

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

**SPANISH FORK CITY, UTAH
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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, Utah, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spanish Fork City's basic financial statements. The combining and individual nonmajor fund financial statements (pages 65-69) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 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 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 considered in assessing the results of our audit.



Larson & Company, PC

Spanish Fork, Utah
December 5, 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, 2013**. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Spanish Fork City increased **\$8,919,408** to **\$224,105,388**. The governmental net position increased by **\$2,037,474** and the business-type net position increased by **\$6,881,934**.
- The total net position of **\$224,105,388** is made up of **\$180,697,084** in net investment in capital assets and **\$43,408,305** in other net position.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$384,706**.
- The City's total long-term liabilities increased by **\$1,383,807** 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 position* presents information on all of Spanish Fork City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position 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 position changed during the fiscal year reported. All changes in net position 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 position 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 position 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 **\$224,204,082**.

By far the largest portion of Spanish Fork City’s net position (**\$180,755,534 or 80%**) 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 position.

Spanish Fork City’s Net position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 14,924,151	\$ 15,004,000	\$ 41,069,813	\$ 33,754,624	\$ 55,993,964	\$ 48,758,624
Capital assets	88,193,841	86,620,256	120,245,445	118,584,121	208,439,286	205,204,377
Total assets	<u>103,117,992</u>	<u>101,624,256</u>	<u>161,315,258</u>	<u>152,338,745</u>	<u>264,433,250</u>	<u>253,963,001</u>
Other liabilities	5,792,435	7,025,068	2,057,077	1,707,462	7,849,512	8,732,530
Long-term liabilities outstanding	17,966,262	18,798,455	12,991,000	10,775,000	30,957,262	29,573,455
Total liabilities	<u>23,758,697</u>	<u>25,823,523</u>	<u>15,048,077</u>	<u>12,482,462</u>	<u>38,806,774</u>	<u>38,305,985</u>
Deferred property tax revenue	1,521,088	-	-	-	1,521,088	-
Total deferred inflows	<u>1,521,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,521,088</u>	<u>-</u>
Net Position:						
Net investments in capital assets	70,063,543	67,650,056	110,633,541	108,768,793	180,697,084	176,418,849
Restricted	4,428,934	4,429,582	4,441,757	1,677,801	8,870,691	6,107,383
Unrestricted	3,345,730	3,721,096	31,191,883	29,409,688	34,537,613	33,130,784
Total Net Position	<u>\$ 77,838,207</u>	<u>\$ 75,800,734</u>	<u>\$ 146,267,181</u>	<u>\$ 139,856,282</u>	<u>\$ 224,105,388</u>	<u>\$ 215,657,016</u>

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	7,547,037	6,890,962	40,187,476	37,115,567	47,734,513	44,006,529
Operating grants and contribs	1,168,864	1,370,902	-	-	1,168,864	1,370,902
Capital grants and contribs	5,412,638	4,037,936	2,621,371	2,242,838	8,034,009	6,280,774
General revenues:						
Property taxes	2,765,434	2,720,342	-	-	2,765,434	2,720,342
Sales and Use Tax	6,557,376	6,034,804	-	-	6,557,376	6,034,804
Other taxes	605,579	588,700	-	-	605,579	588,700
Unrestricted investment earnings	76,668	92,182	153,390	164,430	230,058	256,612
Joint Venture Gain (Loss)	465,488	338,108	(3,500)	(61,253)	461,988	276,855
Miscellaneous	-	3,000,250	-	-	-	-
Gain (Loss) on Sale of Capital Assets	(58,450)	(30,428)	(5,087)	(49,256)	(63,537)	(79,684)
Total revenues	<u>24,540,634</u>	<u>25,043,758</u>	<u>42,953,650</u>	<u>39,412,326</u>	<u>67,494,284</u>	<u>64,456,084</u>
Expenses:						
General government	3,564,600	3,356,613	-	-	3,564,600	3,356,613
Public safety	5,883,858	5,557,593	-	-	5,883,858	5,557,593
Public works	8,503,670	9,144,385	-	-	8,503,670	9,144,385
Parks and recreation	4,484,864	7,305,349	-	-	4,484,864	7,305,349
Operating expenses (business type)	-	-	35,329,969	33,579,119	35,329,969	33,579,119
Interest expense	807,915	843,333	-	-	807,915	843,333
Total expenses	<u>23,244,907</u>	<u>26,207,273</u>	<u>35,329,969</u>	<u>33,579,119</u>	<u>58,574,876</u>	<u>59,786,392</u>
Increase in net position before transfers	1,295,727	(1,163,515)	7,623,681	5,833,207	8,919,408	4,669,692
Transfers	741,747	5,331,106	(741,747)	(5,331,106)	-	-
Increase in net position	2,037,474	4,167,591	6,881,934	502,101	8,919,408	4,669,692
Net position - beginning	75,800,733	71,633,142	139,856,282	139,354,181	215,657,015	210,987,323
Prior Period Adjustment	-	-	(471,035)	-	(471,035)	-
Net position - ending	<u>77,838,207</u>	<u>75,800,733</u>	<u>146,267,181</u>	<u>139,856,282</u>	<u>224,105,388</u>	<u>215,657,015</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, 2013, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$6,397,037**. This represents a decrease of **\$1,045,252** 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 (**\$9,928,389**) and represent **58%** of total governmental funds revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$17,141,370** to a final budget of **\$19,030,342**. 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, 2013, amounts to **\$208,439,286** (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 \$2,399,737

Land for \$593,841

Other Improvements:

Library Books & Media for \$89,416

New Fairgrounds Arena for \$1,111,504

Stall Barn Conversion to Pavilion for \$80,811

Water & Pressurized Irrigation Improvements:

Water Improvement Projects for \$2,579,516

Pressurized Irrigation Improvements for \$477,799

Purchase of Water Rights for \$59,380

Sewer Improvements:

Purchase of SUVMWA Land for \$182,339

Sewer Improvements for \$679,559

Electric Improvements:

Electric Shop Revamp for \$63,964

Electric Improvements for \$855,052

New Garbage Cans for \$47,574

Storm Drain Improvements for \$1,016,539

Spanish Fork Community Network:

Full Digital Conversion Equipment for \$552,578

City Wide Equipment Purchases for \$338,569

City Wide Vehicle Purchases for \$799,440

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Land	\$ 12,459,404	\$ 11,924,013	\$ 2,609,342	\$ 2,427,005
Water Shares	-	-	4,518,018	4,458,639
Buildings	22,885,755	22,540,245	4,428,373	4,424,377
Improvements	17,799,646	15,967,718	104,364,842	103,045,307
Equipment	3,873,489	3,810,390	4,324,870	4,228,794
Infrastructure	31,175,547	32,377,961	-	-
Total Net Assets	<u>\$ 88,193,841</u>	<u>\$ 86,620,327</u>	<u>\$ 120,245,445</u>	<u>\$ 118,584,122</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, 2013, the City had total bonded debt outstanding of **\$30,957,262**. Of that, **\$12,991,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$17,966,262** is debt secured solely by tax sources (i.e., 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	
	2013	2012	2013	2012
Capital Lease	\$ 241,262	\$ 95,143	\$ -	\$ -
Accrued Vacation & Sick Leave	1,153,319	1,165,684	523,503	492,154
Revenue Bonds	17,725,000	18,703,312	12,991,000	10,775,000
Total Outstanding Debt	<u>\$ 19,119,581</u>	<u>\$ 19,964,139</u>	<u>\$ 13,514,503</u>	<u>\$ 11,267,154</u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$1,245,712,328**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$49,830,893** 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 **\$99,661,786** 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 4.4% compared with a state unemployment rate of 4.7% and a national rate of 7.6 %. (Source: Utah Dept of Workforce Services)

- The General Fund budget for the fiscal year-ending June 30, 2014 reflects a small decrease of \$218,411 over the final budget for the fiscal year-ended June 30, 2013. The largest part of this decrease is a result of the decrease in capital spending for the current year. Some capital improvements budgeted for the FY 2014 include:
 1. Additional Trail Projects.
 2. River Reclamation Projects
 3. Water Rights Purchases.
 4. Water line replacement.
 5. Sewer line replacement.
 6. Storm Drainage System Expansion.
 7. Pressurized Irrigation System Expansion.
 8. Sidewalk replacement and repair of various areas of town.
 9. 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.

