

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

**SPANISH FORK CITY, UTAH
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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

November 30, 2009

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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages MDA-1 through MDA-9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 November 30, 2009, on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Larson & Rosenberger, LLP
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, 2009**. 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 **\$10,330,585** to **\$194,039,778**. The governmental net assets increased by **\$2,195,042** and the business-type net assets increased by **\$8,135,543**.
- The total net assets of **\$194,039,778** are made up of **\$ 147,775,626** in capital assets net of related debt and **\$46,264,152** in other net assets.
- The General Fund (the primary operating fund) had an increase in its fund balance of **\$ 496,662**.
- The City's total long-term liabilities decreased by **\$ 2,501,146** 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 **\$194,039,778**.

By far the largest portion of Spanish Fork City's net assets (**\$ 147,775,626 or 76%**) 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	19,208,665	29,720,099	40,161,101	36,076,973	59,369,766	65,797,072
Capital assets	76,307,712	68,413,561	105,697,083	100,187,568	182,004,795	168,601,129
Total assets	<u>95,516,377</u>	<u>98,133,660</u>	<u>145,858,184</u>	<u>136,264,541</u>	<u>241,374,561</u>	<u>234,398,201</u>
Other liabilities	10,021,288	13,987,977	2,251,710	2,239,610	12,272,998	16,227,587
Long-term liabilities outstanding	21,341,785	22,187,421	13,720,000	15,274,000	35,061,785	37,461,421
Total liabilities	<u>31,363,073</u>	<u>36,175,398</u>	<u>15,971,710</u>	<u>17,513,610</u>	<u>47,334,783</u>	<u>53,689,008</u>
Net assets:						
Invested in capital assets, net of related debt	54,772,932	46,026,479	93,002,694	85,933,676	147,775,626	131,960,155
Restricted	3,766,119	2,612,810	3,124,575	6,290,736	6,890,694	8,903,546
Unrestricted	5,614,253	13,318,972	33,759,205	29,526,519	39,373,458	42,845,491
Total net assets	<u><u>64,153,304</u></u>	<u><u>61,958,261</u></u>	<u><u>129,886,474</u></u>	<u><u>121,750,931</u></u>	<u><u>194,039,778</u></u>	<u><u>183,709,192</u></u>

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

Program revenues:						
Charges for services	6,537,143	5,569,605	32,243,927	32,295,470	38,781,070	37,865,075
Operating grants and contribs	1,071,207	1,347,433			1,071,207	1,347,433
Capital grants and contribs	2,865,175	7,022,076	4,379,676	7,507,038	7,244,851	14,529,114
General revenues:						
Property taxes	2,103,761	1,953,307			2,103,761	1,953,307
Sales and Use Tax	5,415,003	5,925,834			5,415,003	5,925,834
Other taxes	276,984	186,901			276,984	186,901
Unrestricted investment earnings	361,169	1,399,743	432,322	1,016,409	793,491	2,416,152
Joint Venture Gain (Loss)	639,884	167,675			639,884	167,675
Gain on Sale of Capital Assets	47,945	45,300			47,945	45,300
Total revenues	<u>19,318,271</u>	<u>23,617,874</u>	<u>37,055,925</u>	<u>40,818,917</u>	<u>56,374,196</u>	<u>64,436,791</u>
Expenses:						
General government	3,792,476	2,871,636			3,792,476	2,871,636
Public safety	5,276,423	5,426,824			5,276,423	5,426,824
Public works	5,906,884	6,999,513			5,906,884	6,999,513
Parks and recreation	2,049,952	2,390,966			2,049,952	2,390,966
Operating expenses (business type)			28,059,244	29,001,611	28,059,244	29,001,611
Interest expense	958,632	1,114,144			958,632	1,114,144
Total expenses	<u>17,984,367</u>	<u>18,803,083</u>	<u>28,059,244</u>	<u>29,001,611</u>	<u>46,043,611</u>	<u>47,804,694</u>
Increase in net assets before transfers	1,333,904	4,814,791	8,996,681	11,817,306	10,330,585	16,632,097
Transfers	861,138	738,953	(861,138)	(738,953)	-	-
Increase in net assets	2,195,042	5,553,744	8,135,543	11,078,353	10,330,585	16,632,097
Net assets - beginning	61,878,636	56,404,518	121,750,931	110,672,578	183,709,193	167,077,096
Net assets - ending	<u>64,073,678</u>	<u>61,958,262</u>	<u>129,886,474</u>	<u>121,750,931</u>	<u>194,039,778</u>	<u>183,709,193</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, 2009, the City's governmental funds (General, Debt Service, Special Revenue & Capital Project Fund) reported combined fund equity of **\$ 9,398,027**. This represents a decrease of **\$ 6,689,374 under** last year's ending balances.

This decrease is the results of both a planned budget uses of funds being held in the Capital Projects Fund and the appropriation of the beginning fund balance. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds (\$7,795,748) and represent 42% of total governmental funds revenues. The largest element of taxes is sales and use taxes as it has been for the last several years. It represents 69% of total tax revenues and 29% of total Governmental Funds revenues.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$ 16,107,649 to a final budget of \$ 17,024,989. 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, 2009, amounts to \$ 182,004,795 (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:

Land purchased for Sewer Plant and Parks Department for \$192,077.84.

City Office Building Improvements for \$68,429.

Ambulance Department Improvements:

1. Auto Pulse Machines for \$13,813.
2. Copy Machine for \$5,880.
3. CO2 Detector for \$11,259.

Completion of Police Court Building for \$4,406,550.

Fire Department Improvements:

1. Fire Station Parking Lot for \$141,960.
2. New Fire Hose, Hand Radios, and Protective Gear for \$17,940.

Streets Improvements:

1. Maintenance and Rebuilding of existing roads for \$184,508.

Parks Improvements:

1. Swenson Storage for \$65,493.
2. Pioneer Cemetery for \$33,621.
3. Group Campground for \$51,126.
4. West Park Connector Trail for \$237,051.
5. Sports Shade Structures for \$35,030.
6. Reservoir Playground for \$7,450.
7. Sports Park Sound System for \$8,412.
8. Recreation Office Carpet for \$16,075.
9. North Park Connector Trail for \$11,246.
10. River Reclamation (C-I-P) for \$117,426.
11. North Park (C-I-P) for \$3,646,480.

Library books for \$90,361.

Fairground Parking Lot Renovation for \$121,764.

Water and Pressurized Irrigation System Improvements:

1. Equipment AMR-Radio Equipment for \$919,382.
2. Crab Creek PRV for \$34,776.
3. Lynnbrook Water Services Replacement for \$16,563.
4. 5 MG Water Tank for \$1,094,884.
5. 400 North Water Line for \$357,153.
6. 1000 North Water Line for \$380,726.
7. Golf Course PI Pond for \$72,354.
8. Lower Reservoir Pump Station for \$100,000.
9. Filters for Canyon Elementary for \$71,382.

Sewer Improvements:

1. Digester for \$27,589.
2. Levee Project for \$74,527.
3. Drying Bed Project for \$53,225.

Electric System Improvements:

1. Transmission Improvements for \$31,165.
2. Distribution Improvements for \$764,953.
3. Substation Improvements for \$1,328,480.

Golf Course Hole #8 Cart Path for \$8,156.

Swimming Pool Improvements:

1. Purchased Ozonator for \$5,984.
2. Improved Water Slide for \$21,870.

Garbage Cans for \$55,506.

Storm Drain 2550 East Improvements for \$25,015.

Gun Club purchased new Traps & Voice Calls for \$16,597.

Spanish Fork City Network

1. SFCN Plant/Head End Improvements for \$153,147.
2. Purchase of Building for \$221,367.

Equipment Purchases:

1. 2 Fire Trucks for \$690,613.
2. 2 Police Cars for \$68,187.
3. 5 Pick Up Trucks for \$132,504.
4. 1 Ford F550 for \$131,354.
5. 1 Cat Excavator for \$130,000.
6. 3 Mowers for \$86,644.
7. 3 Golf Carts for \$19,634.
8. 1 GMC Van for \$23,173.
9. 1 Sand Cat Plow for \$14,497.

