

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

**SPANISH FORK CITY, UTAH
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INDEPENDENT AUDITORS' 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, 2014, 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.

Auditors' 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, 2014, and the respective changes in financial position, the budgetary comparison for the general fund 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 2, 2014 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 2, 2014

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, 2014**. 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 **\$8,384,290** to **\$232,489,680**. The governmental net position increased by **\$5,869,194** and the business-type net position increased by **\$2,515,095**.
- The total net position of **\$232,489,680** is made up of **\$185,528,877** in capital assets net of related debt and **\$46,960,803** in other net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of **\$2,313,184**.
- The City's total long-term liabilities decreased by **\$3,033,753** 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 13-14 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, 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 **\$232,489,680**.

By far the largest portion of Spanish Fork City’s net position (**\$185,528,877 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 28,041,668	\$ 14,924,151	\$ 38,763,663	\$ 41,069,813	\$ 66,805,331	\$ 55,993,965
Capital assets	88,968,037	88,193,841	123,706,124	120,245,445	212,674,161	208,439,286
Total assets	117,009,705	103,117,992	162,469,787	161,315,258	279,479,492	264,433,251
Other liabilities	14,768,493	5,792,435	2,733,512	2,057,077	17,502,005	7,849,512
Long-term liabilities outstanding	16,969,512	17,966,262	10,953,997	12,991,000	27,923,509	30,957,262
Total liabilities	31,738,005	23,758,697	13,687,509	15,048,077	45,425,514	38,806,774
Deferred property tax revenue	1,564,298	1,521,088	-	-	1,564,298	1,521,088
Total deferred inflows	1,564,298	1,521,088	-	-	1,564,298	1,521,088
Net Position:						
Net investments in capital assets	71,842,405	70,063,543	113,686,472	110,633,541	185,528,877	180,697,084
Restricted	3,813,080	4,428,934	1,837,879	4,441,757	5,650,959	8,870,691
Unrestricted	8,051,917	3,345,730	33,257,927	31,191,883	41,309,844	34,537,613
Total Net Position	<u>\$ 83,707,402</u>	<u>\$ 77,838,207</u>	<u>\$ 148,782,278</u>	<u>\$ 146,267,181</u>	<u>\$ 232,489,680</u>	<u>\$ 224,105,388</u>

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 8,849,966	\$ 7,547,037	\$ 40,757,551	\$ 40,187,476	\$ 49,607,517	\$ 47,734,513
Operating grants and contribs	1,164,177	1,168,864	-	-	1,164,177	1,168,864
Capital grants and contribs	4,639,637	5,412,638	2,734,752	2,621,371	7,374,389	8,034,009
General revenues:					-	
Property taxes	2,949,319	2,765,434	-	-	2,949,319	2,765,434
Sales and Use Tax	6,979,827	6,557,376	-	-	6,979,827	6,557,376
Other taxes	565,510	605,579	-	-	565,510	605,579
Unrestricted investment earnings	75,842	76,668	150,570	153,390	226,412	230,058
Joint Venture Gain (Loss)	1,023,499	465,488	(38,179)	(3,500)	985,320	461,988
Gain (Loss) on Sale of Capital Assets	-	(58,450)	29,070	(5,087)	29,070	(63,537)
Total revenues	<u>26,247,777</u>	<u>24,540,634</u>	<u>43,633,764</u>	<u>42,953,650</u>	<u>69,881,541</u>	<u>67,494,284</u>
Expenses:						
General government	4,130,307	3,564,600			4,130,307	3,564,600
Public safety	5,912,266	5,883,858			5,912,266	5,883,858
Public works	8,857,634	8,503,670			8,857,634	8,503,670
Parks and recreation	4,963,368	4,484,864			4,963,368	4,484,864
Operating expenses (business type)			37,025,489	35,329,969	37,025,489	35,329,969
Interest expense	608,187	807,915			608,187	807,915
Total expenses	<u>24,471,763</u>	<u>23,244,907</u>	<u>37,025,489</u>	<u>35,329,969</u>	<u>61,497,252</u>	<u>58,574,876</u>
Increase in net position before transfers	1,776,014	1,295,727	6,608,275	7,623,681	8,384,289	8,919,408
Transfers	4,093,180	741,747	(4,093,180)	(741,747)	-	-
Increase in net position	5,869,194	2,037,474	2,515,095	6,881,934	8,384,289	8,919,408
Net position - beginning	77,838,208	75,800,734	146,267,183	139,856,284	224,105,391	215,657,018
Prior Period Adjustment	-	-	-	(471,035)	-	(471,035)
Net position - ending	<u>\$ 83,707,402</u>	<u>\$ 77,838,208</u>	<u>\$ 148,782,278</u>	<u>\$ 146,267,183</u>	<u>\$ 232,489,680</u>	<u>\$ 224,105,391</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, 2014, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$9,428,254**. This represents an increase of **\$3,031,217** 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 (**\$10,494,656**) and represent **57%** 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 **\$18,811,932** to a final budget of **\$21,251,064**. 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, 2014, amounts to **\$212,674,161** (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 and sidewalks for \$3,780,764

Land for \$68,309

Water & Pressurized Irrigation Improvements:

Water Improvement Projects for \$3,014,042

Pressurized Irrigation Improvements for \$408,582

Purchase of Water Rights for \$313,465

Sewer Improvements:

Purchase of SUVMWA Land for \$182,393

Sewer Improvements for \$1,487,623

Electric Improvements:

Electric Improvements for \$2,719,064

Other Improvements:

Library Books & Media for \$84,439

New Garbage Cans for \$46,789

Storm Drain Improvements for \$612,335

Spanish Fork Community Network:

Full Digital Conversion Equipment for \$417,741

City Wide Equipment Purchases for \$602,975

City Wide Vehicle Purchases for \$376,545

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Land	\$ 12,572,668	\$ 12,459,404	\$ 2,846,180	\$ 2,609,342
Water Shares	-	-	4,831,483	4,518,018
Buildings	22,294,924	22,885,755	4,114,707	4,428,373
Improvements	17,640,318	17,799,646	108,288,479	104,364,842
Equipment	3,874,518	3,873,489	3,625,275	4,324,870
Infrastructure	32,585,610	31,175,547	-	-
Total Net Assets -				
Net of Depreciation	\$ 88,968,038	\$ 88,193,841	\$ 123,706,124	\$ 120,245,445

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, 2014, the City had total bonded debt outstanding of **\$27,923,509**. Of that, **\$10,953,997** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$16,969,512** is debt secured solely by tax sources (ie., Sales Tax revenue and Property Tax increment for the RDA).

