

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of and for the year ended June 30, 2012, 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, 2012, 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 January 28, 2013, 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 schedule of expenditures of federal awards on pages 79 through 86 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 basic financial statements. The combining and individual 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.



Larson & Rosenberger, LLP
January 28, 2013

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, 2012**. 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 **\$4,669,692** to **\$215,657,016**. The governmental net assets increased by **\$4,167,591** and the business-type net assets increased by **\$502,101**.
- The total net assets of **\$215,657,016** are made up of **\$ 176,418,849** in capital assets net of related debt and **\$39,238,166** in other net assets.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$2,025,824**.
- The City's total long-term liabilities decreased by **\$859,027** 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 **\$215,657,016**.

By far the largest portion of Spanish Fork City's net assets (**\$176,418,850 or 82%**) 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	15,004,000	16,622,029	33,754,624	36,655,915	48,758,624	53,277,944
Capital assets	86,620,257	81,408,869	118,584,121	114,944,804	205,204,378	196,353,673
Total assets	101,624,257	98,030,898	152,338,745	151,600,719	253,963,002	249,631,617
Other liabilities	7,025,068	6,673,191	1,707,462	1,538,516	8,732,530	8,211,707
Long-term liabilities outstanding	18,798,455	19,724,461	10,775,000	10,708,000	29,573,455	30,432,461
Total liabilities	25,823,523	26,397,652	12,482,462	12,246,516	38,305,985	38,644,168
Net assets:						
Invested in capital assets, net						
of related debt	67,650,056	61,505,351	108,768,793	105,154,480	176,418,849	166,659,831
Restricted	4,429,582	4,454,858	1,677,801	2,424,498	6,107,383	6,879,356
Unrestricted	3,721,096	5,672,934	29,409,688	31,775,203	33,130,784	37,448,137
Total net assets	75,800,734	71,633,143	139,856,282	139,354,181	215,657,016	210,987,324

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	6,890,962	6,339,122	37,115,567	35,404,648	44,006,529	41,743,770
Operating grants and contribs	1,370,902	1,388,563	-	-	1,370,902	1,388,563
Capital grants and contribs	4,037,936	3,478,708	2,242,838	2,494,579	6,280,774	5,973,287
General revenues:						-
Property taxes	2,720,342	2,782,052	-	-	2,720,342	2,782,052
Sales and Use Tax	6,034,804	5,456,220	-	-	6,034,804	5,456,220
Other taxes	588,700	490,310	-	-	588,700	490,310
Unrestricted investment earnings	92,182	62,684	164,430	146,403	256,612	209,087
Joint Venture Gain (Loss)	338,108	(12,945)	(61,253)	-	276,855	(12,945)
Miscellaneous	3,000,250	850,000	-	-	3,000,250	-
Gain (Loss) on Sale of Capital Assets	(30,428)	(2,931)	(49,256)	69,301	(79,684)	66,370
Total revenues	<u>25,043,758</u>	<u>20,831,783</u>	<u>39,412,326</u>	<u>38,114,931</u>	<u>64,456,084</u>	<u>58,946,714</u>
Expenses:						-
General government	3,356,613	3,446,538	-	-	3,356,613	3,446,538
Public safety	5,557,593	5,210,315	-	-	5,557,593	5,210,315
Public works	9,144,385	8,410,947	-	-	9,144,385	8,410,947
Parks and recreation	7,305,349	1,648,533	-	-	7,305,349	1,648,533
Operating expenses (business type)	-	-	33,579,119	32,400,577	33,579,119	32,400,577
Interest expense	843,333	877,123	-	-	843,333	877,123
Total expenses	<u>26,207,273</u>	<u>19,593,456</u>	<u>33,579,119</u>	<u>32,400,577</u>	<u>59,786,392</u>	<u>51,994,033</u>
Increase in net assets before transfers	(1,163,515)	1,238,327	5,833,207	5,714,354	4,669,692	6,952,681
Transfers	5,331,106	731,106	(5,331,106)	(731,106)	-	-
Increase in net assets	4,167,591	1,969,433	502,101	4,983,248	4,669,692	6,952,681
Net assets - beginning	71,633,143	69,663,710	139,354,181	134,370,933	210,987,324	204,034,643
Net assets - ending	<u>75,800,734</u>	<u>71,633,143</u>	<u>139,856,282</u>	<u>139,354,181</u>	<u>215,657,016</u>	<u>210,987,324</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, 2012, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Funds) reported combined fund equity of **\$7,442,289**. This represents a decrease of **\$2,048,409** 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 (**\$9,343,846**) and represent **50%** of total governmental funds revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$19,064,799** to a final budget of **\$ 19,578,357**. 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, 2012, amounts to **\$205,204,377** (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 \$2,884,057

Equipment for \$52,175

Land for \$578,126

Park Improvements:

River Reclamation Improvements for \$112,705

North Park Improvements for \$86,397

Purchase of Land for \$48,045

Canyon View Park Improvements for \$296,219

River Trail Improvements for \$394,523

Other Improvements:

Library Books & Media for \$129,932

Cemetery Road Renovation for \$127,488

New Fairgrounds Arena for \$4,003,201

Fairgrounds Pavilion Renovation for \$121,297

New Ballpark Scoreboards for \$35,651

Water & Pressurized Irrigation Improvements:

Water Improvement Projects for \$2,829,369

Pressurized Irrigation Improvements for \$1,216,712

Purchase of Water Rights for \$41,252

Water Supplies Building for \$28,235

Sewer Improvements:

Purchase of SUVMWA Land for \$182,520

Sewer Improvements for \$756,606

Electric Improvements:

Relay Tester Equipment for \$54,238

Electric Improvements for \$832,445

New Garbage Cans for \$36,834

Storm Drain Improvements:

Land for \$110,004

Flood Control and Prevention for \$230,940

Storm Drain Improvements for \$1,285,260

Spanish Fork Community Network:

High Speed Internet Hardware for \$700,746

Metal Shop Building for \$284,622

Broadband Equipment for \$98,272

City Wide Equipment Purchases for \$270,705

City Wide Vehicle Purchases for \$1,041,551

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

Spanish Fork City's Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 11,924,013	\$ 11,297,842	\$ 2,427,003	\$ 2,134,479
Water Shares	-	-	4,458,638	4,417,387
Buildings	22,540,243	19,112,441	4,424,373	4,272,998
Improvements	15,967,718	15,786,121	103,045,312	100,143,829
Equipment	3,810,321	3,359,882	4,228,795	3,976,111
Infrastructure	32,377,961	31,852,583	-	-
Total Net Assets	<u>\$ 86,620,256</u>	<u>\$ 81,408,869</u>	<u>\$ 118,584,121</u>	<u>\$ 114,944,804</u>
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, 2012, the City had total long-term debt outstanding of **\$29,573,455**. Of that, **\$10,775,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$18,798,455** 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	
	2012	2011	2012	2011
Capital Lease	\$ 95,143	\$ 148,455	\$ -	\$ -
Accrued Vacation & Sick Leave	1,165,684	1,130,067	492,154	455,989
Revenue Bonds	18,703,312	19,724,484	10,775,000	10,708,000
Total Outstanding Debt	\$ 19,964,139	\$ 21,003,006	\$ 11,267,154	\$ 11,163,989

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$1,214,662,243**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$ 48,586,490** 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 **\$97,172,979** 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 6.1% compared with a state unemployment rate of 6.0 % and a national rate of 8.3 %. (Source: Utah Dept of Workforce Services)
- The General Fund budget for the fiscal year-ending June 30, 2013 reflects a decrease from the final budget for the fiscal year-ended June 30, 2012. This decrease in spending is a result of several large capital projects completed during the fiscal year 2012. These Capital Project Fund projects were not budgeted in fiscal year 2013. During fiscal year 2012 the General Fund transferred funds to certain Capital Project Funds. 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 2013 include:

1. Additional Trail Projects.
2. River Reclamation Projects
3. Water Rights Purchases.
4. Water line replacements.
5. Sewer line replacement.
6. Hardware for new broadband nodes.
7. Storm Drainage System Expansion.
8. Pressurized Irrigation System Expansion.
9. Sidewalk replacement and repair various areas of town.
10. Purchase of City Vehicles.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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Spanish Fork City
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 2,231,462	\$ 26,882,037	\$ 29,113,499
Receivables (net of allowance)	2,635,098	3,826,953	6,462,051
Prepaid expenses	23,334	45,660	68,994
Internal balances	1,375,898	(1,375,898)	-
Bond issuance costs (net)	-	223,691	223,691
Inventory	-	1,108,836	1,108,836
Equity in joint venture	3,076,527	1,365,544	4,442,071
Restricted Assets:			
Cash and cash equivalents	5,661,681	1,677,801	7,339,482
Capital Assets (not being depreciated):			
Land	11,924,013	2,427,003	14,351,016
Water shares	-	4,458,638	4,458,638
Capital Assets (net of accumulated depreciation):			
Buildings	22,540,243	4,424,373	26,964,616
Improvements other than buildings	15,967,718	103,045,312	119,013,030
Equipment	3,810,321	4,228,795	8,039,116
Infrastructure	32,377,961	-	32,377,961
Total assets	<u>101,624,256</u>	<u>152,338,745</u>	<u>253,963,001</u>
LIABILITIES			
Accounts payable	1,431,053	605,703	2,036,756
Deposits	2,365,469	793,250	3,158,719
Connectors agreement	-	31,937	31,937
Deferred revenue	1,703,594	12,872	1,716,466
Deferred amount of refunding	-	(383,778)	(383,778)
Compensated absences	1,165,684	492,154	1,657,838
Bond interest payable	171,745	18,889	190,634
Bond premiums	187,523	136,434	323,957
Noncurrent Liabilities:			
Due within one year	978,312	1,935,000	2,913,312
Due in more than one year	17,820,143	8,840,000	26,660,143
Total liabilities	<u>25,823,523</u>	<u>12,482,462</u>	<u>38,305,985</u>
NET ASSETS			
Invested in capital assets, net of related debt	67,650,056	108,768,793	176,418,849
Restricted for:			
Class "C" roads	925,086	-	925,086
Redevelopment agency	3,123,480	-	3,123,480
Impact fees	-	263,524	263,524
Debt Service	381,016	-	381,016
Water rights	-	454,608	454,608
Bond requirements	-	959,669	959,669
Unrestricted	3,721,095	29,409,688	33,130,783
Total net assets	<u>\$ 75,800,733</u>	<u>\$ 139,856,282</u>	<u>\$ 215,657,015</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2012

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 3,356,613	\$ 4,220,683	\$ 53,950	\$ -	\$ 918,020	\$ 918,020
Public safety	5,557,593	2,004,120	78,830	-	(3,474,643)	(3,474,643)
Public works	9,144,385	-	1,018,926	3,674,054	(4,451,405)	(4,451,405)
Parks, rec. & public property	7,305,349	666,159	219,196	363,882	(6,056,112)	(6,056,112)
Interest on long-term debt	843,333	-	-	-	(843,333)	(843,333)
Total governmental activities	26,207,273	6,890,962	1,370,902	4,037,936	(13,907,473)	(13,907,473)
Business-type activities:						
Water	4,924,262	5,001,392	-	670,258	-	747,388
Sewer	2,738,255	2,458,413	-	751,667	-	471,825
Electric	22,167,745	26,034,634	-	524,414	-	4,391,303
Garbage	1,240,674	1,322,454	-	-	-	81,780
Golf course	867,111	726,219	-	-	-	(140,892)
Swimming pool	386,658	203,277	-	-	-	(183,381)
Storm drainage	1,036,778	1,085,220	-	296,499	-	344,941
Gun club	217,637	283,958	-	-	-	66,321
Total business-type activities	33,579,119	37,115,567	-	2,242,838	-	5,779,286
Total primary government	\$ 59,786,392	\$ 44,006,529	\$ 1,370,902	\$ 6,280,774	(13,907,473)	(8,128,187)
General revenues:						
Property taxes					2,720,342	2,720,342
Sales taxes					6,034,804	6,034,804
Other taxes					588,700	588,700
Unrestricted investment earnings					92,182	256,612
Sundry revenues					3,000,250	3,000,250
Joint venture gain (loss)					338,108	276,855
Gain on sale of capital assets					(30,428)	(79,684)
Transfers					5,331,106	-
Total general revenues and transfers					18,075,064	12,797,879
Change in net assets					4,167,590	4,669,692
Net assets - beginning					71,633,143	210,987,323
Net assets - ending					\$ 75,800,733	\$ 215,657,015

**Spanish Fork City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2012**

	General Fund	Major Capital Project Fund North Park	Major Capital Project Fund Fairgrounds	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,140,433	\$ -	\$ 527,209	\$ 563,820	\$ 2,231,462
Receivables (net of allowance):					
Tax	2,625,173	-	-	9,925	2,635,098
Due from other funds	470,657	171,898	250,473	1,314,076	2,207,104
Prepaid expense	23,334	-	-	-	23,334
Equity in joint venture	79,626	-	-	-	79,626
Restricted Assets:					
Cash and cash equivalents	3,097,747	361,819	-	2,202,115	5,661,681
Total assets	<u>\$ 7,436,970</u>	<u>\$ 533,717</u>	<u>\$ 777,682</u>	<u>\$ 4,089,936</u>	<u>\$ 12,838,305</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 322,222	\$ -	\$ 280,633	\$ 131,883	\$ 734,738
Payroll payable	592,215	-	-	-	592,215
Developer escrow	2,015,207	-	-	-	2,015,207
Final inspection deposit	350,262	-	-	-	350,262
Deferred revenue	1,703,594	-	-	-	1,703,594
Total liabilities	<u>4,983,500</u>	<u>-</u>	<u>280,633</u>	<u>131,883</u>	<u>5,396,016</u>
Fund balances:					
Non spendable	102,960	-	-	-	102,960
Restricted for:					
Class "C" roads	925,086	-	-	-	925,086
Redevelopment agency	-	-	-	3,123,480	3,123,480
Debt Service	-	-	-	381,016	381,016
Committed for:					
Capital projects	-	533,717	497,049	453,557	1,484,323
Unassigned	1,425,424	-	-	-	1,425,424
Total fund balances	<u>2,453,470</u>	<u>533,717</u>	<u>497,049</u>	<u>3,958,053</u>	<u>7,442,289</u>
Total liabilities and fund balances	<u>\$ 7,436,970</u>	<u>\$ 533,717</u>	<u>\$ 777,682</u>	<u>\$ 4,089,936</u>	<u>\$ 12,838,305</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total fund balances - governmental fund types: \$ 7,442,289

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	2,996,901	
Cost of capital assets	137,257,623	
Accumulated depreciation	<u>(50,637,367)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		<u>89,617,157</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

(988,618)

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	(171,745)	
Non-current liabilities due within one year	(1,020,143)	
Compensated absences	(1,165,684)	
Unamortized Bond Premium	(187,523)	
Non-current liabilities due in more than one year	<u>(17,725,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		<u>(20,270,095)</u>