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
Land	\$ 9,747,932	\$ 9,737,433	\$ 1,440,946	\$ 1,259,368
Water Shares			\$ 3,754,740	\$ 2,944,524
Buildings	\$ 20,848,709	\$ 16,975,272	\$ 4,423,328	\$ 4,309,902
Improvements	\$ 11,298,711	\$ 7,307,090	\$ 92,401,742	\$ 88,128,450
Equipment	\$ 3,826,421	\$ 3,339,784	\$ 3,676,327	\$ 3,545,324
Infrastructure	\$ 30,585,939	\$ 31,053,982		
Total Net Assets	\$ 76,307,712	\$ 68,413,561	\$ 105,697,083	\$ 100,187,568

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, 2009, the City had total bonded debt outstanding of **\$ 32,560,638**. **\$12,092,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$20,468,638** is debt secured solely by tax sources (ie., Sales Tax revenue and Property Tax increment for the RDA).

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

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
Bonds Payable:				
GO Bonds				
RDA Bonds				
Capital Lease	\$ 93,638	\$ 141,784		
Accrued Vacation & Sick Leave	\$ 1,119,109	\$ 1,121,320	\$ 492,836	\$ 482,095
Revenue Bonds	\$ 20,375,000	\$ 21,200,000		\$ 13,720,000
Total Outstanding Debt	<u>\$ 21,587,747</u>	<u>\$ 22,463,104</u>	<u>\$ 492,836</u>	<u>\$ 14,202,095</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 **\$1,296,648,731**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$51,865,949** 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 **\$103,731,898** 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 5.8% compared with a state unemployment rate of 6.2 % and a national rate of 9.8 %. (Source: Utah Dept of Workforce Services)
- The General Fund budget for the fiscal year-ending June 30, 2010 reflects a decrease of 10% under the final budget for the fiscal year-ended June 30, 2009. The largest part of this decrease is a result of the decrease in capital spending for the current year. This decline in spending is a result of declining general fund revenues. Some increases in individual departments are results in increase personnel and benefits combined with general inflation in the operational portions of the budget. Some capital improvements budgeted for the FY 2010 include:

1. Water Rights Purchases.
2. Water line replacements.
3. Sewer line replacement.
4. Additional Trail Projects.
5. Electrical distribution substation.
6. Hardware for new broadband nodes.
7. Storm Drainage System Expansion.
8. Pressurized Irrigation System Expansion.

9. Sidewalk replacement and repair various areas of town.
10. Broadband Building Expansion (Purchase School Portion of SFCN Building).
11. Purchase of mowers & carts.
12. New Dumpster for Fairgrounds.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**Spanish Fork City
Statement of Net Assets
June 30, 2009**

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 5,434,978	\$ 29,719,156	\$ 35,154,134
Receivables (net of allowance)	2,294,542	3,102,927	5,397,469
Prepaid expenses	50,495	194,427	244,922
Internal balances	682,320	(682,320)	-
Bond issuance costs (net)	-	191,149	191,149
Inventory	-	1,725,091	1,725,091
Equity in joint venture	2,754,495	1,587,968	4,342,463
Restricted Assets:			
Cash and cash equivalents	7,991,835	4,322,703	12,314,538
Capital Assets (not being depreciated):			
Land	9,747,932	1,440,946	11,188,878
Water shares	-	3,754,740	3,754,740
Capital Assets (net of accumulated depreciation):			
Buildings	20,848,709	4,423,328	25,272,037
Improvements other than buildings	11,298,711	92,401,742	103,700,453
Equipment	3,826,421	3,676,327	7,502,748
Infrastructure	30,585,939	-	30,585,939
Total assets	<u>95,516,377</u>	<u>145,858,184</u>	<u>241,374,561</u>
LIABILITIES			
Accounts payable	1,348,267	725,839	2,074,106
Deposits	5,681,259	877,114	6,558,373
Connectors agreement	16,183	-	16,183
Deferred revenue	1,438,449	153,289	1,591,738
Deferred amount of refunding	-	(215,176)	(215,176)
Compensated absences	1,119,109	492,992	1,612,101
Bond interest payable	192,995	37,224	230,219
Bond premiums	225,026	180,428	405,454
Noncurrent Liabilities:			
Due within one year	873,146	1,628,000	2,501,146
Due in more than one year	20,468,639	12,092,000	32,560,639
Total liabilities	<u>31,363,073</u>	<u>15,971,710</u>	<u>47,334,783</u>
NET ASSETS			
Invested in capital assets, net of related debt	54,772,932	93,002,694	147,775,626
Restricted for:			
Class "C" roads	2,360,856	-	2,360,856
Redevelopment agency	1,405,263	-	1,405,263
Impact fees	-	2,598,690	2,598,690
Water rights	-	926,320	926,320
Bond requirements	-	1,025,607	1,025,607
Unrestricted	5,614,253	32,333,163	37,947,416
Total net assets	<u>\$ 64,153,304</u>	<u>\$ 129,886,474</u>	<u>\$ 194,039,778</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2009

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	
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,792,476	\$ 4,365,300	\$ 92,378	\$ -	\$ 665,202	\$ 665,202
Public safety	5,276,423	1,468,928	81,970	-	(3,725,525)	(3,725,525)
Public works	5,906,884	-	836,859	2,024,077	(3,045,948)	(3,045,948)
Parks, recreation and public property	2,049,952	702,915	60,000	841,098	(445,939)	(445,939)
Interest on long-term debt	958,632	-	-	-	(958,632)	(958,632)
Total governmental activities	<u>17,984,367</u>	<u>6,537,143</u>	<u>1,071,207</u>	<u>2,865,175</u>	<u>(7,510,842)</u>	<u>(7,510,842)</u>
Business-type activities:						
Water	4,896,343	4,942,788	-	1,643,915	-	1,690,360
Sewer	2,441,431	2,364,074	-	1,076,931	-	999,574
Electric	17,720,176	22,245,797	-	1,039,525	-	5,565,146
Garbage	882,360	992,704	-	-	-	110,344
Golf course	788,220	587,092	-	-	-	(201,128)
Swimming pool	433,832	212,554	-	-	-	(221,278)
Storm drainage	737,498	713,917	-	619,305	-	595,724
Gun club	159,384	185,001	-	-	-	25,617
Total business-type activities	<u>28,059,244</u>	<u>32,243,927</u>	<u>-</u>	<u>4,379,676</u>	<u>-</u>	<u>8,564,359</u>
Total primary government	<u>\$ 46,043,611</u>	<u>\$ 38,781,070</u>	<u>\$ 1,071,207</u>	<u>\$ 7,244,851</u>	<u>(7,510,842)</u>	<u>1,053,517</u>
General revenues:						
Property taxes				2,103,761	-	2,103,761
Sales taxes				5,415,003	-	5,415,003
Other taxes				276,984	-	276,984
Unrestricted investment earnings				361,169	432,322	793,491
Joint venture gain (loss)				639,884	-	639,884
Gain on sale of capital assets				47,945	-	47,945
Transfers				861,138	(861,138)	-
Total general revenues and transfers				<u>9,705,884</u>	<u>(428,816)</u>	<u>9,277,068</u>
Change in net assets				2,195,042	8,135,543	10,330,585
Net assets - beginning				61,958,262	121,750,931	183,709,193
Net assets - ending				<u>\$ 64,153,304</u>	<u>\$ 129,886,474</u>	<u>\$ 194,039,778</u>

**Spanish Fork City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2009**

	General Fund	Major Capital Project Fund Police/Court	Major Capital Project Fund North Park	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,948,568	\$ 365,476	\$ 477,868	\$ 643,066	\$ 5,434,978
Receivables (net of allowance):					
Tax	2,254,617	-	-	9,925	2,264,542
Due from other funds	1,195,964	116,777	152,689	535,483	2,000,913
Prepaid expense	50,495	-	-	-	50,495
Equity in joint venture	79,626	-	-	-	79,626
Restricted Assets:					
Cash and cash equivalents	6,916,583	-	-	1,075,252	7,991,835
Total assets	<u>\$ 14,445,853</u>	<u>\$ 482,253</u>	<u>\$ 630,557</u>	<u>\$ 2,263,726</u>	<u>\$ 17,822,389</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 832,304	\$ -	\$ -	\$ -	\$ 832,304
Payroll payable	456,167	-	-	-	456,167
Developer escrow	4,456,679	-	-	-	4,456,679
Final inspection deposit	1,224,580	-	-	-	1,224,580
Connector agreements	16,183	-	-	-	16,183
Deferred revenue	1,438,449	-	-	-	1,438,449
Total liabilities	<u>8,424,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,424,362</u>
Fund balances:					
Reserved for:					
Class "C" roads	2,360,856	-	-	-	2,360,856
Redevelopment agency	-	-	-	1,405,263	1,405,263
Designated for:					
Capital projects	-	482,253	630,557	517,404	1,630,214
Undesignated	3,660,635	-	-	341,059	4,001,694
Total fund balances	<u>6,021,491</u>	<u>482,253</u>	<u>630,557</u>	<u>2,263,726</u>	<u>9,398,027</u>
Total liabilities and fund balances	<u>\$ 14,445,853</u>	<u>\$ 482,253</u>	<u>\$ 630,557</u>	<u>\$ 2,263,726</u>	<u>\$ 17,822,389</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009

