

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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

December 15, 2011

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, 2011, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2011, on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spanish Fork City's basic financial statements. The combining non-major fund financial statements on pages 67 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Larson + Rosenberger, LLP". The signature is written in black ink and is positioned above the printed name of the firm.

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, 2011**. 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 **\$6,952,681** to **\$210,987,428**. The governmental net assets increased by **\$1,969,433** and the business-type net assets increased by **\$4,983,248**.
- The total net assets of **\$210,987,428** are made up of **\$ 166,659,831** in capital assets net of related debt and **\$44,327,597** in other net assets.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$ 1,666,108**.
- The City's total long-term liabilities decreased by **\$ 2,452,846** 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 15-16 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 **\$210,987,428**.

By far the largest portion of Spanish Fork City’s net assets (**\$166,659,831 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	16,622,029	18,763,383	36,655,915	35,516,357	53,277,944	54,279,740
Capital assets	81,408,869	79,476,523	114,944,804	113,158,878	196,353,673	192,635,401
Total assets	<u>98,030,898</u>	<u>98,239,906</u>	<u>151,600,719</u>	<u>148,675,235</u>	<u>249,631,617</u>	<u>246,915,141</u>
Other liabilities	6,673,191	7,952,786	1,538,516	2,042,277	8,211,707	9,995,063
Long-term liabilities outstanding	19,724,482	20,623,328	10,708,000	12,262,000	30,432,482	32,885,328
Total liabilities	<u>26,397,673</u>	<u>28,576,114</u>	<u>12,246,516</u>	<u>14,304,277</u>	<u>38,644,189</u>	<u>42,880,391</u>
Net assets:						
Invested in capital assets, net						
of related debt	61,505,351	58,667,075	105,154,480	101,954,975	166,659,831	160,622,050
Restricted	4,454,858	3,790,451	2,424,498	3,192,133	6,879,356	6,982,584
Unrestricted	5,673,016	7,206,266	31,775,225	29,223,847	37,448,241	36,430,113
Total net assets	<u>71,633,225</u>	<u>69,663,792</u>	<u>139,354,203</u>	<u>134,370,955</u>	<u>210,987,428</u>	<u>204,034,747</u>

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	6,339,122	6,328,601	35,404,648	32,324,582	41,743,770	38,653,183
Operating grants and contribs	1,388,563	1,117,808		-	1,388,563	1,117,808
Capital grants and contribs	3,478,708	4,696,775	2,494,579	5,867,245	5,973,287	10,564,020
General revenues:						-
Property taxes	2,782,052	2,558,318		-	2,782,052	2,558,318
Sales and Use Tax	5,456,220	5,267,286		-	5,456,220	5,267,286
Other taxes	490,310	362,459		-	490,310	362,459
Unrestricted investment earnings	62,684	81,826	146,403	160,698	209,087	242,524
Joint Venture Gain (Loss)	(12,945)	(3,131)		(161,171)	(12,945)	(164,302)
Miscellaneous	850,000				850,000	-
Gain (Loss) on Sale of Capital Assets	(2,931)	(563,962)	69,301	-	66,370	(563,962)
Total revenues	<u>20,831,783</u>	<u>19,845,980</u>	<u>38,114,931</u>	<u>38,191,354</u>	<u>58,946,714</u>	<u>58,037,334</u>
Expenses:						-
General government	3,446,538	3,386,886		-	3,446,538	3,386,886
Public safety	5,210,315	4,815,414		-	5,210,315	4,815,414
Public works	8,410,947	6,471,613		-	8,410,947	6,471,613
Parks and recreation	1,648,533	2,725,123		-	1,648,533	2,725,123
Operating expenses (business type)		-	32,400,577	29,859,048	32,400,577	29,859,048
Interest expense	877,123	910,332		-	877,123	910,332
Total expenses	<u>19,593,456</u>	<u>18,309,368</u>	<u>32,400,577</u>	<u>29,859,048</u>	<u>51,994,033</u>	<u>48,168,416</u>
Increase in net assets before transfers	<u>1,238,327</u>	<u>1,536,612</u>	<u>5,714,354</u>	<u>8,332,306</u>	<u>6,952,681</u>	<u>9,868,918</u>
Transfers	<u>731,106</u>	<u>3,973,876</u>	<u>(731,106)</u>	<u>(3,973,876)</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>1,969,433</u>	<u>5,510,488</u>	<u>4,983,248</u>	<u>4,358,430</u>	<u>6,952,681</u>	<u>9,868,918</u>
Net assets - beginning	69,663,792	64,153,304	134,370,955	129,886,477	204,034,747	194,039,781
Prior Period Adjustment	-	-		126,048	-	126,048
Net assets - ending	<u>71,633,225</u>	<u>69,663,792</u>	<u>139,354,203</u>	<u>134,370,955</u>	<u>210,987,428</u>	<u>204,034,747</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2011, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$9,490,705**. This represents a decrease of **\$1,085,076** under last year's ending balances. This decrease is the result of both a planned budget transfers of funds being held for the Capital Projects Fund and the appropriation of the beginning fund balance. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds (**\$8,728,582**) 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.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$ 16,146,813** to a final budget of **\$ 17,696,527**. A major contributing factor in the increase was the budget increase to the use of beginning fund balance. During the fiscal year, the City had some capital expenditures it had not foreseen at the time of the original budgeting process.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Spanish Fork City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to **\$ 196,353,673** (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. Capital assets include contributed infrastructure from developers.

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

Streets Improvements:

Maintenance and Rebuilding of existing roads for \$2,037,565.25

Equipment for \$122,733.25

Park Improvements:

River Reclamation Improvements for \$1,212,876.79

North Park Improvements for \$1,316,277.57

Purchase of River bottoms Land for \$ 1,032,925.00

Library Books & Media for \$107,526.28

Pavilion Renovation at Fairgrounds for \$54,216.77

Water & Pressurized Irrigation Improvements:

Water Replacement Projects for \$ 589,160.60

Purchase of Water Rights for \$ 245,152.95

Pressurized Irrigation Pond Pump for \$69,747.83

Golf Course PI Pond for \$262,936.04

Telemetry for \$151,422.00

Sewer Improvements:

Purchase of SUVMWA Land for \$182,290.43

Trunk Line & Siphon Upsize for \$40,247.00

Replacement & Rehabilitation for \$431,994.25

800 North Line Replacement for \$326,154.67

Sewer Master Plan for \$40,458.98

Electric Improvements:

New Reclosure & Relays for \$110,037.99

Reconductor 300 W FROM 1000 N for \$96,701.03

12KV Rebuild Canyon View Park for \$67,095.67

Sub Decommission @ 1150 East Canyon for \$6,256.00

(IF) New SUVPS Projects for \$431,164.08

48KV Line for \$4,820.00

Distribution for \$143,386.56

New Garbage Cans for \$31,755.58

Storm Drain Improvements:

Redevelopment Project for \$395,010.10
400 North SR51 Connector Line for \$319,670.79
Flood Control in 2011 for \$173,810.39

Spanish Fork Community Network:

HD Receivers/Encoders for \$94,934.55
Fiberhuts for \$57,695.57
VOIP Hardware for \$63,891.58

Equipment Purchases:

2011 Jet Truck Vactor 2112P for \$356,652.21
11 Dodge 2500 for \$30,219.66
11 Dodge 1500 for \$34,072.34
624K John Deere Loader for \$27,173.00
Ford F450 for \$46,817.52
Two 2011 Dodge Chargers for \$37,335.28 each

