SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

SPANISH FORK CITY, UTAH
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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 6, 2010

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, 2010, 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, 2010, 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.

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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 December 6, 2010, on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Larson & Rosenberger, LLP

Larson & Rosenberger, LLP
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork City, we offer readers of Spanish Fork City's financial statements this narrative overview and analysis of the financial activities of Spanish Fork City for the fiscal year ended **June 30, 2010**. 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 **$9,868,918** to **$204,034,747**. The governmental net assets increased by **$5,510,488** and the business-type net assets increased by **$4,358,430**.

- The total net assets of **$204,034,747** are made up of **$ 160,622,050** in capital assets net of related debt and **$43,412,697** in other net assets.

- The General Fund (the primary operating fund) had an increase in its fund balance of **$ 123,919**.

- The City's total long-term liabilities decreased by **$ 2,176,457** 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 **$205,093,858**.

By far the largest portion of Spanish Fork City's net assets **($160,622,050 or 79%)** 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	18,763,383	19,208,665	35,516,357	40,161,101	54,279,740	59,369,766
Capital assets	79,476,523	76,307,712	113,158,878	105,697,083	192,635,401	182,004,795
Total assets	98,239,906	95,516,377	148,675,235	145,858,184	246,915,141	241,374,561
Other liabilities	7,952,786	10,021,288	2,042,277	2,251,707	9,995,063	12,272,995
Long-term liabilities outstanding	20,623,328	21,341,785	12,262,000	13,720,000	32,885,328	35,061,785
Total liabilities	28,576,114	31,363,073	14,304,277	15,971,707	42,880,391	47,334,780
Net assets:						
Invested in capital assets, net of related debt	58,667,075	54,772,932	101,954,975	93,002,694	160,622,050	147,775,626
Restricted	3,790,451	3,766,119	3,192,133	4,550,617	6,982,584	8,316,736
Unrestricted	7,206,266	5,614,253	29,223,847	32,333,166	36,430,113	37,947,419
Total net assets	69,663,792	64,153,304	134,370,955	129,886,477	204,034,747	194,039,781

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	6,328,601	6,537,143	32,324,582	32,243,927	38,653,183	38,781,070
Operating grants and contribs	1,117,808	1,071,207	-	-	1,117,808	1,071,207
Capital grants and contribs	4,696,775	2,865,175	5,867,245	4,379,676	10,564,020	7,244,851
General revenues:						
Property taxes	2,558,318	2,103,761	-	-	2,558,318	2,103,761
Sales and Use Tax	5,267,286	5,415,003	-	-	5,267,286	5,415,003
Other taxes	362,459	276,984	-	-	362,459	276,984
Unrestricted investment earnings	81,826	361,169	160,698	432,322	242,524	793,491
Joint Venture Gain (Loss)	(3,131)	639,884	(161,171)	-	(164,302)	639,884
Gain (Loss) on Sale of Capital Assets	(563,962)	47,945	-	-	(563,962)	47,945
Total revenues	19,845,980	19,318,271	38,191,354	37,055,925	58,037,334	56,374,196
Expenses:						
General government	3,386,886	3,792,476	-	-	3,386,886	3,792,476
Public safety	4,815,414	5,276,423	-	-	4,815,414	5,276,423
Public works	6,471,613	5,906,884	-	-	6,471,613	5,906,884
Parks and recreation	2,725,123	2,049,952	-	-	2,725,123	2,049,952
Operating expenses (business type)	-	-	29,859,048	28,059,241	29,859,048	28,059,241
Interest expense	910,332	958,632	-	-	910,332	958,632
Total expenses	18,309,368	17,984,367	29,859,048	28,059,241	48,168,416	46,043,608
Increase in net assets before transfers	1,536,612	1,333,904	8,332,306	8,996,684	9,868,918	10,330,588
Transfers	3,973,876	861,138	(3,973,876)	(861,138)	-	-
Increase in net assets	5,510,488	2,195,042	4,358,430	8,135,546	9,868,918	10,330,588
Net assets - beginning	64,153,304	61,958,262	129,886,477	121,750,931	194,039,781	183,709,193
Prior Period Adjustment	-	-	126,048	-	126,048	-
Net assets - ending	69,663,792	64,153,304	134,370,955	129,886,477	204,034,747	194,039,781

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, 2010, the City's governmental funds (General, Debt Service, Special Revenue & Capital Project Fund) reported combined fund equity of **$10,575,781**. This represents an increase of **$1,177,754 over** last year's ending balances. This increase is the results of both a planned budget transfers of funds being held for the Capital Projects Fund and the appropriation of the beginning fund balance. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds **($8,188,063)** and represent **58%** of total governmental funds revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years. The **sales and use taxes** represent **64%** of total tax revenues and **37%** of total Governmental Funds revenues.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **$ 15,447,647** to a final budget of **$ 15,657,580**. 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, 2010, amounts to **$ 192,635,401** (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.

<u>Major capital asset events during the current fiscal year included the following</u>:

Streets Improvements:

1. Maintenance and Rebuilding of existing roads for 1,491,107
2. Equipment for $33,800

Parks Improvements:

1. River Reclamation Improvements for $51,027
2. North Park Improvements for $2,967,892
3. Overlays at Swenson Park for $46,931
4. Purchase of land easements for River Reclamation for $452,035

Library Books & Media for $86,911

Water and Pressurized Irrigation Improvements:

1. Meters for $110,791
2. PI Pond Pump for $245,133
3. Water Replacement Projects for $102,413
4. UDOT 400 N Overlay for $116,340
5. 5MG WTR. TK-Sterling Hollow for $289,381
6. Water Master Plan Model for $38,131
7. Well House Rebuild for $89,681
8. Golf Course PI Pond for $303,140
9. Purchase of Water Rights for $436,623

Sewer Improvements:

1. Trunk Line & Siphon Upsize (IF) for $180,179
2. New Digester Engine for (IF) $51,345
3. River Levee for $477,992
4. Nebo, Sterling, & Canyon CIP for $169,572
5. New Digester & Common Equip. (IF) for $1,134,330
6. I&I Study for $35,285
7. SUVMWA Land (IF) for Reg WWTP for $182,295

Electric Improvements:

1. New Reclosers & Relays Whitehead for $95,389
2. Reconductor 50 E Fr: 2100 N for $26,129
3. Three Phase Metering for $297,424
4. 138/45KDV to 12KV Sub Construction for $1,093,258
5. (IF) New SUVPS Projects for $247,500
6. Distribution for $109,522
7. Land for $328,947

Garbage Cans for $35,760

Storm Drain Improvements:

1. Rees Ave AD Project for $50,345
2. Storm Drain Masterplan (IF) for $40,505

Spanish Fork City Network:

1. Purchase of Building for $193,500
2. SFCN Plant/Head End Improvements for $384,878

Equipment Purchases:

1. Hustler Super Mower for $8,945
2. Workman HDX for $17,476
3. Toro 6700D Mower for $54,991
4. Golf Cart Lease for $308,281
5. 3 Yamaha Carts for $19,209
6. Kabota Utility Cart for $13,564