BASIC FINANCIAL STATEMENTS

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Spanish Fork City
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 1,563,521	\$ 30,774,734	\$ 32,338,255
Receivables (net of allowance)	2,698,557	4,173,135	6,871,692
Prepaid expenses	64,834	130	64,964
Internal balances	1,009,035	(1,009,035)	-
Inventory	-	1,308,769	1,308,769
Equity in joint venture	3,542,015	1,362,044	4,904,059
Restricted Assets:			
Cash and cash equivalents	6,046,190	4,460,036	10,506,226
Capital Assets (not being depreciated):			
Land	12,459,404	2,609,342	15,068,746
Water shares	-	4,518,018	4,518,018
Capital Assets (net of accumulated depreciation):			
Buildings	22,885,755	4,428,373	27,314,128
Improvements other than buildings	17,799,646	104,364,842	122,164,488
Equipment	3,873,489	4,324,870	8,198,359
Infrastructure	31,175,547	-	31,175,547
Total assets	<u>103,117,992</u>	<u>161,315,258</u>	<u>264,433,251</u>
LIABILITIES			
Accounts payable	1,594,112	866,206	2,460,318
Developer escrows and deposits	2,705,946	586,934	3,292,880
Connectors agreement	-	31,937	31,937
Compensated absences	1,153,319	523,503	1,676,822
Bond interest payable	164,036	48,497	212,533
Bond premiums	175,022	-	175,022
Noncurrent Liabilities:			
Due within one year	996,750	2,037,000	3,033,750
Due in more than one year	16,969,512	10,954,000	27,923,512
Total liabilities	<u>23,758,697</u>	<u>15,048,077</u>	<u>38,806,774</u>
DEFERRED INFLOWS			
Deferred property tax revenue	1,521,088	-	1,521,088
Total deferred inflows of resources	<u>1,521,088</u>	<u>-</u>	<u>1,521,088</u>
NET POSITION			
Net investments in capital assets	70,063,543	110,633,541	180,697,084
Restricted for:			
Class "C" roads	859,279	-	859,279
Redevelopment agency	3,165,026	-	3,165,026
Impact fees	6,084	539,689	545,773
Debt Service	398,545	-	398,545
Water rights	-	522,972	522,972
Bond requirements	-	3,379,096	3,379,096
Unrestricted	3,345,730	31,191,883	34,537,614
Total net position	<u>\$ 77,838,207</u>	<u>\$ 146,267,181</u>	<u>\$ 224,105,389</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2013

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating	Capital	Governmental Activities	Primary Government	
		Grants and Contributions	Grants and Contributions		Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,564,600	\$ 4,826,163	\$ -	\$ 1,296,250	\$ -	\$ 1,296,250
Public safety	5,883,858	2,063,919	-	(3,766,403)	-	(3,766,403)
Public works	8,503,670	-	4,397,984	(3,070,857)	-	(3,070,857)
Parks, rec. & public property	4,484,864	656,955	1,014,654	(2,767,443)	-	(2,767,443)
Interest on long-term debt	807,915	-	-	(807,915)	-	(807,915)
Total governmental activities	23,244,907	7,547,037	5,412,638	(9,116,368)	-	(9,116,368)
Business-type activities:						
Water	5,289,487	5,294,594	807,820	-	812,927	812,927
Sewer	2,675,854	2,503,150	440,967	-	268,263	268,263
Electric	23,722,213	28,307,371	774,992	-	5,360,150	5,360,150
Garbage	1,299,818	1,354,078	-	-	54,260	54,260
Golf course	762,037	766,457	-	-	4,420	4,420
Swimming pool	374,160	212,729	-	-	(161,431)	(161,431)
Storm drainage	1,063,821	1,568,010	597,592	-	1,101,781	1,101,781
Gun club	142,579	181,087	-	-	38,508	38,508
Total business-type activities	35,329,969	40,187,476	2,621,371	-	7,478,878	7,478,878
Total primary government	\$ 58,574,876	\$ 47,734,513	\$ 8,034,009	(9,116,368)	7,478,878	(1,637,490)
General revenues:						
Property taxes				2,765,434	-	2,765,434
Sales taxes				6,557,376	-	6,557,376
Other taxes				605,579	-	605,579
Unrestricted investment earnings				76,668	153,390	230,058
Joint venture gain (loss)				465,488	(3,500)	461,988
Gain on sale of capital assets				(58,450)	(5,087)	(63,537)
Transfers				741,747	(741,747)	-
Total general revenues and transfers				11,153,842	(596,944)	10,556,898
Change in Net Position				2,037,474	6,881,934	8,919,408
Net Position - beginning				75,800,733	139,856,282	215,657,015
Prior Period Adjustment				-	(471,035)	(471,035)
Net Position - ending				\$ 77,838,207	\$ 146,267,181	\$ 224,105,388

**Spanish Fork City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2013**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 719,211	\$ 844,310	\$ 1,563,521
Receivables (net of allowance):			
Tax	2,698,557	-	2,698,557
Due from other funds	453,784	1,219,818	1,673,602
Prepaid expense	64,834	-	64,834
Equity in joint venture	79,626	-	79,626
Restricted Assets:			
Cash and cash equivalents	3,771,773	2,274,417	6,046,190
Total assets	<u>\$ 7,787,785</u>	<u>\$ 4,338,545</u>	<u>\$ 12,126,330</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 899,004	\$ 10,272	\$ 909,276
Payroll payable	592,983	-	592,983
Developer escrow	2,356,071	-	2,356,071
Final inspection deposit	349,875	-	349,875
Total liabilities	<u>4,197,933</u>	<u>10,272</u>	<u>4,208,205</u>
DEFERRED INFLOWS			
Deferred property tax revenue	1,521,088	-	1,521,088
Total deferred inflows of resources	<u>1,521,088</u>	<u>-</u>	<u>1,521,088</u>
FUND BALANCES			
Nonspendable	144,460	-	144,460
Restricted for:			
Class "C" roads	859,279	-	859,279
Redevelopment agency	-	3,165,026	3,165,026
Debt service	-	398,545	398,545
Impact fees	6,084	-	6,084
Bond requirements	-	-	-
Committed for:			
Capital projects	-	764,702	764,702
Unassigned	1,058,941	-	1,058,941
Total fund balances	<u>2,068,764</u>	<u>4,328,273</u>	<u>6,397,037</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 7,787,785</u>	<u>\$ 4,338,545</u>	<u>\$ 12,126,330</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total fund balances - governmental fund types:		<u>\$ 6,397,037</u>
Amounts reported for governmental activities in the statement of net position 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	3,462,389	
Cost of capital assets	143,133,798	
Accumulated depreciation	<u>(54,939,957)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>91,656,230</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 position, but not in the Balance Sheet - Governmental Funds		
		(803,171)
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	(164,036)	
Non-current liabilities due within one year	(1,144,512)	
Compensated absences	(1,153,319)	
Unamortized Bond Premium	(175,022)	
Non-current liabilities due in more than one year	<u>(16,775,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(19,411,889)</u>
Net position of government activities		<u><u>\$ 77,838,207</u></u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 8,967,003	\$ 961,386	\$ 9,928,389
Licenses and permits	672,233	-	672,233
Intergovernmental revenues	1,168,864	500,000	1,668,864
Charges for services	1,775,520	-	1,775,520
Fines and forfeitures	122,726	-	122,726
Interest income	71,864	4,804	76,668
Sundry revenue	2,008,220	997,128	3,005,348
Total revenues	<u>14,786,430</u>	<u>2,463,318</u>	<u>17,249,748</u>
EXPENDITURES			
Current:			
General government	3,405,123	-	3,405,123
Public safety	5,241,388	-	5,241,388
Public works	4,787,789	1,269,840	6,057,629
Parks, recreation and public property	2,657,965	-	2,657,965
Debt Service:			
Principal retirement	-	925,000	925,000
Interest and fiscal charges	-	828,125	828,125
Capital outlay	-	2,407,381	2,407,381
Total expenditures	<u>16,092,265</u>	<u>5,430,346</u>	<u>21,522,611</u>
Excess revenues over (under) expenditures	<u>(1,305,835)</u>	<u>(2,967,028)</u>	<u>(4,272,863)</u>
Other financing sources (uses)			
Impact fees	514,654	-	514,654
Indirect services	1,971,210	-	1,971,210
Transfers in	-	2,306,482	2,306,482
Transfers out	(1,564,735)	-	(1,564,735)
Total other financing sources and uses	<u>921,129</u>	<u>2,306,482</u>	<u>3,227,611</u>
Excess of revenues and other sources over (under) expenditures and other use	(384,706)	(660,546)	(1,045,252)
Fund balances - beginning of year	2,453,470	4,988,819	7,442,289
Fund balances - end of year	<u>\$ 2,068,764</u>	<u>\$ 4,328,273</u>	<u>\$ 6,397,037</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, 2013