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Land	\$ 11,297,842	\$ 10,199,967	\$ 2,134,479	\$ 1,952,189
Water Shares	-	-	4,417,387	4,172,234
Buildings	19,112,441	19,857,691	4,272,998	4,447,302
Improvements	15,786,121	13,892,007	100,143,829	98,441,991
Equipment	3,359,882	3,276,805	3,976,111	4,145,162
Infrastructure	31,852,583	32,250,053	-	-
Total Net Assets	\$ 81,408,869	\$ 79,476,523	\$ 114,944,804	\$ 113,158,878
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, 2011, the City had total bonded debt outstanding of **\$30,432,484**. Of that, **\$10,708,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$19,724,484** 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	
	2011	2010	2011	2010
Capital Lease	\$ 148,455	\$ 199,484		\$ -
Accrued Vacation & Sick Leave	1,130,067	1,160,254	455,989	462,025
Revenue Bonds	19,724,484	20,623,328	10,708,000	12,262,000
Total Outstanding Debt	<u>\$ 21,003,006</u>	<u>\$ 21,983,066</u>	<u>\$ 11,163,989</u>	<u>\$ 12,724,025</u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$1,212,283,863**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$ 48,491,354** 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 **\$96,982,709** 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, 2012 reflects an small increase of over the final budget for the fiscal year-ended June 30, 2011. This increase 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 2012 include:

1. New Fairgrounds Stadium
2. Additional Trail Projects.
3. Water Rights Purchases.
4. Water line replacements.
5. Sewer line replacement.
6. Electrical distribution substation.
7. Hardware for new broadband nodes.
8. Storm Drainage System Expansion.
9. Pressurized Irrigation System Expansion.
10. Sidewalk replacement and repair various areas of town.
11. 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.

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BASIC FINANCIAL STATEMENTS

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Spanish Fork City
Statement of Net Assets
June 30, 2011

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 3,901,836	\$ 29,419,076	\$ 33,320,912
Receivables (net of allowance)	2,465,373	3,163,893	5,629,266
Prepaid expenses	32,301	45,319	77,620
Internal balances	1,451,460	(1,451,460)	-
Bond issuance costs (net)	-	218,134	218,134
Inventory	-	1,409,658	1,409,658
Equity in joint venture	2,738,419	1,426,797	4,165,216
Restricted Assets:			
Cash and cash equivalents	6,032,640	2,424,498	8,457,138
Capital Assets (not being depreciated):			
Land	11,297,842	2,134,479	13,432,321
Water shares	-	4,417,387	4,417,387
Capital Assets (net of accumulated depreciation):			
Buildings	19,112,441	4,272,998	23,385,439
Improvements other than buildings	15,786,121	100,143,829	115,929,950
Equipment	3,359,882	3,976,111	7,335,993
Infrastructure	31,852,583	-	31,852,583
Total assets	<u>98,030,898</u>	<u>151,600,719</u>	<u>249,631,617</u>
LIABILITIES			
Accounts payable	602,279	537,229	1,139,508
Deposits	2,939,546	848,388	3,787,934
Deferred revenue	1,622,239	(34,480)	1,587,759
Deferred amount of refunding	-	(460,533)	(460,533)
Compensated absences	1,130,067	455,989	1,586,056
Bond interest payable	179,036	28,202	207,238
Bond premiums	200,024	163,721	363,745
Noncurrent Liabilities:			
Due within one year	926,029	1,813,000	2,739,029
Due in more than one year	18,798,453	8,895,000	27,693,453
Total liabilities	<u>26,397,673</u>	<u>12,246,516</u>	<u>38,644,189</u>
NET ASSETS			
Invested in capital assets, net of related debt	61,505,351	105,154,480	166,659,831
Restricted for:			
Class "C" roads	1,444,402	-	1,444,402
Redevelopment agency	2,651,331	-	2,651,331
Impact fees	359,125	1,137,089	1,496,214
Water rights	-	369,737	369,737
Bond requirements	-	917,672	917,672
Unrestricted	5,673,016	31,775,225	37,448,241
Total net assets	<u>\$ 71,633,225</u>	<u>\$ 139,354,203</u>	<u>\$ 210,987,428</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 3,446,538	\$ 3,972,630	\$ -	\$ 570,700	\$ -	\$ 570,700
Public safety	5,210,315	1,724,895	-	(3,404,008)	-	(3,404,008)
Public works	8,410,947	-	2,160,300	(5,230,290)	-	(5,230,290)
Parks, recreation and public property	1,648,533	641,597	1,318,408	553,658	-	553,658
Interest on long-term debt	877,123	-	-	(877,123)	-	(877,123)
Total governmental activities	19,593,456	6,339,122	3,478,708	(8,387,063)	-	(8,387,063)
Business-type activities:						
Water	4,820,996	4,771,128	620,691	-	570,823	570,823
Sewer	2,646,039	2,397,129	758,917	-	510,007	510,007
Electric	21,591,505	25,210,132	770,275	-	4,388,902	4,388,902
Garbage	1,156,409	1,198,088	-	-	41,679	41,679
Golf course	743,926	536,062	-	-	(207,864)	(207,864)
Swimming pool	362,578	200,947	-	-	(161,631)	(161,631)
Storm drainage	879,034	857,133	344,696	-	322,795	322,795
Gun club	200,090	234,029	-	-	33,939	33,939
Total business-type activities	32,400,577	35,404,648	2,494,579	-	5,498,650	5,498,650
Total primary government	\$ 51,994,033	\$ 41,743,770	\$ 5,973,287	(8,387,063)	5,498,650	(2,888,413)
General revenues:						
Property taxes				2,782,052	-	2,782,052
Sales taxes				5,456,220	-	5,456,220
Other taxes				490,310	-	490,310
Unrestricted investment earnings				62,684	146,403	209,087
Sundry revenues				850,000	-	850,000
Joint venture gain (loss)				(12,945)	-	(12,945)
Gain on sale of capital assets				(2,931)	69,301	66,370
Transfers				731,106	(731,106)	-
Total general revenues and transfers				10,356,496	(515,402)	9,841,094
Change in net assets				1,969,433	4,983,248	6,952,681
Net assets - beginning				69,663,792	134,370,955	204,034,747
Net assets - ending				\$ 71,633,225	\$ 139,354,203	\$ 210,987,428

**Spanish Fork City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2011**

	General Fund	Major Capital Project Fund North Park	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,177,440	\$ 1,398,647	\$ 325,749	\$ 3,901,836
Receivables (net of allowance):				
Tax	2,440,339	-	25,034	2,465,373
Due from other funds	665,941	519,943	839,616	2,025,500
Prepaid expense	32,301	-	-	32,301
Equity in joint venture	79,626	-	-	79,626
Restricted Assets:				
Cash and cash equivalents	4,099,827	-	1,932,813	6,032,640
Total assets	<u>\$ 9,495,474</u>	<u>\$ 1,918,590</u>	<u>\$ 3,123,212</u>	<u>\$ 14,537,276</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 295,141	\$ -	\$ -	\$ 295,141
Payroll payable	159,245	-	30,400	189,645
Developer escrow	2,456,261	-	-	2,456,261
Final inspection deposit	483,285	-	-	483,285
Deferred revenue	1,622,239	-	-	1,622,239
Total liabilities	<u>5,016,171</u>	<u>-</u>	<u>30,400</u>	<u>5,046,571</u>
Fund balances:				
Non spendable	111,927	-	-	111,927
Restricted for:				
Class "C" roads	1,444,402	-	-	1,444,402
Redevelopment agency	-	-	2,651,331	2,651,331
Debt Service	-	-	359,125	359,125
Committed for:				
Capital projects	-	1,918,590	82,356	2,000,946
Unassigned	2,922,974	-	-	2,922,974
Total fund balances	<u>4,479,303</u>	<u>1,918,590</u>	<u>3,092,812</u>	<u>9,490,705</u>
Total liabilities and fund balances	<u>\$ 9,495,474</u>	<u>\$ 1,918,590</u>	<u>\$ 3,123,212</u>	<u>\$ 14,537,276</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011