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Land	$ 10,199,967	$ 9,747,932	$ 1,952,189	$ 1,440,946
Water Shares	-	-	4,172,234	3,754,740
Buildings	19,857,691	20,848,709	4,447,302	4,423,328
Improvements	13,892,007	11,298,711	98,441,991	92,401,742
Equipment	3,276,805	3,826,421	4,145,162	3,676,327
Infrastructure	32,250,053	30,585,939	-	-
Total Net Assets	$ 79,476,523	$ 76,307,712	$ 113,158,878	$ 105,697,083
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, 2010, the City had total bonded debt outstanding of **$ 32,885,328. $12,262,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **$20,623,328** 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	
	2010	2009	2010	2009
Capital Lease	$ 199,484	$ 93,638	$ -	$ -
Accrued Vacation & Sick Leave	1,160,254	1,119,109	462,025	492,836
Revenue Bonds	20,623,328	20,375,000	12,262,000	13,720,000
Total Outstanding Debt	$ 21,983,066	$ 21,587,747	$ 12,724,025	$ 14,212,836

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of $**1,280,015,180**. The City currently has no outstanding general obligation debt. The current limitation for the City is **$51,200,607** 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 **$102,401,214** 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, 2011 reflects a decrease of 10% under the final budget for the fiscal year-ended June 30, 2010. 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 2011 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. Purchase of mowers & carts.

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, 2010

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Totals**
ASSETS			
Cash and cash equivalents	$ 5,639,417	$ 27,353,266	$ 32,992,683
Receivables (net of allowance)	2,389,832	3,190,560	5,580,392
Prepaid expenses	52,565	45,022	97,587
Internal balances	1,363,492	(1,363,492)	-
Bond issuance costs (net)	-	238,736	238,736
Inventory	-	1,433,335	1,433,335
Equity in joint venture	2,751,364	1,426,797	4,178,161
Restricted Assets:			
Cash and cash equivalents	6,566,713	3,192,133	9,758,846
Capital Assets (not being depreciated):			
Land	10,199,967	1,952,189	12,152,156
Water shares	-	4,172,234	4,172,234
Capital Assets (net of accumulated depreciation):			
Buildings	19,857,691	4,447,302	24,304,993
Improvements other than buildings	13,892,007	98,441,991	112,333,998
Equipment	3,276,805	4,145,162	7,421,967
Infrastructure	32,250,053	-	32,250,053
Total assets	98,239,906	148,675,235	246,915,141
LIABILITIES			
Accounts payable	1,615,298	710,310	2,325,608
Deposits	3,305,828	851,028	4,156,856
Connectors agreement	16,183	-	16,183
Deferred revenue	1,477,150	12,874	1,490,024
Deferred amount of refunding	-	(184,675)	(184,675)
Compensated absences	1,139,682	462,025	1,601,707
Bond interest payable	186,120	33,323	219,443
Bond premiums	212,525	157,395	369,920
Noncurrent Liabilities:			
Due within one year	898,844	1,904,000	2,802,844
Due in more than one year	19,724,484	10,358,000	30,082,484
Total liabilities	28,576,114	14,304,280	42,880,394
NET ASSETS			
Invested in capital assets, net of related debt	58,667,075	101,954,975	160,622,050
Restricted for:			
Class "C" roads	1,822,853	-	1,822,853
Redevelopment agency	1,967,598	-	1,967,598
Impact fees	-	1,607,866	1,607,866
Water rights	-	526,174	526,174
Bond requirements	-	1,058,093	1,058,093
Unrestricted	7,206,266	29,223,847	36,430,113
Total net assets	$ 69,663,792	$ 134,370,955	$ 204,034,747

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

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 3,386,886	$ 4,051,750	$ 106,617	$ -	$ 771,481	$ -	$ 771,481
Public safety	4,815,414	1,586,264	77,674	-	(3,151,476)	-	(3,151,476)
Public works	6,471,613	-	916,855	3,951,510	(1,603,248)	-	(1,603,248)
Parks, recreation and public property	2,725,123	690,587	16,662	745,265	(1,272,609)	-	(1,272,609)
Interest on long-term debt	910,332	-	-	-	(910,332)	-	(910,332)
Total governmental activities	18,309,368	6,328,601	1,117,808	4,696,775	(6,166,184)	-	(6,166,184)
Business-type activities:							
Water	4,794,960	4,633,543	-	2,063,355	-	1,901,938	1,901,938
Sewer	2,665,701	2,365,680	-	778,127	-	478,106	478,106
Electric	19,337,868	22,440,203	-	2,238,446	-	5,340,781	5,340,781
Garbage	1,115,500	1,128,517	-	-	-	13,017	13,017
Golf course	699,142	530,846	-	-	-	(168,296)	(168,296)
Swimming pool	362,536	224,453	-	-	-	(138,083)	(138,083)
Storm drainage	667,043	772,083	-	787,317	-	892,357	892,357
Gun club	216,298	229,257	-	-	-	12,959	12,959
Total business-type activities	29,859,048	32,324,582	-	5,867,245	-	8,332,779	8,332,779
Total primary government	$ 48,168,416	$ 38,653,183	$ 1,117,808	$ 10,564,020	(6,166,184)	8,332,779	2,166,595
General revenues:							
Property taxes					2,558,318	-	2,558,318
Sales taxes					5,267,286	-	5,267,286
Other taxes					362,459	-	362,459
Unrestricted investment earnings					81,826	160,698	242,524
Joint venture gain (loss)					(3,131)	(161,171)	(164,302)
Gain (loss) on sale of capital assets					(563,962)	-	(563,962)
Transfers					3,973,876	(3,973,876)	-
Total general revenues and transfers					11,676,672	(3,974,349)	7,702,323
Change in net assets					5,510,488	4,358,430	9,868,918
Net assets - beginning					64,153,304	129,886,477	194,039,781
Prior Period Adjustment					-	126,048	126,048
Net assets - ending					$ 69,663,792	$ 134,370,955	$ 204,034,747

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

Spanish Fork City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Major Capital Project Fund North Park	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,852,194	$ 1,502,923	$ 284,300	$ 5,639,417
Receivables (net of allowance):				
Tax	2,379,907	-	9,925	2,389,832
Due from other funds	1,012,482	559,741	628,315	2,200,538
Prepaid expense	52,565	-	-	52,565
Equity in joint venture	79,626	-	-	79,626
Restricted Assets:				
Cash and cash equivalents	5,121,547	-	1,445,166	6,566,713
Total assets	$ 12,498,321	$ 2,062,664	$ 2,367,706	$ 16,928,691
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 998,426	$ -	$ -	$ 998,426
Payroll payable	555,323	-	-	555,323
Developer escrow	2,842,936	-	-	2,842,936
Final inspection deposit	462,892	-	-	462,892
Connector agreements	16,183	-	-	16,183
Deferred revenue	1,477,150	-	-	1,477,150
Total liabilities	6,352,910	-	-	6,352,910
Fund balances:				
Reserved for:				
Class "C" roads	1,822,853	-	-	1,822,853
Redevelopment agency	-	-	1,967,598	1,967,598
Impact fees	-	-	-	-
Designated for:				
Capital projects	-	2,062,664	53,110	2,115,774
Undesignated	4,322,558	-	346,998	4,669,556
Total fund balances	6,145,411	2,062,664	2,367,706	10,575,781
Total liabilities and fund balances	$ 12,498,321	$ 2,062,664	$ 2,367,706	$ 16,928,691