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

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Capital Lease	\$ 194,512	\$ 241,262	\$ -	\$ -
Accrued Vacation & Sick Leave	1,344,198	1,153,319	566,436	523,503
Revenue Bonds	16,775,000	17,725,000	10,953,997	12,991,000
Total Outstanding Debt	\$ 18,313,710	\$ 19,119,581	\$ 11,520,433	\$ 13,514,503

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$1,392,963,429**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$55,718,537** 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 **\$111,437,074** 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 3.1% compared with a state unemployment rate of 3.5% and a national rate of 5.9 %. (Source: Utah Dept of Workforce Services)

- The General Fund budget for the fiscal year-ending June 30, 2015 reflects a small decrease of \$568,943 over the final budget for the fiscal year-ended June 30, 2014. 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 2015 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
As of June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 4,301,544	\$ 30,975,455	\$ 35,276,999
Receivables (net of allowance)	2,774,449	3,993,782	6,768,231
Prepaid expenses	66,235	130	66,365
Internal balances	1,175,005	(1,175,004)	1
Inventory	50,605	1,361,488	1,412,093
Equity in joint venture	4,565,514	1,323,865	5,889,379
Restricted Assets:			
Cash and cash equivalents	15,108,316	2,283,947	17,392,263
Capital Assets (not being depreciated):			
Land	12,572,668	2,846,180	15,418,848
Water shares	-	4,831,483	4,831,483
Capital Assets (net of accumulated depreciation):			
Buildings	22,294,924	4,114,707	26,409,631
Improvements other than buildings	17,640,318	108,288,479	125,928,797
Equipment	3,874,518	3,625,275	7,499,793
Infrastructure	32,585,610	-	32,585,610
Total assets	<u>117,009,705</u>	<u>162,469,787</u>	<u>279,479,492</u>
LIABILITIES			
Accounts payable	1,768,464	1,511,515	3,279,979
Developer escrows and deposits	11,499,711	566,436	12,066,147
Connectors agreement	-	31,937	31,937
Compensated absences	1,344,198	586,336	1,930,534
Bond interest payable	156,120	37,288	193,408
Bond premiums	-	-	-
Noncurrent Liabilities:			
Due within one year	1,023,268	2,093,000	3,116,268
Due in more than one year	15,946,244	8,860,997	24,807,241
Total liabilities	<u>31,738,005</u>	<u>13,687,509</u>	<u>45,425,514</u>
DEFERRED INFLOWS			
Deferred property tax revenue	1,564,298	-	1,564,298
Total deferred inflows of resources	<u>1,564,298</u>	<u>-</u>	<u>1,564,298</u>
NET POSITION			
Net investments in capital assets	71,842,405	113,686,472	185,528,877
Restricted for:			
Class "C" roads	527,660	-	527,660
Redevelopment agency	2,331,156	-	2,331,156
Impact fees	528,293	662,911	1,191,204
Debt Service	425,971	-	425,971
Water rights	-	240,623	240,623
Bond requirements	-	934,345	934,345
Unrestricted	8,051,917	33,257,927	41,309,844
Total net position	<u>\$ 83,707,402</u>	<u>\$ 148,782,278</u>	<u>\$ 232,489,680</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2014

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,130,307	\$ 5,095,798	\$ 61,574	\$ -	\$ 1,027,065	\$ -	\$ 1,027,065
Public safety	5,912,266	2,026,632	41,972	-	(3,843,662)	-	(3,843,662)
Public works	8,857,634	-	1,060,631	4,063,513	(3,733,490)	-	(3,733,490)
Parks, rec. & public property	4,963,368	1,727,536	-	576,124	(2,659,708)	-	(2,659,708)
Interest on long-term debt	608,187	-	-	-	(608,187)	-	(608,187)
Total governmental activities	24,471,763	8,849,966	1,164,177	4,639,637	(9,817,983)	-	(9,817,983)
Business-type activities:							
Water	5,634,412	5,135,141	-	811,610	-	312,339	312,339
Sewer	2,822,490	2,547,570	-	565,415	-	290,495	290,495
Electric	25,704,987	29,909,492	-	759,905	-	4,964,410	4,964,410
Garbage	1,438,207	1,480,382	-	-	-	42,175	42,175
Golf course	-	-	-	-	-	-	-
Swimming pool	-	-	-	-	-	-	-
Storm drainage	1,199,368	1,452,853	-	597,822	-	851,307	851,307
Gun club	226,025	232,113	-	-	-	6,088	6,088
Total business-type activities	37,025,489	40,757,551	-	2,734,752	-	6,466,814	6,466,814
Total primary government	\$ 61,497,251	\$ 49,607,517	\$ 1,164,177	\$ 7,374,389	(9,817,983)	6,466,814	(3,351,168)
General revenues:							
Property taxes					2,949,319	-	2,949,319
Sales taxes					6,979,827	-	6,979,827
Other taxes					565,510	-	565,510
Unrestricted investment earnings					75,842	150,570	226,412
Joint venture gain (loss)					1,023,499	(38,179)	985,320
Gain on sale of capital assets					-	29,070	29,070
Transfers					4,093,180	(4,093,180)	-
Total general revenues and transfers					15,687,177	(3,951,719)	11,735,458
Change in Net Position					5,869,194	2,515,095	8,384,290
Net Position - beginning					77,838,208	146,267,183	224,105,391
Net Position - ending					\$ 83,707,402	\$ 148,782,278	\$ 232,489,680

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2014**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,517,975	\$ 1,783,569	\$ 4,301,544
Receivables (net of allowance):			
Tax	2,774,449	-	2,774,449
Due from other funds	894,620	946,572	1,841,192
Prepaid expense	66,235	-	66,235
Inventory	50,605	-	50,605
Equity in joint venture	79,626	-	79,626
Restricted Assets:			
Cash and cash equivalents	12,777,160	2,331,156	15,108,316
Total assets	<u>\$ 19,160,670</u>	<u>\$ 5,061,297</u>	<u>\$ 24,221,967</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 955,350	\$ 14,992	\$ 970,342
Due to other funds	161,057.00	-	161,057
Payroll payable	598,305	-	598,305
Developer escrow	10,874,123	-	10,874,123
Final inspection deposit	625,588	-	625,588
Total liabilities	<u>13,214,423</u>	<u>14,992</u>	<u>13,229,415</u>
DEFERRED INFLOWS			
Deferred property tax revenue	1,564,298	-	1,564,298
Total deferred inflows of resources	<u>1,564,298</u>	<u>-</u>	<u>1,564,298</u>
FUND BALANCES			
Nonspendable	145,861	-	145,861
Restricted for:			
Class "C" roads	527,660	-	527,660
Redevelopment agency	-	2,331,156	2,331,156
Debt service	-	425,971	425,971
Impact fees	528,293	-	528,293
Committed for:			
Capital projects	-	1,066,932	1,066,932
Redevelopment agency	-	1,222,246	1,222,246
Unassigned	3,180,135	-	3,180,135
Total fund balances	<u>4,381,949</u>	<u>5,046,305</u>	<u>9,428,254</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 19,160,670</u>	<u>\$ 5,061,297</u>	<u>\$ 24,221,967</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total fund balances - governmental fund types:		<u>\$ 9,428,254</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	4,485,888	
Cost of capital assets	152,060,170	
Accumulated depreciation	<u>(63,092,132)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>93,453,926</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		
		(753,216)
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	(156,120)	
Non-current liabilities due within one year	(1,121,244)	
Compensated absences	(1,344,198)	
Non-current liabilities due in more than one year	<u>(15,800,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(18,421,562)</u>
Net position of government activities		<u><u>\$ 83,707,402</u></u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 9,515,130	\$ 979,526	\$ 10,494,656
Licenses and permits	717,817	-	717,817
Intergovernmental revenues	1,164,177	-	1,164,177
Charges for services	2,650,220	-	2,650,220
Fines and forfeitures	138,568	-	138,568
Interest income	72,291	3,551	75,842
Sundry revenue	2,049,498	1,094,135	3,143,633
Total revenues	<u>16,307,701</u>	<u>2,077,212</u>	<u>18,384,913</u>
EXPENDITURES			
Current:			
General government	3,785,466	-	3,785,466
Public safety	5,265,747	-	5,265,747
Public works	5,120,763	1,266,150	6,386,913
Parks, recreation and public property	4,719,335	-	4,719,335
Debt Service:			
Principal retirement	-	950,000	950,000
Interest and fiscal charges	-	791,125	791,125
Capital outlay	-	324,142	324,142
Total expenditures	<u>18,891,311</u>	<u>3,331,417</u>	<u>22,222,728</u>
Excess revenues over (under) expenditures	<u>(2,583,610)</u>	<u>(1,254,205)</u>	<u>(3,837,815)</u>
Other financing sources (uses)			
Impact fees	576,124	-	576,124
Indirect services	2,199,728	-	2,199,728
Transfers in	2,995,942	1,972,238	4,968,180
Transfers out	(875,000)	-	(875,000)
Total other financing sources and uses	<u>4,896,794</u>	<u>1,972,238</u>	<u>6,869,032</u>
Excess of revenues and other sources over (under) expenditures and other use	2,313,184	718,033	3,031,217
Fund balances - beginning of year	2,068,765	4,328,272	6,397,037
Fund balances - end of year	<u>\$ 4,381,949</u>	<u>\$ 5,046,305</u>	<u>\$ 9,428,254</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, 2014