Total fund balances - governmental fund types:		\$ 9,490,705
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	2,658,793	
Cost of capital assets	127,563,191	
Accumulated depreciation	<u>(46,154,322)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		<u>84,067,662</u>
Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, but not in the Balance Sheet - Governmental Funds		
		(742,562)
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	(179,036)	
Non-current liabilities due within one year	(1,023,453)	
Compensated absences	(1,130,067)	
Unamortized Bond Premium	(200,024)	
Non-current liabilities due in more than one year	<u>(18,650,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		<u>(21,182,580)</u>
Net assets of government activities		<u><u>\$ 71,633,225</u></u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Major Capital Project Fund North Park	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,750,488	\$ -	\$ 978,094	\$ 8,728,582
Licenses and permits	497,278	-	-	497,278
Intergovernmental revenues	1,388,563	-	1,018,510	2,407,073
Charges for services	1,532,908	-	-	1,532,908
Fines and forfeitures	143,852	-	-	143,852
Interest income	59,057	-	3,627	62,684
Sundry revenue	1,407,528	850,000	824,102	3,081,630
Total revenues	<u>12,779,674</u>	<u>850,000</u>	<u>2,824,333</u>	<u>16,454,007</u>
	14,035,900			
EXPENDITURES				
Current:				
General government	3,352,418	-	-	3,352,418
Public safety	4,624,703	-	-	4,624,703
Public works	5,712,926	-	294,361	6,007,287
Parks, recreation and public property	2,500,524	-	-	2,500,524
Debt Service:				
Principal retirement	-	-	850,000	850,000
Interest and fiscal charges	-	-	896,708	896,708
Capital outlay	-	994,074	1,277,827	2,271,901
Total expenditures	<u>16,190,571</u>	<u>994,074</u>	<u>3,318,896</u>	<u>20,503,541</u>
Excess revenues over (under) expenditures	<u>(3,410,897)</u>	<u>(144,074)</u>	<u>(494,563)</u>	<u>(4,049,534)</u>
Other financing sources (uses)				
Impact fees	299,898	-	-	299,898
Indirect services	1,933,454	-	-	1,933,454
Transfers in	-	-	1,219,669	1,219,669
Transfers out	(488,563)	-	-	(488,563)
Total other financing sources and uses	<u>1,744,789</u>	<u>-</u>	<u>1,219,669</u>	<u>2,964,458</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,666,108)	(144,074)	725,106	(1,085,076)
Fund balances - beginning of year	<u>6,145,411</u>	<u>2,062,664</u>	<u>2,367,706</u>	<u>10,575,781</u>
Fund balances - end of year	<u>\$ 4,479,303</u>	<u>\$ 1,918,590</u>	<u>\$ 3,092,812</u>	<u>\$ 9,490,705</u>

Spanish Fork City
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

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

Net changes in fund balances - total governmental funds \$ (1,085,076)

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	3,902,558	
Depreciation Expense	<u>(4,016,336)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities		<u>(113,778)</u>

The net effect of various miscellaneous transactions involving 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.	(2,931)
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The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.	<u>2,160,300</u>
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2,157,369

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.

151,946

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.

869,585

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

Change in compensated Absences	<u>2,332</u>
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Change in net assets of governmental activities	<u><u>\$ 1,969,433</u></u>
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Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 7,388,326	\$ 7,744,354	\$ 7,750,488	\$ 6,134
Licenses and permits	777,000	432,226	497,278	65,052
Intergovernmental revenues	1,487,946	1,389,878	1,388,563	(1,315)
Charges for services	1,333,000	1,542,705	1,532,908	(9,797)
Fines and forfeitures	159,000	139,694	143,852	4,158
Interest income	55,250	55,675	59,057	3,382
Sundry revenue	1,253,768	1,408,729	1,407,528	(1,201)
Total revenues	12,454,290	12,713,261	12,779,674	66,413
EXPENDITURES				
Current:				
General government	3,425,579	3,389,734	3,352,418	(37,316)
Public safety	4,846,726	4,956,702	4,624,703	(331,999)
Public works	5,345,685	6,696,038	5,712,926	(983,112)
Parks, recreation and public property	2,528,823	2,654,053	2,500,524	(153,529)
Total expenditures	16,146,813	17,696,527	16,190,571	(1,505,956)
Excess revenues over (under) expenditures	(3,692,523)	(4,983,266)	(3,410,897)	1,572,369
Other financing sources (uses)				
Sale of fixed assets	30,000	30,000	-	(30,000)
Impact fees	-	-	299,898	299,898
Indirect services	1,928,491	1,933,454	1,933,454	-
Transfers in	861,032	861,032	-	(861,032)
Transfers out	(200,000)	(488,563)	(488,563)	-
Total other financing sources and uses	2,619,523	2,335,923	1,744,789	(591,134)
Excess of revenues and other sources over (under) expenditures and other uses	(1,073,000)	(2,647,343)	(1,666,108)	981,235
Fund balances - beginning of year	6,145,411	6,145,411	6,145,411	-
Fund balances - end of year	\$ 5,072,411	\$ 3,498,068	\$ 4,479,303	\$ 981,235