Net changes in fund balances - total governmental funds \$ (1,045,252)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	1,444,726	
Depreciation Expense	<u>(4,281,333)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities		<u>(2,836,608)</u>

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

The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.	<u>4,397,984</u>	
		<u>4,339,534</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. 155,611

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 Position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 945,210

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>13,491</u>
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Change in Net Position of governmental activities	<u>\$ 2,037,474</u>
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Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 8,475,580	\$ 8,814,000	\$ 8,967,003	\$ 153,003
Licenses and permits	533,000	624,000	672,233	48,233
Intergovernmental revenues	1,155,927	1,284,306	1,168,864	(115,442)
Charges for services	1,522,100	1,624,549	1,775,520	150,971
Fines and forfeitures	105,000	106,900	122,726	15,826
Interest income	74,450	72,750	71,864	(886)
Sundry revenue	1,212,280	1,746,246	2,008,220	261,974
Total revenues	13,078,337	14,272,751	14,786,430	513,679
EXPENDITURES				
Current:				
General government	3,482,565	3,491,680	3,405,123	(86,557)
Public safety	5,245,168	5,714,988	5,241,388	(473,600)
Public works	4,749,133	5,432,579	4,787,789	(644,790)
Parks, recreation and public property	2,648,904	2,826,365	2,657,965	(168,400)
Total expenditures	16,125,770	17,465,612	16,092,265	(1,373,347)
Excess revenues over (under) expenditures	(3,047,433)	(3,192,861)	(1,305,835)	1,887,026
Other financing sources (uses)				
Sale of fixed assets	30,000	-	-	-
Impact fees	86,000	86,000	514,654	428,654
Indirect services	1,943,836	1,971,210	1,971,210	-
Transfers in	700,000	700,000	-	(700,000)
Transfers out	(1,015,600)	(1,564,730)	(1,564,735)	(5)
Total other financing sources and uses	1,744,236	1,192,480	921,129	(271,351)
Excess of revenues and other sources over (under) expenditures and other uses	(1,303,197)	(2,000,381)	(384,706)	1,615,675
Fund balances - beginning of year	2,453,470	2,453,470	2,453,470	-
Fund balances - end of year	\$ 1,150,273	\$ 453,089	\$ 2,068,764	\$ 1,615,675

