>147,148</u>	<u>(25,093)</u>	<u>29,591</u>	<u>(272,285)</u>
Nonoperating revenues (expenses):						
Interest revenue	-	-	-	14,316	-	14,316
Impact fees	-	-	-	59,006	-	59,006
Contributions from private contractors	-	-	-	1,834,191	-	1,834,191
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,907,513</u>	<u>-</u>	<u>1,907,513</u>
Income (loss) before operating transfers	<u>(244,479)</u>	<u>(179,452)</u>	<u>147,148</u>	<u>1,882,420</u>	<u>29,591</u>	<u>1,635,228</u>
Operating Transfers:						
Operating transfers in	176,364	65,805	-	-	-	242,169
Total operating transfers	<u>176,364</u>	<u>65,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,169</u>
Change in net assets	(68,115)	(113,647)	147,148	1,882,420	29,591	1,877,397
Total net assets - beginning	1,296,022	728,379	3,357,506	3,375,096	18,574	8,775,577
Total net assets - ending	<u>\$ 1,227,907</u>	<u>\$ 614,732</u>	<u>\$ 3,504,654</u>	<u>\$ 5,257,516</u>	<u>\$ 48,165</u>	<u>\$ 10,652,974</u>

**Spanish Fork City**  
**Combining Statement of Cash Flows**  
**Non-major Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds					Total Non-Major Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
<b>Cash Flows From Operating Activities</b>						
Receipts from customers	\$ 622,892	\$ 247,798	\$ 856,284	\$ 315,091	\$ 236,755	\$ 2,278,820
Other cash receipts	-	-	-	-	135	135
Payments to suppliers	(386,275)	(155,765)	(663,551)	(131,099)	(218,141)	(1,554,831)
Payments to employees	(388,322)	(159,192)	(22,152)	(82,352)	(19,961)	(671,979)
Net cash provided (used) by operating activities	(151,705)	(67,159)	170,581	101,640	(1,212)	52,145
<b>Cash Flows From Noncapital Financing Activities</b>						
Decrease (increase) in due from other funds	-	-	68,818	(20,389)	-	48,429
Increase (decrease) in due to other funds	469,689	1,354	-	-	14,937	485,980
Transfers in (out)	176,364	65,805	-	-	-	242,169
Net cash provided (used) by noncapital activities	646,053	67,159	68,818	(20,389)	14,937	776,578
<b>Cash Flows From Capital and Related Financing Activities</b>						
Purchases of capital assets	(8,954)	-	(47,159)	(1,892,146)	(13,725)	(1,961,984)
Contributions from (reimbursements to) private contractors	-	-	-	1,834,191	-	1,834,191
Impact fees collected	-	-	-	59,006	-	59,006
Net cash provided (used) by capital and related financing activities	(8,954)	-	(47,159)	1,051	(13,725)	(68,787)
<b>Cash Flows From Investing Activities</b>						
Interest and dividends received	-	-	-	14,316	-	14,316
Net cash provided (used) by investing activities	-	-	-	14,316	-	14,316
Net increase (decrease) in cash and cash equivalents	485,394	-	192,240	96,618	-	774,252
Cash and cash equivalents, July 1	2,124,107	205	1,017,738	52,703	200	3,194,953
Cash and cash equivalents, June 30	<u>\$ 2,609,501</u>	<u>\$ 205</u>	<u>\$ 1,209,978</u>	<u>\$ 149,321</u>	<u>\$ 200</u>	<u>\$ 3,969,205</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income	\$ (244,479)	\$ (179,452)	\$ 147,148	\$ (25,093)	\$ 29,591	(272,285)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	51,892	127,652	21,681	115,766	19,841	336,832
(Increase) decrease in accounts receivable	-	-	1,301	6,470	1	7,772
(Increase) decrease in inventory	27,620	-	-	-	(43,458)	(15,838)
Increase (decrease) in accrued liabilities	1,576	1,858	-	-	(7,193)	(3,759)
Increase (decrease) in compensated absences	11,686	(17,217)	451	4,497	6	(577)
Total adjustments	92,774	112,293	23,433	126,733	(30,803)	324,430
Net cash provided (used) by operating activities	<u>\$ (151,705)</u>	<u>\$ (67,159)</u>	<u>\$ 170,581</u>	<u>\$ 101,640</u>	<u>\$ (1,212)</u>	<u>\$ 52,145</u>

**Spanish Fork City**  
**Schedule of Impact Fees Collected and Spent**  
**and Capital Facilities Budget for 2007 thru 2012**  
**June 30, 2006**