Net assets of government activities \$ 75,800,733

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Major Capital Project Fund North Park	Major Capital Project Fund Fairgrounds	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 8,405,784	\$ -	\$ -	\$ 938,062	\$ 9,343,846
Licenses and permits	595,818	-	-	-	595,818
Intergovernmental revenues	1,370,901	-	-	-	1,370,901
Charges for services	1,722,145	-	-	-	1,722,145
Fines and forfeitures	115,471	-	-	-	115,471
Interest income	87,374	-	-	4,808	92,182
Sundry revenue	1,489,892	-	3,000,250	975,218	5,465,360
Total revenues	<u>13,787,385</u>	<u>-</u>	<u>3,000,250</u>	<u>1,918,088</u>	<u>18,705,723</u>
	14,228,127				
EXPENDITURES					
Current:					
General government	3,366,634	-	-	-	3,366,634
Public safety	4,936,681	-	-	-	4,936,681
Public works	6,266,666	-	-	465,914	6,732,580
Parks, recreation and public property	2,641,779	-	-	-	2,641,779
Debt Service:					
Principal retirement	-	-	-	875,000	875,000
Interest and fiscal charges	-	-	-	863,125	863,125
Capital outlay	-	4,684,874	4,003,201	337,724	9,025,799
Total expenditures	<u>17,211,760</u>	<u>4,684,874</u>	<u>4,003,201</u>	<u>2,541,763</u>	<u>28,441,598</u>
Excess revenues over (under) expenditures	<u>(3,424,375)</u>	<u>(4,684,874)</u>	<u>(1,002,951)</u>	<u>(623,675)</u>	<u>(9,735,875)</u>
Other financing sources (uses)					
Impact fees	363,882	-	-	-	363,882
Indirect services	1,992,418	-	-	-	1,992,418
Transfers in	-	3,300,000	1,500,000	1,488,915	6,288,915
Transfers out	(957,809)	-	-	-	(957,809)
Total other financing sources and uses	<u>1,398,551</u>	<u>3,300,000</u>	<u>1,500,000</u>	<u>1,488,915</u>	<u>7,687,466</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(2,025,824)</u>	<u>(1,384,874)</u>	<u>497,049</u>	<u>865,240</u>	<u>(2,048,409)</u>
Fund balances - beginning of year	4,479,294	1,918,591	-	3,092,813	9,490,698
Fund balances - end of year	<u>\$ 2,453,470</u>	<u>\$ 533,717</u>	<u>\$ 497,049</u>	<u>\$ 3,958,053</u>	<u>\$ 7,442,289</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, 2012

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

Net changes in fund balances - total governmental funds \$ (2,048,409)

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	5,355,456	
Depreciation Expense	(4,217,727)	
	<u>1,137,729</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities		<u>1,137,729</u>

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

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount that proceeds exceed the gain on the statement of activities.	(30,488)
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The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contibutions from developers as revenue.	<u>3,674,054</u>	
		<u>3,643,566</u>

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities.	233,916
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	894,792
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Some revenues expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in compensated Absences	<u>(32,112)</u>
Change in net assets of governmental activities	<u><u>\$ 4,167,590</u></u>

Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 7,749,580	\$ 8,265,962	\$ 8,405,784	\$ 139,822
Licenses and permits	492,000	586,800	595,818	9,018
Intergovernmental revenues	1,278,544	1,448,192	1,370,901	(77,291)
Charges for services	1,504,500	1,619,875	1,722,145	102,270
Fines and forfeitures	153,000	107,000	115,471	8,471
Interest income	55,250	79,100	87,374	8,274
Sundry revenue	1,376,813	1,449,796	1,489,892	40,096
Total revenues	<u>12,609,687</u>	<u>13,556,725</u>	<u>13,787,385</u>	<u>230,660</u>
EXPENDITURES				
Current:				
General government	3,507,927	3,388,241	3,366,634	(21,607)
Public safety	5,069,112	5,374,116	4,936,681	(437,435)
Public works	6,286,651	7,096,736	6,266,666	(830,070)
Parks, recreation and public property	2,580,944	2,761,455	2,641,779	(119,676)
Total expenditures	<u>17,444,634</u>	<u>18,620,548</u>	<u>17,211,760</u>	<u>(1,408,788)</u>
Excess revenues over (under) expenditures	<u>(4,834,947)</u>	<u>(5,063,823)</u>	<u>(3,424,375)</u>	<u>1,639,448</u>
Other financing sources (uses)				
Sale of fixed assets	30,000	500	60	(440)
Impact fees	-	-	363,882	363,882
Indirect services	1,893,692	1,992,358	1,992,418	60
Transfers in	1,596,157	1,592,580	-	(1,592,580)
Transfers out	(1,620,165)	(957,809)	(957,809)	-
Total other financing sources and uses	<u>1,899,684</u>	<u>2,627,629</u>	<u>1,398,551</u>	<u>(1,229,078)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(2,935,263)</u>	<u>(2,436,194)</u>	<u>(2,025,824)</u>	<u>410,370</u>
Fund balances - beginning of year	4,479,294	4,479,294	4,479,294	-
Fund balances - end of year	<u>\$ 1,544,031</u>	<u>\$ 2,043,100</u>	<u>\$ 2,453,470</u>	<u>\$ 410,370</u>

Spanish Fork City
Statement of Net Assets – Proprietary Funds
As of June 30, 2012