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2013

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 654,962	\$ 9,666,577	\$ 14,541,272	\$ 5,911,923	\$ 30,774,734	\$ -
Accounts receivable	549,280	291,327	2,813,848	563,488	4,217,943	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	1,544,804	3,785,207	6,120,904	2,345,554	13,796,469	-
Prepaid Expense	-	-	130	-	130	-
Inventory	4,500	3,500	1,196,717	104,052	1,308,769	-
Total current assets	<u>2,744,138</u>	<u>13,743,786</u>	<u>24,642,514</u>	<u>8,922,799</u>	<u>50,053,237</u>	<u>-</u>
Noncurrent assets:						
Restricted cash and equivalents	3,290,122	-	1,090,153	79,761	4,460,036	-
Capital Assets:						
Land	280,483	1,191,907	853,156	283,796	2,609,342	-
Water rights	4,518,018	-	-	-	4,518,018	-
Buildings	2,471,959	508,739	3,339,150	759,611	7,079,459	215,446
Improvements	68,096,739	32,739,132	41,823,663	16,987,338	159,646,872	-
Equipment	2,858,156	2,423,954	3,059,906	1,132,345	9,474,361	10,380,594
Less: accumulated depreciation	(25,186,121)	(16,079,782)	(15,082,938)	(6,733,766)	(63,082,607)	(7,367,882)
Other Assets:						
Equity in joint venture	-	-	-	1,362,044	1,362,044	-
Total noncurrent assets	<u>56,329,356</u>	<u>20,783,950</u>	<u>35,083,090</u>	<u>13,871,129</u>	<u>126,067,525</u>	<u>3,228,158</u>
Total assets	<u>\$ 59,073,494</u>	<u>\$ 34,527,736</u>	<u>\$ 59,725,604</u>	<u>\$ 22,793,928</u>	<u>\$ 176,120,762</u>	<u>\$ 3,228,158</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 1,863,445	\$ 6,988,668	\$ 1,176,134	\$ 5,084,267	\$ 15,112,514	\$ 357,557
Accounts payable	224,183	16,964	380,931	244,128	866,206	89,895
Accrued interest payable	23,128	-	25,369	-	48,497	1,958
Compensated absences payable	83,473	58,977	305,587	75,466	523,503	28,550
Customer deposits	16,625	-	331,859	-	348,484	-
Final inspection deposits	-	-	238,450	-	238,450	-
Connector agreements	-	-	31,937	-	31,937	-
Lease payable - current portion	-	-	-	-	-	46,750
Bonds payable - current portion	1,242,000	-	795,000	-	2,037,000	-
Total current liabilities	<u>3,452,854</u>	<u>7,064,609</u>	<u>3,285,267</u>	<u>5,403,861</u>	<u>19,206,591</u>	<u>524,710</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	-	-	-
Lease Payable	-	-	-	-	-	194,512
Bonds payable	9,289,000	-	1,665,000	-	10,954,000	-
Total noncurrent liabilities	<u>9,289,000</u>	<u>-</u>	<u>1,665,000</u>	<u>-</u>	<u>10,954,000</u>	<u>194,512</u>
Total liabilities	<u>12,741,854</u>	<u>7,064,609</u>	<u>4,950,267</u>	<u>5,403,861</u>	<u>30,160,591</u>	<u>719,222</u>
Net Position						
Net investment in capital assets, net of related debt	45,129,036	20,783,950	32,291,231	12,429,324	110,633,541	3,228,158
Restricted for:						
Impact fees	129,723	-	-	409,966	539,689	-
Water rights	522,972	-	-	-	522,972	-
Bond requirements & proceeds	2,620,802	-	758,294	-	3,379,096	-
Unrestricted	(2,070,893)	6,679,177	21,725,812	4,550,777	30,884,873	(719,222)
Total Net Position	<u>\$ 46,331,640</u>	<u>\$ 27,463,127</u>	<u>\$ 54,775,337</u>	<u>\$ 17,390,067</u>	<u>\$ 145,960,171</u>	<u>\$ 2,508,936</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					307,010	
Net Position from business-type activities:					<u>\$ 146,267,181</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Non Major Enterprise Funds	Total Enterprise Funds	Activities- Internal Service Fund
Operating Revenues:						
Charges for sales and services	\$ 5,089,076	\$ 2,371,806	\$ 27,141,630	\$ 3,729,533	\$ 38,332,045	\$ 2,180,050
Other income	205,518	131,344	1,165,741	352,828	1,855,431	1,037
Total operating revenues	<u>5,294,594</u>	<u>2,503,150</u>	<u>28,307,371</u>	<u>4,082,361</u>	<u>40,187,476</u>	<u>2,181,087</u>
Operating Expenses:						
Water assessment	79,350	-	-	-	79,350	-
Power purchases	-	-	13,738,234	-	13,738,234	-
Landfill fees	-	-	-	1,147,564	1,147,564	-
Employee salaries	828,277	554,229	2,754,227	1,009,743	5,146,476	247,668
Materials and supplies	251,194	100,063	771,495	212,191	1,334,943	443,402
Repairs and maintenance	64,505	85,313	116,037	89,442	355,297	322,190
Professional services	171,847	141,091	3,232,781	81,670	3,627,389	14,665
Motorpool charges	125,317	105,470	286,382	204,885	722,054	-
Utilities	259,874	167,823	85,556	73,696	586,949	13,388
Insurance	18,065	23,093	50,032	15,483	106,673	1,353
Depreciation	2,418,865	1,041,540	1,288,271	450,061	5,198,737	904,403
Indirect services	621,816	452,804	527,708	368,883	1,971,211	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	13,963	10,182	96,821	16,760	137,726	-
Total operating expenses	<u>4,989,357</u>	<u>2,691,175</u>	<u>23,689,436</u>	<u>3,670,378</u>	<u>35,040,346</u>	<u>1,947,069</u>
Operating income	<u>305,237</u>	<u>(188,025)</u>	<u>4,617,935</u>	<u>411,983</u>	<u>5,147,130</u>	<u>234,018</u>
Nonoperating revenues (expenses):						
Interest revenue	29,028	-	124,362	-	153,390	-
Impact fees and water right fees	311,214	246,461	493,269	214,215	1,265,159	-
Change in joint venture equity	-	-	-	(3,500)	(3,500)	-
Contributions from private contractors	496,606	194,506	281,723	383,377	1,356,212	-
Gain(loss) on sale of fixed assets	-	-	-	(5,087)	(5,087)	23,072
Interest expense	(319,045)	-	(72,314)	-	(391,359)	256
Total nonoperating revenues (expenses)	<u>517,803</u>	<u>440,967</u>	<u>827,040</u>	<u>589,005</u>	<u>2,374,815</u>	<u>23,328</u>
Income (loss) before operating transfers	<u>823,040</u>	<u>252,942</u>	<u>5,444,975</u>	<u>1,000,988</u>	<u>7,521,945</u>	<u>257,346</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	147,948	147,948	-
Operating transfers out	-	-	(889,695)	-	(889,695)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(889,695)</u>	<u>147,948</u>	<u>(741,747)</u>	<u>-</u>
Change in Net Position	823,040	252,942	4,555,280	1,148,936	6,780,198	257,346
Total Net Position - beginning	45,895,554	27,210,185	50,304,138	16,241,131	139,651,008	2,251,590
Prior period adjustment	(386,954)	-	(84,081)	-	(471,035)	-
Total Net Position - ending	<u>\$ 46,331,640</u>	<u>\$ 27,463,127</u>	<u>\$ 54,775,337</u>	<u>\$ 17,390,067</u>	<u>\$ 145,960,171</u>	<u>\$ 2,508,936</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					101,736	
Change in Net Position of business-type activities:					<u>\$ 6,881,934</u>	

**Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013**

	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	\$ 4,918,573	\$ 2,314,514	\$ 26,615,133	\$ 3,491,027	\$ 37,339,247
Other cash receipts	205,518	131,344	1,165,741	352,828	1,855,431
Interfund services provided	157,822	-	521,448	-	679,270
Payments to suppliers	(1,693,126)	(1,097,685)	(19,796,569)	(2,223,892)	(24,811,272)
Payments to employees	(816,259)	(554,881)	(2,744,425)	(999,562)	(5,115,127)
Net cash provided (used) by operating activities	<u>2,772,528</u>	<u>793,292</u>	<u>5,761,328</u>	<u>620,401</u>	<u>9,947,549</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	(690,534)	254,931	26,396	444,039	34,832
Increase (decrease) in due to other funds	(284,889)	583,366	(540,944)	(57,492)	(299,959)
Transfers in (out)	-	-	(889,695)	147,948	(741,747)
Net cash provided (used) by noncapital activities	<u>(975,423)</u>	<u>838,297</u>	<u>(1,404,243)</u>	<u>534,495</u>	<u>(1,006,874)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(3,158,937)	(909,876)	(1,716,864)	(1,079,469)	(6,865,146)
Principal (paid) issued on capital debt	2,991,000	-	(775,000)	-	2,216,000
Interest paid on capital debt	(319,045)	-	(72,314)	-	(391,359)
Contributions from (reimbursements to) private contractors	496,606	194,506	281,723	383,377	1,356,212
Impact fees collected	311,214	246,461	493,269	214,215	1,265,159
Grant proceeds	-	-	-	-	-
Cash received from disposal of assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>320,838</u>	<u>(468,909)</u>	<u>(1,789,186)</u>	<u>(481,877)</u>	<u>(2,419,134)</u>
Cash Flows From Investing Activities					
Interest and dividends received	29,028	-	124,362	-	153,390
Net cash provided (used) by investing activities	<u>29,028</u>	<u>-</u>	<u>124,362</u>	<u>-</u>	<u>153,390</u>
Net increase (decrease) in cash and cash equivalents	2,146,971	1,162,680	2,692,261	673,019	6,674,931
Cash and cash equivalents, July 1	1,798,113	8,503,897	12,939,164	5,318,665	28,559,839
Cash and cash equivalents, June 30	<u>\$ 3,945,084</u>	<u>\$ 9,666,577</u>	<u>\$ 15,631,425</u>	<u>\$ 5,991,684</u>	<u>\$ 35,234,770</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 305,237	\$ (188,025)	\$ 4,617,935	\$ 411,983	5,147,130
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,418,865	1,041,540	1,288,271	450,061	5,198,737
(Increase) decrease in accounts receivable	(6,681)	(55,420)	(50,575)	(238,503)	(351,179)
Decrease (increase) in inventory	-	-	(134,951)	(64,982)	(199,933)
Increase (decrease) in accrued liabilities	49,090	(2,279)	191,635	51,661	290,107
Increase (decrease) in compensated absences	12,018	(652)	9,802	10,181	31,349
Increase (decrease) in customer deposits	(1)	-	(206,315)	-	(206,316)
Increase (decrease) in deferred revenue	(6,000)	(1,872)	45,526	-	37,654
Total adjustments	<u>2,467,291</u>	<u>981,317</u>	<u>1,143,393</u>	<u>208,418</u>	<u>4,800,419</u>
Net cash provided (used) by operating activities	<u>\$ 2,772,528</u>	<u>\$ 793,292</u>	<u>\$ 5,761,328</u>	<u>\$ 620,401</u>	<u>\$ 9,947,549</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2013**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	<u>\$ 53,487</u>
Total assets	<u><u>53,487</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
 Net position:	
Deferred compensation	<u>53,487</u>
Total position	<u>53,487</u>
Total liabilities and net position	<u><u>\$ 53,487</u></u>

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2013

	<u>Fire Retirement Capital Fund</u>
REVENUES:	
Employer contribution	\$ 17,000
Interest income	<u>629</u>
Total	<u>17,629</u>
 EXPENDITURES:	
Retirement payments	<u>20,225</u>
Total	<u>20,225</u>
Excess of revenues over (under) expenditures	<u>(2,596)</u>
Net position - beginning of year	<u>56,083</u>
Net position - end of year	<u><u>\$ 53,487</u></u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 Manager, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, and Computer Services.