Total fund balances - governmental fund types: \$ 9,398,027

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

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

City's portion of joint ventures	2,674,870	
Cost of capital assets	114,171,600	
Accumulated depreciation	<u>(37,863,888)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		<u>78,982,582</u>

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

(1,396,535)

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	(192,996)	
Non-current liabilities due within one year	(918,639)	
Compensated absences	(1,119,109)	
Unamortized Bond Premium	(225,026)	
Non-current liabilities due in more than one year	<u>(20,375,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		<u>(22,830,770)</u>

Net assets of government activities \$ 64,153,304

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Major Capital Project Fund Police/Court	Major Capital Project Fund North Park	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,342,620	\$ -	\$ -	\$ 453,128	\$ 7,795,748
Licenses and permits	720,884	-	-	-	720,884
Intergovernmental revenues	1,071,207	-	-	-	1,071,207
Charges for services	1,442,214	-	-	-	1,442,214
Fines and forfeitures	150,559	-	-	-	150,559
Interest income	352,273	-	-	8,896	361,169
Sundry revenue	1,810,594	-	-	640,000	2,450,594
Total revenues	<u>12,890,351</u>	<u>-</u>	<u>-</u>	<u>1,102,024</u>	<u>13,992,375</u>
	14,017,456				
EXPENDITURES					
Current:					
General government	3,651,081	-	-	-	3,651,081
Public safety	4,619,771	-	-	-	4,619,771
Public works	3,500,592	-	-	1,323	3,501,915
Parks, recreation and public property	2,484,350	-	-	-	2,484,350
Debt Service:					
Principal retirement	-	-	-	800,000	800,000
Interest and fiscal charges	-	-	-	977,799	977,799
Capital outlay	-	4,406,000	3,646,480	117,426	8,169,906
Total expenditures	<u>14,255,794</u>	<u>4,406,000</u>	<u>3,646,480</u>	<u>1,896,548</u>	<u>24,204,822</u>
Excess revenues over (under) expenditures	<u>(1,365,443)</u>	<u>(4,406,000)</u>	<u>(3,646,480)</u>	<u>(794,524)</u>	<u>(10,212,447)</u>
Other financing sources (uses)					
Sale of fixed assets	47,945	-	-	-	47,945
Grant Proceeds	-	-	-	64,830	64,830
Impact fees	776,268	-	-	-	776,268
Indirect services	1,772,892	-	-	-	1,772,892
Transfers in	-	-	523,287	1,072,851	1,596,138
Transfers out	(735,000)	-	-	-	(735,000)
Total other financing sources and uses	<u>1,862,105</u>	<u>-</u>	<u>523,287</u>	<u>1,137,681</u>	<u>3,523,073</u>
Excess of revenues and other sources over (under) expenditures and other uses	496,662	(4,406,000)	(3,123,193)	343,157	(6,689,374)
Fund balances - beginning of year	<u>5,524,829</u>	<u>4,888,253</u>	<u>3,753,750</u>	<u>1,920,569</u>	<u>16,087,401</u>
Fund balances - end of year	<u>\$ 6,021,491</u>	<u>\$ 482,253</u>	<u>\$ 630,557</u>	<u>\$ 2,263,726</u>	<u>\$ 9,398,027</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, 2009

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

Net changes in fund balances - total governmental funds \$ (6,689,374)

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	9,122,582	
Depreciation Expense	<u>(3,649,571)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities		<u>5,473,011</u>

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

The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.	<u>2,024,077</u>	
		<u>2,024,077</u>

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities. (34,963)

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. 780,833

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 compensated Absences		<u>1,574</u>
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Change in net assets of governmental activities \$ 2,195,042

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 7,946,830	\$ 7,565,000	\$ 7,342,620	\$ (222,380)
Licenses and permits	626,000	607,300	720,884	113,584
Intergovernmental revenues	989,353	1,019,292	1,071,207	51,915
Charges for services	1,433,500	1,436,900	1,442,214	5,314
Fines and forfeitures	143,000	149,000	150,559	1,559
Interest income	450,050	324,140	352,273	28,133
Sundry revenue	1,222,341	1,918,203	1,810,594	(107,609)
Total revenues	12,811,074	13,019,835	12,890,351	(129,484)
EXPENDITURES				
Current:				
General government	3,920,722	3,877,937	3,651,081	(226,856)
Public safety	4,958,737	5,159,802	4,619,771	(540,031)
Public works	4,807,815	5,476,267	3,500,592	(1,975,675)
Parks, recreation and public property	2,420,375	2,510,983	2,484,350	(26,633)
Total expenditures	16,107,649	17,024,989	14,255,794	(2,769,195)
Excess revenues over (under) expenditures	(3,296,575)	(4,005,154)	(1,365,443)	2,639,711
Other financing sources (uses)				
Sale of fixed assets	30,000	47,945	47,945	-
Impact fees	112,500	112,500	776,268	663,768
Indirect services	1,800,003	1,773,252	1,772,892	(360)
Transfers in	915,072	335,659	-	(335,659)
Transfers out	(235,000)	(735,000)	(735,000)	-
Total other financing sources and uses	2,622,575	1,534,356	1,862,105	327,749
Excess of revenues and other sources over (under) expenditures and other uses	(674,000)	(2,470,798)	496,662	2,967,460
Fund balances - beginning of year	5,524,829	5,524,829	5,524,829	-
Fund balances - end of year	\$ 4,850,829	\$ 3,054,031	\$ 6,021,491	\$ 2,967,460

