

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

**SPANISH FORK CITY, UTAH
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Independent Auditor's Report

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2016, 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 as well as the required supplementary information relating to pensions on pages 3–9 and 59-61, respectively, 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, 2016 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, 2016

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, 2016**. 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 **\$20,610,969** to **\$259,062,213**. The governmental net position increased by **\$8,513,137** and the business-type net position increased by **\$12,097,831**.
- The total net position of **\$259,062,213** is made up of **\$207,018,954** in capital assets net of related debt and **\$52,043,259** in other net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of **\$1,137,009**.
- The City's total long-term liabilities decreased by **\$3,614,835** 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 **\$259,062,213**.

By far the largest portion of Spanish Fork City's net position **\$207,018,954 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	25,105,261	26,343,126	43,067,929	39,711,847	68,173,190	66,054,973
Capital assets	95,702,437	90,071,173	132,550,901	126,445,507	228,253,338	216,516,680
Total assets	120,807,698	116,414,299	175,618,830	166,157,354	296,426,528	282,571,653
Deferred outflows - pension	2,313,901	740,549.47	1,034,423	341,275.00	3,348,324	1,081,824
Total deferred outflows of resources	2,313,901	740,549.47	1,034,423	341,275.00	3,348,324	1,081,824
Total Assets and Deferred outflows	123,121,599	117,154,849	176,653,253	166,498,629	299,774,853	283,653,478
Other liabilities	12,517,040	13,714,243	4,395,364	4,238,998	16,912,404	17,953,241
Long-term liabilities outstanding	14,476,409	15,946,244	6,716,000	8,861,000	21,192,409	24,807,244
Total liabilities	26,993,449	29,660,487	11,111,364	13,099,998	38,104,813	42,760,485
Deferred property tax revenue	1,776,057	1,697,154	27,035.00	-	1,803,092	1,697,154
Deferred inflows - pension	551,451	509,702.95	253,284	234,892.00	804,735	744,595
Total deferred inflows of resources	2,327,508	2,206,857	280,319	234,892.00	2,607,827	2,441,749
Total Liabilities and Deferred inflows	29,320,956	31,867,344	11,391,683	13,334,890	40,712,639	45,202,234
Net Position:						
Invested in capital assets, net						
of related debt	81,097,255	73,987,614	125,921,699	118,370,011	207,018,954	192,357,625
Restricted	4,256,337	3,497,431	830,406	1,854,971	5,086,743	5,352,402
Unrestricted	8,447,051	7,802,460	38,509,465	32,938,757	46,956,516	40,741,218
Total Net Position	93,800,643	85,287,505	165,261,570	153,163,739	259,062,213	238,451,244

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	10,112,241	9,518,466	45,519,081	41,710,752	55,631,322	51,229,217
Operating grants and contribs	1,238,486	1,200,642	-	-	1,238,486	1,200,642
Capital grants and contribs	7,070,583	5,636,435	9,533,218	4,740,540	16,603,801	10,376,975
General revenues:						
Property taxes	2,928,610	2,768,317	-	-	2,928,610	2,768,317
Sales and Use Tax	8,281,976	7,559,036	-	-	8,281,976	7,559,036
Other taxes	516,279	571,081	-	-	516,279	571,081
Unrestricted investment earnings	143,431	407,238	251,377	169,999	394,808	577,237
Joint Venture Gain (Loss)	906,540	285,494	-	(150,738)	906,540	134,756
Miscellaneous	-	-	-	-	-	-
Gain on Sale of Capital Assets	33,318	6,322	-	88,526	33,318	94,848
Total revenues	<u>31,231,464</u>	<u>27,953,029</u>	<u>55,303,676</u>	<u>46,559,078</u>	<u>86,535,140</u>	<u>74,512,107</u>
Expenses:						
General government	4,234,809	3,714,621	-	-	4,234,809	3,714,621
Public safety	6,471,309	6,711,017	-	-	6,471,309	6,711,017
Public Works	9,941,212	8,204,808	-	-	9,941,212	8,204,808
Parks and recreation	3,752,970	5,120,253	-	-	3,752,970	5,120,253
Operating Expenses (Business Type)			40,867,201	38,636,757	40,867,201	38,636,757
Interest Expense	656,670	988,494			656,670	988,494
Total expenses	<u>25,056,971</u>	<u>24,739,193</u>	<u>40,867,201</u>	<u>38,636,757</u>	<u>65,924,171</u>	<u>63,375,950</u>
Increase in Net Position b/4 xfers	6,174,493	3,213,836	14,436,475	7,922,321	20,610,969	11,136,157
Transfers	2,338,644	1,713,755	(2,338,644)	(1,958,754)	-	(244,999)
Increase in Net Position	8,513,138	4,927,591	12,097,831	5,963,567	20,610,969	10,891,158
Net Position - beginning	85,287,505	83,707,402	153,163,739	148,782,278	238,451,244	232,489,680
Prior Period Adjustment	-	(3,347,488)	-	(1,582,106)	-	(4,929,594)
Net Position - ending	<u>93,800,643</u>	<u>85,287,505</u>	<u>165,261,570</u>	<u>153,163,739</u>	<u>259,062,212</u>	<u>238,451,244</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, 2016, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$13,260,086**. This represents an increase of **\$1,883,863** under last year's ending balances. This increase is the result of both 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 (**\$11,726,865**) 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 **\$21,559,596** to a final budget of **\$23,116,724**. 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, 2016, amounts to **\$228,253,338** (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 \$5,967,571.