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

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

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

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

Public Works: Streets, Engineering, Building Inspections, Parks, Fleet Maintenance, Culinary Water and Pressurized Irrigation Services, Sewer Services, Electric and Broadband Services, Solid Waste Services, Street Lighting and Storm Drainage Services.

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

Library: Library Administration and Public Services.

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 position 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, 2013

- 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 Funds are used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes five Capital Project Funds which are used to account for the acquisition of capital assets with transfers made from other funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water, Sewer, Electric, Garbage, Golf Course, Swimming Pool, Storm Drainage, and Gun Club funds.

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Enterprise Funds:	
Water, Sewer and Electric	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. 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 Funds	Accounts for the accumulation of funds, revenues and expenditures on specific projects.
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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net position, “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 Position. 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, 2013

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 position 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 Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts, impact fees 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 240 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, 2013

At June 30, 2013, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 708,610	\$ 321,277	\$ 1,029,887
Sick Leave Liability	444,709	202,220	646,929
Total Compensated Absences	<u>\$ 1,153,319</u>	<u>\$ 523,497</u>	<u>\$ 1,676,816</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 position and displayed in three components:

- a. Net investments in capital assets—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 position—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 position—All other net assets that do not meet the definition of “restricted” or “net investments in capital assets.”

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, 2013

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 inflows.

Operating Revenues and Expenses

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Expenditures/Expenses

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

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

Governmental Funds—By Character:

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

Proprietary Fund—By Operating and Non-operating

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

Interfund Transfers

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

Use of estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, 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, 2013, 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, 2013, the City had \$30,957,262 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, 2013.

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

a. Bonds Payable Coverage:

1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 (electric revenue bonds) and 1.25 (water revenue bonds) times the annual debt service

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 2000 Electric Revenue Bonds, the 2002, 2011, & 2012 Water Revenue Bonds. Sales tax Revenue Bond 2007 must equal 2.0 times the annual debt service.

b. Reserve Account Requirement:

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

2.D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

- A. On or before the first regularly scheduled meeting of the City Council in May, the City Manager, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Manager, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

- 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 25% of the total estimated revenue of the general fund. For the year ended June 30, 2013 the City’s general fund did not exceed the 25% 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, deferred outflows, liabilities, deferred inflows, 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, 2013, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2013
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	2,070,974
Total Depository Accounts		\$ 2,320,974

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Investments

As of June 30, 2013 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	More Than 10
Investments in Public Treasurers'	\$34,791,484	\$34,791,484	\$ -	\$ -	\$ -
Bond Escrows	5,378,442	5,378,442	-	-	-
Money Market	402,529	402,529	-	-	-
Total Fair Value	<u>\$40,572,455</u>	<u>\$40,572,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Reconciliation to Government-wide Statement of Net Position:

Deposits & Investments		\$	2,291,231
Investments			40,572,455
Cash on hand			34,282
	Total		\$ 42,897,968

Government - Wide

Cash and Cash Equivalents		\$	32,338,255
Restricted Cash & Cash Equivalents			10,506,226
Fiduciary Restricted Cash			53,487
	Total		\$ 42,897,968

Net Cash on Statement of Net Position		\$	42,844,481
Fiduciary Restricted Cash			53,487
	Total		\$ 42,897,968

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water right fees	\$ 522,972	\$ -	\$ -	\$ 522,972
Customer deposits	348,484	-	-	348,484
Pressurized Irrigation impact fees	129,723	-	-	129,723
Storm drainage impact fees	409,966	-	-	409,966
Water bond requirements	2,620,802	-	-	2,620,802
Electric bond requirements	758,294	-	-	758,294
Total	<u>\$ 4,790,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,790,241</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 2,356,071	\$ -	\$ -	\$ 2,356,071
Class "C" roads	974,301	-	-	974,301
Recreation impact fees	6,084	-	-	6,084
RDA requirements	2,274,417	-	-	2,274,417
Total	<u>5,610,873</u>	<u>-</u>	<u>-</u>	<u>5,610,873</u>
Grand Totals	<u>\$ 10,401,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,401,114</u>

3.C. ACCOUNTS RECEIVABLE & DEFERRED OUTFLOWS

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2013, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 4,217,943	\$ 4,217,943
Property tax	1,521,088	-	1,521,088
Other tax	1,177,469	-	1,177,469
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 2,698,557</u>	<u>\$ 4,173,135</u>	<u>\$ 6,871,692</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The City does not have any deferred outflows at this time.

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	June 30, 2012	Additions	Adjustments	Disposals	June 30, 2013
Governmental activities:					
Land (not being depreciated)	\$ 11,924,012	\$ 593,841	\$ -	\$ (58,450)	\$ 12,459,403
Buildings	29,974,471	1,246,418	-	(76,500)	31,144,389
Improvements	20,439,488	2,634,000	-	-	23,073,488
Machinery and equipment	12,310,119	1,294,824	(72)	(979,119)	12,625,752
Infrastructure	62,609,603	1,221,165	-	-	63,830,768
Totals at historical cost	<u>137,257,693</u>	<u>6,990,248</u>	<u>(72)</u>	<u>(1,114,069)</u>	<u>143,133,800</u>
Less accumulated depreciation					
Buildings	\$ (7,434,226)	\$ (900,909)	\$ -	\$ 76,500	(8,258,635)
Improvements	(4,471,769)	(802,072)	-	-	(5,273,841)
Machinery and equipment	(8,499,730)	(2,423,579)	-	-	(10,923,309)
Infrastructure	(30,231,642)	(1,059,176)	-	806,644	(30,484,174)
Total accumulated depreciation	<u>(50,637,367)</u>	<u>(5,185,736)</u>	<u>-</u>	<u>883,144</u>	<u>(54,939,959)</u>
Governmental activities capital assets, net	<u>\$ 86,620,326</u>	<u>\$ 1,804,512</u>	<u>\$ (72)</u>	<u>\$ (230,925)</u>	<u>\$ 88,193,841</u>
Business-type activities:					
Land (not being depreciated)	\$ 2,427,005	\$ 182,339	\$ -	\$ -	\$ 2,609,344
Water shares (not being depreciated)	4,458,639	59,380	-	-	4,518,019
Buildings and structures	6,897,458	192,646	-	(10,643)	7,079,461
Improvements	154,048,403	5,608,465	-	(10,000)	159,646,868
Machinery and equipment	8,658,026	822,316	-	(5,984)	9,474,358
Totals at historical cost	<u>176,489,531</u>	<u>6,865,146</u>	<u>-</u>	<u>(26,627)</u>	<u>183,328,050</u>
Less accumulated depreciation					
Buildings and structures	(2,473,081)	(186,168)	-	8,160	(2,651,089)
Improvements other than buildings	(51,000,192)	(4,288,934)	-	10,000	(55,279,126)
Machinery and equipment	(4,429,231)	(724,056)	-	897	(5,152,390)
Total accumulated depreciation	<u>(57,902,504)</u>	<u>(5,199,158)</u>	<u>-</u>	<u>19,057</u>	<u>(63,082,605)</u>
Business-type activities capital assets, net	<u>\$ 118,587,027</u>	<u>\$ 1,665,988</u>	<u>\$ -</u>	<u>\$ (7,570)</u>	<u>\$ 120,245,445</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 269,816
Public safety	708,873
Public works	2,523,135
Parks	779,509
Governmental portion of internal service fund	904,403
Total depreciation expense - governmental activities	<u>\$ 5,185,736</u>
Business-type activities	
Water	\$ 2,418,865
Electric	1,288,271
Sewer	1,041,540
Garbage	44,710
Golf course	21,110
Swimming pool	21,529
Storm drainage	349,683
Gun club	13,029
Total depreciation expense - business-type activities	<u>\$ 5,198,737</u>

3.E. ACCOUNTS PAYABLE & DEFERRED INFLOW

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

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time.