**Spanish Fork City
Statement of Net Assets
Proprietary Funds
June 30, 2009**

	Business-Type Activities - Enterprise Funds					Governmental
					Non Major	Activites -
	Water	Sewer	Electric	Enterprise Funds	Total	Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 19,564	\$ 8,295,428	\$ 16,435,080	\$ 4,969,084	\$ 29,719,156	\$ -
Accounts receivable	449,665	238,886	2,268,161	191,023	3,147,735	30,000
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	672,547	2,737,931	5,652,757	1,813,628	10,876,863	-
Prepaid Expense	-	-	194,423	-	194,423	-
Inventory	4,500	3,500	1,698,129	18,962	1,725,091	-
Total current assets	<u>1,136,868</u>	<u>11,272,920</u>	<u>26,218,193</u>	<u>6,990,479</u>	<u>45,618,460</u>	<u>30,000</u>
Noncurrent assets:						
Restricted cash and equivalents	2,085,303	273,457	987,198	976,745	4,322,703	-
Capital Assets:						
Land	280,483	462,462	524,209	173,792	1,440,946	-
Water rights	3,754,740	-	-	-	3,754,740	-
Buildings	2,382,801	512,049	2,725,316	752,255	6,372,421	205,920
Improvements	56,519,604	27,862,312	34,797,312	12,390,480	131,569,708	-
Equipment	2,472,125	2,108,604	1,078,251	963,542	6,622,522	9,046,550
Less: accumulated depreciation	(16,377,505)	(11,776,877)	(10,806,597)	(5,102,271)	(44,063,250)	(5,835,654)
Other Assets:						
Equity in joint venture	-	-	-	1,587,968	1,587,968	-
Deferred bond costs	115,783	-	75,366	-	191,149	-
Total noncurrent assets	<u>51,233,334</u>	<u>19,442,007</u>	<u>29,381,055</u>	<u>11,742,511</u>	<u>111,798,907</u>	<u>3,416,816</u>
Total assets	<u>\$ 52,370,202</u>	<u>\$ 30,714,927</u>	<u>\$ 55,599,248</u>	<u>\$ 18,732,990</u>	<u>\$ 157,417,367</u>	<u>\$ 3,446,816</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 960,650	\$ 4,873,423	\$ 2,146,114	\$ 3,823,111	\$ 11,803,298	\$ 1,074,478
Accounts payable	117,510	123,009	339,315	146,005	725,839	57,846
Accrued interest payable	37,224	-	-	-	37,224	1,950
Compensated absences payable	87,654	57,407	285,909	62,022	492,992	29,358
Customer deposits	-	-	352,116	-	352,116	-
Final inspection deposits	-	-	524,998	-	524,998	-
Current Portion:						
Lease payable	-	-	-	-	-	48,146
Bonds payable	998,000	-	630,000	-	1,628,000	-
Total current liabilities	<u>2,201,038</u>	<u>5,053,839</u>	<u>4,278,452</u>	<u>4,031,138</u>	<u>15,564,467</u>	<u>1,211,778</u>
Noncurrent liabilities:						
Deferred revenue	6,001	1,873	14,367	131,048	153,289	-
Lease Payable	-	-	-	-	-	93,639
Bonds payable	7,572,000	-	4,520,000	-	12,092,000	-
Bond premiums	180,428	-	-	-	180,428	-
Deferred amount of refunding	(215,176)	-	-	-	(215,176)	-
Total noncurrent liabilities	<u>7,543,253</u>	<u>1,873</u>	<u>4,534,367</u>	<u>131,048</u>	<u>12,210,541</u>	<u>93,639</u>
Total liabilities	<u>9,744,291</u>	<u>5,055,712</u>	<u>8,812,819</u>	<u>4,162,186</u>	<u>27,775,008</u>	<u>1,305,417</u>
NET ASSETS						
Invested in capital assets, net of related debt	40,798,790	19,168,550	23,857,556	9,177,798	93,002,694	3,416,816
Restricted for:						
Impact fees	822,441	273,457	298,133	1,204,659	2,598,690	-
Water rights	926,320	-	-	-	926,320	-
Bond requirements	336,542	-	689,065	-	1,025,607	-
Unrestricted	(258,182)	6,217,208	21,941,675	4,188,347	32,089,048	(1,275,417)
Total net assets	<u>\$ 42,625,911</u>	<u>\$ 25,659,215</u>	<u>\$ 46,786,429</u>	<u>\$ 14,570,804</u>	<u>129,642,359</u>	<u>\$ 2,141,399</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					244,115	
Net assets from business-type activities:					<u>\$ 129,886,474</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total Enterprise Funds	
Operating Revenues:						
Charges for sales and services	\$ 4,707,906	\$ 2,220,542	\$ 20,981,080	\$ 2,678,373	\$ 30,587,901	\$ 1,684,143
Other income	234,882	143,532	1,264,717	12,895	1,656,026	14,230
Total operating revenues	<u>4,942,788</u>	<u>2,364,074</u>	<u>22,245,797</u>	<u>2,691,268</u>	<u>32,243,927</u>	<u>1,698,373</u>
Operating Expenses:						
Water assessment	64,829	-	-	-	64,829	-
Power purchases	-	-	9,401,521	-	9,401,521	-
Landfill fees	-	-	-	699,600	699,600	-
Employee salaries	723,803	469,966	2,491,632	791,621	4,477,022	226,751
Materials and supplies	314,236	93,142	726,918	170,684	1,304,980	290,672
Repairs and maintenance	15,687	48,991	75,600	58,018	198,296	248,996
Professional services	250,209	112,646	1,959,639	287,099	2,609,593	11,314
Motorpool charges	109,510	80,881	233,938	193,488	617,817	-
Utilities	228,977	187,255	84,213	71,956	572,401	17,243
Insurance	14,408	18,984	42,278	32,691	108,361	7,064
Depreciation	1,927,324	964,985	990,487	402,303	4,285,099	913,983
Amortization	45,246	-	12,222	-	57,468	-
Indirect services	548,550	425,085	531,075	268,182	1,772,892	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	24,746	28,447	157,591	22,268	233,052	-
Total operating expenses	<u>4,403,809</u>	<u>2,439,949</u>	<u>17,449,006</u>	<u>2,997,910</u>	<u>27,290,674</u>	<u>1,716,023</u>
Operating income	<u>538,979</u>	<u>(75,875)</u>	<u>4,796,791</u>	<u>(306,642)</u>	<u>4,953,253</u>	<u>(17,650)</u>
Nonoperating revenues (expenses):						
Interest revenue	4,664	-	427,658	-	432,322	-
Impact fees and water right fees	529,084	339,906	455,034	106,073	1,430,097	-
Contributions from private contractors	1,114,831	737,025	584,491	513,232	2,949,579	-
Interest expense	(490,626)	-	(266,805)	-	(757,431)	(9,199)
Total nonoperating revenues (expenses)	<u>1,157,953</u>	<u>1,076,931</u>	<u>1,200,378</u>	<u>619,305</u>	<u>4,054,567</u>	<u>(9,199)</u>
Income (loss) before operating transfers	<u>1,696,932</u>	<u>1,001,056</u>	<u>5,997,169</u>	<u>312,663</u>	<u>9,007,820</u>	<u>(26,849)</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	268,404	268,404	-
Operating transfers out	-	-	(1,129,542)	-	(1,129,542)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(1,129,542)</u>	<u>268,404</u>	<u>(861,138)</u>	<u>-</u>
Change in net assets	1,696,932	1,001,056	4,867,627	581,067	8,146,682	(26,849)
Total net assets - beginning	40,928,979	24,658,159	41,918,802	13,989,737	121,495,677	2,168,248
Total net assets - ending	<u>\$ 42,625,911</u>	<u>\$ 25,659,215</u>	<u>\$ 46,786,429</u>	<u>\$ 14,570,804</u>	<u>\$ 129,642,359</u>	<u>\$ 2,141,399</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					(11,139)	
Change in net assets of business-type activities:					<u>\$ 8,135,543</u>	

Spanish Fork City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 4,611,163	\$ 2,142,345	\$ 20,401,637	\$ 2,798,946	\$ 29,954,091
Other cash receipts	234,882	143,532	1,264,717	12,895	1,656,026
Interfund services provided	138,792	-	453,129	-	591,921
Payments to suppliers	(1,710,667)	(1,004,998)	(13,955,377)	(1,830,587)	(18,501,629)
Payments to employees	(723,939)	(471,312)	(2,483,426)	(787,448)	(4,466,125)
Net cash provided (used) by operating activities	<u>2,550,231</u>	<u>809,567</u>	<u>5,680,680</u>	<u>193,806</u>	<u>9,234,284</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	183,722	(2,737,931)	(5,065,996)	(550,367)	(8,170,572)
Increase (decrease) in due to other funds	960,650	2,123,133	2,146,114	464,603	5,694,500
Transfers in (out)	-	-	(1,129,542)	268,404	(861,138)
Net cash provided (used) by noncapital activities	<u>1,144,372</u>	<u>(614,798)</u>	<u>(4,049,424)</u>	<u>182,640</u>	<u>(3,337,210)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(5,565,205)	(1,066,947)	(2,435,043)	(655,178)	(9,722,373)
Principal paid on capital debt	(954,000)	-	(600,000)	-	(1,554,000)
Interest paid on capital debt	(490,626)	-	(266,805)	-	(757,431)
(Increase) decrease in deferred amount on refunding	(4,982)	-	(12,222)	-	(17,204)
Contributions from (reimbursements to) private contractors	1,114,831	737,025	584,491	513,232	2,949,579
Impact fees collected	529,084	339,906	455,034	106,073	1,430,097
Net cash provided (used) by capital and related financing activities	<u>(5,370,898)</u>	<u>9,984</u>	<u>(2,274,545)</u>	<u>(35,873)</u>	<u>(7,671,332)</u>
Cash Flows From Investing Activities					
Interest and dividends received	4,664	-	427,658	-	432,322
Increase (decrease) in unamortized bond premiums	(22,033)	-	-	-	(22,033)
Net cash provided (used) by investing activities	<u>(17,369)</u>	<u>-</u>	<u>427,658</u>	<u>-</u>	<u>410,289</u>
Net increase (decrease) in cash and cash equivalents	(1,693,664)	204,753	(215,631)	340,573	(1,363,969)
Cash and cash equivalents, July 1	3,798,531	8,364,132	17,637,909	5,605,256	35,405,828
Cash and cash equivalents, June 30	<u>\$ 2,104,867</u>	<u>\$ 8,568,885</u>	<u>\$ 17,422,278</u>	<u>\$ 5,945,829</u>	<u>\$ 34,041,859</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 538,979	\$ (75,875)	\$ 4,796,791	\$ (306,642)	4,953,253
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,927,324	964,985	990,487	402,303	4,285,099
Amortization expense	45,246	-	12,222	-	57,468
(Increase) decrease in accounts receivable	42,050	(3,096)	(126,407)	120,576	33,123
Decrease (increase) in inventory	-	-	15,018	12,920	27,938
Increase (decrease) in accrued liabilities	(3,231)	-	1,324	(39,524)	(41,431)
Increase (decrease) in compensated absences	(136)	(1,346)	8,206	4,173	10,897
Increase (decrease) in customer deposits	-	-	(17,054)	-	(17,054)
Increase (decrease) in deferred revenue	(1)	(75,101)	93	-	(75,009)
Total adjustments	<u>2,011,252</u>	<u>885,442</u>	<u>883,889</u>	<u>500,448</u>	<u>4,281,031</u>
Net cash provided (used) by operating activities	<u>\$ 2,550,231</u>	<u>\$ 809,567</u>	<u>\$ 5,680,680</u>	<u>\$ 193,806</u>	<u>\$ 9,234,284</u>