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

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2010

Total fund balances - governmental fund types:		$ 10,575,781
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	2,671,738	
Cost of capital assets	121,300,204	
Accumulated depreciation	(41,823,681)	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		82,148,261
Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilitites of the internal service funds are included in governmental activities in the statement of net assets, but not in the Balance Sheet - Governmental Funds		(947,439)
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	(186,120)	
Non-current liabilities due within one year	(1,049,484)	
Compensated absences	(1,139,682)	
Unamortized Bond Premium	(212,525)	
Non-current liabilities due in more than one year	(19,525,000)	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		(22,112,811)
Net assets of government activities		$ 69,663,792

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

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Major Capital Project Fund North Park	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 7,354,873	$ -	$ 833,190	$ 8,188,063
Licenses and permits	800,189	-	-	800,189
Intergovernmental revenues	1,117,808	-	-	1,117,808
Charges for services	1,414,320	-	-	1,414,320
Fines and forfeitures	159,018	-	-	159,018
Interest income	77,307	-	4,519	81,826
Sundry revenue	1,413,060	-	800,000	2,213,060
Total revenues	12,336,575	-	1,637,709	13,974,284
	13,013,860			
EXPENDITURES				
Current:				
General government	3,365,371	-	-	3,365,371
Public safety	4,161,250	-	-	4,161,250
Public works	3,927,963	-	270,855	4,198,818
Parks, recreation and public property	2,335,357	-	-	2,335,357
Debt Service:				
Principal retirement	-	-	825,000	825,000
Interest and fiscal charges	-	-	929,708	929,708
Capital outlay	-	2,967,893	503,063	3,470,956
Total expenditures	13,789,941	2,967,893	2,528,626	19,286,460
Excess revenues over (under) expenditures	(1,453,366)	(2,967,893)	(890,917)	(5,312,176)
Other financing sources (uses)				
Sale of fixed assets	28,775	-	-	28,775
Grant Proceeds	-	-	38,769	38,769
Impact fees	706,496	-	-	706,496
Indirect services	1,742,014	-	-	1,742,014
Transfers in	-	4,400,000	473,876	4,873,876
Transfers out	(900,000)	-	-	(900,000)
Total other financing sources and uses	1,577,285	4,400,000	512,645	6,489,930
Excess of revenues and other sources over (under) expenditures and other uses	123,919	1,432,107	(378,272)	1,177,754
Fund balances - beginning of year	6,021,492	630,557	2,745,978	9,398,027
Fund balances - end of year	$ 6,145,411	$ 2,062,664	$ 2,367,706	$ 10,575,781

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

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, 2010

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		$ 1,177,754
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	3,661,829	
Depreciation Expense	(3,851,720)	
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities		(189,891)
The net effect of various miscellaneous transations in volving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.		
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount that proceeds exceed the gain on the statement of activities.	(592,737)	
The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contibutions from developers as revenue.	3,951,510	
		3,358,773
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.		341,336
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.		844,376
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		(18,729)
Change in net assets of governmental activities		$ 5,510,488

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

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Over(Under)
REVENUES				
Taxes	$ 7,456,830	$ 7,292,598	$ 7,354,873	$ 62,275
Licenses and permits	502,000	872,891	800,189	(72,702)
Intergovernmental revenues	1,126,901	1,161,601	1,117,808	(43,793)
Charges for services	1,541,200	1,334,252	1,414,320	80,068
Fines and forfeitures	153,000	159,513	159,018	(495)
Interest income	165,250	62,552	77,307	14,755
Sundry revenue	1,368,601	1,291,519	1,413,060	121,541
Total revenues	12,313,782	12,174,926	12,336,575	161,649
EXPENDITURES				
Current:				
General government	3,483,013	3,455,476	3,365,371	(90,105)
Public safety	4,716,900	4,621,039	4,161,250	(459,789)
Public works	4,712,730	5,034,524	3,927,963	(1,106,561)
Parks, recreation and public property	2,535,004	2,546,541	2,335,357	(211,184)
Total expenditures	15,447,647	15,657,580	13,789,941	(1,867,639)
Excess revenues over (under) expenditures	(3,133,865)	(3,482,654)	(1,453,366)	2,029,288
Other financing sources (uses)				
Sale of fixed assets	30,000	30,000	28,775	(1,225)
Impact fees	145,800	145,800	706,496	560,696
Indirect services	1,712,274	1,742,014	1,742,014	-
Transfers in	539,414	-	-	-
Transfers out	(200,000)	(900,000)	(900,000)	-
Total other financing sources and uses	2,227,488	1,017,814	1,577,285	559,471
Excess of revenues and other sources over (under) expenditures and other uses	(906,377)	(2,464,840)	123,919	2,588,759
Fund balances - beginning of year	6,021,492	6,021,492	6,021,492	-
Fund balances - end of year	$ 5,115,115	$ 3,556,652	$ 6,145,411	$ 2,588,759