Fiscal Year	Water Impact Fee	Sewer Impact Fee	Electric Impact Fee	Pressurized Irrigation Impact Fee	Recreation Impact Fee	South East Storm Drainage Impact Fee	North East Storm Drainage Impact Fee	West Fields Storm Drainage Impact Fee
Pre 1996 Balance	\$ 528,097	\$ 879,611	\$ 235,144	\$ -	\$ 265,905	\$ -	\$ -	\$ -
1996 Collected	279,900	701,435	102,027	-	226,277	-	-	-
1996 Spent	-	-	-	-	(289,082)	-	-	-
1997 Collected	267,627	503,998	106,506	-	182,853	-	-	-
1997 Spent	(1,120,294)	(2,146,920)	(142,575)	-	(253,425)	-	-	-
1998 Collected	222,649	277,642	146,883	-	225,451	105,815	-	-
1998 Spent	(115,380)	(205,140)	(383,678)	-	(357,071)	(32,752)	-	-
1999 Collected	251,828	255,970	155,255	-	253,114	87,656	-	-
1999 Spent	(240,000)	(237,963)	(175,000)	-	(335,210)	(2,576)	-	-
2000 Collected	417,714	399,277	219,020	-	404,599	140,859	-	-
2000 Spent	(116,653)	(303,020)	(212,000)	-	(313,352)	(83,168)	-	-
2001 Collected	534,381	609,157	310,409	-	493,052	91,411	-	-
2001 Spent	(95,851)	(468,822)	(8,668)	-	(432,250)	(39,491)	-	-
2002 Collected	298,454	451,002	195,641	-	419,702	51,909	-	-
2002 Spent	-	(627,307)	(470,000)	-	(550,000)	(158,628)	-	-
2003 Collected	448,054	585,097	310,127	111,229	599,923	64,120	-	-
2003 Spent	(396,400)	(116,554)	(79,500)	(7,000)	(4,000)	(39,156)	-	-
2004 Collected	373,921	436,416	278,022	105,779	506,416	57,672	-	-
2004 Spent	(1,413,374)	(566,856)	-	-	(837,169)	(21,068)	-	-
2005 Collected	461,620	390,241	375,545	176,938	670,635	202,837	65,012	47,433
2005 Spent	-	(10,489)	-	-	(96,413)	(367,670)	-	(32,297)
2006 Collected	859,112	749,489	817,378	548,839	1,643,675	4,201	70,499	31,468
2006 Spent	(75,000)	(136,636)	-	-	(1,238,349)	(13,490)	-	(19,356)
Ending Balance	<u>\$ 1,370,405</u>	<u>\$1,419,628</u>	<u>\$1,780,536</u>	<u>\$ 935,785</u>	<u>\$1,185,281</u>	<u>\$ 48,481</u>	<u>\$ 135,511</u>	<u>\$ 27,248</u>

**Capital Facilities Budget - 2007 thru 2012**

Project	2007	2008	2009	2010	2011	2012	Total
Culinary Water Projects	\$ 2,125,000	\$ 447,000	\$ 75,000	\$ 375,000	\$ 75,000	\$ 75,000	\$ 3,172,000
Sewer Projects	3,379,530	-	-	-	-	-	3,379,530
Electric Projects	953,000	433,000	712,000	838,000	787,500	1,455,000	5,178,500
Pressurized Irrigation Projects	-	-	500,000	-	-	500,000	1,000,000
Parks and Recreation Projects	1,138,836	900,000	300,000	100,000	2,100,000	100,000	4,638,836
Storm Drainage Projects	503,600	166,400	485,080	1,134,445	350,000	-	2,639,525

**SPANISH FORK CITY  
MANAGEMENT LETTER  
INDEPENDENT AUDITORS' REPORT IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITORS' REPORT  
ON LEGAL COMPLIANCE  
JUNE 30, 2006**

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



LARSON & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

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

October 2, 2006

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

Mayor and Council Members:

We have audited the accompanying basic financial statements of the Spanish Fork City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over

financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the management letter.

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

Larson & Company  
Certified Public Accountants

# **STATE COMPLIANCE REPORT**



## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

October 2, 2006

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

Mayor and Council Members:

We have audited the basic financial statements of the Spanish Fork City, Utah, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 2, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

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

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

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

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

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MOAB, UTAH 84532  
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter dated October 2, 2006. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Spanish Fork City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Larson & Company  
Certified Public Accountants

## **MANAGEMENT LETTER**

**MANAGEMENT LETTER  
CURRENT YEAR FINDINGS**

**STATE COMPLIANCE FINDINGS**

***FINDING – GENERAL FUND BALANCE***

*Utah Code 10-6-116(4)* indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. For the year ended June 30, 2006 the City’s general fund exceeded the maximum by \$498,767.

***RECOMMENDATION***

We recommend that the City comply with this state regulation by making the necessary adjustments in budget appropriations.

***CLIENT RESPONSE***

The City had made appropriations for some projects that did not occur in this fiscal year as budgeted. Many of these projects are carried forward to the ensuing year. The City is aware of the issue and will make the adjustments necessary.

**MANAGEMENT LETTER  
STATUS OF PRIOR YEAR FINDINGS**

**INTERNAL CONTROL FINDINGS**

***FINDING – UTILITY AGING REPORT***

We noted during our testwork on utility accounts receivable that one particular customer had a large credit balance in the “current” column of the aging report and an offsetting balance in the “past due” column. This had no effect on the customer’s total balance, rather it made the totals on the whole report look distorted.

***RECOMMENDATION***

We recommend that the aging reports be periodically reviewed for reasonableness and any problems noted be corrected.

***STATUS OF PRIOR YEAR FINDING***

No problems noted in current year audit.

***FINDING – COMPENSATED ABSENCES PAYABLE***

In the past the entire liability for vacation and sick leave was recorded as a general long term debt. The liability associated with employees whose wages are paid from the enterprise funds were not reflected in the respective fund.

***RECOMMENDATION***

We recommend that the liability be calculated so that the amounts for each fund can be recorded.

***STATUS OF PRIOR YEAR FINDING***

No problems noted in current year audit.

## **STATE COMPLIANCE FINDINGS**

### ***FINDING – BUDGETED REVENUE***

State code requires that the amount of revenue budgeted for property tax revenue equal the amount reported on form TC-693. Budgeted revenues on the TC-693 Report do not equal budgeted revenues for property taxes in the City's adopted budget as required.

### ***RECOMMENDATION***

We recommend that the City comply with this state regulation by ensuring that the adopted budget for property taxes equals the amount on the TC-693 Report.

### ***STATUS OF PRIOR YEAR FINDINGS***

No problems noted in current audit.