Spanish Fork City
Statement of Net Assets
Proprietary Fund
As of June 30, 2011

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Water	Sewer	Electric	Non Major Enterprise Funds		Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 867,005	\$ 8,365,939	\$ 15,094,841	\$ 5,091,291	\$ 29,419,076	\$ -
Accounts receivable	350,132	234,556	2,433,688	190,325	3,208,701	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	652,651	3,077,488	5,882,682	2,224,258	11,837,079	-
Prepaid Expense	-	-	45,315	-	45,315	-
Inventory	4,500	3,500	1,354,890	46,768	1,409,658	-
Total current assets	<u>1,864,880</u>	<u>11,678,658</u>	<u>24,781,059</u>	<u>7,550,424</u>	<u>45,875,021</u>	<u>-</u>
Noncurrent assets:						
Restricted cash and equivalents	801,125	-	729,569	893,804	2,424,498	-
Capital Assets:						
Land	280,483	827,048	853,156	173,792	2,134,479	-
Water rights	4,417,387	-	-	-	4,417,387	-
Buildings	2,382,801	512,049	2,918,816	752,255	6,565,921	205,920
Improvements	60,993,884	31,302,967	40,350,344	14,454,599	147,101,794	-
Equipment	2,858,156	2,383,309	1,480,552	1,045,920	7,767,937	9,273,938
Less: accumulated depreciation	(20,533,764)	(13,907,529)	(12,754,953)	(5,846,464)	(53,042,710)	(6,752,520)
Other Assets:						
Equity in joint venture	-	-	-	1,426,797	1,426,797	-
Deferred bond costs	106,026	-	112,108	-	218,134	-
Total noncurrent assets	<u>51,306,098</u>	<u>21,117,844</u>	<u>33,689,592</u>	<u>12,900,703</u>	<u>119,014,237</u>	<u>2,727,338</u>
Total assets	<u>\$ 53,170,978</u>	<u>\$ 32,796,502</u>	<u>\$ 58,470,651</u>	<u>\$ 20,451,127</u>	<u>\$ 164,889,258</u>	<u>\$ 2,727,338</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 1,338,940	\$ 5,926,005	\$ 1,656,627	\$ 4,393,080	\$ 13,314,652	\$ 547,927
Accounts payable	105,512	52,943	170,601	208,173	537,229	114,518
Accrued interest payable	28,202	-	-	-	28,202	2,975
Compensated absences payable	60,340	53,085	288,051	54,513	455,989	23,919
Customer deposits	16,623	-	410,415	-	427,038	-
Final inspection deposits	-	-	421,350	-	421,350	-
Current Portion:						
Lease payable	-	-	-	-	-	51,029
Bonds payable	1,068,000	-	745,000	-	1,813,000	-
Total current liabilities	<u>2,617,617</u>	<u>6,032,033</u>	<u>3,692,044</u>	<u>4,655,766</u>	<u>16,997,460</u>	<u>740,368</u>
Noncurrent liabilities:						
Deferred revenue	6,000	1,873	-	(42,353)	(34,480)	-
Lease Payable	-	-	-	-	-	148,453
Bonds payable	5,660,000	-	3,235,000	-	8,895,000	-
Bond premiums	163,721	-	-	-	163,721	-
Deferred amount of refunding	(460,533)	-	-	-	(460,533)	-
Total noncurrent liabilities	<u>5,369,188</u>	<u>1,873</u>	<u>3,235,000</u>	<u>(42,353)</u>	<u>8,563,708</u>	<u>148,453</u>
Total liabilities	<u>7,986,805</u>	<u>6,033,906</u>	<u>6,927,044</u>	<u>4,613,413</u>	<u>25,561,168</u>	<u>888,821</u>
NET ASSETS						
Invested in capital assets, net of related debt	43,859,050	21,117,844	29,597,484	10,580,102	105,154,480	2,727,338
Restricted for:						
Impact fees	243,285	-	-	893,804	1,137,089	-
Water rights	369,737	-	-	-	369,737	-
Bond requirements	188,103	-	729,569	-	917,672	-
Unrestricted	523,998	5,644,752	21,216,554	4,363,808	31,749,112	(888,821)
Total net assets	<u>\$ 45,184,173</u>	<u>\$ 26,762,596</u>	<u>\$ 51,543,607</u>	<u>\$ 15,837,714</u>	<u>139,328,090</u>	<u>\$ 1,838,517</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					26,113	
Net assets from business-type activities:					<u>\$ 139,354,203</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds		
Operating Revenues:						
Charges for sales and services	\$ 4,673,064	\$ 2,283,052	\$ 23,962,501	\$ 3,021,433	\$ 33,940,050	\$ 1,952,402
Other income	98,064	114,077	1,247,631	4,826	1,464,598	15,764
Total operating revenues	<u>4,771,128</u>	<u>2,397,129</u>	<u>25,210,132</u>	<u>3,026,259</u>	<u>35,404,648</u>	<u>1,968,166</u>
Operating Expenses:						
Water assessment	72,184	-	-	-	72,184	-
Power purchases	-	-	11,696,235	-	11,696,235	-
Landfill fees	-	-	-	1,013,823	1,013,823	-
Employee salaries	642,917	509,999	2,640,897	830,347	4,624,160	210,404
Materials and supplies	234,017	99,163	1,123,198	230,259	1,686,637	393,412
Repairs and maintenance	31,380	54,436	83,956	86,290	256,062	273,550
Professional services	89,889	88,196	2,592,773	146,031	2,916,889	14,078
Motorpool charges	159,329	118,443	265,536	208,607	751,915	-
Utilities	274,178	180,203	82,282	80,342	617,005	12,212
Insurance	15,501	33,804	41,250	21,565	112,120	1,439
Depreciation	2,134,884	1,108,765	1,113,097	393,690	4,750,436	776,581
Amortization	127,207	-	43,054	-	170,261	-
Indirect services	614,229	447,934	512,719	358,572	1,933,454	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	15,179	15,511	595,675	4,967	631,332	-
Total operating expenses	<u>4,547,178</u>	<u>2,666,021</u>	<u>21,532,564</u>	<u>3,374,493</u>	<u>32,120,256</u>	<u>1,681,676</u>
Operating income	<u>223,950</u>	<u>(268,892)</u>	<u>3,677,568</u>	<u>(348,234)</u>	<u>3,284,392</u>	<u>286,490</u>
Nonoperating revenues (expenses):						
Interest revenue	26,592	-	119,811	-	146,403	-
Impact fees and water right fees	176,523	141,648	167,324	78,548	564,043	-
Contributions from private contractors	444,168	367,269	602,951	266,148	1,680,536	-
Grant Proceeds	-	250,000	-	-	250,000	-
Gain(loss) on sale of fixed assets	-	73,178	(3,877)	-	69,301	(617)
Interest expense	(301,040)	-	(102,828)	-	(403,868)	(10,381)
Total nonoperating revenues (expenses)	<u>346,243</u>	<u>832,095</u>	<u>783,381</u>	<u>344,696</u>	<u>2,306,415</u>	<u>(10,998)</u>
Income (loss) before operating transfers	<u>570,193</u>	<u>563,203</u>	<u>4,460,949</u>	<u>(3,538)</u>	<u>5,590,807</u>	<u>275,492</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	239,097	239,097	-
Operating transfers out	-	-	(970,203)	-	(970,203)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(970,203)</u>	<u>239,097</u>	<u>(731,106)</u>	<u>-</u>
Change in net assets	570,193	563,203	3,490,746	235,559	4,859,701	275,492
Total net assets - beginning	44,613,980	26,199,393	48,052,861	15,602,155	134,468,389	1,563,025
Total net assets - ending	<u>\$ 45,184,173</u>	<u>\$ 26,762,596</u>	<u>\$ 51,543,607</u>	<u>\$ 15,837,714</u>	<u>\$ 139,328,090</u>	<u>\$ 1,838,517</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					123,547	
Change in net assets of business-type activities:					<u>\$ 4,983,248</u>	

Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	
Cash Flows From Operating Activities					
Receipts from customers	\$ 4,617,010	\$ 2,298,491	\$ 23,240,135	\$ 2,989,042	\$ 33,144,678
Other cash receipts	98,064	114,077	1,247,631	4,826	1,464,598
Interfund services provided	132,493	-	502,057	-	634,550
Payments to suppliers	(1,677,856)	(1,117,323)	(17,828,796)	(2,108,586)	(22,732,561)
Payments to employees	(655,985)	(513,719)	(2,623,902)	(836,590)	(4,630,196)
Net cash provided (used) by operating activities	<u>2,513,726</u>	<u>781,526</u>	<u>4,537,125</u>	<u>48,692</u>	<u>7,881,069</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	97,212	(152,932)	(469,820)	64,139	(461,401)
Increase (decrease) in due to other funds	122,484	436,747	(273,410)	387,095	672,916
Transfers in (out)	-	-	(970,203)	239,097	(731,106)
Net cash provided (used) by noncapital activities	<u>219,696</u>	<u>283,815</u>	<u>(1,713,433)</u>	<u>690,331</u>	<u>(519,591)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(2,176,777)	(1,384,031)	(1,722,366)	(1,244,363)	(6,527,537)
Principal paid on capital debt	(844,000)	-	(710,000)	-	(1,554,000)
Interest paid on capital debt	(301,040)	-	(102,828)	-	(403,868)
(Increase) decrease in deferred amount on refunding	(410,490)	-	112,108	-	(298,382)
Contributions from (reimbursements to) private contractors	444,168	367,269	602,951	266,148	1,680,536
Impact fees collected	176,523	141,648	167,324	78,548	564,043
Grant proceeds	-	250,000	-	-	250,000
Cash received from disposal of assets	-	73,178	-	-	73,178
Net cash provided (used) by capital and related financing activities	<u>(3,111,616)</u>	<u>(551,936)</u>	<u>(1,652,811)</u>	<u>(899,667)</u>	<u>(6,216,030)</u>
Cash Flows From Investing Activities					
Interest and dividends received	26,592	-	119,811	-	146,403
Increase (decrease) in unamortized bond premiums	6,326	-	-	-	6,326
Net cash provided (used) by investing activities	<u>32,918</u>	<u>-</u>	<u>119,811</u>	<u>-</u>	<u>152,729</u>
Net increase (decrease) in cash and cash equivalents	(345,276)	513,405	1,290,692	(160,644)	1,298,177
Cash and cash equivalents, July 1	2,013,406	7,852,534	14,533,718	6,145,739	30,545,397
Cash and cash equivalents, June 30	<u>\$ 1,668,130</u>	<u>\$ 8,365,939</u>	<u>\$ 15,824,410</u>	<u>\$ 5,985,095</u>	<u>\$ 31,843,574</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 223,950	\$ (268,892)	\$ 3,677,568	\$ (348,234)	3,284,392
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,134,884	1,108,765	1,113,097	393,690	4,750,436
Amortization expense	127,207	-	43,054	-	170,261
(Increase) decrease in accounts receivable	76,440	15,439	(80,174)	(32,388)	(20,683)
Decrease (increase) in inventory	-	-	53,657	(29,980)	23,677
Increase (decrease) in accrued liabilities	(52,309)	(70,066)	(127,674)	71,847	(178,202)
Increase (decrease) in compensated absences	(13,068)	(3,720)	16,995	(6,243)	(6,036)
Increase (decrease) in customer deposits	16,623	-	(19,263)	-	(2,640)
Increase (decrease) in deferred revenue	(1)	-	(140,135)	-	(140,136)
Total adjustments	<u>2,289,776</u>	<u>1,050,418</u>	<u>859,557</u>	<u>396,926</u>	<u>4,596,677</u>
Net cash provided (used) by operating activities	<u>\$ 2,513,726</u>	<u>\$ 781,526</u>	<u>\$ 4,537,125</u>	<u>\$ 48,692</u>	<u>\$ 7,881,069</u>