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

Spanish Fork City
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise Funds					Governmental Activites - Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	$ 763,703	$ 7,852,534	$ 13,813,052	$ 4,923,977	$ 27,353,266	$ -
Accounts receivable	426,572	249,995	2,353,514	205,287	3,235,368	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	749,863	2,924,556	5,412,862	2,288,397	11,375,678	-
Prepaid Expense	-	-	45,018	-	45,018	-
Inventory	4,500	3,500	1,408,547	16,788	1,433,335	-
Total current assets	1,935,230	11,027,760	23,002,636	7,432,231	43,397,857	-
Noncurrent assets:						
Restricted cash and equivalents	1,249,704	-	720,666	1,221,763	3,192,133	-
Capital Assets:						
Land	280,483	644,758	853,156	173,792	1,952,189	-
Water rights	4,172,234	-	-	-	4,172,234	-
Buildings	2,382,801	512,049	2,918,816	752,255	6,565,921	205,920
Improvements	59,132,008	30,152,236	38,864,023	13,270,417	141,418,684	-
Equipment	2,828,051	2,340,129	1,336,399	999,302	7,503,881	8,900,223
Less: accumulated depreciation	(18,438,524)	(12,806,594)	(11,742,574)	(5,466,335)	(48,454,027)	(6,267,559)
Other Assets:						
Equity in joint venture	-	-	-	1,426,797	1,426,797	-
Deferred bond costs	98,601	-	140,135	-	238,736	-
Total noncurrent assets	51,705,358	20,842,578	33,090,621	12,377,991	118,016,548	2,838,584
Total assets	$ 53,640,588	$ 31,870,338	$ 56,093,257	$ 19,810,222	$ 161,414,405	$ 2,838,584
LIABILITIES						
Current liabilities:						
Due to other funds	$ 1,216,456	$ 5,489,258	$ 1,930,037	$ 4,005,985	$ 12,641,736	$ 934,480
Accounts payable	152,700	123,009	298,275	136,326	710,310	57,846
Accrued interest payable	33,323	-	-	-	33,323	3,703
Compensated absences payable	73,408	56,805	271,056	60,756	462,025	31,202
Customer deposits	-	-	396,476	-	396,476	-
Final inspection deposits	-	-	454,552	-	454,552	-
Current Portion:						
Lease payable	-	-	-	-	-	48,844
Bonds payable	1,194,000	-	710,000	-	1,904,000	-
Total current liabilities	2,669,887	5,669,072	4,060,396	4,203,067	16,602,422	1,076,075
Noncurrent liabilities:						
Deferred revenue	6,001	1,873	-	5,000	12,874	-
Lease Payable	-	-	-	-	-	199,484
Bonds payable	6,378,000	-	3,980,000	-	10,358,000	-
Bond premiums	157,395	-	-	-	157,395	-
Deferred amount of refunding	(184,675)	-	-	-	(184,675)	-
Total noncurrent liabilities	6,356,721	1,873	3,980,000	5,000	10,343,594	199,484
Total liabilities	9,026,608	5,670,945	8,040,396	4,208,067	26,946,016	1,275,559
NET ASSETS						
Invested in capital assets, net of related debt	43,122,480	20,842,578	28,260,486	9,729,431	101,954,975	2,838,584
Restricted for:						
Impact fees	386,103	-	-	1,221,763	1,607,866	-
Water rights	526,174	-	-	-	526,174	-
Bond requirements	337,427	-	720,666	-	1,058,093	-
Unrestricted	241,796	5,356,815	19,071,709	4,650,961	29,321,281	(1,275,559)
Total net assets	$ 44,613,980	$ 26,199,393	$ 48,052,861	$ 15,602,155	134,468,389	$ 1,563,025

Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:	(97,434)
Net assets from business-type activities:	$ 134,370,955

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

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	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	$ 4,604,123	$ 2,278,012	$ 21,005,627	$ 2,883,684	$ 30,771,446	$ 1,148,642
Other income	29,420	87,668	1,434,576	1,472	1,553,136	(18,099)
Total operating revenues	4,633,543	2,365,680	22,440,203	2,885,156	32,324,582	1,130,543
Operating Expenses:						
Water assessment	53,480	-	-	-	53,480	-
Power purchases	-	-	10,049,534	-	10,049,534	-
Landfill fees	-	-	-	840,467	840,467	-
Employee salaries	715,462	557,335	2,467,634	824,910	4,565,341	271,172
Materials and supplies	161,064	87,550	1,221,402	176,158	1,646,174	308,126
Repairs and maintenance	36,362	82,803	72,115	77,240	268,520	217,883
Professional services	112,619	86,826	2,281,416	187,658	2,668,519	10,799
Motorpool charges	101,221	109,238	233,043	144,128	587,630	-
Utilities	259,305	170,703	75,932	66,500	572,440	12,310
Insurance	21,213	21,028	40,692	17,827	100,760	1,290
Depreciation	2,061,018	1,029,717	1,067,972	364,061	4,522,768	885,582
Amortization	47,683	-	75,366	-	123,049	-
Indirect services	569,611	405,815	510,414	256,175	1,742,015	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	17,378	43,047	146,027	23,952	230,404	-
Total operating expenses	4,292,700	2,603,629	18,983,439	2,979,076	28,858,844	1,707,162
Operating income	340,843	(237,949)	3,456,764	(93,920)	3,465,738	(576,619)
Nonoperating revenues (expenses):						
Interest revenue	24,412	-	136,286	-	160,698	-
Impact fees and water right fees	412,888	311,318	345,562	17,104	1,086,872	-
Change in joint venture equity	-	-	-	(161,171)	(161,171)	-
Contributions from private contractors	1,650,467	466,809	1,892,884	770,213	4,780,373	-
Interest expense	(440,541)	-	(218,114)	-	(658,655)	(1,754)
Total nonoperating revenues (expenses)	1,647,226	778,127	2,156,618	626,146	5,208,117	(1,754)
Income (loss) before operating transfers	1,988,069	540,178	5,613,382	532,226	8,673,855	(578,373)
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	482,253	373,075	855,328	-
Operating transfers out	-	-	(4,829,204)	-	(4,829,204)	-
Total contributions and operating transfers	-	-	(4,346,951)	373,075	(3,973,876)	-
Change in net assets	1,988,069	540,178	1,266,431	905,301	4,699,979	(578,373)
Total net assets - beginning	42,625,911	25,659,215	46,786,430	14,570,806	129,642,362	2,141,398
Prior period adjustment	-	-	-	126,048	126,048	-
Total net assets - ending	$ 44,613,980	$ 26,199,393	$ 48,052,861	$ 15,602,155		$ 1,563,025

Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:	(341,549)
Change in net assets of business-type activities:	$ 4,358,430

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

Spanish Fork City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	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	$ 4,502,957	$ 2,266,903	$ 20,415,562	$ 2,869,417	$ 30,054,839
Other cash receipts	29,420	87,668	1,434,576	1,472	1,553,136
Interfund services provided	124,259	-	490,345	-	614,604
Payments to suppliers	(1,437,248)	(1,016,577)	(15,150,011)	(1,797,602)	(19,401,438)
Payments to employees	(729,708)	(557,937)	(2,482,487)	(826,176)	(4,596,308)
Net cash provided (used) by operating activities	2,489,680	780,057	4,707,985	247,111	8,224,833
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	(77,316)	(186,625)	239,895	(474,769)	(498,815)
Increase (decrease) in due to other funds	255,806	615,835	(216,077)	182,874	838,438
Transers in (out)	-	-	(4,346,951)	373,075	(3,973,876)
Net cash provided (used) by noncapital activities	178,490	429,210	(4,323,133)	81,180	(3,634,253)
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(3,399,142)	(2,703,745)	(5,022,577)	(915,697)	(12,041,161)
Principal paid on capital debt	(998,000)	-	(460,000)	-	(1,458,000)
Interest paid on capital debt	(440,541)	-	(218,114)	-	(658,655)
(Increase) decrease in deferred amount on refunding	13,319	-	52,547	-	65,866
Contributions from (reimbursements to) private contractors	1,650,467	466,809	1,892,884	770,213	4,780,373
Impact fees collected	412,888	311,318	345,562	17,104	1,086,872
Net cash provided (used) by capital and related financing activities	(2,761,009)	(1,925,618)	(3,409,698)	(128,380)	(8,224,705)
Cash Flows From Investing Activities					
Interest and dividends received	24,412	-	136,286	-	160,698
Increase (decrease) in unamortized bond premiums	(23,033)	-	-	-	(23,033)
Net cash provided (used) by investing activities	1,379	-	136,286	-	137,665
Net increase (decrease) in cash and cash equivalents	(91,460)	(716,351)	(2,888,560)	199,911	(3,496,460)
Cash and cash equivalents, July 1	2,104,867	8,568,885	17,422,278	5,945,829	34,041,859
Cash and cash equivalents, June 30	$ 2,013,407	$ 7,852,534	$ 14,533,718	$ 6,145,740	$ 30,545,399
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	$ 340,843	$ (237,949)	$ 3,456,764	$ (93,920)	3,465,738
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,061,018	1,029,717	1,067,972	364,061	4,522,768
Amortization expense	47,683	-	75,366	-	123,049
(Increase) decrease in accounts receivable	23,093	(11,109)	(85,353)	(14,264)	(87,633)
Decrease (increase) in inventory	-	-	289,582	2,174	291,756
Increase (decrease) in accrued liabilities	31,289	-	(41,040)	(9,674)	(19,425)
Increase (decrease) in compensated absences	(14,246)	(602)	(14,853)	(1,266)	(30,967)
Increase (decrease) in customer deposits	-	-	(26,086)	-	(26,086)
Increase (decrease) in deferred revenue	-	-	(14,367)	-	(14,367)
Total adjustments	2,148,837	1,018,006	1,251,221	341,031	4,759,095
Net cash provided (used) by operating activities	$ 2,489,680	$ 780,057	$ 4,707,985	$ 247,111	$ 8,224,833