Governmental funds report revenue that is unavailable as deferred inflows of resources. Governmental funds report unavailable revenue from property taxes and from special assessments. These amounts are deferred and recognized as revenue in the period that they become available.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

At the end of the current fiscal year, the various components of *deferred inflows* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (general fund)	\$ 1,521,088	\$ -
	-	-
Total deferred inflows of resources for governmental fund	\$ 1,521,088	\$ -

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, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Maturity Dates	Balance
Sales Tax Revenue Bond Series 2007 (Original amount \$22,000,000)	4.0% to 4.750%	2027	\$ 17,725,000
Total bonds payable - governmental activities			17,725,000
			(950,000)
Total long term portion of bonds payable - governmental activities			\$ 16,775,000

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	\$ 241,262
Current portion of capital leases payable	(46,750)
Long term portion of capital leases payable	\$ 194,512

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Business-type Activities:

As of June 30, 2013, 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 26, 2011 (Original amount \$2,040,000)	1.87%	2032	\$ 1,955,000
Electric Utility Revenue Refunding Bonds 2009 Dated December 29, 2009 (Original amount \$4,690,000)	2.75%	2016	2,460,000
Water Revenue Refunding Bonds 2010 Dated August 18, 2010 (Original amount \$12,895,000)	1.72%	2017	4,585,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,991,000
Total bonds payable - business-type activities			<u>12,991,000</u>
Less current portion			<u>(2,037,000)</u>
Total bonds payable - long term portion			<u><u>\$ 10,954,000</u></u>

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Governmental activities:				
Bonds payable	\$ 18,650,000		\$ (925,000)	\$ 17,725,000
Capital leases payable	95,143	146,119	-	241,262
Compensated absences	1,165,685		(12,366)	1,153,319
Total - Governmental Activities	<u>\$ 19,910,828</u>	<u>\$ 146,119</u>	<u>\$ (937,366)</u>	<u>\$ 19,119,581</u>
Business-type Activities:				
Bonds payable	\$ 10,775,000	\$ 4,201,000	\$ (1,985,000)	\$ 12,991,000
Compensated absences	492,835	30,668		523,503
Total - Business-type Activities	<u>\$ 11,267,835</u>	<u>\$ 4,231,668</u>	<u>\$ (1,985,000)</u>	<u>\$ 13,514,503</u>
Due Within One Year	\$ 2,913,312	\$ 3,033,750	\$ (2,913,312)	\$ 3,033,750

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2014	\$ 950,000	\$ 787,375	\$ 2,037,000	\$ 318,084
2015	975,000	749,375	2,093,000	260,261
2016	1,025,000	710,375	2,145,000	206,506
2017	1,075,000	669,375	1,327,000	168,964
2018	1,125,000	626,375	813,000	127,691
2019-2023	6,350,000	2,357,563	3,564,000	323,218
2024-2028	6,225,000	755,250	541,000	74,800
2029-2033			471,000	22,234
Total	<u>\$ 17,725,000</u>	<u>\$ 6,655,688</u>	<u>\$ 12,991,000</u>	<u>\$ 1,501,757</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 295,845
Less: Accumulated depreciation	<u>(14,995)</u>
Total	<u><u>\$ 280,850</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, 2013 are:

<u>Fiscal Year</u>	<u>Amount</u>
2014	54,583
2015	54,583
2016	54,583
2017	<u>98,000</u>
Total minimum lease payments	261,749
Less amounts representing interest	<u>(20,488)</u>
Present value of minimum lease payments	<u><u>\$ 241,261</u></u>

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$ 1,564,735
RDA Fund	\$ 350,000	
Debt Service Fund	941,747	
Capital project fund-River Reclaim	120,600	
Capital project fund-Canyon Crossing	500,000	
Capital project fund-Fairgrounds	114,456	
Capital project fund-North Park	279,679	
Total Governmental Activities	<u>2,306,482</u>	<u>1,564,735</u>
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	889,695
<i>Non-major funds:</i>		
Golf course	-	-
Swimming pool	147,948	-
Total Business-type Activities	<u>147,948</u>	<u>889,695</u>
<i>Grand Totals</i>	<u>\$ 2,454,430</u>	<u>\$ 2,454,430</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, 2013

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 621,816	\$ -
Sewer Fund	452,804	-
Electric Fund	527,708	-
Non-major business type activities:		
Golf Course	25,695	-
Swimming Pool	19,570	-
Garbage	53,221	-
Storm Drain	270,396	-
Major Governmental activities:		
General fund	-	1,971,210
	\$ 1,971,210	\$ 1,971,210

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	\$ 453,784	\$ -
Non-major funds		
Special revenue fund	901,669	-
Debt service fund	101,087	-
Capital projects fund	217,063	-
Total Governmental	1,673,603	-
Business-type funds		
Major funds		
Water fund	1,544,804	1,863,445
Sewer fund	3,785,207	6,988,668
Electric fund	6,120,904	1,176,134
Non-major funds		
Golf course fund	1,747,684	5,051,519
Swimming pool fund	-	32,749
Garbage fund	517,792	-
Storm drainage fund	31,232	-
Gun club fund	48,846	-
Total Business-Type	13,796,469	15,112,515
Internal service fund		
Motorpool fund	-	357,557
Grand Total	\$ 15,470,072	\$ 15,470,072

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3.H. RESERVED FUND BALANCES

The City has reserved fund balance amounts for impact fees. The City has reserved net position 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 position 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 & Contributory Retirement System, and the Public Safety Retirement System for Full Time & Permanent Part-time Employees, which include both Noncontributory and cost-sharing, multiple-employer defined benefit pension 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, 16.04% to the Noncontributory Local Governmental Employees, 10% to the Contributory Local Governmental Employees, 30.45% to the Public Safety Noncontributory, and 12% to the Public Safety Contributory. 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, 2013, 2012, and 2011 were; for the Local Governmental Employees \$1,031,860, \$851,583, and \$792,002; for the Public Safety Employees \$429,985, \$390,333, and \$362,585,

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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. The amount of the employer contributions for the year ended June 30, 2013, 2012 and 2011, were \$197,188, \$363,364, and \$403,202 respectively.