	Business-Type Activities - Enterprise Funds					Governmental
					Non Major	Activities -
	Water	Sewer	Electric	Enterprise Funds	Total	Internal Service
						Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,133,129	\$ 8,503,897	\$ 12,189,871	\$ 5,055,140	\$ 26,882,037	\$ -
Accounts receivable	542,599	235,907	2,763,273	329,982	3,871,761	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	854,270	4,040,138	6,147,300	2,789,593	13,831,301	-
Prepaid Expense	-	-	45,656	-	45,656	-
Inventory	4,500	3,500	1,061,766	39,070	1,108,836	-
Total current assets	<u>2,525,090</u>	<u>12,780,617</u>	<u>22,177,509</u>	<u>8,211,567</u>	<u>45,694,783</u>	<u>-</u>
Noncurrent assets:						
Restricted cash and equivalents	664,984	-	749,293	263,524	1,677,801	-
Capital Assets:						
Land	280,483	1,009,568	853,156	283,796	2,427,003	-
Water rights	4,458,638	-	-	-	4,458,638	-
Buildings	2,429,715	512,049	3,203,438	752,255	6,897,457	205,920
Improvements	65,039,425	32,059,573	40,978,611	15,970,799	154,048,408	-
Equipment	2,858,156	2,383,309	2,333,808	1,082,754	8,658,027	10,149,436
Less: accumulated depreciation	(22,767,255)	(15,048,885)	(13,804,668)	(6,284,601)	(57,905,409)	(7,197,855)
Other Assets:						
Equity in joint venture	-	-	-	1,365,544	1,365,544	-
Deferred bond costs	139,610	-	84,081	-	223,691	-
Total noncurrent assets	<u>53,103,756</u>	<u>20,915,614</u>	<u>34,397,719</u>	<u>13,434,071</u>	<u>121,851,160</u>	<u>3,157,501</u>
Total assets	<u>\$ 55,628,846</u>	<u>\$ 33,696,231</u>	<u>\$ 56,575,228</u>	<u>\$ 21,645,638</u>	<u>\$ 167,545,943</u>	<u>\$ 3,157,501</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 2,148,334	\$ 6,405,302	\$ 1,717,078	\$ 5,141,759	\$ 15,412,473	\$ 625,932
Accounts payable	179,332	19,243	214,665	192,463	605,703	101,886
Accrued interest payable	18,889	-	-	-	18,889	2,214
Compensated absences payable	71,455	59,629	295,785	65,285	492,154	27,424
Customer deposits	16,626	-	441,574	-	458,200	-
Final inspection deposits	-	-	335,050	-	335,050	-
Lease payable - current portion	-	-	-	-	-	53,312
Bonds payable - current portion	1,160,000	-	775,000	-	1,935,000	-
Total current liabilities	<u>3,594,636</u>	<u>6,484,174</u>	<u>3,811,090</u>	<u>5,399,507</u>	<u>19,289,407</u>	<u>810,768</u>
Noncurrent liabilities:						
Deferred revenue	6,000	1,872	-	5,000	12,872	-
Lease Payable	-	-	-	-	-	95,143
Bonds payable	6,380,000	-	2,460,000	-	8,840,000	-
Bond premiums	136,434	-	-	-	136,434	-
Deferred amount of refunding	(383,778)	-	-	-	(383,778)	-
Total noncurrent liabilities	<u>6,138,656</u>	<u>1,872</u>	<u>2,460,000</u>	<u>5,000</u>	<u>8,605,528</u>	<u>95,143</u>
Total liabilities	<u>9,733,292</u>	<u>6,486,046</u>	<u>6,271,090</u>	<u>5,404,507</u>	<u>27,894,935</u>	<u>905,911</u>
NET ASSETS						
Invested in capital assets, net of related debt	44,969,538	20,915,614	31,078,638	11,805,003	108,768,793	3,157,501
Restricted for:						
Impact fees	-	-	-	263,524	263,524	-
Water rights	454,608	-	-	-	454,608	-
Bond requirements	210,376	-	749,293	-	959,669	-
Unrestricted	261,032	6,294,571	18,476,207	4,172,604	29,204,414	(905,911)
Total net assets	<u>\$ 45,895,554</u>	<u>\$ 27,210,185</u>	<u>\$ 50,304,138</u>	<u>\$ 16,241,131</u>	<u>139,651,008</u>	<u>\$ 2,251,590</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					205,274	
Net assets from business-type activities:					<u>\$ 139,856,282</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service
	Water	Sewer	Electric	Non Major Enterprise Funds	Total Enterprise Funds	Fund
Operating Revenues:						
Charges for sales and services	\$ 4,863,140	\$ 2,310,003	\$ 24,874,771	\$ 3,367,283	\$ 35,415,197	\$ 2,279,646
Other income	138,252	148,410	1,159,863	253,845	1,700,370	34,573
Total operating revenues	<u>5,001,392</u>	<u>2,458,413</u>	<u>26,034,634</u>	<u>3,621,128</u>	<u>37,115,567</u>	<u>2,314,219</u>
Operating Expenses:						
Water assessment	64,816	-	-	-	64,816	-
Power purchases	-	-	12,338,655	-	12,338,655	-
Landfill fees	-	-	-	1,114,464	1,114,464	-
Employee salaries	748,946	583,316	2,685,682	1,013,278	5,031,222	244,967
Materials and supplies	256,719	110,023	1,199,151	267,658	1,833,551	461,656
Repairs and maintenance	51,460	40,886	115,852	94,092	302,290	285,955
Professional services	102,619	93,179	2,727,713	125,624	3,049,135	11,334
Motorpool charges	153,322	112,376	293,264	257,122	816,084	-
Utilities	289,004	154,852	77,062	76,941	597,859	12,584
Insurance	16,146	39,600	37,135	22,074	114,955	1,484
Depreciation	2,233,490	1,141,355	1,204,637	438,139	5,017,621	869,471
Amortization	124,277	-	21,527	-	145,804	-
Indirect services	629,433	457,424	532,791	372,710	1,992,358	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	18,099	19,914	151,030	17,929	206,972	-
Total operating expenses	<u>4,824,615</u>	<u>2,762,492</u>	<u>22,126,391</u>	<u>3,800,031</u>	<u>33,513,529</u>	<u>1,887,451</u>
Operating income	<u>176,777</u>	<u>(304,079)</u>	<u>3,908,243</u>	<u>(178,903)</u>	<u>3,602,038</u>	<u>426,768</u>
Nonoperating revenues (expenses):						
Interest revenue	7,074	-	157,356	-	164,430	-
Impact fees and water right fees	272,419	226,014	308,404	153,113	959,950	-
Change in joint venture equity	-	-	-	(61,253)	(61,253)	-
Contributions from private contractors	397,839	525,653	216,010	143,386	1,282,888	-
Gain(loss) on sale of fixed assets	-	-	(49,256)	-	(49,256)	(5,529)
Interest expense	(142,727)	-	(102,024)	-	(244,751)	(8,163)
Total nonoperating revenues (expenses)	<u>534,605</u>	<u>751,667</u>	<u>530,490</u>	<u>235,246</u>	<u>2,052,008</u>	<u>(13,692)</u>
Income (loss) before operating transfers	<u>711,382</u>	<u>447,588</u>	<u>4,438,733</u>	<u>56,343</u>	<u>5,654,046</u>	<u>413,076</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	347,076	347,076	-
Operating transfers out	-	-	(5,678,182)	-	(5,678,182)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(5,678,182)</u>	<u>347,076</u>	<u>(5,331,106)</u>	<u>-</u>
Change in net assets	711,382	447,588	(1,239,449)	403,419	322,940	413,076
Total net assets - beginning	45,184,172	26,762,597	51,543,587	15,837,712	139,328,068	1,838,514
Total net assets - ending	<u>\$ 45,895,554</u>	<u>\$ 27,210,185</u>	<u>\$ 50,304,138</u>	<u>\$ 16,241,131</u>	<u>\$ 139,651,008</u>	<u>\$ 2,251,590</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					179,161	
Change in net assets of business-type activities:					<u>\$ 502,101</u>	

Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 4,528,804	\$ 2,308,651	\$ 24,044,531	\$ 3,274,979	\$ 34,156,965
Other cash receipts	138,252	148,410	1,159,863	253,845	1,700,370
Interfund services provided	141,868	-	500,655	-	642,523
Payments to suppliers	(1,653,395)	(1,071,521)	(17,964,435)	(2,356,627)	(23,045,978)
Payments to employees	(737,831)	(576,772)	(2,677,948)	(1,002,506)	(4,995,057)
Net cash provided (used) by operating activities	<u>2,417,698</u>	<u>808,768</u>	<u>5,062,667</u>	<u>169,691</u>	<u>8,458,824</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	(201,619)	(962,650)	(264,618)	(565,335)	(1,994,222)
Increase (decrease) in due to other funds	809,394	479,297	60,451	748,679	2,097,821
Transfers in (out)	-	-	(5,678,182)	347,076	(5,331,106)
Net cash provided (used) by noncapital activities	<u>607,775</u>	<u>(483,353)</u>	<u>(5,882,349)</u>	<u>530,420</u>	<u>(5,227,507)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(4,133,707)	(939,124)	(1,984,391)	(1,663,038)	(8,720,260)
Principal paid on capital debt	812,000	-	(745,000)	-	67,000
Interest paid on capital debt	(142,727)	-	(102,024)	-	(244,751)
(Increase) decrease in deferred amount on refunding	(81,106)	-	84,081	-	2,975
Contributions from (reimbursements to) private contractors	397,839	525,653	216,010	143,386	1,282,888
Impact fees collected	272,419	226,014	308,404	153,113	959,950
Net cash provided (used) by capital and related financing activities	<u>(2,875,282)</u>	<u>(187,457)</u>	<u>(2,222,920)</u>	<u>(1,366,539)</u>	<u>(6,652,198)</u>
Cash Flows From Investing Activities					
Interest and dividends received	7,074	-	157,356	-	164,430
Increase (decrease) in unamortized bond premiums	(27,282)	-	-	-	(27,282)
Net cash provided (used) by investing activities	<u>(20,208)</u>	<u>-</u>	<u>157,356</u>	<u>-</u>	<u>137,148</u>
Net increase (decrease) in cash and cash equivalents	129,983	137,958	(2,885,246)	(666,428)	(3,283,733)
Cash and cash equivalents, July 1	1,668,130	8,365,939	15,824,410	5,985,092	31,843,571
Cash and cash equivalents, June 30	<u>\$ 1,798,113</u>	<u>\$ 8,503,897</u>	<u>\$ 12,939,164</u>	<u>\$ 5,318,664</u>	<u>\$ 28,559,838</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 176,777	\$ (304,079)	\$ 3,908,243	\$ (178,903)	3,602,038
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,233,490	1,141,355	1,204,637	438,139	5,017,621
Amortization expense	124,277	-	21,527	-	145,804
(Increase) decrease in accounts receivable	(192,467)	(1,351)	(329,585)	(92,301)	(615,704)
Decrease (increase) in inventory	-	-	293,124	7,698	300,822
Increase (decrease) in accrued liabilities	64,507	(33,700)	44,064	(15,714)	59,157
Increase (decrease) in compensated absences	11,115	6,544	7,734	10,772	36,165
Increase (decrease) in customer deposits	-	-	(87,078)	-	(87,078)
Increase (decrease) in deferred revenue	(1)	(1)	-	-	(2)
Total adjustments	<u>2,240,921</u>	<u>1,112,847</u>	<u>1,154,424</u>	<u>348,594</u>	<u>4,856,786</u>
Net cash provided (used) by operating activities	<u>\$ 2,417,698</u>	<u>\$ 808,768</u>	<u>\$ 5,062,667</u>	<u>\$ 169,691</u>	<u>\$ 8,458,824</u>