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

Spanish Fork City
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Fire Retirement Capital Fund
ASSETS	
Cash and equivalents	$ 54,872
Total assets	$ 54,872
LIABILITIES AND FUND BALANCES	
Fund Balances:	
Deferred compensation	$ 54,872
Total fund balances	54,872
Total liabilities and fund balance	$ 54,872

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

Spanish Fork City
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	$ 11,400
Interest income	624
Total	12,024
EXPENDITURES:	
Retirement payments	13,908
Total	13,908
Excess of revenues over (under) expenditures	(1,884)
Fund balances - beginning of year	56,756
Fund balances - end of year	$ 54,872

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

INDEX

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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, Culinary Water and Pressurized Irrigation Services, Sewer Services, Electric and Broadband Services, Solid Waste Services, Street Lighting and Storm Drainage Services.

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

Library: Library Administration and Public Services.

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

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

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Fund Financial Statements:

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

the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Debt Service Fund

The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.

Special Revenue Funds

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

Capital Project Fund

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

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 provide to other departments or agencies of the government on a cost reimbursement basis.

Major and Nonmajor Funds

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

Fund	Brief Description
Major:	
General	See above for description.
Capital Projects Fund– North Park Development.	Accounts for the accumulation of funds, revenues and expenditures on projects such as the 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 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 and Police / Court Building.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

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

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

1.D. ASSETS, LIABILITIES, AND EQUITY

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

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

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

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

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

Inventories and prepaid items

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

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

Restricted assets

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

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

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2010, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liablity Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	$ 722,443	$ 285,877	$ 1,008,320
Sick Leave Liability	417,239	176,148	593,387
Total Compensated Absences	$ 1,139,682	$ 462,025	$ 1,601,707

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

Equity Classifications

Government-wide Statements
Equity is classified as net assets and displayed in three components:

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

Fund Statements

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

1.E. REVENUES, EXPENDITURES, AND EXPENSES

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

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

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

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

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

Governmental Funds—By Character:
Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund—By Operating and Non-operating

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

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

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

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

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

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

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

2.B. REVENUE RESTRICTIONS

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

Revenue Source	Legal Restrictions of Use
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, 2010, the City complied, in all material respects, with these revenue restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt
No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2010, 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, 2010, the City had $32,885,328 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, 2010.

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.

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.

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, 2010 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, 2010, The City's custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2010
Depository Accounts	Insured	$ 250,000
	Uninsured and uncollateralized	1,903,000
Total Depository Accounts		$ 2,153,000

Investments

As of June 30, 2010 the government had the following investments and maturities:

		Investment Maturity in Years			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments in Public Treasurers'	$37,559,632	$37,559,632	$ -	$ -	$ -
Bond Escrows	1,494,878	1,494,878	-	-	-
Money Market	1,598,891	1,598,891	-	-	-
Total Fair Value	$40,653,401	$40,653,401	$ -	$ -	$ -

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.

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	$	2,128,549
Investments		40,653,401
Cash on hand		24,451
Total	$	42,806,401
Government - Wide		
Cash and Cash Equivalents	$	32,992,683
Restricted Cash & Cash Equivalents		9,758,846
Fiduciary Restricted Cash		54,872
Total	$	42,806,401
Net Cash on Statement of Net Assets	$	42,751,529
Fiduciary Restricted Cash		54,872
Total	$	42,806,401

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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, 2010 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
Business-Type Activities:				
Water right fees	$ 526,174	$ -	$ -	$ 526,174
Pressurized Irrigation Impact Fee	386,103	-	-	386,103
Storm drainage impact fees	1,221,763	-	-	1,221,763
Water bond requirements	337,427	-	-	337,427
Electric bond requirements	720,666	-	-	720,666
Total	$ 3,192,133	$ -	$ -	$ 3,192,133
Governmental Activities:				
Developer escrows	$ 2,842,936	$ -	$ -	$ 2,842,936
Class "C" roads	1,822,853	-	-	1,822,853
RDA requirements	1,967,598	-	-	1,967,598
Total	6,633,387	-	-	6,633,387
Grand Totals	$ 9,825,520	$ -	$ -	$ 9,825,520

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2010, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	$ -	$ 3,235,368	$ 3,235,368
Property tax	1,451,326	-	1,451,326
Other tax	938,506	-	938,506
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	$ 2,389,832	$ 3,190,560	$ 5,580,392

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

	Unavailable	Unearned
Property taxes receivable (general fund)	$ 1,451,326	$ -
	-	-
Total deferred/unearned revenue for governmental funds	$ 1,451,326	$ -

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Additions	Adjustments	Disposals	Balance at June 30, 2010
Governmental activities:					
Land (not being depreciated)	$ 9,747,932	$ 452,035	$ -	$ -	$ 10,199,967
Buildings	25,641,591	6,602	-	-	25,648,193
Improvements	13,987,652	88,324	2,821,778	73,058	16,970,811
Machinery and equipment	11,034,427	573,311	(188,309)	(491,569)	10,927,860
Infrastructure	53,588,732	6,932,534	(2,967,893)	-	57,553,373
Totals at historical cost	114,000,334	8,052,806	(334,425)	(418,512)	121,300,204
Less accumulated depreciation					
Buildings	(4,989,099)	(801,403)	-	-	(5,790,502)
Improvements	(2,571,811)	(563,555)	-	56,562	(3,078,804)
Machinery and equipment	(7,210,635)	(992,696)	4,516	547,760	(7,651,055)
Infrastructure	(22,923,743)	(2,379,577)	-	-	(25,303,320)
Total accumulated depreciation	(37,695,288)	(4,737,231)	4,516	604,322	(41,823,681)
Governmental activities capital assets, net	$ 76,305,046	$ 3,315,575	$ (329,909)	$ 185,810	$ 79,476,523
		-			
Business-type activities:					
Land (not being depreciated)	$ 1,440,946	$ 511,243	$ -	$ -	$ 1,952,189
Water shares (not being depreciated)	3,754,741	436,623	-	(19,130)	4,172,234
Buildings and structures	6,372,422	193,500	-	-	6,565,922
Improvements	131,569,705	9,848,976	-	-	141,418,681
Machinery and equipment	6,622,520	1,013,354	-	(131,996)	7,503,878
Totals at historical cost	149,760,334	12,003,696	-	(151,126)	161,612,904
Less accumulated depreciation					
Buildings and structures	(1,949,093)	(169,526)	-	-	(2,118,619)
Improvements other than buildings	(39,167,966)	(3,808,727)	-	-	(42,976,693)
Machinery and equipment	(2,946,195)	(544,517)	-	131,996	(3,358,716)
Total accumulated depreciation	(44,063,254)	(4,522,770)	-	131,996	(48,454,028)
Business-type activities capital assets, net	$ 105,708,057	$ 7,480,926	$ -	$ (19,130)	$ 113,158,876