4.B. RISK MANAGEMENT

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

4.C. COMMITMENTS AND CONTINGENCIES

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

4.D. JOINT VENTURES

Utah Municipal Power Agency

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

Additional information is as follows:

a. Participants and their percentage shares:

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

b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 is as follows from UMPA:

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 49,550,362</u>	<u>\$ 4,662,194</u>
Total liabilities	<u>\$ 49,547,012</u>	<u>\$ 4,661,878</u>
Total net position	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 71,881,005	\$ 6,763,284
Total operating expenses	<u>(66,087,280)</u>	<u>(6,218,152)</u>
Net operating income	5,793,725	545,132
Total non-operating income (expenses)	<u>(5,793,725)</u>	<u>(545,132)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The joint venture has the following long-term debt:

Revenue bonds payable	<u>\$ 25,110,316</u>	<u>\$ 2,362,630</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, 2013

South Utah Valley Solid Waste District

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

Additional information is as follows:

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

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

- d. Audited summary financial information of the District as June 30, 2013 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	<u>\$ 18,948,824</u>	<u>\$ 2,226,487</u>
Total liabilities	<u>\$ 7,356,963</u>	<u>\$ 864,443</u>
Total net position	<u>\$ 11,591,861</u>	<u>\$ 1,362,044</u>
Total operating revenues	\$ 5,196,292	\$ 610,564
Total operating expenses	<u>5,837,787</u>	<u>685,940</u>
Net operating income	(641,495)	(75,376)
Total non-operating income (expenses)	<u>121,939</u>	<u>14,328</u>
Change in net assets	<u>\$ (519,556)</u>	<u>\$ (61,048)</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,474,122	\$ 290,709
Accrued compensated absences	237,735	27,934
Long Term Debt	<u>3,445,320</u>	<u>404,825</u>
Total long-term liabilities	<u>\$ 6,157,177</u>	<u>\$ 723,468</u>

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

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 its 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, 2013, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
Total assets	\$ 7,374,768	\$ 3,687,384
Total liabilities	\$ (290,739)	\$ (145,370)
Total net position	\$ 7,084,029	\$ 3,542,015
Program revenues	\$ 1,274,438	\$ 637,219
General revenues	887	444
Program expenses	(344,350)	(172,175)
Change in net position	\$ 930,975	\$ 465,488

- 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, 2013

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, 2014 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring March 31, 2014 covering all employees and elected officials of the City issued by Moreton & Company.
2. 9,697 water connections at June 30, 2013
3. Total culinary water billings for the year were \$2,359,537.
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base is	\$1.14
Connection/Impact fee (1 inch)	\$ 807.00

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**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 342,393
B. Kirby RDA	295,561
C. Wasatch Wind CDA	323,352
Total Collected	\$ 961,306

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

A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Wasatch Wind CDA	97,006
Total Paid	\$ 97,006

3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:

\$ -

4. The actual amounts expended for :

A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	623,512
D. Administrative & contracted costs	210,179
Total Expended	\$ 833,691

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 5, 2013, which is the date that the financial statements were available to be issued.

4. H. PRIOR PERIOD ADJUSTEMENT

A prior period adjustment of \$471,035 was made due to a change in accounting principle issued by GASB 65 which discusses the treatment of debt issuance costs. The Governmental Accounting Standards Board evaluated these costs and concluded that with the exception of prepaid insurance the costs relate to services provided in the current period and thus they should be expensed in the current period. This is a significant change from prior practice which was to record these as assets and amortize them over the life of the related debt issue. The \$471,035 included debt issuance and amortization

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

costs relating to the Culinary Water (\$51,255), Pressurized Irrigation (\$335,699), and Electric Bonds (\$84,081).

This Prior Period Adjustment is shown on the Government Wide Activities Statement and on the Statement of Revenues, Expenses, and Changes in Net Position of the Fund Financial Statements.

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SUPPLEMENTARY INFORMATION

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**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2013**

	Debt Service		Capital Projects				Total		
	RDA Fund	Debt Service Fund	Special Fund	Fairgrounds Fund	Canyon Creek Fund	River Reclamation Fund	North Park Development Fund	Street Cut Bridge Fund	Non-major Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ 258,154	\$ 28,245	\$ -	\$ 3,580	\$ 87,198	\$ 112,682	\$ 354,451	\$ 844,310
Due from other funds	890,609	101,087	11,059	-	-	34,145	44,124	138,794	1,219,818
Restricted Assets:									
Cash and cash equivalents	2,274,417	-	-	-	-	-	-	-	2,274,417
Total assets	\$ 3,165,026	\$ 359,241	\$ 39,304	\$ -	\$ 3,580	\$ 121,343	\$ 156,806	\$ 493,245	\$ 4,338,545
LIABILITIES									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,272	\$ -	\$ -	10,272
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,272	\$ -	\$ -	10,272
FUND BALANCES									
Restricted for:									
Redevelopment	3,165,026	-	-	-	-	-	-	-	3,165,026
Debt Service	-	359,241	39,304	-	-	-	-	-	398,545
Committed for:									
Capital projects	-	-	-	-	3,580	111,071	156,806	493,245	764,702
Total fund balances	\$ 3,165,026	\$ 359,241	\$ 39,304	\$ -	\$ 3,580	\$ 111,071	\$ 156,806	\$ 493,245	\$ 4,328,273
Total liabilities and fund balance	\$ 3,165,026	\$ 359,241	\$ 39,304	\$ -	\$ 3,580	\$ 121,343	\$ 156,806	\$ 493,245	\$ 4,338,545

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2013

	Debt Service		Capital Projects				Total Non-major Governmental Funds	
	RDA Fund	Debt Service Fund	Special Guarantee Fund	Fairgrounds Fund	Canyon Creek Fund	River Reclamation Fund		North Park Development Fund
REVENUES:								
Taxes	\$ 961,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sundry Revenues	-	824,102	-	-	-	-	120,322	52,704
Intergovernmental	-	-	-	500,000	-	-	-	-
Interest income	-	4,804	-	-	-	-	-	-
Total revenues	961,386	828,906	-	500,000	-	-	120,322	52,704
EXPENDITURES:								
Current Expenditures:								
RDA	1,269,840	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	925,000	-	-	-	-	-	-
Interest and fiscal charges	-	828,125	-	-	-	-	-	-
Capital outlay	-	-	-	1,111,504	496,420	9,534	776,912	13,011
Total expenditures	1,269,840	1,753,125	-	1,111,504	496,420	9,534	776,912	13,011
Excess of revenues over (under) expenditures	(308,454)	(924,219)	-	(611,504)	(496,420)	(9,534)	(656,590)	39,693
Other financing sources (uses):								
Transfers in (out)	350,000	941,747	-	114,456	500,000	120,600	279,679	-
Total other financing sources (uses)	350,000	941,747	-	114,456	500,000	120,600	279,679	-
Excess of revenues and other sources over (under) expenditures and other u	41,546	17,528	-	(497,048)	3,580	111,066	(376,911)	39,693
Fund balances - beginning of year	3,123,480	341,713	39,304	497,048	-	5	533,717	453,552
Fund balances - end of year	\$ 3,165,026	\$ 359,241	\$ 39,304	\$ -	\$ 3,580	\$ 111,071	\$ 156,806	\$ 493,245
								\$ 4,328,273