**Spanish Fork City
Statement of Net Assets
Fiduciary Fund
As of June 30, 2012**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	<u>\$ 56,145</u>
Total assets	<u>56,145</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	<u>62</u>
Total liabilities	<u>62</u>
Fund Balances:	
Deferred compensation	<u>56,083</u>
Total fund balances	<u>56,083</u>
Total liabilities and fund balance	<u>\$ 56,145</u>

Spanish Fork City
Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended June 30, 2012

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 17,000
Interest income	671
Total	17,671
EXPENDITURES:	
Retirement payments	17,616
Total	17,616
Excess of revenues over (under) expenditures	55
Fund balances - beginning of year	56,028
Fund balances - end of year	\$ 56,083

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP) as applied to government agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

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

Development Services: Economic Development, Planning and Zoning and Code Enforcement and Building Inspections,.

Public Safety: Police, Fire, Ambulance, Animal Control and Justice Center.

Public Works: Streets, Engineering, 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, Gun Club, Senior Center, Special Events and Arts Council Programs.

Library: Library Administration and Public Services.

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

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

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

- 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 and Fairgrounds fund. The reporting entity also includes the Non-Major Governmental fund of River Reclamation fund and Street Cut Bridge 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, 2012**

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.
Capital Projects Fund - Fairgrounds	Accounts for the accumulation of funds, revenues and expenditures on the construction of a new outdoor arena.
Enterprise Funds:	
Water, Sewer and Electric	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. Water Fund consists of culinary and secondary water systems. Electric Fund consists of electric and broadband systems. Sewer Fund consists of sewer collections and sewer plant systems.
Nonmajor Governmental Funds:	
Debt Service Fund	The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.
Special Revenue Fund (RDA)	Accounts for activity within the City’s redevelopment agency.
Capital Projects Fund	Accounts for the accumulation of funds, revenues and expenditures on projects such as the River Reclamation Project and Street Cut Bridge.

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position,

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

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

Basis of Accounting

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

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

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

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012**

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, 2012**

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, 2012**

At June 30, 2012, 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	\$ 717,802	\$ 296,031	\$ 1,013,833
Sick Leave Liability	447,882	196,123	644,005
Total Compensated Absences	<u>\$ 1,165,684</u>	<u>\$ 492,154</u>	<u>\$ 1,657,838</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.”

Fund Statements

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

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012**

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. The UPTIF financial statements are included in the Comprehensive Annual Financial Report for the State of Utah. The financial report is available on the State's website.

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

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

2.B. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2012, 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, 2012, 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, 2012, the City had \$29,573,455 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, 2012.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

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

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

2.E. FUND EQUITY RESTRICTIONS

Utah Code 10-6-116(4) indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. For the year ended June 30, 2012 the City’s general fund will not 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, 2012, The City’s custodial credit risk for deposits is as follows:

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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	Custodial Credit Risk	Balance June 30, 2012
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	2,653,438
Total Depository Accounts		\$ 2,903,438

Investments

As of June 30, 2012 the government had the following investments and maturities:

	Investment Maturity in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments in Public					
Treasurers'	\$31,513,039	\$31,513,039	\$ -	\$ -	\$ -
Bond Escrows	1,398,409	1,398,409	-	-	-
Money Market	694,240	694,240	-	-	-
Total Fair Value	\$33,605,688	\$33,605,688	\$ -	\$ -	\$ -

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, 2012**

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

Reconciliation to Government-wide Statement of Net Assets:

Deposits & Investments		\$	2,866,236
Investments			33,605,688
Cash on hand			37,202
	Total	\$	<u>36,509,126</u>

Government - Wide

Cash and Cash Equivalents		\$	29,113,499
Restricted Cash & Cash Equivalents			7,339,482
Fiduciary Restricted Cash			56,145
	Total	\$	<u>36,509,126</u>

Net Cash on Statement of Net Assets		\$	36,452,981
Fiduciary Restricted Cash			56,145
	Total	\$	<u>36,509,126</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water right fees	\$ 454,608	\$ -	\$ -	\$ 454,608
Storm drainage impact fees	263,524	-	-	263,524
Water bond requirements	210,376	-	-	210,376
Electric bond requirements	749,293	-	-	749,293
Total	\$ 1,677,801	\$ -	\$ -	\$ 1,677,801
<i>Governmental Activities:</i>				
Developer escrows	\$ 2,015,207	\$ -	\$ -	\$ 2,015,207
Debt Service	381,016.0	-	-	-
Class "C" roads	925,086	-	-	925,086
RDA requirements	3,248,324	-	-	3,248,324
Total	6,569,633	-	-	6,188,617
Grand Totals	\$ 8,247,434	\$ -	\$ -	\$ 7,866,418

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2012, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 3,871,761	\$ 3,871,761
Property tax	1,482,392	-	1,482,392
Other tax	1,152,706	-	1,152,706
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 2,635,098</u>	<u>\$ 3,826,953</u>	<u>\$ 6,462,051</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)	\$ 1,482,392	\$ -
	-	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,482,392</u>	<u>\$ -</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Additions	Adjustments	Disposals	Balance at June 30, 2012
Governmental activities:					
Land (not being depreciated)	\$ 11,297,842	\$ 626,170	\$ -	\$ -	\$ 11,924,012
Buildings	25,702,410	4,272,061	-	-	29,974,471
Improvements	19,525,488	937,626	-	(23,626)	20,439,488
Machinery and equipment	11,439,392	1,494,362	-	(623,635)	12,310,119
Infrastructure	59,598,057	3,011,546	-	-	62,609,603
Totals at historical cost	<u>127,563,189</u>	<u>10,341,765</u>	<u>-</u>	<u>(647,261)</u>	<u>137,257,693</u>
Less accumulated depreciation					
Buildings	\$ (6,589,970)	\$ (844,256)	\$ -	\$ -	(7,434,226)
Improvements	(3,739,368)	(737,126)	-	4,725	(4,471,769)
Machinery and equipment	(8,079,510)	(1,019,647)	-	599,427	(8,499,730)
Infrastructure	(27,745,473)	(2,486,169)	-	-	(30,231,642)
Total accumulated depreciation	<u>(46,154,321)</u>	<u>(5,087,198)</u>	<u>-</u>	<u>604,152</u>	<u>(50,637,367)</u>
Governmental activities capital assets, net	<u>\$ 81,408,868</u>	<u>\$ 5,254,567</u>	<u>\$ -</u>	<u>\$ (43,109)</u>	<u>\$ 86,620,326</u>
Business-type activities:					
Land (not being depreciated)	\$ 2,134,479	\$ 292,526	\$ -	\$ -	\$ 2,427,005
Water shares (not being depreciated)	4,417,387	41,252	-	-	4,458,639
Buildings and structures	6,565,922	331,536	-	-	6,897,458
Improvements	147,101,790	7,150,791	-	(204,178)	154,048,403
Machinery and equipment	7,767,935	890,091	-	-	8,658,026
Totals at historical cost	<u>167,987,513</u>	<u>8,706,196</u>	<u>-</u>	<u>(204,178)</u>	<u>176,489,531</u>
Less accumulated depreciation					
Buildings and structures	(2,292,923)	(180,158)	-	-	(2,473,081)
Improvements other than buildings	(46,957,965)	(4,200,053)	-	154,922	(51,003,096)
Machinery and equipment	(3,791,824)	(637,407)	-	-	(4,429,231)
Total accumulated depreciation	<u>(53,042,712)</u>	<u>(5,017,618)</u>	<u>-</u>	<u>154,922</u>	<u>(57,905,408)</u>
Business-type activities capital assets, net	<u>\$ 114,944,801</u>	<u>\$ 3,688,578</u>	<u>\$ -</u>	<u>\$ (49,256)</u>	<u>\$ 118,584,123</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 262,938
Public safety	717,137
Public works	2,529,856
Parks	707,796
Governmental portion of internal service fund	869,471
Total depreciation expense - governmental activities	<u>\$ 5,087,198</u>
Business-type activities	
Water	\$ 2,233,490
Electric	1,204,636
Sewer	1,141,355
Garbage	41,840
Golf course	54,195
Swimming pool	22,249
Storm drainage	301,446
Gun club	18,407
Total depreciation expense - business-type activities	<u>\$ 5,017,618</u>