Net changes in fund balances - total governmental funds	<u>\$ 3,031,217</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital Outlay	986,355
Depreciation Expense	<u>(4,317,295)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities	<u>(3,330,940)</u>
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) Net Position.</p>	
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>4,063,513</u>
	<u>4,063,513</u>
<p>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.</p>	
	134,668
<p>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.</p>	
	1,132,938
<p>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.</p>	
Change in compensated Absences	<u>(185,701)</u>
Change in Net Position of governmental activities	<u><u>\$ 5,869,194</u></u>

Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 9,381,928	\$ 9,456,951	\$ 9,515,130	\$ 58,179
Licenses and permits	691,500	720,500	717,817	(2,683)
Intergovernmental revenues	1,082,797	1,117,980	1,164,177	46,197
Charges for services	2,551,950	2,482,883	2,650,220	167,337
Fines and forfeitures	104,200	115,200	138,568	23,368
Interest income	60,050	60,050	72,291	12,241
Sundry revenue	1,550,696	1,846,028	2,049,498	203,470
Total revenues	<u>15,423,121</u>	<u>15,799,592</u>	<u>16,307,701</u>	<u>508,109</u>
EXPENDITURES				
Current:				
General government	3,775,247	3,980,682	3,785,466	(195,216)
Public safety	5,421,322	5,834,785	5,265,747	(569,038)
Public works	4,827,257	5,488,866	5,120,763	(368,103)
Parks, recreation and public property	3,898,106	5,056,731	4,719,335	(337,396)
Total expenditures	<u>17,921,932</u>	<u>20,361,064</u>	<u>18,891,311</u>	<u>(1,469,753)</u>
Excess revenues over (under) expenditures	<u>(2,498,811)</u>	<u>(4,561,472)</u>	<u>(2,583,610)</u>	<u>1,977,862</u>
Other financing sources (uses)				
Impact fees	-	85,177	576,124	490,947
Indirect services	2,080,450	2,199,728	2,199,728	-
Transfers in	956,978	2,995,941	2,995,942	1
Transfers out	(890,000)	(890,000)	(875,000)	15,000
Total other financing sources and uses	<u>2,147,428</u>	<u>4,390,846</u>	<u>4,896,794</u>	<u>505,948</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(351,383)</u>	<u>(170,626)</u>	<u>2,313,184</u>	<u>2,483,810</u>
Fund balances - beginning of year	2,068,765	2,068,765	2,068,765	-
Fund balances - end of year	<u>\$ 1,717,382</u>	<u>\$ 1,898,139</u>	<u>\$ 4,381,949</u>	<u>\$ 2,483,810</u>