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2013

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,463,914	\$ 540	\$ 1,322,326	\$ -	\$ 125,143	\$ 5,911,923
Accounts receivable	-	-	148,738	414,750	-	563,488
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	1,747,684	-	517,792	31,232	48,846	2,345,554
Inventory	57,253	-	-	-	46,799	104,052
Total current assets	<u>6,268,851</u>	<u>540</u>	<u>1,987,126</u>	<u>445,494</u>	<u>220,788</u>	<u>8,922,799</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	79,761	-	79,761
Capital Assets:						
Land	19,955	-	143,505	120,336	-	283,796
Buildings	676,073	-	48,066	7,356	28,116	759,611
Improvements	1,154,723	2,292,705	111,779	13,332,658	95,473	16,987,338
Equipment	174,870	7,176	858,179	8,000	84,120	1,132,345
Less: accumulated depreciation	(1,744,045)	(1,918,439)	(756,078)	(2,196,729)	(118,475)	(6,733,766)
Other Assets:						
Equity in joint venture	-	-	1,362,044	-	-	1,362,044
Total noncurrent assets	<u>281,576</u>	<u>381,442</u>	<u>1,767,495</u>	<u>11,351,382</u>	<u>89,234</u>	<u>13,871,129</u>
Total assets	<u>\$ 6,550,427</u>	<u>\$ 381,982</u>	<u>\$ 3,754,621</u>	<u>\$ 11,796,876</u>	<u>\$ 310,022</u>	<u>\$ 22,793,928</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 5,051,518	\$ 32,749	\$ -	\$ -	\$ -	\$ 5,084,267
Accounts payable	48,428	20,463	98,037	66,609	10,591	244,128
Compensated absences	34,823	2,623	5,570	31,852	598	75,466
Total current liabilities	<u>5,134,769</u>	<u>55,835</u>	<u>103,607</u>	<u>98,461</u>	<u>11,189</u>	<u>5,403,861</u>
Net Position						
Net investment in capital assets, net of related debt	281,576	381,442	405,451	11,271,621	89,234	12,429,324
Restricted for:						
Impact fees	-	-	-	409,966	-	409,966
Unrestricted	1,134,082	(55,295)	3,245,563	16,828	209,599	4,550,777
Total Net Position	<u>\$ 1,415,658</u>	<u>\$ 326,147</u>	<u>\$ 3,651,014</u>	<u>\$ 11,698,415</u>	<u>\$ 298,833</u>	<u>\$ 17,390,067</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Operating Revenues:						
Charges for sales and services	\$ 766,457	\$ 212,729	\$ 1,354,078	\$ 1,215,182	\$ 181,087	\$ 3,729,533
Other income	-	-	-	352,828	-	352,828
Total operating revenues	<u>766,457</u>	<u>212,729</u>	<u>1,354,078</u>	<u>1,568,010</u>	<u>181,087</u>	<u>4,082,361</u>
Operating Expenses:						
Landfill fees	-	-	1,147,564	-	-	1,147,564
Employee salaries	382,365	205,776	49,479	307,007	65,116	1,009,743
Materials and supplies	91,317	41,500	6,229	39,731	33,414	212,191
Repairs and maintenance	55,245	22,951	-	2,183	9,063	89,442
Professional services	6,819	19,266	20,738	19,815	15,032	81,670
Motorpool charges	131,762	-	2,067	70,926	130	204,885
Utilities	26,829	40,344	-	-	6,523	73,696
Insurance	10,731	3,224	93	1,163	272	15,483
Depreciation	21,110	21,529	44,710	349,683	13,029	450,061
Indirect services	25,696	19,570	53,221	270,396	-	368,883
Sundry charges	10,163	-	3,680	2,917	-	16,760
Total operating expenses	<u>762,037</u>	<u>374,160</u>	<u>1,327,781</u>	<u>1,063,821</u>	<u>142,579</u>	<u>3,670,378</u>
Operating income	<u>4,420</u>	<u>(161,431)</u>	<u>26,297</u>	<u>504,189</u>	<u>38,508</u>	<u>411,983</u>
Nonoperating revenues (expenses):						
Impact fees	-	-	-	214,215	-	214,215
Change in joint venture equity	-	-	(3,500)	-	-	(3,500)
Gain(loss) on Sale of fixed assets	-	(5,087)	-	-	-	(5,087)
Contributions from private contractors	-	-	-	383,377	-	383,377
Total nonoperating revenues (expenses)	<u>-</u>	<u>(5,087)</u>	<u>(3,500)</u>	<u>597,592</u>	<u>-</u>	<u>589,005</u>
Income (loss) before operating transfers	<u>4,420</u>	<u>(166,518)</u>	<u>22,797</u>	<u>1,101,781</u>	<u>38,508</u>	<u>1,000,988</u>
Operating Transfers:						
Operating transfers in	-	147,948	-	-	-	147,948
Total operating transfers	<u>-</u>	<u>147,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,948</u>
Change in Net Position	4,420	(18,570)	22,797	1,101,781	38,508	1,148,936
Total Net Position - beginning	1,411,238	344,717	3,628,217	10,596,634	260,325	16,241,131
Total Net Position - ending	<u>\$ 1,415,658</u>	<u>\$ 326,147</u>	<u>\$ 3,651,014</u>	<u>\$ 11,698,415</u>	<u>\$ 298,833</u>	<u>\$ 17,390,067</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds					Total
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Non-Major Funds
Cash Flows From Operating Activities						
Receipts from customers	\$ 766,423	\$ 212,729	\$ 1,345,037	\$ 985,738	\$ 181,100	\$ 3,491,027
Other cash receipts	-	-	-	352,828	-	352,828
Payments to suppliers	(404,909)	(151,861)	(1,230,557)	(345,533)	(91,032)	(2,223,892)
Payments to employees	(380,974)	(205,538)	(50,251)	(297,675)	(65,124)	(999,562)
Net cash provided (used) by operating activities	(19,460)	(144,670)	64,229	695,358	24,944	620,401
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	143,215	-	333,027	(31,232)	(971)	444,039
Increase (decrease) in due to other funds	359,374	(3,278)	-	(413,588)	-	(57,492)
Transfers in (out)	-	147,948	-	-	-	147,948
Net cash provided (used) by noncapital activities	502,589	144,670	333,027	(444,820)	(971)	534,495
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	-	-	(47,574)	(1,031,895)	-	(1,079,469)
Contributions from private contractors	-	-	-	383,377	-	383,377
Impact fees collected	-	-	-	214,215	-	214,215
Net cash provided (used) by capital and related financing activities	-	-	(47,574)	(434,303)	-	(481,877)
Net increase (decrease) in cash and cash equivalents	483,129	-	349,682	(183,765)	23,973	673,019
Cash and cash equivalents, July 1	3,980,785	540	972,644	263,526	101,170	5,318,665
Cash and cash equivalents, June 30	<u>\$ 4,463,914</u>	<u>\$ 540</u>	<u>\$ 1,322,326</u>	<u>\$ 79,761</u>	<u>\$ 125,143</u>	<u>\$ 5,991,684</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ 4,420	\$ (161,431)	\$ 26,297	\$ 504,189	\$ 38,508	411,983
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	21,110	21,529	44,710	349,683	13,029	450,061
(Increase) decrease in accounts receivable	(34)	-	(9,041)	(229,441)	13	(238,503)
(Increase) decrease in inventory	(32,387)	-	-	-	(32,595)	(64,982)
Increase (decrease) in accrued liabilities	(13,960)	(5,006)	3,035	61,595	5,997	51,661
Increase (decrease) in compensated absences	1,391	238	(772)	9,332	(8)	10,181
Total adjustments	(23,880)	16,761	37,932	191,169	(13,564)	208,418
Net cash provided (used) by operating activities	<u>\$ (19,460)</u>	<u>\$ (144,670)</u>	<u>\$ 64,229</u>	<u>\$ 695,358</u>	<u>\$ 24,944</u>	<u>\$ 620,401</u>

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OTHER REPORTS

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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Spanish Fork City’s basic financial statements and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Larson & Company, PC

Spanish Fork, Utah
December 5, 2013

**Independent Auditor's Report On Compliance
and on Internal Control Over 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

REPORT ON COMPLIANCE

We have audited Spanish Fork City's (herein referred to as the "City") compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Impact Fees
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Other Grants
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act

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

- B&C Road Funds
- Liquor Fund Allotment

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 the *State of Utah Legal Compliance Audit Guide*. Those standards and the State of Utah Legal Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, Spanish Fork City, 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, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance 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 compliance requirement 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Larson & Company, PC

Spanish Fork, Utah
December 5, 2013

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2013



December 5, 2013

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Spanish Fork City for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Spanish Fork City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Very truly yours,

A handwritten signature in cursive script that reads "Larson & Company, PC".

Larson & Company, PC

Spanish Fork, Utah
December 5, 2013

State Compliance Findings – Current Year

No State Compliance findings noted in current year.

Internal Control Findings – Current Year

No Internal Control findings noted in current year.

Status of State Compliance Findings – Prior Year

No State Compliance findings noted in prior year.

Status of Internal Control Findings – Prior Year

No Internal Control findings noted in prior year.