Water & Pressurized Irrigation Improvements:

Water & Pressurized Irrigation Improvement Projects for \$3,014,312.

Sewer Improvements:

Purchase of SUVMWA Land for \$180,897.

Sewer Improvements for \$2,204,363.

Electric Improvements:

Electric Improvements for \$2,531,134.

Other Improvements:

Library Books & Media for \$75,095.

New Garbage and Recycle Cans for \$70,941.

Storm Drain Improvements for \$2,798,507.

Spanish Fork Community Network:

Improvement for Fiber to the Home for \$365,628.74.

Motorpool:

Shop Addition for \$934,387.

City Wide Equipment Purchases for \$680,967.

City Wide Vehicle Purchases for \$1,656,558.

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

Spanish Fork City's Capital Assets				
	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Land	\$ 13,616,755	\$ 12,572,668	\$ 3,236,282	\$ 3,055,385
Water Shares	-	-	5,131,345	4,980,946
Buildings	21,439,246	21,445,733	3,890,640	3,988,903
Improvements	16,997,764	16,984,605	116,889,215	110,736,657
Equipment	5,356,298	4,053,849	3,403,419	3,683,616
Infrastructure	38,292,374	35,023,912	-	-
Total Net Assets - Net of Depreciation	<u>\$ 95,702,437</u>	<u>\$ 90,080,767</u>	<u>\$ 132,550,901</u>	<u>\$ 126,445,507</u>

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, 2016, the City had total bonded debt outstanding of **\$21,192,409**. Of that, **\$6,716,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$14,476,409** 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	
	2016	2015	2016	2015
Capital Lease	\$ 96,409	\$ 146,244	\$ -	\$ -
Accrued Vacation & Sick Leave	1,487,343	1,397,560	788,119	638,914
Revenue Bonds	14,380,000	15,405,000	6,716,000	8,861,000
Total Outstanding Debt	<u>\$ 15,963,752</u>	<u>\$ 16,948,804</u>	<u>\$ 7,504,119</u>	<u>\$ 9,499,914</u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$1,722,654,840**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$68,906,194** 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 **\$137,812,388** 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 3.4% and a national rate of 4.9 %. (Source: Utah Dept of Workforce Services)

- The General Fund budget for the fiscal year-ending June 30, 2017 reflects a small decrease of \$102,638 over the final budget for the fiscal year-ended June 30, 2016. 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 2017 include:
 1. Additional Trail Projects.
 2. Widening of the Cut Bridge Street
 3. Golf Clubhouse Addition
 4. River Reclamation Projects
 5. Water Rights Purchases.
 6. Water line replacement.
 7. Sewer line replacement.
 8. Storm Drainage System Expansion.
 9. Pressurized Irrigation System Expansion.
 10. Sidewalk replacement and repair of various areas of town.
 11. Purchase of City Vehicles.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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Spanish Fork City
Statement of Net Position
As of June 30, 2016