3.E. ACCOUNTS PAYABLE

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012, 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	18,650,000
			<u>\$ 18,650,000</u>
			<u>(925,000)</u>
Total long term portion of bonds payable - governmental activities			<u>\$ 17,725,000</u>

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	148,455
Current portion of capital leases payable	(53,312)
Long term portion of capital leases payable	<u>\$ 95,143</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Business-type Activities:

As of June 30, 2012, 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 2011 Dated October 25, 2011 (Original amount \$1,880,000)	3.40% to 4.35%	2031	\$ 1,880,000
Electric Utility Revenue Refunded Bond 2009 Dated December 29, 2009 (Original amount \$4,690,000)	2.75%	2016	3,235,000
Water Revenue Refunding Bonds 2010 Dated August 18, 2010 (Original amount \$12,895,000)	4.00% to 5.50%	2017	5,660,000
Total bonds payable - business-type activities			<u>10,775,000</u>
Less current portion			<u>(1,935,000)</u>
Total bonds payable - long term portion			<u><u>\$ 8,840,000</u></u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Governmental activities:

Bonds payable	\$ 18,650,000		\$ (925,000)	\$ 17,725,000
Capital leases payable	148,455		(53,312)	95,143
Compensated absences	1,130,067	35,618		1,165,685
Total - Governmental Activities	<u>\$ 19,928,522</u>	<u>\$ 35,618</u>	<u>\$ (978,312)</u>	<u>\$ 18,985,828</u>

Business-type Activities:

Bonds payable	\$ 8,895,000	\$ 3,815,000	\$ (1,935,000)	\$ 10,775,000
Compensated absences	455,989	36,846		492,835
Total - Business-type Activities	<u>\$ 9,350,989</u>	<u>\$ 3,851,846</u>	<u>\$ (1,935,000)</u>	<u>\$ 11,267,835</u>

Due Within One Year	\$ 2,739,029	\$ 2,913,312	\$ (2,739,029)	\$ (2,913,312)
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Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2013	\$ 925,000	\$ 824,375	1,935,000	254,417
2014	950,000	787,375	1,987,000	198,990
2015	975,000	749,375	2,043,000	142,007
2016	1,025,000	710,375	2,095,000	94,767
2017	1,075,000	669,375	1,117,000	58,266
2018-2022	6,100,000	2,626,375	484,000	131,648
2023-2027	7,600,000	1,112,813	530,000	84,711
2028-2032			584,000	33,155
Total	<u>\$ 18,650,000</u>	<u>\$ 7,480,063</u>	<u>\$ 10,775,000</u>	<u>\$ 997,961</u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 308,282
Less: Accumulated depreciation	<u>(143,921)</u>
Total	<u><u>\$ 164,361</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, 2012 are:

<u>Fiscal Year</u>	<u>Amount</u>
2013	59,954
2014	<u>98,000</u>
Total minimum lease payments	157,954
Less amounts representing interest	<u>(9,499)</u>
Present value of minimum lease payments	<u><u>\$ 148,455</u></u>

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 957,809
Debt Service Fund	931,106	
Capital project fund-River Reclaim	77,644	
Capital project fund-Cut Bridge W	480,165	
Capital project fund-Fairgrounds	1,500,000	
Capital project fund-North Park	3,300,000	
Total Governmental Activities	<u>6,288,915</u>	<u>957,809</u>
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	5,678,182
<i>Non-major funds:</i>		
Golf course	199,761	-
Swimming pool	147,315	-
Total Business-type Activities	<u>347,076</u>	<u>5,678,182</u>
<i>Grand Totals</i>	<u>\$ 6,635,991</u>	<u>\$ 6,635,991</u>

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

Plant Assessments:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 629,433	\$ -
Sewer Fund	457,424	-
Electric Fund	532,791	-
Non-major business type activities:		
Golf Course	26,005	-
Swimming Pool	19,966	-
Garbage	53,525	-
Storm Drain	273,274	-
Major Governmental activities:		
General fund	-	1,992,418
	<u>\$ 1,992,418</u>	<u>\$ 1,992,418</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	\$ 541,027	\$ 70,370
Non-major funds		
Special revenue fund	1,046,209	-
Debt service fund	119,520	-
Capital projects fund	570,718	-
Total Governmental	<u>2,277,474</u>	<u>70,370</u>
Business-type funds		
Major funds		
Water fund	854,270	2,148,334
Sewer fund	4,040,138	6,405,302
Electric fund	6,147,300	1,717,078
Non-major funds		
Golf course fund	1,890,899	4,692,144
Swimming pool fund	-	36,027
Garbage fund	850,819	-
Storm drainage fund	-	413,588
Gun club fund	47,875	-
Total Business-Type	<u>13,831,301</u>	<u>15,412,473</u>
Internal service fund		
Motorpool fund	-	625,932
Grand Total	<u>\$ 16,108,775</u>	<u>\$ 16,108,775</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

3.H. RESERVED FUND BALANCES

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

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in the following employee pension systems:

Local Governmental - Cost Sharing Defined Benefits Pension Plans

Plan Description. The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing, multiple-employer defined benefit pensions plans administered by the Utah Retirement Systems (Systems). The Systems provide, retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

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

Funding Policy. The City is required to contribute a percentage of covered salary to the respective systems, 10.33% to the Contributory Tier 2, 13.77% to the Noncontributory Tier 1, 16.27% to the Public Safety Contributory Tier 2, and 27.07% to the Public Safety Noncontributory Tier 1. 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, 2012, 2011, and 2010 were; for the Contributory System Tier 2 \$5,592, \$0, \$0; for the Noncontributory System Tier 1 \$845,990, \$792,002, and \$687,518; for the Public Safety

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Contributory Tier 2 \$228, \$0, \$0; for the Public Safety Noncontributory Tier 1 \$390,106, \$362,584.62, and \$318,149 respectively. The contributions were equal to or greater than the required contributions for each year.