**Spanish Fork City
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009**

	Fire Retirement Capital Fund
ASSETS	
Cash and equivalents	\$ 56,756
Total assets	\$ 56,756
 LIABILITIES AND FUND BALANCES	
Fund Balances:	
Deferred compensation	\$ 56,756
Total fund balances	56,756
Total liabilities and fund balance	\$ 56,756

Spanish Fork City
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 10,890
Interest income	1,917
Total	12,807
EXPENDITURES:	
Retirement payments	10,890
Total	10,890
Excess of revenues over (under) expenditures	1,917
Fund balances - beginning of year	54,839
Fund balances - end of year	\$ 56,756

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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, Ambulance, Animal Control and Justice Center.

Public Works: Streets, Engineering, Building Inspections, 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, 2009

Recreation: Swimming Pool, Outdoor Recreation Programs, Senior Center, Special Events and Arts Council Programs.

Library: Library Administration and Public Services.

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

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

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is 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 is for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The reporting entity reports the Redevelopment Fund (RDA) as a Special Revenue Fund.

Capital Project Fund

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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.

Internal Service Fund

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

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Capital Projects Fund—Police/Court Bldg. and North Park Development.	Accounts for the accumulation of funds, revenues and expenditures on projects such as the Police/Court Bldg and North Park Development.
Enterprise Funds:	
Water, Sewer and Electric	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. Water Fund consists of culinary and secondary water systems. Electric Fund consists of electric and broadband systems. Sewer Fund consists of sewer collections and sewer plant systems.
Nonmajor Governmental Funds:	
Debt Service Fund	The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

	general-obligation debt of governmental funds.
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 River Reclamation Project.
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.
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:

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

- 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.

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

Interfund Receivables and Payables

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

Receivables

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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.

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009, 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	\$ 715,879	\$ 298,674	\$ 1,014,553
Sick Leave Liability	403,230	194,318	597,549
Total Compensated Absences	<u>\$ 1,119,109</u>	<u>\$ 492,992</u>	<u>\$ 1,612,102</u>

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

Equity Classifications

Government-wide Statements

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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.

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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.

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Services or Standard & Poor’s bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined by the Act; and the Utah Public Treasurers’ Investment Fund.

The Utah Public Treasurers’ Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. UPTIF is not registered with the SEC as an investment company. The UPTIF is authorized and regulated by the Utah Money Management Act. The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the UPTIF and details the types of investments that are authorized. UPTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the UPTIF are allocated to participants on the ratio of the participant’s average daily balance. The fair value of the UPTIF investment pool is approximately equal to the value of pool shares.

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

2.B. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2009, the City complied, in all material respects, with these revenue restrictions.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009, the City had no general obligation debt.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight (8%) percent for third class cities. For the year ended June 30, 2009, the City had \$35,061,785 of such indebtedness.

Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2009.

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

a. Bonds Payable Coverage:

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

b. Reserve Account Requirement:

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

2.D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B above must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009 it appears that the City’s general fund will exceed the 18% limit.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

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, 2009, The City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2009</u>
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	3,948,775
Total Depository Accounts		<u>\$ 4,198,775</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Investments

As of June 30, 2009 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'	\$40,586,021	\$ 40,586,021	\$ -	\$ -	\$ -
Bond Escrows	1,466,331	1,466,331			
Money Market	1,274,298	1,274,298			
Total Fair Value	<u>\$ 43,326,650</u>	<u>\$ 43,326,650</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
FOR THE YEAR ENDED JUNE 30, 2009**

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		\$	4,184,215
Investments			43,326,650
Cash on hand			14,563
	Total	\$	<u>47,525,428</u>

Government - Wide

Cash and Cash Equivalents		\$	35,154,134
Restricted Cash & Cash Equivalents			12,314,538
Fiduciary Restricted Cash			56,756
	Total	\$	<u>47,525,428</u>

Net Cash on Statement of Net Assets		\$	47,468,672
Fiduciary Restricted Cash			56,756
	Total	\$	<u>47,525,428</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets or cash, investments, and accrued interest held by the trustee bank on behalf of the various public trusts (Authorities) related to their required note payable accounts as described in Note 2.C, and amounts held in trust for developers and unspent impact fees collected. The restricted assets as of June 30, 2009 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water right fees	\$ 926,320	\$ -	\$ -	\$ 926,320
Sewer impact fees	273,457	-	-	273,457
Electric impact fees	298,133	-	-	298,133
Pressurized Irrigation Impact Fee	822,441	-	-	822,441
Storm drainage impact fees	976,745	-	-	976,745
Water bond requirements	336,542	-	-	336,542
Electric bond requirements	689,065	-	-	689,065
Total	\$ 4,322,703	\$ -	\$ -	\$ 4,322,703
<i>Governmental Activities:</i>				
Developer escrows	\$ 4,456,679	\$ -	\$ -	\$ 4,456,679
Class "C" roads	2,459,904	-	-	2,459,904
RDA bond requirements	1,075,252	-	-	1,075,252
Total	7,991,835	-	-	7,991,835
Grand Totals	\$ 12,314,538	\$ -	\$ -	\$ 12,314,538

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2009, were as follows:

	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Accounts receivables	\$ -	\$ 3,147,735	\$ 3,147,735
Property tax	1,412,582	-	1,412,582
Other tax	851,931	-	851,931
Other	30,000	-	30,000
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 2,294,513</u>	<u>\$ 3,102,927</u>	<u>\$ 5,397,440</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 1,412,582	\$ -
Total deferred/unearned revenue for governmental funds	<u>\$ 1,412,582</u>	<u>\$ -</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance at June 30, 2008	Additions	Adjustments	Disposals	Balance at June 30, 2009
Governmental activities:					
Land (not being depreciated)	\$ 9,737,432	\$ 10,500	\$ -	\$ -	\$ 9,747,932
Buildings	21,431,258	4,406,550	-	-	25,837,808
Improvements	9,472,650	4,593,874	(196,177)	-	13,870,347
Machinery and equipment	10,724,415	1,541,051	(67,287)	(1,161,122)	11,037,057
Infrastructure	51,596,967	1,991,766	(78,874)	-	53,509,859
Totals at historical cost	<u>102,962,722</u>	<u>12,543,741</u>	<u>(342,338)</u>	<u>(1,161,122)</u>	<u>114,003,003</u>
Less accumulated depreciation					
Buildings	(4,455,986)	(727,991)	194,878	-	(4,989,099)
Improvements	(2,165,560)	(428,567)	22,491	-	(2,571,636)
Machinery and equipment	(7,384,631)	(1,025,054)	68,732	1,130,317	(7,210,636)
Infrastructure	(20,542,986)	(2,380,932)	-	-	(22,923,918)
Total accumulated depreciation	<u>(34,549,163)</u>	<u>(4,562,544)</u>	<u>286,101</u>	<u>1,130,317</u>	<u>(37,695,289)</u>
Governmental activities capital assets, net	<u>\$ 68,413,559</u>	<u>\$ 7,981,197</u>	<u>\$ (56,237)</u>	<u>\$ (30,805)</u>	<u>\$ 76,307,714</u>
Business-type activities:					
Land (not being depreciated)	\$ 1,259,368	\$ 181,578	\$ -	\$ -	\$ 1,440,946
Water shares (not being depreciated)	2,944,524	810,217	-	-	3,754,741
Buildings and structures	6,142,236	230,186	-	-	6,372,422
Improvements	123,503,734	8,065,971	-	-	131,569,705
Machinery and equipment	6,115,862	506,658	-	-	6,622,520
Totals at historical cost	<u>139,965,724</u>	<u>9,794,610</u>	<u>-</u>	<u>-</u>	<u>149,760,334</u>
Less accumulated depreciation					
Buildings and structures	(1,785,137)	(163,956)	-	-	(1,949,093)
Improvements other than buildings	(35,519,215)	(3,648,751)	-	-	(39,167,966)
Machinery and equipment	(2,473,809)	(472,386)	-	-	(2,946,195)
Total accumulated depreciation	<u>(39,778,160)</u>	<u>(4,285,093)</u>	<u>-</u>	<u>-</u>	<u>(44,063,253)</u>
Business-type activities capital assets, net	<u>\$ 100,187,564</u>	<u>\$ 5,509,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,697,081</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 213,809
Public safety	664,353
Public works	2,411,210
Parks	360,199
Governmental portion of internal service fund	912,973
Total depreciation expense - governmental activities	<u>\$ 4,562,544</u>
Business-type activities	
Water	\$ 1,927,323
Electric	990,487
Sewer	964,985
Garbage	36,632
Golf course	50,886
Swimming pool	78,004
Storm drainage	213,178
Gun club	23,602
Total depreciation expense - business-type activities	<u>\$ 4,285,097</u>

3.E. ACCOUNTS PAYABLE

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009, 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>
Sales Tax Revenue Bond Series 2007 (Original amount \$22,000,000)	4.0% to 4.750%	2027	21,200,000
			<u>\$ 21,200,000</u>
			<u>(825,000)</u>
Total long term portion of bonds payable - governmental activities			<u>\$ 20,375,000</u>

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	141,785
Current portion of capital leases payable	(48,146)
Long term portion of capital leases payable	<u>\$ 93,639</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Business-type Activities:

As of June 30, 2009, 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	\$ 130,000
Water Revenue Refunding Bond Series 1998A - Dated October 1, 1998 (Original amount \$1,310,000)	3.4% to 4.35%	2011	380,000
Electric Utility Revenue Bond Dated August 15, 2000 (Original amount \$9,230,000)	4.25% to 5.20%	2015	5,150,000
Water Revenue Bond 2002 Dated March 15, 2002 (Original amount \$16,255,000)	4.00% to 5.50%	2017	8,060,000
Total bonds payable - business-type activities			<u>13,720,000</u>
Less current portion			<u>(1,628,000)</u>
Total bonds payable - long term portion			<u>\$ 12,092,000</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

Type of Debt	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Governmental activities:				
Bonds payable	\$ 21,200,000	\$ -	\$ (825,000)	\$ 20,375,000
Capital leases payable	141,784	-	(48,146)	93,638
Compensated absences	1,121,320	-	(2,211)	1,119,109
Total - Governmental Activities	\$ 22,463,104	\$ -	\$ (875,357)	\$ 21,587,747
Business-type Activities:				
Bonds payable	\$ 13,720,000	\$ -	\$ (1,628,000)	\$ 12,092,000
Compensated absences	482,095	10,897		492,992
Total - Business-type Activities	\$ 14,202,095	\$ 10,897	\$ (1,628,000)	\$ 12,584,992
Due Within One Year	\$ 2,399,636	\$ (2,503,357)	\$ (2,399,636)	\$ (2,503,357)

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2009, are as follows:

June 30	Principal	Interest	Principal	Interest
2010	825,000	926,375	1,628,000	682,955
2011	850,000	893,375	1,854,000	606,338
2012	875,000	859,375	1,663,000	516,773
2013	925,000	824,375	1,705,000	432,585
2014	950,000	787,375	1,795,000	343,898
2015-2019	5,350,000	3,334,063	5,075,000	466,734
2020-2024	6,650,000	2,074,690	-	-
2025-2027	4,775,000	459,563	-	-
Total	\$ 21,200,000	\$ 10,159,191	\$ 13,720,000	\$ 3,049,283

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 286,621
Less: Accumulated depreciation	<u>(144,837)</u>
Total	<u><u>\$ 141,784</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, 2009 are:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 48,146
2011	<u>93,639</u>
Total minimum lease payments	141,785
Less amounts representing interest	<u>(12,159)</u>
Present value of minimum lease payments	<u><u>\$ 129,625</u></u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 735,000
Debt Service Fund	1,061,138	-
Capital project fund-River Reclaim	535,000	-
Capital project fund-North Park	523,287	-
Capital project fund-Recreation	-	523,287
Total Governmental Activities	<u>2,119,425</u>	<u>1,258,287</u>
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	1,129,542
<i>Non-major funds:</i>		
Golf course	123,742	-
Swimming pool	144,662	-
Total Business-type Activities	<u>268,404</u>	<u>1,129,542</u>
<i>Grand Totals</i>	<u><u>\$ 2,387,829</u></u>	<u><u>\$ 2,387,829</u></u>

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

Plant Assessments:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 548,550	\$ -
Sewer Fund	425,085	-
Electric Fund	531,075	-
Non-major business type activities:		
Golf Course	48,944	-
Swimming Pool	30,179	-
Garbage	94,071	-
Storm Drain	94,988	-
Major Governmental activities:		
General fund	-	1,772,892
	<u>\$ 1,772,892</u>	<u>\$ 1,772,892</u>

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

Due to/from other funds:

Fund	Due from	Due to
Governmental funds		
General fund	\$ 1,260,923	\$ 64,959
Non-major funds		
Special revenue fund	330,011	-
Debt service fund	80,184	-
Capital projects fund	394,754	-
Total Governmental	<u>2,065,872</u>	<u>64,959</u>
Business-type funds		
Major funds		
Water fund	672,547	960,649
Sewer fund	2,737,931	4,873,423
Electric fund	5,652,757	2,146,114
Non-major funds		
Golf course fund	1,103,463	3,636,092
Swimming pool fund	-	163,618
Garbage fund	398,076	-
Storm drainage fund	312,089	-
Gun club fund	-	23,402
Total Business-Type	<u>10,876,864</u>	<u>11,803,299</u>
Internal service fund		
Motorpool fund	-	1,074,478
Grand Total	<u>\$ 12,942,736</u>	<u>\$ 12,942,736</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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

The City contributions to the various systems for the years ending June 30, 2009, 2008 and 2007 were; for the Noncontributory System \$705,141, \$678,292 and \$606,690; for the Public Safety Noncontributory \$307,786.96, \$309,578 and \$264,706, respectively. The contributions were equal to or greater than the required contributions for each year.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

401(k) Plan

The employees of the City also participate in a 401(k) deferred compensation plan with MetLife. The amount of the employer contributions for the year ended June 30, 2009, 2008 and 2007, were \$501,533, \$ 480,074, and \$ 436,115, respectively.