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 6,759,190	\$ 34,688,523	\$ 41,447,713
Receivables (net of allowance)	3,354,600	4,051,241	7,405,841
Prepaid expenses	29,002	130	29,132
Internal balances	178,958	(178,958)	-
Inventory	78,274	1,570,163	1,648,437
Equity in joint venture	5,757,548	1,173,126	6,930,674
Restricted cash and cash equivalents	8,944,960	1,762,392	10,707,352
Net Pension Asset	2,729	1,312	4,041
Capital Assets (not being depreciated):			
Land	13,616,755	3,236,282	16,853,037
Water shares	-	5,131,345	5,131,345
Capital Assets (net of accumulated depreciation):			
Buildings	21,439,246	3,890,640	25,329,886
Improvements other than buildings	16,997,764	116,889,215	133,886,979
Equipment	5,356,298	3,403,419	8,759,717
Infrastructure	38,292,374	-	38,292,374
Total assets	<u>120,807,698</u>	<u>175,618,830</u>	<u>296,426,528</u>
Deferred outflows of resources relating to pensions	<u>2,313,901</u>	<u>1,034,423</u>	<u>3,348,324</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>123,121,599</u>	<u>176,653,253</u>	<u>299,774,853</u>
LIABILITIES			
Accounts payable	1,894,430	639,104	2,533,534
Developer escrows and deposits	4,561,081	931,986	5,493,067
Compensated absences	1,487,343	788,119	2,275,462
Bond interest payable	128,773	13,114	141,887
Noncurrent Liabilities:			
Net Pension Liability	4,445,413	2,023,041	6,468,454
Due within one year	1,171,409	1,327,000	2,498,409
Due in more than one year	13,305,000	5,389,000	18,694,000
Total liabilities	<u>26,993,449</u>	<u>11,111,364</u>	<u>38,104,813</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	1,776,057	27,035	1,803,092
Relating to Pensions	551,451	253,284	804,735
Total deferred inflows of resources	<u>2,327,508</u>	<u>280,319</u>	<u>2,607,827</u>
NET POSITION			
Net investments in capital assets	81,097,255	125,921,699	207,018,954
Restricted for:			
Class "C" roads	202,661	-	202,661
Redevelopment agency	3,038,863	-	3,038,863
Impact fees	528,293	738,604	1,266,897
Debt Service	486,520	-	486,520
Water rights	-	5,004	5,004
Bond requirements	-	86,798	86,798
Unrestricted	8,447,051	38,509,465	46,956,516
Total net position	<u>\$ 93,800,643</u>	<u>\$ 165,261,570</u>	<u>\$ 259,062,213</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2016

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	\$ 4,234,809	\$ 6,328,258	\$ 46,352	\$ -	\$ 2,139,801	\$ -	\$ 2,139,801
Public safety	6,471,309	1,983,200	36,036	-	(4,452,073)	-	(4,452,073)
Public works	9,941,212	-	1,098,679	5,967,571	(2,874,962)	-	(2,874,962)
Parks, rec. & public property	3,752,970	1,800,783	57,419	1,103,012	(791,756)	-	(791,756)
Interest on long-term debt	656,670	-	-	-	(656,670)	-	(656,670)
Total governmental activities	25,056,971	10,112,241	1,238,486	7,070,583	(6,635,661)	-	(6,635,661)
Business-type activities:							
Water	5,787,531	5,913,137	-	2,674,165	-	2,799,771	2,799,771
Sewer	2,883,292	3,432,920	-	2,381,479	-	2,931,107	2,931,107
Electric	28,099,369	32,841,376	-	2,055,764	-	6,797,771	6,797,771
Garbage	1,762,727	1,761,507	-	-	-	(1,220)	(1,220)
Storm drainage	2,153,825	1,404,163	-	2,421,810	-	1,672,148	1,672,148
Gun club	180,457	165,978	-	-	-	(14,479)	(14,479)
Total business-type activities	40,867,201	45,519,081	-	9,533,218	-	14,185,098	14,185,098
Total primary government	\$ 65,924,171	\$ 55,631,322	\$ 1,238,486	\$ 16,603,801	(6,635,661)	14,185,098	7,549,438
General revenues:							
Property taxes					2,928,610	-	2,928,610
Sales taxes					8,281,976	-	8,281,976
Other taxes					516,279	-	516,279
Unrestricted investment earnings					143,431	251,377	394,808
Gain on sale of capital assets					33,318	-	33,318
Transfers					2,338,644	(2,338,644)	-
Total general revenues and transfers					15,148,798	(2,087,267)	13,061,531
Change in Net Position					8,513,138	12,097,831	20,610,970
Net Position - beginning					85,287,505	153,163,739	238,451,244
Net Position - ending					\$ 93,800,643	\$ 165,261,570	\$ 259,062,213