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 223,896
Public safety	727,524
Public works	2,409,919
Parks	490,381
Governmental portion of internal service fund	885,511
Total depreciation expense - governmental activities	$ 4,737,231
Business-type activities	
Water	$ 2,061,018
Electric	1,067,972
Sewer	1,029,717
Garbage	39,644
Golf course	51,269
Swimming pool	24,049
Storm drainage	230,692
Gun club	18,407
Total depreciation expense - business-type activities	$ 4,522,768

3.E. ACCOUNTS PAYABLE

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

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, 2010, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Maturity Dates	Balance
Sales Tax Revenue Bond Series 2007 (Original amount $22,000,000)	4.0% to 4.750%	2027	20,375,000
Total bonds payable - governmental activities			$ 20,375,000
Less current portion			(850,000)
Total long term portion of bonds payable - governmental activities			$ 19,525,000

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	248,328
Current portion of capital leases payable	(48,844)
Long term portion of capital leases payable	$ 199,484

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Business-type Activities:

As of June 30, 2010, the long-term debt payable from proprietary fund resources consisted of the following:

	Interest Rate	Maturity Dates	Balance
Water Revenue Bonds Series 1991B/98B Dated October 23, 1991 (Original amount $875,000)	0.00%	2012	$ 87,000
Water Revenue Refunding Bond Series 1998A - Dated October 1, 1998 (Original amount $1,310,000)	3.4% to 4.35%	2011	265,000
Electric Utility Revenue Bond Dated August 15, 2000 (Original amount $9,230,000)	2.75%	2015	4,690,000
Water Revenue Bond 2002 Dated March 15, 2002 (Original amount $16,255,000)	4.00% to 5.50%	2017	7,220,000
Total bonds payable - business-type activities			12,262,000
Less current portion			(1,904,000)
Total bonds payable - long term portion			$ 10,358,000

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Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

Type of Debt	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Governmental activities:				
Bonds payable	$ 20,375,000	$ -	$ (850,000)	$ 19,525,000
Capital leases payable	93,638	199,484	(93,638)	199,484
Compensated absences	1,119,109	41,145	-	1,160,254
Total - Governmental Activities	$ 21,587,747	$ 240,629	$ (943,638)	$ 20,884,738
Business-type Activities:				
Bonds payable	$ 12,092,000	$ -	$ (1,904,000)	$ 10,188,000
Compensated absences	492,992	-	(30,967)	462,025
Total - Business-type Activities	$ 14,202,095	$ -	$ (1,934,967)	$ 12,267,128
Due Within One Year	$ 2,503,357	$ (2,802,844)	$ (2,503,357)	$ (2,802,844)

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2010, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2011	$ 850,000	$ 893,375	$ 1,904,000	$ 529,808
2012	875,000	859,375	1,713,000	437,631
2013	925,000	824,375	1,750,000	368,169
2014	950,000	787,375	1,820,000	295,394
2015	975,000	749,375	1,915,000	219,375
2016-2020	5,600,000	3,114,375	3,160,000	206,044
2021-2025	6,950,000	1,771,813	-	-
2026-2028	3,250,000	232,750	-	-
Total	$ 20,375,000	$ 9,232,813	$ 12,262,000	$ 2,056,421

Depreciation and Other Information on Capital Leases
The assets acquired through capital leases are as follows:

Machinery and equipment	$	308,282
Less: Accumulated depreciation		(61,656)
Total	$	246,626

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, 2010 are:

Fiscal Year		Amount
2011	$	48,844
2012		51,029
2013		53,312
2014		95,143
Total minimum lease payments		248,328
Less amounts representing interest		(25,829)
Present value of minimum lease payments	$	222,499

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3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

	Transfers in	Transfers out
Governmental Activities :		
General fund	$ -	$ 900,000
Debt Service Fund	956,129	-
Capital project fund-River Reclaim	-	-
Capital project fund-North Park	4,400,000	-
Total Governmental Activities	5,356,129	900,000
Business-type Activities:		
Major funds:		
Electric fund	-	4,829,204
Non-major funds:		
Golf course	211,375	-
Swimming pool	161,700	-
Total Business-type Activities	373,075	4,829,204
Grand Totals	$ 5,729,204	$ 5,729,204

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:

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

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

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	$ 569,611	$ -
Sewer Fund	405,815	-
Electric Fund	510,414	-
Non-major business type activities:		
Golf Course	45,050	-
Swimming Pool	26,233	-
Garbage	91,850	-
Storm Drain	93,041	-
Major Governmental activities:		
General fund	-	1,742,014
	$ 1,742,014	$ 1,742,014

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	$ 1,444,817	$ 421,669
Non-major funds		
Special revenue fund	522,432	-
Debt service fund	80,805	-
Capital projects fund	574,153	-
Total Governmental	2,622,207	421,669
Business-type funds		
Major funds		
Water fund	749,863	1,216,456
Sewer fund	2,924,556	5,489,257
Electric fund	5,412,862	1,930,037
Non-major funds		
Golf course fund	1,390,951	4,005,985
Swimming pool fund	3,722	-
Garbage fund	470,338	-
Storm drainage fund	420,908	-
Gun club fund	2,477	-
Total Business-Type	11,375,677	12,641,735
Internal service fund		
Motorpool fund	-	934,480
Grand Total	$ 13,997,884	$ 13,997,884

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, 11.66% to the Noncontributory, and 23.34% 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, 2010, 2009, and 2008 were; for the Noncontributory System $687,518, $705,141 and $678,292; for the Public Safety Noncontributory $ 318,149, $307,787 and $309,578 respectively. The contributions were equal to or greater than the required contributions for each year.

401(k) Plan

The employees of City also participate in a 401(k) deferred compensation plan with MetLife. The amount of the employer contributions for the year ended June 30, 2010, 2009 and 2008, 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	0.602%
	100.000%

b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement

which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.