**Spanish Fork City
Statement of Net Assets
Fiduciary Fund
As of June 30, 2011**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	\$ 56,028
Total assets	<u>\$ 56,028</u>
 LIABILITIES AND FUND BALANCES	
Fund Balances:	
Deferred compensation	<u>\$ 56,028</u>
Total fund balances	<u>56,028</u>
Total liabilities and fund balance	<u>\$ 56,028</u>

Spanish Fork City
Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended June 30, 2011

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 16,000
Interest income	502
Total	16,502
 EXPENDITURES:	
Retirement payments	15,346
Total	15,346
Excess of revenues over (under) expenditures	1,156
Fund balances - beginning of year	54,872
Fund balances - end of year	\$ 56,028

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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.

SPANISH FORK CITY NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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:

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

- 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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Internal Service Fund

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

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Capital Projects Fund– 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.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

- 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.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

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

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

Interfund Receivables and Payables

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

Receivables

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Inventories and prepaid items

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

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

Restricted assets

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

Capital Assets

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

Government-wide Statements

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

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

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

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

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

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

Fund Financial Statements

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

Restricted Assets

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

Long-term Debt

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

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

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

Compensated Absences

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

At June 30, 2011, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liability Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 699,325	\$ 272,788	\$ 972,113
Sick Leave Liability	430,743	183,201	613,944
Total Compensated Absences	<u>\$ 1,130,067</u>	<u>\$ 455,989</u>	<u>\$ 1,586,056</u>

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

Equity Classifications

Government-wide Statements

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

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

It is the City’s policy to first use restricted net assets and then unrestricted net assets when an expense is incurred for purposes of which both restricted and unrestricted net assets are available.

Fund Statements

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

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

When both restricted and unrestricted fund balance is available for use, it is the City's policy to first use restricted fund balance, then committed funds, followed by assigned and then unassigned funds.

Proprietary fund equity is classified the same as in the government-wide statements.

See Note 3.H. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

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

Property Tax

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds—By Character:

- Current (further classified by function)
- Debt Service
- Capital Outlay

Proprietary Fund—By Operating and Non-operating

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

Interfund Transfers

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

Use of estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

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

2.B. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2011, 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, 2011, 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, 2011, the City had \$30,432,484 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, 2011.

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

- 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, 2011 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, 2011, The City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2011</u>
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	1,679,716
Total Depository Accounts		<u>\$ 1,929,716</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Investments

As of June 30, 2011 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	More Than 10
Investments in Public					
Treasurers'	\$37,480,587	\$ 37,480,587	\$ -	\$ -	\$ -
Bond Escrows	1,352,175	1,352,175	-	-	-
Money Market	1,071,602	1,071,602	-	-	-
Total Fair Value	<u>\$39,904,363</u>	<u>\$ 39,904,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit Risk – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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		\$ 1,895,366
Investments		39,904,363
Cash on hand		34,350
	Total	<u>\$ 41,834,079</u>

Government - Wide

Cash and Cash Equivalents		\$ 33,320,913
Restricted Cash & Cash Equivalents		8,457,138
Fiduciary Restricted Cash		56,028
	Total	<u>\$ 41,834,079</u>

Net Cash on Statement of Net Assets		\$ 41,778,051
Fiduciary Restricted Cash		56,028
	Total	<u>\$ 41,834,079</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>	<u>Investments</u>	<u>Accrued Int.</u>	<u>Total</u>
<i>Business-Type Activities:</i>				
Water right fees	\$ 369,737	\$ -	\$ -	\$ 369,737
Pressurized Irrigation Impact Fee	243,285	-	-	243,285
Storm drainage impact fees	893,804	-	-	893,804
Water bond requirements	188,103	-	-	188,103
Electric bond requirements	729,569	-	-	729,569
Total	<u>\$ 2,424,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,424,498</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 2,456,201	\$ -	\$ -	\$ 2,456,201
Class "C" roads	1,444,402	-	-	1,444,402
RDA requirements	2,651,331	-	-	2,651,331
Total	<u>6,551,934</u>	<u>-</u>	<u>-</u>	<u>6,551,934</u>
Grand Totals	<u>\$ 8,976,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,976,432</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2011, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 3,208,701	\$ 3,208,701
Property tax	1,489,580	-	1,489,580
Other tax	975,793	-	975,793
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 2,465,373</u>	<u>\$ 3,163,893</u>	<u>\$ 5,629,266</u>

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

	Unavailable	Unearned
Property taxes receivable (general fund)	\$ 1,489,580	\$ -
	-	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,489,580</u>	<u>\$ -</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance at June 30, 2010	Additions	Disposals	Balance at June 30, 2011
Governmental activities:				
Land (not being depreciated)	\$ 10,199,967	\$ 1,097,875	\$ -	\$ 11,297,842
Buildings	25,648,193	54,217	-	25,702,410
Improvements	16,970,811	2,562,491	(7,813)	19,525,489
Machinery and equipment	10,927,860	969,542	(458,011)	11,439,391
Infrastructure	57,553,373	2,044,685	-	59,598,058
Totals at historical cost	<u>121,300,204</u>	<u>6,728,809</u>	<u>(465,824)</u>	<u>127,563,189</u>
Less accumulated depreciation				
Buildings	\$ (5,790,502)	\$ (799,468)	\$ -	(6,589,970)
Improvements	(3,078,804)	(665,446)	4,882	(3,739,368)
Machinery and equipment	(7,651,055)	(885,848)	457,393	(8,079,510)
Infrastructure	(25,303,320)	(2,442,153)	-	(27,745,473)
Total accumulated depreciation	<u>(41,823,681)</u>	<u>(4,792,915)</u>	<u>462,275</u>	<u>(46,154,321)</u>
Governmental activities capital assets, net	<u>\$ 79,476,523</u>	<u>\$ 1,935,894</u>	<u>\$ (3,549)</u>	<u>\$ 81,408,868</u>
Business-type activities:				
Land (not being depreciated)	\$ 1,952,189	\$ 182,290	\$ -	\$ 2,134,479
Water shares (not being depreciated)	4,172,234	245,153	-	4,417,387
Buildings and structures	6,565,922	-	-	6,565,922
Improvements	141,418,681	5,698,255	(15,146)	147,101,790
Machinery and equipment	7,503,878	421,857	(157,799)	7,767,936
Totals at historical cost	<u>161,612,904</u>	<u>6,547,555</u>	<u>(172,945)</u>	<u>167,987,514</u>
Less accumulated depreciation				
Buildings and structures	(2,118,619)	(174,304)	-	(2,292,923)
Improvements other than buildings	(42,976,693)	(3,989,102)	7,830	(46,957,965)
Machinery and equipment	(3,358,716)	(587,030)	153,922	(3,791,824)
Total accumulated depreciation	<u>(48,454,028)</u>	<u>(4,750,436)</u>	<u>161,752</u>	<u>(53,042,712)</u>
Business-type activities capital assets, net	<u>\$ 113,158,876</u>	<u>\$ 1,797,119</u>	<u>\$ (11,193)</u>	<u>\$ 114,944,802</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 227,228
Public safety	716,007
Public works	596,281
Parks	2,476,818
Governmental portion of internal service fund	776,581
Total depreciation expense - governmental activities	<u>\$ 4,792,915</u>
Business-type activities	
Water	\$ 2,134,884
Electric	1,113,098
Sewer	1,108,765
Garbage	42,656
Golf course	52,719
Swimming pool	23,627
Storm drainage	256,281
Gun club	18,407
Total depreciation expense - business-type activities	<u>\$ 4,750,436</u>