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2016**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,499,020	\$ 1,260,170	\$ 6,759,190
Receivables (net of allowance):			
Tax	3,349,818	-	3,349,818
Due from other funds	1,415,124	970,173	2,385,297
Prepaid expense	29,005	-	29,005
Inventory	78,274	-	78,274
Equity in joint venture	79,626	-	79,626
Restricted Assets:			
Cash and cash equivalents	5,560,361	3,384,599	8,944,960
Total assets	<u>\$ 16,011,228</u>	<u>\$ 5,614,942</u>	<u>\$ 21,626,170</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,159,593	\$ 51,216	\$ 1,210,809
Due to other funds	264,450	-	264,450
Payroll payable	553,687	-	553,687
Developer escrow	3,663,565	-	3,663,565
Final inspection deposit	897,516	-	897,516
Total liabilities	<u>6,538,811</u>	<u>51,216</u>	<u>6,590,027</u>
DEFERRED INFLOWS			
Deferred property tax revenue	1,776,057	-	1,776,057
Total deferred inflows of resources	<u>1,776,057</u>	<u>-</u>	<u>1,776,057</u>
FUND BALANCES			
Nonspendable	108,631	-	108,631
Restricted for:			
Class "C" roads	202,661	-	202,661
Redevelopment agency	-	3,038,863	3,038,863
Debt service	-	486,520	486,520
Impact fees	528,293	-	528,293
Committed for:			
Capital projects	-	1,473,261	1,473,261
Redevelopment agency	-	565,082	565,082
Unassigned	6,856,775	-	6,856,775
Total fund balances	<u>7,696,360</u>	<u>5,563,726</u>	<u>13,260,086</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,011,228</u>	<u>\$ 5,614,942</u>	<u>\$ 21,626,170</u>

**Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016**

Total fund balances - governmental fund types:		<u>\$ 13,260,086</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	5,677,922	
Cost of capital assets	168,207,258	
Accumulated depreciation	(72,504,823)	
Net Pension Asset	2,656	
Deferred Outflow - Pension	<u>2,259,441</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>103,642,454</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		
		(2,230,833)
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	(128,773)	
Non-current liabilities due within one year	(1,075,000)	
Compensated absences	(1,487,343)	
Non-current liabilities due in more than one year	(13,305,000)	
Net Pension - Liability	(4,337,162)	
Deferred Inflow - Pension	<u>(537,787)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(20,871,064)</u>
Net position of government activities		<u>\$ 93,800,643</u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 10,806,564	\$ 920,301	\$ 11,726,865
Licenses and permits	1,309,863	-	1,309,863
Intergovernmental revenues	1,238,486	-	1,238,486
Charges for services	3,011,934	-	3,011,934
Fines and forfeitures	160,706	-	160,706
Interest income	138,336	5,095	143,431
Sundry revenue	2,150,501	808,209	2,958,710
Total revenues	<u>18,816,390</u>	<u>1,733,605</u>	<u>20,549,995</u>
EXPENDITURES			
Current:			
General government	4,215,285	-	4,215,285
Public safety	6,100,649	-	6,100,649
Public works	6,450,083	852,791	7,302,874
Parks, recreation and public property	4,564,135	-	4,564,135
Debt Service:			
Principal retirement	-	1,025,000	1,025,000
Interest and fiscal charges	-	665,212	665,212
Capital outlay	-	259,612	259,612
Total expenditures	<u>21,330,152</u>	<u>2,802,615</u>	<u>24,132,767</u>
Excess revenues over (under) expenditures	<u>(2,513,762)</u>	<u>(1,069,010)</u>	<u>(3,582,772)</u>
Other financing sources (uses)			
Sale of fixed assets	28,951	-	28,951
Impact fees	1,103,012	-	1,103,012
Indirect services	2,671,028	-	2,671,028
Transfers in	1,692,095	1,815,864	3,507,959
Transfers out	(1,844,315)	-	(1,844,315)
Total other financing sources and uses	<u>3,650,771</u>	<u>1,815,864</u>	<u>5,466,635</u>
Excess of revenues and other sources over (under) expenditures and other use	1,137,009	746,854	1,883,863
Fund balances - beginning of year	6,559,351	4,816,872	11,376,223
Fund balances - end of year	<u>\$ 7,696,360</u>	<u>\$ 5,563,726</u>	<u>\$ 13,260,086</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, 2016

Net changes in fund balances - total governmental funds \$ 1,883,863

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

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

Capital Outlay	1,955,995	
Depreciation Expense	<u>(4,577,487)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities		<u>(2,621,492)</u>