401(k) Plan

The employees of City also participate in a 401(k) deferred compensation plan with Great West Retirement Services. The amount of the employer contributions for the year ended June 30, 2012, 2011 and 2010, were \$363,364, \$403,202, and \$402,160 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%

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. Audited summary financial information of UMPA at June 30, 2012 is as follows from UMPA:

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 42,138,960</u>	<u>\$ 3,964,855</u>
Total liabilities	<u>\$ 42,135,610</u>	<u>\$ 3,964,540</u>
Total net assets	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 68,159,908	\$ 6,413,166
Total operating expenses	<u>(64,512,428)</u>	<u>\$ (6,069,974)</u>
Net operating income	3,647,480	\$ 343,191
Total non-operating income (expenses)	<u>(3,647,480)</u>	<u>(343,191)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The joint venture has the following long-term debt:

Revenue bonds payable	<u>\$ 21,707,607</u>	<u>\$ 2,042,469</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, 2012**

South Utah Valley Solid Waste District

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

Additional information is as follows:

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

- d. Audited summary financial information of the District as June 30, 2012 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	<u>\$ 17,494,582</u>	<u>\$ 2,055,613</u>
Total liabilities	<u>\$ 5,872,934</u>	<u>\$ 690,070</u>
Total net assets	<u>\$ 11,621,648</u>	<u>\$ 1,365,544</u>
Total operating revenues	\$ 5,295,605	\$ 622,234
Total operating expenses	<u>5,980,683</u>	<u>702,730</u>
Net operating income	(685,078)	(80,497)
Total non-operating income (expenses)	<u>6,606</u>	<u>776</u>
Change in net assets	<u>\$ (678,472)</u>	<u>\$ (79,720)</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,963,891	\$ 348,257
Accrued compensated absences	249,619	29,330
Long Term Debt	<u>1,914,076</u>	<u>224,904</u>
Total long-term liabilities	<u>\$ 5,127,586</u>	<u>\$ 602,491</u>

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
Total assets	\$ 6,615,076	\$ 3,307,538
Total liabilities	\$ (462,022)	\$ (231,011)
Total net assets	\$ 6,153,054	\$ 3,076,527
Program revenues	\$ 968,313	\$ 484,157
General revenues	3,901	1,951
Program expenses	(295,998)	(147,999)
Change in net assets	\$ 676,216	\$ 338,108

- 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, 2012**

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 \$1,500,000 expiring June 16, 2013 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring March 31, 2013 covering all employees and elected officials of the City issued by Moreton & Company.
2. 9,544 water connections at June 30, 2012
3. Total culinary water billings for the year were \$2,265,868.
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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$ 283,474
B. Kirby RDA	341,592
C. Wasatch Wind CDA	312,996
 Total Collected	 <u><u>\$ 938,062</u></u>

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

A. North Industrial RDA	
B. Kirby RDA	
C. Wasatch Wind CDA	93,899
Total Paid	<u><u>\$ 93,899</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	\$ 28,349
B. Site improvements	136,765
C. Installation of public utilities and roads	
D. Administrative & contracted costs	203,447
Total Expended	<u><u>\$ 368,561</u></u>

4.G. SUBSEQUENT EVENTS

Water Revenue Bond 2012

On July 2, 2012, the City issued Water Revenue Bonds in the amount of \$4,041,000. The proceeds from these bonds have, and will be, used for water line replacements and improvements to the Cold Springs Collection system. The bonds bear interest of 2.58% and will mature on June 1, 2022. The first payment of \$43,151.15 is due on December 1, 2012 which consists entirely of interest.

Subsequent Event Evaluation

Subsequent events were evaluated through November 19, 2012, which is the date that the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

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**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2012**

	RDA Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Fund	River Reclaim. Fund	Street Cut Bridge Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ 224,926	\$ 26,645	\$ 4,775	\$ 307,474	\$ 563,820
Prepaid interest	-	-	-	-	-	-
Accounts receivable	-	9,925	-	-	-	9,925
Due from other funds	1,046,209	106,861	12,659	2,269	146,078	1,314,076
Restricted Assets:						
Cash and cash equivalents	2,202,115	-	-	-	-	2,202,115
Total assets	<u>\$ 3,248,324</u>	<u>\$ 341,712</u>	<u>\$ 39,304</u>	<u>\$ 7,044</u>	<u>\$ 453,552</u>	<u>\$ 4,089,936</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 124,844	\$ -	\$ -	\$ 7,039	\$ -	131,883
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>\$ 124,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,039</u>	<u>\$ -</u>	<u>\$ 131,883</u>
Fund balances:						
Restricted for:						
Redevelopment	3,123,480	-	-	-	-	3,123,480
Debt Service	-	341,712	39,304	-	-	381,016
Committed for:						
Capital projects	-	-	-	5	453,552	453,557
Total fund balances	<u>3,123,480</u>	<u>341,712</u>	<u>39,304</u>	<u>5</u>	<u>453,552</u>	<u>3,958,053</u>
Total liabilities and fund bal	<u>\$ 3,248,324</u>	<u>\$ 341,712</u>	<u>\$ 39,304</u>	<u>\$ 7,044</u>	<u>\$ 453,552</u>	<u>\$ 4,089,936</u>

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2012

	Fund Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	River Reclamation Fund	Street Cut Brige Fund	
REVENUES:						
Taxes	\$ 938,062	\$ -	\$ -	\$ -	\$ -	938,062
Sundry Revenues	-	824,102	-	-	\$ 151,116	975,218
Intergovernmental	-	-	-	-	-	-
Interest income	-	4,808	-	-	-	4,808
Total revenues	<u>938,062</u>	<u>828,910</u>	<u>-</u>	<u>-</u>	<u>151,116</u>	<u>1,918,088</u>
EXPENDITURES:						
Current Expenditures:						
RDA	465,914	-	-	-	-	465,914
Debt service:						
Principal retirement	-	875,000	-	-	-	875,000
Interest and fiscal charges	-	863,125	-	-	-	863,125
Capital outlay	-	-	-	159,995	177,729	337,724
Total expenditures	<u>465,914</u>	<u>1,738,125</u>	<u>-</u>	<u>159,995</u>	<u>177,729</u>	<u>2,541,763</u>
Excess of revenues over (under) expenditures	<u>472,148</u>	<u>(909,215)</u>	<u>-</u>	<u>(159,995)</u>	<u>(26,613)</u>	<u>(623,675)</u>
Other financing sources (uses):						
Transfers in (out)	-	931,106	-	77,644	480,165	1,488,915
Total other financing sources (uses)	<u>-</u>	<u>931,106</u>	<u>-</u>	<u>77,644</u>	<u>480,165</u>	<u>1,488,915</u>
Excess of revenues and other sources over (under) expenditures and othe	472,148	21,891	-	(82,351)	453,552	865,240
Fund balances - beginning of year	2,651,332	319,821	39,304	82,356	-	3,092,813
Fund balances - end of year	<u>\$ 3,123,480</u>	<u>\$ 341,712</u>	<u>\$ 39,304</u>	<u>\$ 5</u>	<u>\$ 453,552</u>	<u>\$ 3,958,053</u>

Spanish Fork City
Combining Statement of Net Assets
Non-Major Proprietary Funds
As of June 30, 2012

	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	\$ 3,980,785	\$ 540	\$ 972,645	\$ -	\$ 101,170	\$ 5,055,140
Accounts receivable	(34)	-	139,697	190,306	13	329,982
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	1,890,899	-	850,819	-	47,875	2,789,593
Inventory	24,866	-	-	-	14,204	39,070
Total current assets	<u>5,896,516</u>	<u>540</u>	<u>1,961,431</u>	<u>189,818</u>	<u>163,262</u>	<u>8,211,567</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	263,524	-	263,524
Capital Assets:						
Land	19,955	-	143,505	120,336	-	283,796
Buildings	676,073	-	48,066	-	28,116	752,255
Improvements	1,154,723	2,292,705	111,779	12,316,119	95,473	15,970,799
Equipment	174,870	13,160	810,604	-	84,120	1,082,754
Less: accumulated depreciation	(1,722,934)	(1,897,807)	(711,368)	(1,847,046)	(105,446)	(6,284,601)
Other Assets:						
Equity in joint venture	-	-	1,365,544	-	-	1,365,544
Total noncurrent assets	<u>302,687</u>	<u>408,058</u>	<u>1,768,130</u>	<u>10,852,933</u>	<u>102,263</u>	<u>13,434,071</u>
Total assets	<u>\$ 6,199,203</u>	<u>\$ 408,598</u>	<u>\$ 3,729,561</u>	<u>\$ 11,042,751</u>	<u>\$ 265,525</u>	<u>\$ 21,645,638</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 4,692,144	\$ 36,027	\$ -	\$ 413,588	\$ -	\$ 5,141,759
Accounts payable	62,387	25,469	95,002	5,011	4,594	192,463
Compensated absences	33,432	2,385	6,342	22,520	606	65,285
Total current liabilities	<u>4,787,963</u>	<u>63,881</u>	<u>101,344</u>	<u>441,119</u>	<u>5,200</u>	<u>5,399,507</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	5,000	-	5,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total liabilities	<u>4,787,963</u>	<u>63,881</u>	<u>101,344</u>	<u>446,119</u>	<u>5,200</u>	<u>5,404,507</u>
NET ASSETS						
Invested in capital assets, net of related debt	302,687	408,058	402,586	10,589,409	102,263	11,805,003
Restricted for:						
Impact fees	-	-	-	263,524	-	263,524
Unrestricted	1,108,553	(63,341)	3,225,631	(256,301)	158,062	4,172,604
Total net assets	<u>\$ 1,411,240</u>	<u>\$ 344,717</u>	<u>\$ 3,628,217</u>	<u>\$ 10,596,632</u>	<u>\$ 260,325</u>	<u>\$ 16,241,131</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, 2012