3.E. ACCOUNTS PAYABLE

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

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Sales Tax Revenue Bond Series 2007 (Original amount \$22,000,000)	4.0% to 4.750%	2027	19,525,000
			<u>\$ 19,525,000</u>
			Less current portion <u>(875,000)</u>
			<u>\$ 18,650,000</u>

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	199,484
Current portion of capital leases payable	(51,029)
Long term portion of capital leases payable	<u>\$ 148,455</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Business-type Activities:

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Water Revenue Bonds Series 1991B/98B Dated October 23, 1991 (Original amount \$875,000)	0.00%	2012	\$ 43,000
Electric Utility Revenue Bond Dated August 15, 2000 (Original amount \$9,230,000)	2.75%	2015	3,980,000
Water Revenue Bond 2002 Dated March 15, 2002 (Original amount \$16,255,000)	4.00% to 5.50%	2017	6,685,000
Total bonds payable - business-type activities			<u>10,708,000</u>
Less current portion			<u>(1,813,000)</u>
Total bonds payable - long term portion			<u><u>\$ 8,895,000</u></u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Governmental activities:				
Bonds payable	\$ 19,525,000		\$ (875,000)	\$ 18,650,000
Capital leases payable	199,484		(51,029)	148,455
Compensated absences	1,160,254		(30,187)	1,130,067
Total - Governmental Activities	<u>\$ 20,884,738</u>	<u>\$ -</u>	<u>\$ (956,216)</u>	<u>\$ 19,928,522</u>
Business-type Activities:				
Bonds payable	\$ 10,708,000	\$ -	\$ (1,813,000)	\$ 8,895,000
Compensated absences	462,025	-	(6,036)	455,989
Total - Business-type Activities	<u>\$ 11,170,025</u>	<u>\$ -</u>	<u>\$ (1,819,036)</u>	<u>\$ 9,350,989</u>
Due Within One Year	\$ 2,802,844		\$ (2,802,844)	\$ (2,739,029)

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2012	\$ 875,000	\$ 859,375	\$ 1,813,000	\$ 311,113
2013	925,000	824,375	1,850,000	241,550
2014	950,000	787,375	1,900,000	178,556
2015	975,000	749,375	1,955,000	123,650
2016	1,025,000	710,375	2,005,000	72,831
2017-2021	5,850,000	2,878,563	1,185,000	51,594
2022-2026	7,275,000	1,451,625		
2027-2029	1,650,000	78,375		
Total	<u>\$ 19,525,000</u>	<u>\$ 8,339,438</u>	<u>\$ 10,708,000</u>	<u>\$ 979,294</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Machinery and equipment	\$ 308,282
Less: Accumulated depreciation	<u>(123,313)</u>
Total	<u><u>\$ 184,969</u></u>

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

The present value of future minimum capital lease payments under these leases as of June 30, 2011 are:

<u>Fiscal Year</u>	<u>Amount</u>
2012	59,953
2013	59,954
2014	<u>98,000</u>
Total minimum lease payments	217,907
Less amounts representing interest	<u>(18,423)</u>
Present value of minimum lease payments	<u><u>\$ 199,484</u></u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 488,563
Debt Service Fund	931,106	
Capital project fund-River Reclaim	288,563	
Capital project fund-North Park		
Total Governmental Activities	<u>1,219,669</u>	<u>488,563</u>
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	970,203
<i>Non-major funds:</i>		
Golf course	121,072	-
Swimming pool	118,025	-
Total Business-type Activities	<u>239,097</u>	<u>970,203</u>
<i>Grand Totals</i>	<u><u>\$ 1,458,766</u></u>	<u><u>\$ 1,458,766</u></u>

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

Plant Assessments:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 614,229	\$ -
Sewer Fund	447,934	-
Electric Fund	512,719	-
Non-major business type activities:		
Golf Course	24,258	-
Swimming Pool	18,775	-
Garbage	50,277	-
Storm Drain	265,262	-
Major Governmental activities:		
General fund	-	1,933,454
	<u>\$ 1,933,454</u>	<u>\$ 1,933,454</u>

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

Due to/from other funds:

Fund	Due from	Due to
Governmental funds		
General fund	\$ 808,918	\$ 142,977
Non-major funds		
Special revenue fund	718,518	-
Debt service fund	94,635	-
Capital projects fund	546,406	-
Total Governmental	<u>2,168,477</u>	<u>142,977</u>
Business-type funds		
Major funds		
Water fund	652,651	1,338,940
Sewer fund	3,077,488	5,926,005
Electric fund	5,882,682	1,656,627
Non-major funds		
Golf course fund	1,461,150	4,366,941
Swimming pool fund		26,139
Garbage fund	489,064	-
Storm drainage fund	254,824	-
Gun club fund	19,220	-
Total Business-Type	<u>11,837,079</u>	<u>13,314,652</u>
Internal service fund		
Motorpool fund	-	547,927
Grand Total	<u>\$ 14,005,556</u>	<u>\$ 14,005,556</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.H. RESERVED FUND BALANCES

The City has no reserved fund balance amounts for impact fees in Governmental Funds. The City has reserved funds balance in the Capital Project Funds of North Park and River Reclamation. 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 Storm Drainage (non-major 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, 13.37% to the Noncontributory, and 26.13% 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, 2011, 2010, and 2009 were; for the Noncontributory System \$792,002, \$687,518, and \$705,141; for the Public Safety Noncontributory \$362,584, \$318,149, and \$307,787 respectively. The

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, 2010 and 2009, were \$403,202, \$402,160 and \$501,33 respectively.

4.B. RISK MANAGEMENT

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

4.C. COMMITMENTS AND CONTINGENCIES

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

4.D. JOINT VENTURES

Utah Municipal Power Agency

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

Additional information is as follows:

a. Participants and their percentage shares:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011 is as follows from UMPA:

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 42,025,140</u>	<u>\$ 3,954,145</u>
Total liabilities	<u>\$ 42,021,790</u>	<u>\$ 3,953,830</u>
Total net assets	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 66,801,832	\$ 6,285,384
Total operating expenses	<u>(63,833,628)</u>	<u>\$(6,006,106)</u>
Net operating income	2,968,204	\$ 279,278
Total non-operating income (expenses)	<u>(2,968,204)</u>	<u>(279,278)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The joint venture has the following long-term debt:

Revenue bonds payable	<u>\$ 24,748,331</u>	<u>\$ 2,328,570</u>
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- e. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

South Utah Valley Solid Waste District

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

Additional information is as follows:

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

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

- d. Audited summary financial information of the District as June 30, 2011 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	<u>\$ 17,938,734</u>	<u>\$ 2,107,801</u>
Total liabilities	<u>\$ 5,638,614</u>	<u>\$ 662,537</u>
Total net assets	<u>\$ 12,300,120</u>	<u>\$ 1,445,264</u>
Total operating revenues	\$ 5,465,443	\$ 642,190
Total operating expenses	<u>5,411,705</u>	<u>635,875</u>
Net operating income	53,738	6,314
Total non-operating income (expenses)	<u>103,426</u>	<u>12,153</u>
Change in net assets	<u>\$ 157,164</u>	<u>\$ 18,467</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,963,891	\$ 348,257
Accrued compensated absences	252,146	29,627
Long Term Debt	<u>1,718,650</u>	<u>201,941</u>
Total long-term liabilities	<u>\$ 4,934,687</u>	<u>\$ 579,826</u>

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

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011, is as follows:

	<u>Springville Airport</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 5,477,866</u>	<u>\$ 2,738,933</u>
Total liabilities	<u>\$ (1,028)</u>	<u>\$ (514)</u>
Total net assets	<u>\$ 5,476,838</u>	<u>\$ 2,738,419</u>
Program revenues	\$ 252,208	\$ 126,104
General revenues	10,106	5,053
Program expenses	<u>(288,203)</u>	<u>(144,102)</u>
Change in net assets	<u>\$ (25,889)</u>	<u>\$ (12,945)</u>

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2012 covering billing clerk, cashier, treasurer and administrative finance director issued by Leavitt Insurance.
2. 9411 water connections at June 30, 2011
3. Total culinary water billings for the year were \$2,251,217.
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 \$41,019.

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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	\$ 289,460
B. Kirby RDA	383,943
C. Wasatch Wind CDA	304,691
	<u> </u>
Total Collected	<u><u>\$ 978,094</u></u>
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	
B. Kirby RDA	
C. Wasatch Wind CDA	91,407
	<u> </u>
Total Paid	<u><u>\$ 91,407</u></u>
3. The outstanding principal amount of loans incurred	
to finance the cost associated with the project areas:	\$ -
4. The actual amounts expended for :	
A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	
D. Administrative & contracted costs	202,954
	<u> </u>
Total Expended	<u><u>\$ 202,954</u></u>

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SUPPLEMENTARY INFORMATION

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**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2011**

	RDA Fund	Debt Service		Capital Projects	Total
		Debt Service Fund	Special Guarantee Fund	River Reclaim. Fund	Non-major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 225,913	\$ 28,652	\$ 71,184	\$ 325,749
Accounts receivable	-	9,925	-	15,109	25,034
Due from other funds	718,518	83,983	10,652	26,463	839,616
Restricted Assets:					
Cash and cash equivalents	1,932,813	-	-	-	1,932,813
Total assets	<u>\$2,651,331</u>	<u>\$ 319,821</u>	<u>\$ 39,304</u>	<u>\$ 112,756</u>	<u>\$ 3,123,212</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 30,400	30,400
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>
Fund balances:					
Restricted for:					
Redevelopment	2,651,331				2,651,331
Debt Service	-	319,821	39,304		359,125
Committed for:					
Capital projects	-	-	-	82,356	82,356
Total fund balances	<u>2,651,331</u>	<u>319,821</u>	<u>39,304</u>	<u>82,356</u>	<u>3,092,812</u>
Total liabilities and fund balance	<u>\$2,651,331</u>	<u>\$ 319,821</u>	<u>\$ 39,304</u>	<u>\$ 112,756</u>	<u>\$ 3,123,212</u>

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2011

	RDA Fund	Debt Service		Capital Projects	Total Non-major
		Debt Service Fund	Special Guarantee Fund	River Reclaim. Fund	Governmental Funds
REVENUES:					
Taxes	\$ 978,094	\$ -	\$ -	\$ -	978,094
Sundry Revenues	-	824,102	-	-	824,102
Intergovernmental	-	-	-	1,018,510	1,018,510
Interest income	-	3,627	-	-	3,627
Total revenues	<u>978,094</u>	<u>827,729</u>	<u>-</u>	<u>1,018,510</u>	<u>2,824,333</u>
EXPENDITURES:					
Current Expenditures:					
RDA	294,361	-	-	-	294,361
Debt service:					
Principal retirement	-	850,000	-	-	850,000
Interest and fiscal charges	-	896,708	-	-	896,708
Capital outlay	-	-	-	1,277,827	1,277,827
Total expenditures	<u>294,361</u>	<u>1,746,708</u>	<u>-</u>	<u>1,277,827</u>	<u>3,318,896</u>
Excess of revenues over (under) expenditures	<u>683,733</u>	<u>(918,979)</u>	<u>-</u>	<u>(259,317)</u>	<u>(494,563)</u>
Other financing sources (uses):					
Transfers in (out)	-	931,106	-	288,563	1,219,669
Total other financing sources (uses)	<u>-</u>	<u>931,106</u>	<u>-</u>	<u>288,563</u>	<u>1,219,669</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>683,733</u>	<u>12,127</u>	<u>-</u>	<u>29,246</u>	<u>725,106</u>
Fund balances - beginning of year	1,967,598	307,694	39,304	53,110	2,367,706
Fund balances - end of year	<u>\$ 2,651,331</u>	<u>\$ 319,821</u>	<u>\$ 39,304</u>	<u>\$ 82,356</u>	<u>\$ 3,092,812</u>

Spanish Fork City
Combining Statement of Net Assets
Non-Major Proprietary Funds
As of June 30, 2011

	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	\$ 3,931,394	\$ 540	\$ 1,315,583	\$ (208,329)	\$ 52,103	\$ 5,091,291
Accounts receivable	-	-	124,911	65,401	13	190,325
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	1,461,150	-	489,064	254,824	19,220	2,224,258
Inventory	25,210	-	-	-	21,558	46,768
Total current assets	<u>5,417,754</u>	<u>540</u>	<u>1,927,828</u>	<u>111,408</u>	<u>92,894</u>	<u>7,550,424</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	893,804	-	893,804
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	10,799,919	95,473	14,454,599
Equipment	174,870	13,160	773,770	-	84,120	1,045,920
Less: accumulated depreciation	(1,668,741)	(1,875,557)	(669,527)	(1,545,600)	(87,039)	(5,846,464)
Other Assets:						
Equity in joint venture	-	-	1,426,797	-	-	1,426,797
Total noncurrent assets	<u>356,880</u>	<u>430,308</u>	<u>1,834,390</u>	<u>10,158,455</u>	<u>120,670</u>	<u>12,900,703</u>
Total assets	<u>\$ 5,774,634</u>	<u>\$ 430,848</u>	<u>\$ 3,762,218</u>	<u>\$ 10,269,863</u>	<u>\$ 213,564</u>	<u>\$ 20,451,127</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 4,366,941	\$ 26,139	\$ -	\$ -	\$ -	\$ 4,393,080
Accounts payable	29,384	22,629	97,541	39,583	19,036	208,173
Compensated absences	25,937	1,296	5,813	20,941	526	54,513
Total current liabilities	<u>4,422,262</u>	<u>50,064</u>	<u>103,354</u>	<u>60,524</u>	<u>19,562</u>	<u>4,655,766</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	(42,353)	-	(42,353)
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,353)</u>	<u>-</u>	<u>(42,353)</u>
Total liabilities	<u>4,422,262</u>	<u>50,064</u>	<u>103,354</u>	<u>18,171</u>	<u>19,562</u>	<u>4,613,413</u>
NET ASSETS						
Invested in capital assets, net of related debt	356,880	430,308	407,593	9,264,651	120,670	10,580,102
Restricted for:						
Impact fees	-	-	-	893,804	-	893,804
Unrestricted	995,492	(49,524)	3,251,271	93,237	73,332	4,363,808
Total net assets	<u>\$ 1,352,372</u>	<u>\$ 380,784</u>	<u>\$ 3,658,864</u>	<u>\$ 10,251,692</u>	<u>\$ 194,002</u>	<u>\$ 15,837,714</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-Major Proprietary Funds
For the Year Ended June 30, 2011