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

The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.	<u>5,967,571</u>	<u>5,971,938</u>
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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. 768,743

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. 1,428,542

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

Change in joint venture equity	906,540	
Change in compensated Absences	(86,607)	
Change in Pension Expenses	<u>261,611</u>	

Change in Net Position of governmental activities \$ 8,513,138

Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 9,879,696	\$ 10,635,919	\$ 10,806,564	\$ 170,645
Licenses and permits	818,500	1,258,500	1,309,863	51,363
Intergovernmental revenues	1,370,850	1,368,731	1,238,486	(130,245)
Charges for services	2,579,320	2,910,276	3,011,934	101,658
Fines and forfeitures	110,200	145,700	160,706	15,006
Interest income	65,050	126,245	138,336	12,091
Sundry revenue	1,724,860	2,028,472	2,150,501	122,029
Total revenues	16,548,476	18,473,843	18,816,390	342,547
EXPENDITURES				
Current:				
General government	4,137,466	4,721,603	4,215,285	(506,318)
Public safety	6,372,657	6,455,912	6,100,649	(355,263)
Public works	6,510,205	7,035,735	6,450,083	(585,652)
Parks, recreation and public property	4,539,268	4,903,474	4,564,135	(339,339)
Total expenditures	21,559,596	23,116,724	21,330,152	(1,786,572)
Excess revenues over (under) expenditures	(5,011,120)	(4,642,881)	(2,513,762)	2,129,119
Other financing sources (uses)				
Impact fees	1,050,000	1,020,000	1,103,012	83,012
Indirect services	2,232,775	2,671,028	2,671,028	-
Transfers in	1,651,446	1,651,446	1,692,095	40,649
Transfers out	(445,000)	(1,803,666)	(1,844,315)	(40,649)
Total other financing sources and uses	4,489,221	3,566,808	3,650,771	83,963
Excess of revenues and other sources over (under) expenditures and other uses	(521,899)	(1,076,073)	1,137,009	2,213,082
Fund balances - beginning of year	6,559,351	6,559,351	6,559,351	-
Fund balances - end of year	\$ 6,037,452	\$ 5,483,278	\$ 7,696,360	\$ 2,213,082