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	Activites - Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,543,086	\$ 10,991,002	\$ 15,844,755	\$ 1,596,612	\$ 30,975,455	\$ -
Accounts receivable	565,017	243,622	2,927,008	302,943	4,038,590	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	762,613	2,828,958	4,363,524	605,391	8,560,486	-
Prepaid Expense	-	-	130	-	130	-
Inventory	4,500	3,500	1,333,962	19,526	1,361,488	-
Total current assets	<u>3,865,808</u>	<u>14,064,257</u>	<u>24,439,022</u>	<u>2,522,254</u>	<u>44,891,341</u>	<u>-</u>
Noncurrent assets:						
Restricted cash and equivalents	419,798	-	1,108,305	755,844	2,283,947	-
Capital Assets:						
Land	280,482	1,374,300	853,156	338,242	2,846,180	-
Water rights	4,831,483	-	-	-	4,831,483	-
Buildings	2,484,689	508,739	3,346,925	130,327	6,470,680	234,178
Improvements	71,519,363	34,226,755	45,072,104	14,077,844	164,896,066	-
Equipment	2,867,106	2,451,898	3,009,790	998,306	9,327,100	10,653,786
Less: accumulated depreciation	(27,567,246)	(17,130,853)	(16,465,021)	(3,502,265)	(64,665,385)	(7,618,184)
Other Assets:						
Equity in joint venture	-	-	-	1,323,865	1,323,865	-
Total noncurrent assets	<u>54,835,675</u>	<u>21,430,839</u>	<u>36,925,259</u>	<u>14,122,163</u>	<u>127,313,936</u>	<u>3,269,780</u>
Total assets	<u>\$ 58,701,483</u>	<u>\$ 35,495,096</u>	<u>\$ 61,364,281</u>	<u>\$ 16,644,417</u>	<u>\$ 172,205,277</u>	<u>\$ 3,269,780</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 1,988,025	\$ 7,565,508	\$ 612,718	\$ -	\$ 10,166,251	\$ 74,369
Accounts payable	581,897	119,269	707,125	103,224	1,511,515	198,239
Accrued interest payable	20,118	-	17,170	-	37,288	1,578
Compensated absences payable	111,573	72,210	361,206	41,347	586,336	33,728
Customer deposits	34,626	-	336,510	-	371,136	-
Final inspection deposits	-	-	195,300	-	195,300	-
Connector agreements	-	-	31,937	-	31,937	-
Lease payable - current portion	-	-	-	-	-	48,268
Bonds payable - current portion	1,273,000	-	820,000	-	2,093,000	-
Total current liabilities	<u>4,009,239</u>	<u>7,756,987</u>	<u>3,081,966</u>	<u>144,571</u>	<u>14,992,763</u>	<u>356,182</u>
Noncurrent liabilities:						
Lease Payable	-	-	-	-	-	146,244
Bonds payable	8,015,997	-	845,000	-	8,860,997	-
Total noncurrent liabilities	<u>8,015,997</u>	<u>-</u>	<u>845,000</u>	<u>-</u>	<u>8,860,997</u>	<u>146,244</u>
Total liabilities	<u>12,025,236</u>	<u>7,756,987</u>	<u>3,926,966</u>	<u>144,571</u>	<u>23,853,760</u>	<u>502,426</u>
Net Position						
Net investment in capital assets, net of related debt	45,289,430	21,430,839	34,923,749	12,042,454	113,686,472	3,075,268
Restricted for:						
Impact fees	-	-	-	662,911	662,911	-
Water rights	240,623	-	-	-	240,623	-
Bond requirements	162,550	-	771,795	-	934,345	-
Unrestricted	983,644	6,307,270	21,741,771	3,794,481	32,827,166	(307,914)
Total Net Position	<u>\$ 46,676,247</u>	<u>\$ 27,738,109</u>	<u>\$ 57,437,315</u>	<u>\$ 16,499,846</u>	<u>\$ 148,351,517</u>	<u>\$ 2,767,354</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					430,761	
Net Position from business-type activities:					<u>\$ 148,782,278</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Non Major	Total	Activities-
				Enterprise Funds	Enterprise Funds	Internal Service
						Fund
Operating Revenues:						
Charges for sales and services	\$ 5,070,987	\$ 2,433,097	\$ 28,385,732	\$ 3,036,723	\$ 38,926,539	\$ 1,054,256
Other income	64,154	114,473	1,523,760	128,625	1,831,012	1,170,147
Total operating revenues	<u>5,135,141</u>	<u>2,547,570</u>	<u>29,909,492</u>	<u>3,165,348</u>	<u>40,757,551</u>	<u>2,224,403</u>
Operating Expenses:						
Water assessment	87,102	-	-	-	87,102	-
Power purchases	-	-	14,019,653	-	14,019,653	-
Landfill fees	-	-	-	1,248,011	1,248,011	-
Employee salaries	922,835	582,744	2,927,658	373,443	4,806,680	266,832
Materials and supplies	303,931	99,347	1,285,005	167,816	1,856,099	422,827
Repairs and maintenance	71,501	121,054	103,360	7,351	303,266	317,117
Professional services	280,504	146,356	3,622,287	100,071	4,149,218	21,760
Motorpool charges	140,781	150,710	295,403	85,050	671,944	-
Utilities	363,763	214,911	148,550	10,371	737,595	20,938
Insurance	16,898	12,808	39,851	1,143	70,700	1,005
Depreciation	2,381,125	1,051,072	1,432,199	430,983	5,295,379	833,232
Indirect services	685,332	409,786	659,971	444,639	2,199,728	-
Plant assessment	136,284	9,567	1,091,892	-	1,237,743	-
Sundry charges	13,347	40,018	110,222	4,532	168,119	-
Total operating expenses	<u>5,403,403</u>	<u>2,838,373</u>	<u>25,736,051</u>	<u>2,873,410</u>	<u>36,851,237</u>	<u>1,883,711</u>
Operating income	<u>(268,262)</u>	<u>(290,803)</u>	<u>4,173,441</u>	<u>291,938</u>	<u>3,906,314</u>	<u>340,692</u>
Nonoperating revenues (expenses):						
Interest revenue	19,672	370	130,528	-	150,570	-
Impact fees and water right fees	301,199	259,559	404,270	267,134	1,232,162	-
Change in joint venture equity	-	-	-	(38,179)	(38,179)	-
Contributions from private contractors	510,411	305,856	355,635	330,688	1,502,590	-
Gain(loss) on sale of fixed assets	29,070	-	-	-	29,070	(74,820)
Interest expense	<u>(247,483)</u>	<u>-</u>	<u>(50,520)</u>	<u>-</u>	<u>(298,003)</u>	<u>(7,454)</u>
Total nonoperating revenues (expenses)	<u>612,869</u>	<u>565,785</u>	<u>839,913</u>	<u>559,643</u>	<u>2,578,210</u>	<u>(82,274)</u>
Income (loss) before operating transfers	<u>344,607</u>	<u>274,982</u>	<u>5,013,354</u>	<u>851,581</u>	<u>6,484,524</u>	<u>258,418</u>
Operating Transfers from (to) Other Funds						
Operating transfers out	<u>-</u>	<u>-</u>	<u>(2,351,376)</u>	<u>(1,741,804)</u>	<u>(4,093,180)</u>	<u>-</u>
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(2,351,376)</u>	<u>(1,741,804)</u>	<u>(4,093,180)</u>	<u>-</u>
Change in Net Position	344,607	274,982	2,661,978	(890,223)	2,391,344	258,418
Total Net Position - beginning	46,331,640	27,463,127	54,775,337	17,390,069	145,960,173	2,508,936
Total Net Position - ending	<u>\$ 46,676,247</u>	<u>\$ 27,738,109</u>	<u>\$ 57,437,315</u>	<u>\$ 16,499,846</u>	<u>\$ 148,351,517</u>	<u>\$ 2,767,354</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					123,751	
Change in Net Position of business-type activities:					<u>\$ 2,515,095</u>	

**Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Non Major	Total
	Fund	Fund	Fund	Enterprise	Enterprise
	Funds	Funds	Funds	Funds	Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 4,931,084	\$ 2,480,802	\$ 27,360,465	\$ 3,292,269	\$ 38,064,620
Other cash receipts	64,154	114,473	1,523,760	128,625	1,831,012
Interfund services provided	124,164	-	912,107	-	1,036,271
Payments to suppliers	(1,726,739)	(1,102,252)	(21,233,943)	(2,108,724)	(26,171,658)
Payments to employees	(894,735)	(569,511)	(2,872,039)	(370,116)	(4,706,401)
Net cash provided (used) by operating activities	<u>2,497,928</u>	<u>923,512</u>	<u>5,690,350</u>	<u>942,054</u>	<u>10,053,844</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	782,191	956,249	1,757,380	(7,521)	3,488,299
Increase (decrease) in due to other funds	124,580	576,840	(563,416)	-	138,004
Transfers in (out)	-	-	(2,351,376)	(1,741,804)	(4,093,180)
Net cash provided (used) by noncapital activities	<u>906,771</u>	<u>1,533,089</u>	<u>(1,157,412)</u>	<u>(1,749,325)</u>	<u>(466,877)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(3,757,765)	(1,697,961)	(3,256,216)	(707,129)	(9,419,071)
Principal (paid) issued on capital debt	(1,242,003)	-	(795,000)	-	(2,037,003)
Interest paid on capital debt	(247,483)	-	(50,520)	-	(298,003)
Contributions from (reimbursements to) private contractors	510,411	305,856	355,635	330,688	1,502,590
Impact fees collected	301,199	259,559	404,270	267,134	1,232,162
Cash received from disposal of assets	29,070	-	-	-	29,070
Net cash provided (used) by capital and related financing activities	<u>(4,406,571)</u>	<u>(1,132,546)</u>	<u>(3,341,831)</u>	<u>(109,307)</u>	<u>(8,990,255)</u>
Cash Flows From Investing Activities					
Interest and dividends received	19,672	370	130,528	-	150,570
Net cash provided (used) by investing activities	<u>19,672</u>	<u>370</u>	<u>130,528</u>	<u>-</u>	<u>150,570</u>
Net increase (decrease) in cash and cash equivalents	(982,200)	1,324,425	1,321,635	(916,578)	747,282
Cash and cash equivalents, July 1	3,945,084	9,666,577	15,631,425	3,269,034	32,512,120
Cash and cash equivalents, June 30	<u>\$ 2,962,884</u>	<u>\$ 10,991,002</u>	<u>\$ 16,953,060</u>	<u>\$ 2,352,456</u>	<u>\$ 33,259,402</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (268,262)	\$ (290,803)	\$ 4,173,441	\$ 291,938	3,906,314
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,381,125	1,051,072	1,432,199	430,983	5,295,379
(Increase) decrease in accounts receivable	(15,739)	47,705	(113,160)	255,549	174,355
Decrease (increase) in inventory	-	-	(137,245)	27,273	(109,972)
Increase (decrease) in accrued liabilities	354,704	102,305	317,995	(67,016)	707,988
Increase (decrease) in compensated absences	28,100	13,233	55,619	3,327	100,279
Increase (decrease) in customer deposits	18,000	-	(38,499)	-	(20,499)
Total adjustments	<u>2,766,190</u>	<u>1,214,315</u>	<u>1,516,909</u>	<u>650,116</u>	<u>6,147,530</u>
Net cash provided (used) by operating activities	<u>\$ 2,497,928</u>	<u>\$ 923,512</u>	<u>\$ 5,690,350</u>	<u>\$ 942,054</u>	<u>\$ 10,053,844</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2014**