4.B. RISK MANAGEMENT

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

4.C. COMMITMENTS AND CONTINGENCIES

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

4.D. JOINT VENTURES

Utah Municipal Power Agency

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

Additional information is as follows:

a. Participants and their percentage shares:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009 is as follows from UMPA:

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 55,360,399</u>	<u>\$ 5,208,860</u>
Total liabilities	<u>\$ 55,357,049</u>	<u>\$ 5,208,545</u>
Total net assets	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 72,248,985	\$ 6,797,907
Total operating expenses	<u>(70,041,087)</u>	<u>\$(6,590,166)</u>
Net operating income	2,207,898	13,388,073
Total non-operating income (expenses)	<u>(2,207,898)</u>	<u>(207,741)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The joint venture has the following long-term debt:

Revenue bonds payable	<u>\$ 30,400,490</u>	<u>\$ 2,860,382</u>
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- e. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

South Utah Valley Solid Waste District

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

Additional information is as follows:

- a. Participants and their percentage shares:

Spanish Fork City Corporation	11.750%
Provo City Corporation	69.750%
Springville City Corporation	15.000%
Mapleton City Corporation	2.000%
Salem City Corporation	1.500%
Goshen Town (Landfill participant)	<u>0.000%</u>
	<u>100.000%</u>

- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

- d. Audited summary financial information of the District as June 30, 2009 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	<u>\$ 16,377,634</u>	<u>\$ 1,924,372</u>
Total liabilities	<u>\$ 3,444,934</u>	<u>\$ 404,780</u>
Total net assets	<u>\$ 12,932,700</u>	<u>\$ 1,519,592</u>
Total operating revenues	\$ 4,558,734	\$ 535,651
Total operating expenses	<u>5,310,562</u>	<u>623,991</u>
Net operating income	(751,828)	(88,340)
Total non-operating income (expenses)	<u>(38,378)</u>	<u>(4,509)</u>
Change in net assets	<u>\$ (790,206)</u>	<u>\$ (92,849)</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,890,407	\$ 339,623
Accrued compensated absences	235,057	27,619
Capital Lease Payable	-	
Total long-term liabilities	<u>\$ 3,125,464</u>	<u>\$ 367,242</u>

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Spanish Fork/Springville Airport

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

- a. Participants and their percentage shares:

Springville City	50.00%
Spanish Fork	50.00%
- b. The Airport is governed by it's own board which is selected from members of the participants' City councils and other citizens of the two communities.
- c. The Airport board governs the operations of the airport through management employed by the board. The Airport is subject to the same laws as the 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, 2009, is as follows:

	Springville Airport	Spanish Fork City's Share
Total assets	\$ 5,665,166	\$ 2,832,583
Total liabilities	\$ (156,176)	\$ (78,088)
Total net assets	\$ 5,508,990	\$ 2,754,495
Program revenues	\$ 1,690,092	\$ 845,046
General revenues	8,770	4,385
Program expenses	(259,842)	(129,921)
Change in net assets	\$ 1,439,020	\$ 719,510

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

4.E. WATER LOAN PROGRAM

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

1. Fidelity Bonds
 - A. Public Treasurer Bond for \$1,900,000 expiring January 1, 2010 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring March 31, 2011 covering all employees and elected officials of the City issued by Moreton & Company.
 - C. \$100,000 Water bond expiring April 30, 2010 covering billing clerk, cashier, treasurer and administrative finance director issued by Leavitt Insurance.
2. 9,015 water connections at June 30, 2009
3. Total water billings for the year were \$2,298,628.
4. Rate schedule

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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	\$ 263,990
B. Kirby RDA	189,138
C. Canyon EDA	-
D. Gateway	-
Total Collected	<u>\$ 453,128</u>
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Canyon EDA	-
Total Paid	<u>\$ -</u>
3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	
	\$ -
4. The actual amounts expended for :	
A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	-
D. Administrative costs	19,414
Total Expended	<u>\$ 19,414</u>

SUPPLEMENTARY INFORMATION

**Spanish Fork City
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2009**

	RDA Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	River Reclaim. Fund	Recreation Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ 221,164	\$ 29,787	\$ 392,115	\$ -	\$ 643,066
Accounts receivable	-	9,925	-	-	-	9,925
Due from other funds	330,011	70,666	9,517	125,289	-	535,483
Restricted Assets:						
Cash and cash equivalents	1,075,252	-	-	-	-	1,075,252
Total assets	<u>\$ 1,405,263</u>	<u>\$ 301,755</u>	<u>\$ 39,304</u>	<u>\$ 517,404</u>	<u>\$ -</u>	<u>\$ 2,263,726</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:						
Designated for:						
Capital projects	-	-	-	517,404	-	517,404
Reserved for:						
Redevelopment	1,405,263	-	-	-	-	1,405,263
Unreserved:						
Unreserved fund balance	-	301,755	39,304	-	-	341,059
Total fund balances	<u>1,405,263</u>	<u>301,755</u>	<u>39,304</u>	<u>517,404</u>	<u>-</u>	<u>2,263,726</u>
Total liabilities and fund balance	<u>\$ 1,405,263</u>	<u>\$ 301,755</u>	<u>\$ 39,304</u>	<u>\$ 517,404</u>	<u>\$ -</u>	<u>\$ 2,263,726</u>

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2009

	RDA Fund	Debt Service		Capital Projects			Total Non-major Governmental Funds	
		Debt Service Fund	Special Guarantee Fund	Police/Court Fund	River Reclaim. Fund	North Park Dev Fund		Recreation Fund
REVENUES:								
Taxes	\$ 453,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	453,128
Sundry Revenues		640,000						640,000
Interest income	-	8,896	-	-	-	-	-	8,896
Total revenues	453,128	648,896	-	-	-	-	-	1,102,024
EXPENDITURES:								
Current Expenditures:								
RDA	1,323	-	-	-	-	-	-	1,323
Debt service:								
Principal retirement	-	800,000	-	-	-	-	-	800,000
Interest and fiscal charges	18,091	959,708	-	-	-	-	-	977,799
Capital outlay	-	-	-	4,406,000	117,426	3,646,480	-	117,426
Total expenditures	19,414	1,759,708	-	4,406,000	117,426	3,646,480	-	1,896,548
Excess of revenues over (under) expenditures	433,714	(1,110,812)	-	(4,406,000)	(117,426)	(3,646,480)	-	(794,524)
Other financing sources (uses):								
Grant Proceeds					64,830			64,830
Transfers in (out)	-	1,061,138	-	-	535,000	523,287	(523,287)	1,072,851
Total other financing sources (uses)	-	1,061,138	-	-	599,830	523,287	(523,287)	1,137,681
Excess of revenues and other sources over (under) expenditures and other uses	433,714	(49,674)	-	(4,406,000)	482,404	(3,123,193)	(523,287)	343,157
Fund balances - beginning of year	971,549	351,429	39,304	4,888,253	35,000	3,753,750	523,287	1,920,569
Fund balances - end of year	\$ 1,405,263	\$ 301,755	\$ 39,304	\$ 482,253	\$ 517,404	\$ 630,557	\$ -	\$ 2,263,726

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

Spanish Fork City
Combining Statement of Net Assets
Non-major Proprietary Funds
June 30, 2009

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,577,626	\$ 145,202	\$ 1,245,856	\$ (227,914)	\$ 400	\$ 4,741,170
Accounts receivable	-	-	117,703	73,307	13	191,023
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	1,103,463	-	398,076	312,089	-	1,813,628
Inventory	-	-	-	-	18,962	18,962
Total current assets	<u>4,681,089</u>	<u>145,202</u>	<u>1,759,905</u>	<u>156,994</u>	<u>19,375</u>	<u>6,762,565</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	1,204,659	-	1,204,659
Capital Assets:						
Land	19,955	-	143,505	10,332	-	173,792
Buildings	676,073	-	48,066	-	28,116	752,255
Improvements	1,154,723	2,278,355	111,779	8,750,150	95,473	12,390,480
Equipment	146,446	19,922	706,255	-	90,919	963,542
Less: accumulated depreciation	(1,564,751)	(1,834,642)	(587,227)	(1,058,626)	(57,025)	(5,102,271)
Other Assets:						
Equity in joint venture	-	-	1,587,968	-	-	1,587,968
Total noncurrent assets	<u>432,446</u>	<u>463,635</u>	<u>2,010,346</u>	<u>8,906,515</u>	<u>157,483</u>	<u>11,970,425</u>
Total assets	<u>\$ 5,113,535</u>	<u>\$ 608,837</u>	<u>\$ 3,770,251</u>	<u>\$ 9,063,509</u>	<u>\$ 176,858</u>	<u>\$ 18,732,990</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 3,636,091	\$ 163,618	\$ -	\$ -	\$ 23,402	\$ 3,823,111
Accounts payable	44,115	40,960	50,726	7,266	2,938	146,005
Compensated absences	37,246	3,486	3,173	14,703	3,414	62,022
Total current liabilities	<u>3,717,452</u>	<u>208,064</u>	<u>53,899</u>	<u>21,969</u>	<u>29,754</u>	<u>4,031,138</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	131,048	-	131,048
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,048</u>	<u>-</u>	<u>131,048</u>
Total liabilities	<u>3,717,452</u>	<u>208,064</u>	<u>53,899</u>	<u>153,017</u>	<u>29,754</u>	<u>4,162,186</u>
NET ASSETS						
Invested in capital assets, net of related debt	432,446	463,635	422,378	7,701,856	157,483	9,177,798
Restricted for:						
Impact fees	-	-	-	81,884	-	81,884
Unrestricted	963,637	(62,862)	3,293,974	1,126,752	(10,379)	5,311,122
Total net assets	<u>\$ 1,396,083</u>	<u>\$ 400,773</u>	<u>\$ 3,716,352</u>	<u>\$ 8,910,492</u>	<u>\$ 147,104</u>	<u>\$ 14,570,804</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, 2009