	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	\$ 535,547	\$ 200,947	\$1,198,088	\$ 857,133	\$229,718	\$ 3,021,433
Other income	515	-	-	-	4,311	4,826
Total operating revenues	<u>536,062</u>	<u>200,947</u>	<u>1,198,088</u>	<u>857,133</u>	<u>234,029</u>	<u>3,026,259</u>
Operating Expenses:						
Landfill fees	-	-	1,013,823	-	-	1,013,823
Employee salaries	326,915	199,278	54,384	216,598	33,172	830,347
Materials and supplies	63,271	38,298	5,033	54,200	69,457	230,259
Repairs and maintenance	60,838	14,548	-	738	10,166	86,290
Professional services	8,384	17,409	19,872	39,647	60,719	146,031
Motorpool charges	149,235	500	-	58,872	-	208,607
Utilities	25,217	47,183	-	45	7,897	80,342
Insurance	11,427	2,960	71	6,835	272	21,565
Depreciation	52,719	23,627	42,656	256,281	18,407	393,690
Indirect services	24,258	18,775	50,277	265,262	-	358,572
Sundry charges	21,662	-	2,749	(19,444)	-	4,967
Total operating expenses	<u>743,926</u>	<u>362,578</u>	<u>1,188,865</u>	<u>879,034</u>	<u>200,090</u>	<u>3,374,493</u>
Operating income	<u>(207,864)</u>	<u>(161,631)</u>	<u>9,223</u>	<u>(21,901)</u>	<u>33,939</u>	<u>(348,234)</u>
Nonoperating revenues (expenses):						
Impact fees	-	-	-	78,548	-	78,548
Contributions from private contractors	-	-	-	266,148	-	266,148
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,696</u>	<u>-</u>	<u>344,696</u>
Income (loss) before operating transfers	<u>(207,864)</u>	<u>(161,631)</u>	<u>9,223</u>	<u>322,795</u>	<u>33,939</u>	<u>(3,538)</u>
Operating Transfers:						
Operating transfers in	121,072	118,025	-	-	-	239,097
Total operating transfers	<u>121,072</u>	<u>118,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,097</u>
Change in net assets	(86,792)	(43,606)	9,223	322,795	33,939	235,559
Total net assets - beginning	1,439,164	424,390	3,649,641	9,928,897	160,063	15,602,155
Total net assets - ending	<u>\$ 1,352,372</u>	<u>\$ 380,784</u>	<u>\$3,658,864</u>	<u>\$ 10,251,692</u>	<u>\$ 194,002</u>	<u>\$ 15,837,714</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds					Total Non-Major Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Cash Flows From Operating Activities						
Receipts from customers	\$ 535,547	\$ 200,947	\$ 1,200,850	\$ 821,980	\$ 229,718	\$ 2,989,042
Other cash receipts	515	-	-	-	4,311	4,826
Payments to suppliers	(393,758)	(159,247)	(1,045,010)	(373,832)	(136,739)	(2,108,586)
Payments to employees	(329,447)	(199,579)	(52,651)	(219,420)	(35,493)	(836,590)
Net cash provided (used) by operating activities	(187,143)	(157,879)	103,189	228,728	61,797	48,692
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	(70,199)	3,723	(18,726)	166,084	(16,743)	64,139
Increase (decrease) in due to other funds	360,956	26,139	-	-	-	387,095
Transfers in (out)	121,072	118,025	-	-	-	239,097
Net cash provided (used) by noncapital activities	411,829	147,887	(18,726)	166,084	(16,743)	690,331
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(28,425)	-	(31,756)	(1,184,182)	-	(1,244,363)
Contributions from private contractors	-	-	-	266,148	-	266,148
Impact fees collected	-	-	-	78,548	-	78,548
Net cash provided (used) by capital and related financing activities	(28,425)	-	(31,756)	(839,486)	-	(899,667)
Cash Flows From Investing Activities						
Net cash provided (used) by investing activities	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	196,261	(9,992)	52,707	(444,674)	45,054	(160,644)
Cash and cash equivalents, July 1	3,735,133	10,532	1,262,876	1,130,149	7,049	6,145,739
Cash and cash equivalents, June 30	<u>\$ 3,931,394</u>	<u>\$ 540</u>	<u>\$ 1,315,583</u>	<u>\$ 685,475</u>	<u>\$ 52,103</u>	<u>\$ 5,985,095</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (207,864)	\$ (161,631)	\$ 9,223	\$ (21,901)	\$ 33,939	(348,234)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	52,719	23,627	42,656	256,281	18,407	393,690
(Increase) decrease in accounts receivable	-	-	2,762	(35,150)	-	(32,388)
(Increase) decrease in inventory	(25,210)	-	-	-	(4,770)	(29,980)
Increase (decrease) in accrued liabilities	(4,256)	(19,574)	46,815	32,320	16,542	71,847
Increase (decrease) in compensated absences	(2,532)	(301)	1,733	(2,822)	(2,321)	(6,243)
Total adjustments	20,721	3,752	93,966	250,629	27,858	396,926
Net cash provided (used) by operating activities	<u>\$ (187,143)</u>	<u>\$ (157,879)</u>	<u>\$ 103,189</u>	<u>\$ 228,728</u>	<u>\$ 61,797</u>	<u>\$ 48,692</u>

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OTHER REPORTS

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**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 15, 2011

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Larson & Rosenberger, LLP".

Larson & Rosenberger, LLP
Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE WITH
APPLICABLE UTAH STATE LAWS AND REGULATIONS**

December 15, 2011

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

Mayor and Council Members:

We have audited governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. 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, 2011.

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
Liquor Law Enforcement
B& C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees and Other Development Fees
Asset Forfeiture
Utah Retirement Systems
Fund Balance

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; 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 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 and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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, 2011.

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

A handwritten signature in cursive script that reads "Larson & Rosenberger, LLP".

Larson & Rosenberger, LLP
Certified Public Accountants

SINGLE AUDIT REPORT

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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

December 15, 2011

The Honorable Mayor and City Council
Spanish Fork City
Spanish Fork, Utah

Compliance

We have audited Spanish Fork City's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Spanish Fork City's major federal programs for the year ended June 30, 2011. Spanish Fork City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Spanish Fork City's management. Our responsibility is to express an opinion on Spanish Fork City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spanish Fork City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Spanish Fork City's compliance with those requirements.

In our opinion, Spanish Fork City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Spanish Fork City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Spanish Fork City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spanish Fork City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Larson & Rosenberger, LLP
Certified Public Accountants

SPANISH FORK CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of Spanish Fork City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Spanish Fork City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal award programs for Spanish Fork City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under OMB Circular A-133.
7. The programs tested as a major programs include:

Department of the Agriculture
(National Resource Conservation Service) 10.902
8. The threshold for distinguishing Types A and B programs is \$500,000 of federal awards expended.
9. Spanish Fork City was determined to not be a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

See management letter for financial statement findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable. Single audit was not required in prior year.

SPANISH FORK CITY, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Thru/ Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants	14.228		\$ 250,000
* DEPARTMENT OF AGRICULTURE			
National Resource Conservation Service	10.902		1,018,510
DEPARTMENT OF ENERGY			
Energy Efficiency and Conservation Block Grant	81.128		77,586
DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Grant Program	97.067		1,797
Indirect Assistance:			
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,347,893</u></u>

* Major Program

SPANISH FORK CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

1. **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Spanish Fork City (City). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

2. **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements.

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2011



December 15, 2011

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, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, 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 October 17, 2011. 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 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2011.

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.

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

State Compliance Findings – Current Year

No state compliance findings noted in current year.

Internal Control Findings – Current Year

No internal control findings noted in current year.

Status of Internal Control Findings – Prior Year

No internal control findings noted in prior year.

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:

No issues noted in current year.