	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	\$ 726,050	\$ 203,277	\$1,322,454	\$ 910,084	\$205,418	\$ 3,367,283
Other income	169	-	-	175,136	78,540	253,845
Total operating revenues	<u>726,219</u>	<u>203,277</u>	<u>1,322,454</u>	<u>1,085,220</u>	<u>283,958</u>	<u>3,621,128</u>
Operating Expenses:						
Landfill fees	-	-	1,114,464	-	-	1,114,464
Employee salaries	394,083	229,953	52,848	278,369	58,025	1,013,278
Materials and supplies	118,504	39,536	4,253	31,278	74,087	267,658
Repairs and maintenance	58,979	9,168	-	3,162	22,783	94,092
Professional services	9,887	19,757	19,001	41,192	35,787	125,624
Motorpool charges	154,174	702	2,174	99,904	168	257,122
Utilities	26,503	42,332	-	-	8,106	76,941
Insurance	12,073	2,994	72	6,661	274	22,074
Depreciation	54,195	22,250	41,841	301,446	18,407	438,139
Indirect services	26,005	19,966	53,525	273,214	-	372,710
Sundry charges	12,708	-	3,669	1,552	-	17,929
Total operating expenses	<u>867,111</u>	<u>386,658</u>	<u>1,291,847</u>	<u>1,036,778</u>	<u>217,637</u>	<u>3,800,031</u>
Operating income	<u>(140,892)</u>	<u>(183,381)</u>	<u>30,607</u>	<u>48,442</u>	<u>66,321</u>	<u>(178,903)</u>
Nonoperating revenues (expenses):						
Impact fees	-	-	-	153,113	-	153,113
Change in joint venture equity	-	-	(61,253)	-	-	(61,253)
Contributions from private contractors	-	-	-	143,386	-	143,386
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(61,253)</u>	<u>296,499</u>	<u>-</u>	<u>235,246</u>
Income (loss) before operating transfers	<u>(140,892)</u>	<u>(183,381)</u>	<u>(30,646)</u>	<u>344,941</u>	<u>66,321</u>	<u>56,343</u>
Operating Transfers:						
Operating transfers in	199,761	147,315	-	-	-	347,076
Total operating transfers	<u>199,761</u>	<u>147,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,076</u>
Change in net assets	58,869	(36,066)	(30,646)	344,941	66,321	403,419
Total net assets - beginning	1,352,371	380,783	3,658,863	10,251,691	194,004	15,837,712
Total net assets - ending	<u>\$ 1,411,240</u>	<u>\$ 344,717</u>	<u>\$3,628,217</u>	<u>\$ 10,596,632</u>	<u>\$ 260,325</u>	<u>\$ 16,241,131</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2012

	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	\$ 726,084	\$ 203,277	\$ 1,307,668	\$ 832,532	\$ 205,418	\$ 3,274,979
Other cash receipts	169	-	-	175,136	78,540	253,845
Payments to suppliers	(385,486)	(131,616)	(1,199,697)	(491,535)	(148,293)	(2,356,627)
Payments to employees	(386,588)	(228,864)	(52,319)	(276,790)	(57,945)	(1,002,506)
Net cash provided (used) by operating activities	(45,821)	(157,203)	55,652	239,343	77,720	169,691
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	(429,749)	-	(361,755)	254,824	(28,655)	(565,335)
Increase (decrease) in due to other funds	325,203	9,888	-	413,588	-	748,679
Transfers in (out)	199,761	147,315	-	-	-	347,076
Net cash provided (used) by noncapital activities	95,215	157,203	(361,755)	668,412	(28,655)	530,420
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	-	-	(36,834)	(1,626,204)	-	(1,663,038)
Contributions from private contractors	-	-	-	143,386	-	143,386
Impact fees collected	-	-	-	153,113	-	153,113
Net cash provided (used) by capital and related financing activities	-	-	(36,834)	(1,329,705)	-	(1,366,539)
Cash Flows From Investing Activities						
Net cash provided (used) by investing activities	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	49,394	-	(342,937)	(421,950)	49,065	(666,428)
Cash and cash equivalents, July 1	3,931,391	540	1,315,583	685,475	52,103	5,985,092
Cash and cash equivalents, June 30	<u>\$ 3,980,785</u>	<u>\$ 540</u>	<u>\$ 972,646</u>	<u>\$ 263,525</u>	<u>\$ 101,168</u>	<u>\$ 5,318,664</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (140,892)	\$ (183,381)	\$ 30,607	\$ 48,442	\$ 66,321	(178,903)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	54,195	22,250	41,841	301,446	18,407	438,139
(Increase) decrease in accounts receivable	34	-	(14,786)	(77,549)	-	(92,301)
(Increase) decrease in inventory	344	-	-	-	7,354	7,698
Increase (decrease) in accrued liabilities	33,003	2,839	(2,539)	(34,575)	(14,442)	(15,714)
Increase (decrease) in compensated absences	7,495	1,089	529	1,579	80	10,772
Total adjustments	95,071	26,178	25,045	190,901	11,399	348,594
Net cash provided (used) by operating activities	<u>\$ (45,821)</u>	<u>\$ (157,203)</u>	<u>\$ 55,652</u>	<u>\$ 239,343</u>	<u>\$ 77,720</u>	<u>\$ 169,691</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***

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, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 28, 2013. 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.



Larson & Rosenberger, LLP
January 28, 2013



LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE IN ACCORDANCE WITH
THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

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

Mayor and Council Members:

We have audited Spanish Fork City's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

- 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 City received the following major State assistance programs from the State of Utah:

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

Compliance with the requirements referred to above is the responsibility of the City's management. 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; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. 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 compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012.

This report is intended solely for the information and use of the city, management, others within the organization, Office of the Utah State Auditor, 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. However, the report is a matter of public record and its distribution is not limited.



Larson & Rosenberger, LLP
January 28, 2013

SINGLE AUDIT REPORT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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, 2012. 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, 2012.

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
January 28, 2013

**SPANISH FORK CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of Spanish Fork City.
2. No significant deficiencies 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 That Could Have a Direct and Material Effect on Each Major Program and on 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:

Environmental Protection Agency	
(Drinking Water State Revolving Funds)	66.468
8. The threshold for distinguishing Types A and B programs is \$300,000 of federal awards expended.
9. Spanish Fork City was determined not to 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

None noted.

SPANISH FORK CITY, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Thru/ Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
* ENVIRONMENTAL PROTECTION AGENCY		State of Utah	
Drinking Water State Revolving Funds	66.468	FS 99878411	\$ 1,480,000
DEPARTMENT OF AGRICULTURE			
National Resource Conservation Service	10.902		100,376
DEPARTMENT OF ENERGY			
Energy Efficiency and Conservation Block Grant	81.128		101,991
DEPARTMENT OF HOMELAND SECURITY			
FEMA Flood Grant	97.036		74,760
Homeland Security Grant Program	97.067		3,500
Indirect Assistance:			-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,760,627</u></u>

* Major Program

SPANISH FORK CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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. This includes loan proceeds on federally guaranteed loans. The balance of those loans was \$1,795,000 as of June 30, 2012.

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.