	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	\$ 587,092	\$ 206,469	\$ 992,704	\$ 713,917	\$ 178,191	\$ 2,678,373
Other income	-	6,085	-	-	6,810	12,895
Total operating revenues	<u>587,092</u>	<u>212,554</u>	<u>992,704</u>	<u>713,917</u>	<u>185,001</u>	<u>2,691,268</u>
Operating Expenses:						
Landfill fees	-	-	699,600	-	-	699,600
Employee salaries	398,396	216,912	24,624	117,673	34,016	791,621
Materials and supplies	47,252	51,749	-	36,913	34,770	170,684
Repairs and maintenance	43,888	9,868	-	420	3,842	58,018
Professional services	8,491	3,703	19,090	201,933	53,882	287,099
Motorpool charges	124,222	850	-	68,416	-	193,488
Utilities	31,456	32,566	-	-	7,934	71,956
Insurance	20,493	10,000	79	781	1,338	32,691
Depreciation	50,886	78,005	36,632	213,178	23,602	402,303
Indirect services	48,944	30,179	94,071	94,988	-	268,182
Sundry charges	14,192	-	4,880	3,196	-	22,268
Total operating expenses	<u>788,220</u>	<u>433,832</u>	<u>878,976</u>	<u>737,498</u>	<u>159,384</u>	<u>2,997,910</u>
Operating income	<u>(201,128)</u>	<u>(221,278)</u>	<u>113,728</u>	<u>(23,581)</u>	<u>25,617</u>	<u>(306,642)</u>
Nonoperating revenues (expenses):						
Impact fees	-	-	-	106,073	-	106,073
Contributions from private contractors	-	-	-	513,232	-	513,232
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>619,305</u>	<u>-</u>	<u>619,305</u>
Income (loss) before operating transfers	<u>(201,128)</u>	<u>(221,278)</u>	<u>113,728</u>	<u>595,724</u>	<u>25,617</u>	<u>312,663</u>
Operating Transfers:						
Operating transfers in	<u>123,742</u>	<u>144,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,404</u>
Total operating transfers	<u>123,742</u>	<u>144,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,404</u>
Change in net assets	(77,386)	(76,616)	113,728	595,724	25,617	581,067
Total net assets - beginning	1,473,469	477,389	3,602,624	8,314,768	121,487	13,989,737
Total net assets - ending	<u>\$ 1,396,083</u>	<u>\$ 400,773</u>	<u>\$ 3,716,352</u>	<u>\$ 8,910,492</u>	<u>\$ 147,104</u>	<u>\$ 14,570,804</u>

Spanish Fork City
Combining Statement of Cash Flows
Non-major Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds					Total
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Non-Major Funds
Cash Flows From Operating Activities						
Receipts from customers	\$ 587,092	\$ 206,469	\$ 976,730	\$ 811,964	\$ 216,691	\$ 2,798,946
Other cash receipts	-	6,085	-	-	6,810	12,895
Payments to suppliers	(340,907)	(140,745)	(817,720)	(406,644)	(124,571)	(1,830,587)
Payments to employees	(398,485)	(217,334)	(24,713)	(116,314)	(30,602)	(787,448)
Net cash provided (used) by operating activities	(152,300)	(145,525)	134,297	289,006	68,328	193,806
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	(298,984)	1,857	(110,162)	(143,078)	-	(550,367)
Increase (decrease) in due to other funds	352,971	163,618	-	-	(51,986)	464,603
Transfers in (out)	123,742	144,662	-	-	-	268,404
Net cash provided (used) by noncapital activities	177,729	310,137	(110,162)	(143,078)	(51,986)	182,640
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(16,974)	(27,854)	(55,506)	(538,247)	(16,597)	(655,178)
Contributions from (reimbursements to) private contractors	-	-	-	513,232	-	513,232
Impact fees collected	-	-	-	106,073	-	106,073
Net cash provided (used) by capital and related financing activities	(16,974)	(27,854)	(55,506)	81,058	(16,597)	(35,873)
Cash Flows From Investing Activities						
Net cash provided (used) by investing activities	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	8,455	136,758	(31,371)	226,986	(255)	340,573
Cash and cash equivalents, July 1	3,569,171	8,444	1,277,227	749,759	655	5,605,256
Cash and cash equivalents, June 30	<u>\$ 3,577,626</u>	<u>\$ 145,202</u>	<u>\$ 1,245,856</u>	<u>\$ 976,745</u>	<u>\$ 400</u>	<u>\$ 5,945,829</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (201,128)	\$ (221,278)	\$ 113,728	\$ (23,581)	\$ 25,617	(306,642)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	50,886	78,005	36,632	213,178	23,602	402,303
(Increase) decrease in accounts receivable	-	-	(15,974)	98,050	38,500	120,576
(Increase) decrease in inventory	-	-	-	-	12,920	12,920
Increase (decrease) in accrued liabilities	(1,969)	(1,830)	-	-	(35,725)	(39,524)
Increase (decrease) in compensated absences	(89)	(422)	(89)	1,359	3,414	4,173
Total adjustments	48,828	75,753	20,569	312,587	42,711	500,448
Net cash provided (used) by operating activities	<u>\$ (152,300)</u>	<u>\$ (145,525)</u>	<u>\$ 134,297</u>	<u>\$ 289,006</u>	<u>\$ 68,328</u>	<u>\$ 193,806</u>

**SPANISH FORK CITY
MANAGEMENT LETTER
INDEPENDENT AUDITORS' REPORT IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
INDEPENDENT AUDITORS' REPORT
ON LEGAL COMPLIANCE
JUNE 30, 2009**

SPANISH FORK CITY, UTAH
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JUNE 30, 2009

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GOVERNMENT AUDITING STANDARDS REPORT



LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

November 30, 2009

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

Mayor and Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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*.

We noted certain matters that we reported to management of the City, in the attached letter dated November 30, 2009.

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

Larson & Rosenberger, LLP
Certified Public Accountants

STATE COMPLIANCE REPORT



LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

November 30, 2009

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, 2009, and have issued our report thereon dated November 30, 2009. 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, 2009. 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
Utah Retirement Systems

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

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

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the attached management letter dated November 30, 2009. 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, 2009.

Larson & Rosenberger, LLP
Certified Public Accountants

MANAGEMENT LETTER



LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2009

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

Mayor and Council Members:

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 21, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

No significant audit findings noted.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Spanish Fork City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Internal Control Findings – Current Year

Reversal of prior year closing entries

Finding:

It was noted during our audit that the entry to reverse the prior year accrual of grant revenue was not made in the River Reclamation Capital Projects Fund. The result of this error would have been an overstatement of revenue and an overstatement of grants

receivable. This entry was proposed to and made by management.

Recommendation:

We recommend that all necessary journal entries be made by client.

Client Response:

The City concurs and will make an effort to reverse prior year accruals in a timely manner.

State Compliance Findings – Current Year

General Fund Balance

Finding:

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

Recommendation:

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

Client Response:

Management is aware of the problem. The City budgeted for certain capital projects that were not completed during the year, but will be completed during the next fiscal year. The funds will be transferred to the capital projects fund during fiscal year 2010.

Status of Internal Control Findings – Prior Year

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

Status of State Compliance Findings – Prior Year

General Fund Balance

Finding:

Utah Code 10-6-116 indicates that only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed

18% of the total estimated revenue of the general fund. The city exceeded the authorized limitation of 18% in regards to the ending undesignated fund balance of the general fund.

Recommendation:

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

Status:

See Current year findings.

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

Very truly yours,

Larson & Rosenberger, LLP
Certified Public Accountants