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

d. Audited summary financial information of UMPA at June 30, 2010 is as follows from UMPA:

	UMPA	Spanish Fork City's Share
Total assets	$ 44,001,619	$ 4,140,112
Total liabilities	$ 44,001,619	$ 4,140,112
Total net assets	$ -	$ -
Total operating revenues	$ 62,428,536	$ 5,873,901
Total operating expenses	(69,532,515)	$ (6,542,314)
Net operating income	(7,103,979)	12,416,215
Total non-operating income (expenses)	7,103,979	668,413
Change in net assets	$ -	$ -

The joint venture has the following long-term debt:

Revenue bonds payable	$ 27,646,317	$ 2,601,242

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

South Utah Valley Solid Waste District

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

Additional information is as follows:

a. Participants and their percentage shares:

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

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

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

d. Audited summary financial information of the District as June 30, 2010 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	$ 18,059,642	$ 2,122,008
Total liabilities	$ 5,916,686	$ 695,211
Total net assets	$ 12,142,956	$ 1,426,797
Total operating revenues	$ 4,527,195	$ 531,945
Total operating expenses	5,270,710	619,308
Net operating income	(743,515)	(87,363)
Total non-operating income (expenses)	(42,229)	(4,962)
Change in net assets	$ (785,744)	$ (92,325)

The joint venture has the following long-term debt:

Closure and postclosure liability	$ 2,963,891	$ 348,257
Accrued compensated absences	242,542	28,499
Long Term Debt	2,124,789	249,663
Total long-term liabilities	$ 5,331,222	$ 626,419

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

Spanish Fork/Springville Airport

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

a. Participants and their percentage shares:

Springville City	50.00%
Spanish Fork	50.00%

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

c. The Airport board governs the operations of the airport through management employed by the board. The Airport is subject to the same laws as the 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, 2010, is as follows:

	Springville Airport	Spanish Fork City's Share
Total assets	$ 5,547,711	$ 2,773,856
Total liabilities	$ (44,984)	$ (22,492)
Total net assets	$ 5,502,727	$ 2,751,364
Program revenues	$ 261,790	$ 130,895
General revenues	5,017	2,509
Program expenses	(273,070)	(136,535)
Change in net assets	$ (6,263)	$ (3,132)

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

4.E. WATER LOAN PROGRAM

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

1. Fidelity Bonds
   A. Public Treasurer Bond for $1,900,000 expiring January 1, 2011 issued by Moreton & Company.
   B. $100,000 Blanket Employee Bond expiring March 31, 2012 covering all employees and elected officials of the City issued by Moreton & Company.
   C. $100,000 Water bond expiring April 30, 2011 covering billing clerk, cashier, treasurer and administrative finance director issued by Leavitt Insurance.

2. 9,512 water connections at June 30, 2010

3. Total culinary water billings for the year were $2,285,556.

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 (1 inch)	$ 807.00

5. The balance in the reserve and emergency repair funds is $41,080.

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	$	285,900
B. Kirby RDA		264,236
C. Wasatch Wind CDA		283,054
Total Collected	$	833,190
2. The amount of tax increment paid to any taxing agency:		
A. North Industrial RDA		
B. Kirby RDA		
C. Wasatch Wind CDA		(84,916)
Total Paid	$	(84,916)
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 & contracted costs		(185,939)
Total Expended	$	(185,939)

SUPPLEMENTARY INFORMATION

Spanish Fork City
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2010

		Debt Service		Capital Projects		Total Non-major
	RDA Fund	Debt Service Fund	Special Guarantee Fund	Police/Court Fund	River Reclaim. Fund	Governmental Funds
ASSETS						
Cash and cash equivalents	$ -	$ 216,964	$ 28,638	$ -	$ 38,698	$ 284,300
Accounts receivable	-	9,925	-	-	-	9,925
Due from other funds	522,432	80,805	10,666	-	14,412	628,315
Restricted Assets:						
Cash and cash equivalents	1,445,166	-	-	-	-	1,445,166
Total assets	$ 1,967,598	$ 307,694	$ 39,304	$ -	$ 53,110	$ 2,367,706
LIABILITIES AND FUND BALANCES						
Liabilities:						
Total liabilities	$ -	$ -	$ -	$ -	$ -	$ -
Fund balances:						
Designated for:						
Capital projects	-	-	-	-	53,110	53,110
Reserved for:						
Redevelopment	1,967,598	-	-	-	-	1,967,598
Unreserved:						
Unreserved fund balance	-	307,694	39,304	-	-	346,998
Total fund balances	1,967,598	307,694	39,304	-	53,110	2,367,706
Total liabilities and fund balance	$ 1,967,598	$ 307,694	$ 39,304	$ -	$ 53,110	$ 2,367,706

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

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2010

		Debt Service		Capital Projects		Total
REVENUES:	RDA Fund	Debt Service Fund	Special Guarantee Fund	Police/Court Fund	River Reclaim. Fund	Non-major Governmental Funds
Taxes	$ 833,190	$ -	$ -	$ -	$ -	833,190
Sundry Revenues	-	800,000	-	-	-	800,000
Interest income	-	4,519	-	-	-	4,519
Total revemues	833,190	804,519	-	-	-	1,637,709
EXPENDITURES:						
Current Expenditures:						
RDA	270,855	-	-	-	-	270,855
Debt service:						
Principal retirement	-	825,000	-	-	-	825,000
Interest and fiscal charges	-	929,708	-	-	-	929,708
Capital outlay	-	-	-	-	503,063	503,063
Total expenditures	270,855	1,754,708	-	-	503,063	2,528,626
Excess of revenues over (under) expenditures	562,335	(950,189)	-	-	(503,063)	(890,917)
Other financing sources (uses):						
Grant Proceeds					38,769	38,769
Transfers in (out)	-	956,129	-	(482,253)	-	473,876
Total other financing sources (uses)	-	956,129	-	(482,253)	38,769	512,645
Excess of revenues and other sources over (under) expenditures and other uses	562,335	5,940	-	(482,253)	(464,294)	(378,272)
Fund balances - beginning of year	1,405,263	301,754	39,304	482,253	517,404	2,745,978
Fund balances - end of year	$ 1,967,598	$ 307,694	$ 39,304	$ -	$ 53,110	$ 2,367,706