	Fire Retirement Capital Fund
ASSETS	
Cash and equivalents	\$ 97,360
Total assets	97,360
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	81
Total liabilities	81
 Net position:	
Deferred compensation	97,279
Total net position	97,279
Total liabilities and net position	\$ 97,360

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 65,596
Interest income	485
Total	66,081
EXPENDITURES:	
Retirement payments	22,290
Total	22,290
Excess of revenues over (under) expenditures	43,791
Net position - beginning of year	53,488
Net position - end of year	\$ 97,279

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

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

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

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

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

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

Library: Library Administration and Public Services.

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

- 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. In 2014, Golf Course and Swimming Pool reporting were moved to the General Fund.

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, Storm Drainage, and Gun Club funds. In 2014, Golf Course and Swimming Pool reporting were moved to the General Fund.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Internal Service Fund

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

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
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.
Storm Drainage Fund	Accounts for revenues and expenditures of storm drainage utility.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Gun Club Fund	Accounts for revenues and expenditures of the gun club.
Internal Service Funds:	
Motor Pool	This fund is used to account for the costs of operating and maintaining vehicles and equipment owned by the City.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net 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, 2014

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net 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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014

At June 30, 2014, 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	\$ 823,795	\$ 365,231	\$ 1,189,026
Sick Leave Liability	520,403	221,106	741,509
Total Compensated Absences	<u>\$ 1,344,198</u>	<u>\$ 586,337</u>	<u>\$ 1,930,535</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, 2014

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, 2014

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, 2014

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, 2014**

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, 2014, 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, 2014, 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, 2014, the City had \$27,923,509 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, 2014.

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, 2014

plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 2009 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 administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22nd, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1st.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

- 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 revenue of the general fund. For the year ended June 30, 2014 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, 2014, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2014
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	20,921,772
Total Depository Accounts		\$ 21,171,772

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Investments

As of June 30, 2014 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'	\$ 29,116,289	\$ 29,116,289	\$ -	\$ -	\$ -
Bond Escrows	1,366,744	1,366,744	-	-	-
Money Market	1,077,274	1,077,274	-	-	-
Mutual Fund	10,081,600	10,081,600	-	-	-
Total Fair Value	<u>\$ 41,641,907</u>	<u>\$ 41,641,907</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, 2014

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		\$	11,090,172
Investments			41,641,907
Cash on hand			34,542
	Total		\$ 52,766,621

Government - Wide

Cash and Cash Equivalents		\$	34,782,137
Restricted Cash & Cash Equivalents			17,887,124
Fiduciary Restricted Cash			97,360
	Total		\$ 52,766,621

Net Cash on Statement of Net Position		\$	52,669,261
Fiduciary Restricted Cash			97,360
	Total		\$ 52,766,621

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water right fees	\$ 240,623	\$ -	\$ -	\$ 240,623
Customer deposits	371,136	-	-	371,136
Pressurized Irrigation impact fees	-	-	-	-
Storm drainage impact fees	662,911	-	-	662,911
Water bond requirements	162,550	-	-	162,550
Electric bond requirements	771,795	-	-	771,795
Total	<u>\$ 2,209,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,209,015</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 10,874,123	\$ -	\$ -	\$ 10,874,123
Final inspection deposits	625,588	-	-	625,588
Class "C" roads	942,346	-	-	942,346
Recreation impact fees	528,293	-	-	528,293
Debt service	432,397	-	-	432,397
RDA requirements	2,331,156	-	-	2,331,156
Total	<u>15,733,903</u>	<u>-</u>	<u>-</u>	<u>15,733,903</u>
Grand Totals	<u>\$ 17,942,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,942,918</u>

3.C. ACCOUNTS RECEIVABLE & DEFERRED OUTFLOWS

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2014, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 4,038,592	\$ 4,038,592
Property tax	1,564,298	-	1,564,298
Other tax	1,210,151	-	1,210,151
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 2,774,449</u>	<u>\$ 3,993,784</u>	<u>\$ 6,768,233</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, was as follows:

	Balance at June 30, 2013	Additions	Adjustments	Disposals	Balance at June 30, 2014
Governmental activities:					
Land (not being depreciated)	\$ 12,459,403	\$ 68,309	\$ 44,955		\$ 12,572,667
Buildings	31,144,389	139,772	676,073	(13,000)	31,947,234
Improvements	23,073,488	325,197	3,422,427		26,821,112
Machinery and equipment	12,625,752	1,071,062	182,046	(771,233)	13,107,627
Infrastructure	63,830,768	3,780,764			67,611,532
Totals at historical cost	<u>143,133,800</u>	<u>5,385,104</u>	<u>4,325,501</u>	<u>(784,233)</u>	<u>152,060,172</u>
Less accumulated depreciation					
Buildings	\$ (8,258,635)	\$ (929,963)	\$ (476,711)	\$ 13,000	(9,652,309)
Improvements	(5,273,841)	(879,481)	(3,027,471)		(9,180,793)
Machinery and equipment	(8,752,262)	(970,380)	(158,300)	647,834	(9,233,108)
Infrastructure	(32,655,221)	(2,370,701)			(35,025,922)
Total accumulated depreciation	<u>(54,939,959)</u>	<u>(5,150,525)</u>	<u>(3,662,482)</u>	<u>660,834</u>	<u>(63,092,132)</u>
Governmental activities capital assets, net	<u>\$ 88,193,841</u>	<u>\$ 234,579</u>	<u>\$ 663,019</u>	<u>\$ (123,399)</u>	<u>\$ 88,968,040</u>
Business-type activities:					
Land (not being depreciated)	\$ 2,609,344	\$ 182,393	\$ 54,446	\$ -	\$ 2,846,183
Water shares (not being depreciated)	4,518,019	313,465		-	4,831,484
Buildings and structures	7,079,461	67,294	(676,073)	-	6,470,682
Improvements	159,646,868	8,771,024	(3,521,829)	-	164,896,063
Machinery and equipment	9,474,358	84,902	(232,162)	-	9,327,098
Totals at historical cost	<u>183,328,050</u>	<u>9,419,078</u>	<u>(4,375,618)</u>	<u>-</u>	<u>188,371,510</u>
Less accumulated depreciation					
Buildings and structures	(2,655,794)	(176,891)	476,711	-	(2,355,974)
Improvements other than buildings	(55,274,421)	(4,360,638)	3,027,472	-	(56,607,587)
Machinery and equipment	(5,152,390)	(757,850)	208,416	-	(5,701,824)
Total accumulated depreciation	<u>(63,082,605)</u>	<u>(5,295,379)</u>	<u>3,712,599</u>	<u>-</u>	<u>(64,665,385)</u>
Business-type activities capital assets, net	<u>\$ 120,245,445</u>	<u>\$ 4,123,699</u>	<u>\$ (663,019)</u>	<u>\$ -</u>	<u>\$ 123,706,125</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 248,987
Public safety	699,981
Public works	2,527,440
Parks	840,886
Governmental portion of internal service fund	833,231
Total depreciation expense - governmental activities	<u>\$ 5,150,525</u>
Business-type activities	
Water	\$ 2,381,125
Electric	1,432,199
Sewer	1,051,072
Garbage	46,795
Storm drainage	377,306
Gun club	6,882
Total depreciation expense - business-type activities	<u>\$ 5,295,379</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, 2014

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)	\$ 1,564,298	\$ -
	-	-
Total deferred inflows of resources for governmental fund	\$ 1,564,298	\$ -

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, 2014, 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	\$ 16,775,000
Total bonds payable - governmental activities			16,775,000
			(975,000)
Total long term portion of bonds payable - governmental activities			\$ 15,800,000

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	\$ 194,512
Current portion of capital leases payable	(48,268)
Long term portion of capital leases payable	\$ 146,244

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Business-type Activities:

As of June 30, 2014, 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	\$ 1,868,000
Electric Utility Revenue Refunding Bonds 2009 Dated December 29, 2009 (Original amount \$4,690,000)	2.75%	2016	1,665,000
Water Revenue Refunding Bonds 2010 Dated August 18, 2010 (Original amount \$12,895,000)	1.72%	2017	3,480,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,941,000
Total bonds payable - business-type activities			<u>10,954,000</u>
Less current portion			<u>(2,093,000)</u>
Total bonds payable - long term portion			<u><u>\$ 8,861,000</u></u>

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

Type of Debt	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Governmental activities:				
Bonds payable	\$ 17,725,000	\$ -	\$ (950,000)	\$ 16,775,000
Capital leases payable	241,262	-	(46,750)	194,512
Compensated absences	1,153,319	190,879	-	1,344,198
Total - Governmental Activities	<u>\$ 19,119,581</u>	<u>\$ 190,879</u>	<u>\$ (996,750)</u>	<u>\$ 18,313,710</u>
Business-type Activities:				
Bonds payable	\$ 12,991,000	\$ -	\$ (2,037,000)	\$ 10,954,000
Compensated absences	523,503	62,833	-	586,336
Total - Business-type Activities	<u>\$ 13,514,503</u>	<u>\$ 62,833</u>	<u>\$ (2,037,000)</u>	<u>\$ 11,540,336</u>
Due Within One Year	\$ 3,033,750	\$ 3,116,268	\$ (3,033,750)	\$ 3,116,268

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2015	975,000	749,375	2,093,000	243,684
2016	1,025,000	710,375	2,145,000	195,155
2017	1,075,000	669,375	1,327,000	157,363
2018	1,125,000	626,375	813,000	127,690
2019	1,150,000	578,563	834,000	107,375
2020-2024	6,650,000	2,074,688	2,834,000	234,767
2025-2029	4,775,000	459,563	551,000	64,683
2030-2034			357,000	14,535
Total	<u>\$ 16,775,000</u>	<u>\$ 5,868,314</u>	<u>\$ 10,954,000</u>	<u>\$ 1,145,252</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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>(88,956)</u>
Total	<u><u>\$ 206,889</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, 2014 are:

<u>Fiscal Year</u>	<u>Amount</u>
2015	54,583
2016	54,583
2017	<u>98,000</u>
Total minimum lease payments	207,166
Less amounts representing interest	<u>(12,654)</u>
Present value of minimum lease payments	<u><u>\$ 194,512</u></u>

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	Transfers in	Transfers out
General Fund	\$ 2,995,941	\$ 875,000
RDA Fund	\$ 675,000	
Debt Service Fund	940,898	
Capital project fund-River Reclaim	85,177	
Capital project fund-Canyon Crossing	450,000	
Capital project fund-Cemetery Driveway	203,500	
Capital project fund-North Park		382,337
Total Governmental Activities	5,350,516	1,257,337
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	2,351,376
<i>Non-major funds:</i>		
Golf Course	-	1,415,656
Swimming pool	-	326,147
Total Business-type Activities	-	4,093,179
<i>Grand Totals</i>	\$ 5,350,516	\$ 5,350,516

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

Plant Assessments:

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 685,332	\$ -
Sewer Fund	409,786	-
Electric Fund	659,971	-
Non-major business type activities:		
Garbage	73,662	-
Storm Drain	370,977	-
Major Governmental activities:		
General fund	-	2,199,728
	\$ 2,199,728	\$ 2,199,728

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	\$ 894,620	\$ 161,057
Non-major funds		
Special revenue fund	727,385	-
Debt service fund	87,197	-
Capital projects fund	131,990	-
Total Governmental	1,841,192	161,057
Business-type funds		
Major funds		
Water fund	762,613	1,988,025
Sewer fund	2,828,958	7,565,508
Electric fund	4,363,524	612,718
Non-major funds		
Garbage fund	368,244	-
Storm drainage fund	194,545	-
Gun club fund	42,602	-
Total Business-Type	8,560,486	10,166,251
Internal service fund		
Motorpool fund	-	74,370
Grand Total	\$ 10,401,678	\$ 10,401,678

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 17.29% to the Noncontributory Local Governmental Employees, 13.99% to the Contributory Local Governmental Employees, 32.14% to the Public Safety Noncontributory, and 20.85% 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, 2014, 2013, and 2012 were; for the Local Governmental Employees \$1,163,824, \$1,031,860, and \$851,583; for the Public Safety Employees \$484,508, \$429,985, and \$390,333

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, 2013 and 2012, were \$150,228, \$197,188, and \$363,364 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, 2014

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, 2014 is as follows from UMPA:

	UMPA	Spanish Fork City's Share
Total assets	\$ 49,585,336	\$ 4,665,484
Total liabilities and deferred inflow of resources	\$ 49,581,986	\$ 4,665,169
Total net position	\$ 3,350	\$ 315
Total operating revenues	\$ 78,043,999	\$ 7,343,160
Total operating expenses	(75,363,192)	(7,090,923)
Net operating income	2,680,807	252,237
Total non-operating income (expenses)	(2,680,807)	(252,237)
Change in net assets	\$ -	\$ -

The joint venture has the following long-term debt:

Revenue bonds payable	\$ 21,757,752	\$ 2,047,187
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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, 2014**

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, 2014

- d. Audited summary financial information of the District as June 30, 2014 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets	<u>\$ 18,009,089</u>	<u>\$ 2,116,068</u>
Total liabilities	<u>\$ 6,742,156</u>	<u>\$ 792,203</u>
Total net position	<u>\$ 11,266,933</u>	<u>\$ 1,323,865</u>
Total operating revenues	\$ 6,088,754	\$ 715,429
Total operating expenses	<u>6,713,962</u>	<u>788,891</u>
Net operating income	(625,208)	(73,462)
Total non-operating income (expenses)	<u>300,280</u>	<u>35,283</u>
Change in net assets	<u>\$ (324,928)</u>	<u>\$ (38,179)</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,511,234	\$ 295,070
Accrued compensated absences	224,972	26,434
Long Term Debt	<u>2,805,270</u>	<u>329,619</u>
Total long-term liabilities	<u>\$ 5,541,476</u>	<u>\$ 651,123</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, 2014**

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, 2014, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
Total assets	\$ 10,494,149	\$ 5,247,075
Total liabilities	\$ (1,363,122)	\$ (681,561)
Total net position	\$ 9,131,027	\$ 4,565,514
Program revenues	\$ 2,368,757	\$ 1,184,379
General revenues	2,035	1,018
Program expenses	(323,794)	(161,897)
Change in net position	\$ 2,046,998	\$ 1,023,499

- 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, 2014**

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, 2015 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring March 31, 2015 covering all employees and elected officials of the City issued by Moreton & Company.
2. 9,913 water connections at June 30, 2014
3. Total culinary water billings for the year were \$2,302,695.
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, 2014**

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	\$ 347,514
B. Kirby RDA	313,496
C. Wasatch Wind CDA	318,516
Total Collected	\$ 979,526

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

A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Wasatch Wind CDA	95,555
Total Paid	\$ 95,555

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	275,644
D. Administrative & contracted costs	990,506
Total Expended	\$ 1,266,150

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 2, 2014, which is the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2014**

	Debt Service		Capital Projects					Total	
	RDA Fund	Debt Service Fund	Special Fund	Cemetery Driveway Fund	Canyon Creek Fund	River Reclamation Fund	North Park Development Fund	Street Cut Bridge Fund	Non-major Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 494,861	\$ 307,516	\$ 31,258	\$ 62,945	\$ 374,185	\$ 85,134	\$ -	\$ 427,670	\$ 1,783,569
Due from other funds	727,385	79,151	8,046	-	-	21,913	-	110,077	946,572
Restricted Assets:									
Cash and cash equivalents	2,331,156	-	-	-	-	-	-	-	2,331,156
Total assets	\$ 3,553,402	\$ 386,667	\$ 39,304	\$ 62,945	\$ 374,185	\$ 107,047	\$ -	\$ 537,747	\$ 5,061,297
LIABILITIES									
Accounts Payable	\$ -	\$ -	\$ -	\$ 622	\$ -	\$ 14,370	\$ -	\$ -	\$ 14,992
Total liabilities	\$ -	\$ -	\$ -	\$ 622	\$ -	\$ 14,370	\$ -	\$ -	\$ 14,992
FUND BALANCES									
Restricted for:									
Redevelopment	2,331,156	-	-	-	-	-	-	-	2,331,156
Debt Service	-	386,667	39,304	-	-	-	-	-	425,971
Committed for:									
Capital projects	-	-	-	62,323	374,185	92,677	-	537,747	1,066,932
Redevelopment	1,222,246	-	-	-	-	-	-	-	1,222,246
Total fund balances	\$ 3,553,402	\$ 386,667	\$ 39,304	\$ 62,323	\$ 374,185	\$ 92,677	\$ -	\$ 537,747	\$ 5,046,305
Total liabilities and fund balance	\$ 3,553,402	\$ 386,667	\$ 39,304	\$ 62,945	\$ 374,185	\$ 107,047	\$ -	\$ 537,747	\$ 5,061,297

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Debt Service		Capital Projects					Total Non-major Governmental Funds
	RDA Fund	Debt Service Fund	Special Guarantee Fund	Cemetery Driveway Fund	Canyon Crossing Fund	River Reclamation Fund	North Park Development Fund	
REVENUES:								
Taxes	\$ 979,526	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sundry Revenues	-	824,102	-	-	-	-	225,531	44,502
Intergovernmental	-	-	-	-	-	-	-	-
Interest income	-	3,551	-	-	-	-	-	-
Total revenues	979,526	827,653	-	-	-	-	225,531	44,502
EXPENDITURES:								
Current Expenditures:								
RDA	1,266,150	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	950,000	-	-	-	-	-	-
Interest and fiscal charges	-	791,125	-	-	-	-	-	-
Capital outlay	-	-	-	141,177	79,395	103,570	-	-
Total expenditures	1,266,150	1,741,125	-	141,177	79,395	103,570	-	-
Excess of revenues over (under) expenditures	(286,624)	(913,472)	-	(141,177)	(79,395)	(103,570)	225,531	44,502
Other financing sources (uses):								
Transfers in (out)	675,000	940,898	-	203,500	450,000	85,177	(382,337)	-
Total other financing sources (uses)	675,000	940,898	-	203,500	450,000	85,177	(382,337)	-
Excess of revenues and other sources over (under) expenditures and other uses	388,376	27,426	-	62,323	370,605	(18,393)	(156,806)	44,502
Fund balances - beginning of year	3,165,026	359,241	39,304	-	3,580	111,070	156,806	493,245
Fund balances - end of year	\$ 3,553,402	\$ 386,667	\$ 39,304	\$ 62,323	\$ 374,185	\$ 92,677	\$ -	\$ 537,747

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2014

	Business-Type Activities - Enterprise Funds					
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 1,430,695	\$ -	\$ 165,917	\$ 1,596,612
Accounts receivable	-	-	153,315	149,628	-	302,943
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	-	-	368,244	194,545	42,602	605,391
Inventory	-	-	-	-	19,526	19,526
Total current assets	<u>-</u>	<u>-</u>	<u>1,950,524</u>	<u>343,685</u>	<u>228,045</u>	<u>2,522,254</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	755,844	-	755,844
Capital Assets:						
Land	-	-	217,906	120,336	-	338,242
Buildings	-	-	94,855	7,356	28,116	130,327
Improvements	-	-	37,378	13,944,993	95,473	14,077,844
Equipment	-	-	906,186	8,000	84,120	998,306
Less: accumulated depreciation	-	-	(802,873)	(2,574,035)	(125,357)	(3,502,265)
Other Assets:						
Equity in joint venture	-	-	1,323,865	-	-	1,323,865
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,777,317</u>	<u>12,262,494</u>	<u>82,352</u>	<u>14,122,163</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,727,841</u>	<u>\$ 12,606,179</u>	<u>\$ 310,397</u>	<u>\$ 16,644,417</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	76,230	22,364	4,630	103,224
Compensated absences	-	-	6,409	34,093	845	41,347
Total current liabilities	<u>-</u>	<u>-</u>	<u>82,639</u>	<u>56,457</u>	<u>5,475</u>	<u>144,571</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>82,639</u>	<u>56,457</u>	<u>5,475</u>	<u>144,571</u>
Net Position						
Net investment in capital assets	-	-	453,452	11,506,650	82,352	12,042,454
Restricted for:						
Impact fees	-	-	-	662,911	-	662,911
Unrestricted	-	-	3,191,750	380,161	222,570	3,794,481
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,645,202</u>	<u>\$ 12,549,722</u>	<u>\$ 304,922</u>	<u>\$ 16,499,846</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2014