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, 2010

	Business-Type Activities - Enterprise Funds					
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,735,132	$ 10,532	$ 1,262,875	$ (91,612)	$ 7,050	$ 4,923,977
Accounts receivable	-	-	127,673	77,601	13	205,287
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	1,390,951	3,723	470,338	420,908	2,477	2,288,397
Inventory	-	-	-	-	16,788	16,788
Total current assets	5,126,083	14,255	1,859,156	406,409	26,328	7,432,231
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	1,221,763	-	1,221,763
Capital Assets:						
Land	19,955	-	143,505	10,332	-	173,792
Buildings	676,073	-	48,066	-	28,116	752,255
Improvements	1,154,723	2,292,705	111,779	9,615,737	95,473	13,270,417
Equipment	146,446	19,922	742,015	-	90,919	999,302
Less: accumulated depreciation	(1,616,022)	(1,858,692)	(626,871)	(1,289,318)	(75,432)	(5,466,335)
Other Assets:						
Equity in joint venture	-	-	1,426,797	-	-	1,426,797
Total noncurrent assets	381,175	453,935	1,845,291	9,558,514	139,076	12,377,991
Total assets	$ 5,507,258	$ 468,190	$ 3,704,447	$ 9,964,923	$ 165,404	$ 19,810,222
LIABILITIES						
Current liabilities:						
Due to other funds	$ 4,005,985	$ -	$ -	$ -	$ -	$ 4,005,985
Accounts payable	33,640	42,203	50,726	7,263	2,494	136,326
Compensated absences	28,469	1,597	4,080	23,763	2,847	60,756
Total current liabilities	4,068,094	43,800	54,806	31,026	5,341	4,203,067
Noncurrent liabilities:						
Deferred revenue	-	-	-	5,000	-	5,000
Total noncurrent liabilities	-	-	-	5,000	-	5,000
Total liabilities	4,068,094	43,800	54,806	36,026	5,341	4,208,067
NET ASSETS						
Invested in capital assets, net of related debt	381,175	453,935	418,494	8,336,751	139,076	9,729,431
Restricted for:						
Impact fees	-	-	-	1,221,763	-	1,221,763
Unrestricted	1,057,989	(29,545)	3,231,147	370,383	20,987	4,650,961
Total net assets	$ 1,439,164	$ 424,390	$ 3,649,641	$ 9,928,897	$ 160,063	$ 15,602,155

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

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-major Proprietary Funds
For the Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds					
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
Operating Revenues:						
Charges for sales and services	$ 530,544	$ 224,453	$ 1,128,517	$ 772,083	$ 228,087	$ 2,883,684
Other income	302	-	-		1,170	1,472
Total operating revenues	530,846	224,453	1,128,517	772,083	229,257	2,885,156
Operating Expenses:						
Landfill fees	-	-	840,467	-	-	840,467
Employee salaries	331,621	201,690	36,140	225,570	29,889	824,910
Materials and supplies	25,450	44,682	1,255	25,306	79,465	176,158
Repairs and maintenance	57,841	11,184	-	2,088	6,127	77,240
Professional services	7,056	20,174	21,708	64,697	74,023	187,658
Motorpool charges	129,446	386	-	14,296	-	144,128
Utilities	27,131	31,277	-	41	8,051	66,500
Insurance	11,577	2,860	73	2,981	336	17,827
Depreciation	51,269	24,049	39,644	230,692	18,407	364,061
Indirect services	45,050	26,234	91,850	93,041	-	256,175
Sundry charges	12,701	-	2,920	8,331	-	23,952
Total operating expenses	699,142	362,536	1,034,057	667,043	216,298	2,979,076
Operating income	(168,296)	(138,083)	94,460	105,040	12,959	(93,920)
Nonoperating revenues (expenses):						
Impact fees	-	-	-	17,104	-	17,104
Change in joint venture equity	-	-	(161,171)	-	-	(161,171)
Contributions from private contractors	-	-	-	770,213	-	770,213
Total nonoperating revenues (expenses)	-	-	(161,171)	787,317	-	626,146
Income (loss) before operating transfers	(168,296)	(138,083)	(66,711)	892,357	12,959	532,226
Operating Transfers:						
Operating transfers in	211,375	161,700	-	-	-	373,075
Total operating transfers	211,375	161,700	-	-	-	373,075
Change in net assets	43,079	23,617	(66,711)	892,357	12,959	905,301
Total net assets - beginning	1,396,085	400,773	3,716,352	8,910,492	147,104	14,570,806
Prior period adjustment				126,048		126,048
Total net assets - ending	$ 1,439,164	$ 424,390	$ 3,649,641	$ 9,928,897	$ 160,063	$ 15,602,155

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

Spanish Fork City
Combining Statement of Cash Flows
Non-major Proprietary Funds
For the Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds					
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Non-Major Funds
Cash Flows From Operating Activities						
Receipts from customers	$ 530,544	$ 224,453	$ 1,118,547	$ 767,786	$ 228,087	$ 2,869,417
Other cash receipts	302	-	-	-	1,170	1,472
Payments to suppliers	(326,723)	(135,553)	(958,273)	(210,781)	(166,272)	(1,797,602)
Payments to employees	(340,398)	(203,579)	(35,233)	(216,510)	(30,456)	(826,176)
Net cash provided (used) by operating activities	(136,275)	(114,679)	125,041	340,495	32,529	247,111
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	(287,488)	(3,723)	(72,262)	(108,819)	(2,477)	(474,769)
Increase (decrease) in due to other funds	369,894	(163,618)	-	-	(23,402)	182,874
Transers in (out)	211,375	161,700	-	-	-	373,075
Net cash provided (used) by noncapital activities	293,781	(5,641)	(72,262)	(108,819)	(25,879)	81,180
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	-	(14,350)	(35,760)	(865,587)	-	(915,697)
Contributions from (reimbursements to) private contractors	-	-	-	770,213	-	770,213
Impact fees collected	-	-	-	17,104	-	17,104
Net cash provided (used) by capital and related financing activities	-	(14,350)	(35,760)	(78,270)	-	(128,380)
Cash Flows From Investing Activities						
Net cash provided (used) by investing activities	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	157,506	(134,670)	17,019	153,406	6,650	199,911
Cash and cash equivalents, July 1	3,577,626	145,202	1,245,856	976,745	400	5,945,829
Cash and cash equivalents, June 30	$ 3,735,132	$ 10,532	$ 1,262,875	$ 1,130,151	$ 7,050	$ 6,145,740
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	$ (168,296)	$ (138,083)	$ 94,460	$ 105,040	$ 12,959	(93,920)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	51,269	24,049	39,644	230,692	18,407	364,061
(Increase) decrease in accounts receivable	-	-	(9,970)	(4,294)	-	(14,264)
(Increase) decrease in inventory	-	-	-	-	2,174	2,174
Increase (decrease) in accrued liabilities	(10,471)	1,244	-	(3)	(444)	(9,674)
Increase (decrease) in compensated absences	(8,777)	(1,889)	907	9,060	(567)	(1,266)
Total adjustments	32,021	23,404	30,581	235,455	19,570	341,031
Net cash provided (used) by operating activities	$ (136,275)	$ (114,679)	$ 125,041	$ 340,495	$ 32,529	$ 247,111

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

OTHER REPORTS

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*

December 6, 2010

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2010. 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.

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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 December 6, 2010.

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

LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

December 6, 2010

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, 2010, and have issued our report thereon dated December 6, 2010. 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, 2010. 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
Fund Balance

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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 December 6, 2010. 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, 2010.

Larson & Rosenberger, LLP
Certified Public Accountants

SPANISH FORK CITY

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

JUNE 30, 2010

LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 6, 2010

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, 2010. 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 June 30, 2010. 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 2010. 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.

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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.

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. Transfers and budget adjustments have already been made in the next fiscal year to bring the city into compliance.

Status of Internal Control Findings – Prior 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.

Status:
No issues noted during current year audit.

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.

Larson & Rosenberger, LLP
Certified Public Accountants