	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	\$ -	\$ -	\$ 1,480,183	\$ 1,324,427	\$ 232,113	\$ 3,036,723
Other income	-	-	199	128,426	-	128,625
Total operating revenues	<u>-</u>	<u>-</u>	<u>1,480,382</u>	<u>1,452,853</u>	<u>232,113</u>	<u>3,165,348</u>
Operating Expenses:						
Landfill fees	-	-	1,248,011	-	-	1,248,011
Employee salaries	-	-	47,805	260,982	64,656	373,443
Materials and supplies	-	-	5,046	48,651	114,119	167,816
Repairs and maintenance	-	-	-	4,186	3,165	7,351
Professional services	-	-	21,393	53,371	25,307	100,071
Motorpool charges	-	-	2,067	81,619	1,364	85,050
Utilities	-	-	-	78	10,293	10,371
Insurance	-	-	65	839	239	1,143
Depreciation	-	-	46,795	377,306	6,882	430,983
Indirect services	-	-	73,662	370,977	-	444,639
Sundry charges	-	-	3,173	1,359	-	4,532
Total operating expenses	<u>-</u>	<u>-</u>	<u>1,448,017</u>	<u>1,199,368</u>	<u>226,025</u>	<u>2,873,410</u>
Operating income	<u>-</u>	<u>-</u>	<u>32,365</u>	<u>253,485</u>	<u>6,088</u>	<u>291,938</u>
Nonoperating revenues (expenses):						
Impact fees	-	-	-	267,134	-	267,134
Change in joint venture equity	-	-	(38,179)	-	-	(38,179)
Contributions from private contractors	-	-	-	330,688	-	330,688
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(38,179)</u>	<u>597,822</u>	<u>-</u>	<u>559,643</u>
Income (loss) before operating transfers	<u>-</u>	<u>-</u>	<u>(5,814)</u>	<u>851,307</u>	<u>6,088</u>	<u>851,581</u>
Operating Transfers:						
Operating transfers in/(out)	<u>(1,415,657)</u>	<u>(326,147)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,741,804)</u>
Total operating transfers	<u>(1,415,657)</u>	<u>(326,147)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,741,804)</u>
Change in Net Position	<u>(1,415,657)</u>	<u>(326,147)</u>	<u>(5,814)</u>	<u>851,307</u>	<u>6,088</u>	<u>(890,223)</u>
Total Net Position - beginning	<u>1,415,657</u>	<u>326,147</u>	<u>3,651,016</u>	<u>11,698,415</u>	<u>298,834</u>	<u>17,390,069</u>
Total Net Position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,645,202</u>	<u>\$ 12,549,722</u>	<u>\$ 304,922</u>	<u>\$ 16,499,846</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds					Total Non-Major Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Cash Flows From Operating Activities						
Receipts from customers	-	-	1,475,606	1,584,549	232,114	3,292,269
Other cash receipts	-	-	199	128,426	-	128,625
Payments to suppliers	-	-	(1,375,224)	(600,325)	(133,175)	(2,108,724)
Payments to employees	-	-	(46,966)	(258,741)	(64,409)	(370,116)
Net cash provided (used) by operating activities	-	-	53,615	853,909	34,530	942,054
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	-	-	149,548	(163,313)	6,244	(7,521)
Increase (decrease) in due to other funds	-	-	-	-	-	-
Transfers in (out)	(1,415,657)	(326,147)	-	-	-	(1,741,804)
Net cash provided (used) by noncapital activities	(1,415,657)	(326,147)	149,548	(163,313)	6,244	(1,749,325)
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	-	-	(94,794)	(612,335)	-	(707,129)
Contributions from private contractors	-	-	-	330,688	-	330,688
Impact fees collected	-	-	-	267,134	-	267,134
Net cash provided (used) by capital and related financing activities	-	-	(94,794)	(14,513)	-	(109,307)
Net increase (decrease) in cash and cash equivalents	(1,415,657)	(326,147)	108,369	676,083	40,774	(916,578)
Cash and cash equivalents, July 1	1,415,657	326,147	1,322,326	79,761	125,143	3,269,034
Cash and cash equivalents, June 30	-	-	1,430,695	755,844	165,917	2,352,456
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	-	-	32,365	253,485	6,088	291,938
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	-	-	46,795	377,306	6,882	430,983
(Increase) decrease in accounts receivable	-	-	(4,577)	260,125	1	255,549
(Increase) decrease in inventory	-	-	-	-	27,273	27,273
Increase (decrease) in accrued liabilities	-	-	(21,807)	(39,248)	(5,961)	(67,016)
Increase (decrease) in compensated absences	-	-	839	2,241	247	3,327
Total adjustments	-	-	21,250	600,424	28,442	650,116
Net cash provided (used) by operating activities	-	-	53,615	853,909	34,530	942,054

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OTHER REPORTS

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**INDEPENDENT AUDITORS' 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, 2014, 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 2, 2014.

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 2, 2014



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS, COMPLIANCE FOR EACH MAJOR STATE PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

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

Report on Compliance with General State Compliance Requirements and for Each Major State Program

We have audited Spanish Fork City's (herein referred to as the "City") compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Enterprise Fund Transfers
- Other Grants

The City received the following major assistance programs from the State of Utah:
B&C Road Funds

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those Standards and the *State 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 direct and material effect on the City or its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion

In our opinion, Spanish Fork City, complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State 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 general state or major program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

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 the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 2, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State Compliance Audit Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Larson + Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 2, 2014

Spanish Fork City
Schedule of Expenditures of State Grants, Contracts, and Loan Funds
For the Year Ended June 30, 2014

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
<u>Utah Department of Transportation</u>			
Class C Road Funds		2014	\$ 1,060,630
Subtotal – Utah Department of Transportation			1,060,630
<u>Utah Department of Public Safety</u>			
Justice Assistance Grant (JAG)			7,500
Department of Justice - Vests			2,625
Alcohol Enforcement		2013	26,231
Subtotal – Utah Department of Public Safety			36,356
<u>Utah Department of Heritage and Arts</u>			
Community Library Enhancement Fund (CLEF)	USL 13-0156	2013	9,007
Subtotal – Utah Department of Heritage and Arts			9,007
<u>Utah Department of Natural Resources</u>			
Utah Fire Department Assistance Grant			6,193
Subtotal – Utah Department of Natural Resources			6,193
<u>Mountainland Association of Governments</u>			
Senior Grant		2013	40,339
Subtotal – Mountainland Association of Governments			40,339
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES			\$ 1,152,525

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2014



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, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 6, 2014. 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 2014. 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 2, 2014.

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.

Other Matters

We applied certain limited procedures to the combining and individual fund statements and schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Fund Statements and Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,



Larson & Company, PC

Spanish Fork, Utah
December 2, 2014

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.