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2016

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Non Major	Total	Activities -
				Enterprise Funds		Internal Service
						Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,392,334	\$ 13,027,326	\$ 18,915,565	\$ 1,353,298	\$ 34,688,523	\$ -
Accounts receivable	500,148	315,631	2,979,448	300,820	4,096,047	4,782
Allowance for doubtful accounts	(9,408)	(2,825)	(30,355)	(2,218)	(44,806)	-
Due from other funds	312,089	3,590,756	4,177,200	282,586	8,362,631	-
Prepaid Expense	-	-	130	-	130	-
Inventory	4,500	3,500	1,541,096	21,067	1,570,163	-
Total current assets	<u>2,199,663</u>	<u>16,934,388</u>	<u>27,583,084</u>	<u>1,955,553</u>	<u>48,672,688</u>	<u>4,782</u>
Noncurrent assets:						
Restricted cash and equivalents	101,810	5,004	936,990	718,588	1,762,392	-
Net Pension Asset	256	175	819	62	1,312	74
Capital Assets:						
Land	280,483	1,723,548	894,009	338,242	3,236,282	-
Water rights	5,131,345	-	-	-	5,131,345	-
Buildings	2,498,258	535,876	3,413,083	157,858	6,605,075	1,187,855
Improvements	76,568,409	38,037,848	49,620,549	18,505,710	182,732,516	-
Equipment	2,885,012	2,473,875	3,871,702	1,390,537	10,621,126	13,009,713
Less: accumulated depreciation	(32,465,786)	(19,141,383)	(19,621,717)	(4,546,557)	(75,775,443)	(8,408,788)
Other Assets:						
Equity in joint venture	-	-	-	1,173,126	1,173,126	-
Total noncurrent assets	<u>54,999,787</u>	<u>23,634,943</u>	<u>39,115,435</u>	<u>17,737,566</u>	<u>135,487,731</u>	<u>5,788,854</u>
Total assets	<u>57,199,450</u>	<u>40,569,331</u>	<u>66,698,519</u>	<u>19,693,119</u>	<u>184,160,419</u>	<u>5,793,636</u>
Deferred Outflows of Resources Due to Pensions	174,746	108,449	661,505	89,723	1,034,423	54,461
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 57,374,196</u>	<u>\$ 40,677,780</u>	<u>\$ 67,360,024</u>	<u>\$ 19,782,842</u>	<u>\$ 185,194,842</u>	<u>\$ 5,848,097</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ -	\$ 9,050,394	\$ 62,027	\$ 731,632	\$ 9,844,053	\$ 639,426
Accounts payable	48,261	43,991	380,776	166,076	639,104	129,138
Accrued interest payable	13,114	-	-	-	13,114	796
Compensated absences payable	180,027	71,732	467,090	69,270	788,119	37,746
Customer deposits	-	-	597,776	-	597,776	-
Final inspection deposits	-	-	334,210	-	334,210	-
Lease payable - current portion	-	-	-	-	-	96,409
Bonds payable - current portion	1,327,000	-	-	-	1,327,000	-
Total current liabilities	<u>1,568,402</u>	<u>9,166,117</u>	<u>1,841,879</u>	<u>966,978</u>	<u>13,543,376</u>	<u>903,515</u>
Noncurrent liabilities:						
Deferred revenue	27,035	-	-	-	27,035	-
Net Pension Liability	355,180	227,010	1,286,144	154,707	2,023,041	108,251
Bonds payable	5,389,000	-	-	-	5,389,000	-
Total noncurrent liabilities	<u>5,771,215</u>	<u>227,010</u>	<u>1,286,144</u>	<u>154,707</u>	<u>7,439,076</u>	<u>108,251</u>
Total liabilities	<u>7,339,617</u>	<u>9,393,127</u>	<u>3,128,023</u>	<u>1,121,685</u>	<u>20,982,452</u>	<u>1,011,766</u>
Deferred Inflows of Resources Due to Pensions	45,327	29,376	160,540	18,041	253,284	13,664
Net Position						
Net investment in capital assets, net of related debt	48,268,519	23,629,764	38,177,626	15,845,790	125,921,699	5,692,371
Restricted for:						
Impact fees	10,008	5,004	5,004	718,588	738,604	-
Water rights	5,004	-	-	-	5,004	-
Bond requirements	86,798	-	-	-	86,798	-
Unrestricted	1,618,923	7,620,509	25,888,831	2,078,738	37,207,001	(869,706)
Total Net Position	<u>\$ 49,989,252</u>	<u>\$ 31,255,277</u>	<u>\$ 64,071,461</u>	<u>\$ 18,643,116</u>	<u>\$ 163,959,106</u>	<u>\$ 4,822,665</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					1,302,464	
Net Position from business-type activities:					<u>\$ 165,261,570</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	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	\$ 5,844,319	\$ 3,300,742	\$ 31,467,122	\$ 3,320,186	\$ 43,932,369	\$ 952,343
Other income	68,818	132,178	1,374,254	11,462	1,586,712	1,560,376
Total operating revenues	<u>5,913,137</u>	<u>3,432,920</u>	<u>32,841,376</u>	<u>3,331,648</u>	<u>45,519,081</u>	<u>2,512,719</u>
Operating Expenses:						
Water assessment	116,802	-	-	-	116,802	-
Power purchases	-	-	14,858,609	-	14,858,609	-
Landfill fees	-	-	-	779,469	779,469	-
Employee salaries	1,001,083	589,932	3,950,257	685,742	6,227,014	315,023
Materials and supplies	342,307	66,369	1,222,314	123,761	1,754,751	263,369
Repairs and maintenance	43,858	77,693	158,677	9,236	289,464	311,180
Professional services	210,460	156,066	3,784,670	351,774	4,502,970	10,030
Motorpool charges	184,123	207,290	382,601	154,336	928,350	-
Utilities	365,389	271,253	736,428	30,950	1,404,020	34,519
Insurance	18,094	51,281	55,098	3,674	128,147	5,754
Depreciation	2,451,637	1,044,806	1,629,714	563,132	5,689,289	990,878
Indirect services	839,792	502,085	791,947	537,202	2,671,026	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	16,809	28,916	80,986	963,606	1,090,317	-
Total operating expenses	<u>5,726,638</u>	<u>3,005,258</u>	<u>28,393,193</u>	<u>4,202,882</u>	<u>41,327,971</u>	<u>1,930,753</u>
Operating income	<u>186,499</u>	<u>427,662</u>	<u>4,448,183</u>	<u>(871,234)</u>	<u>4,191,110</u>	<u>581,966</u>
Nonoperating revenues (expenses):						
Interest revenue	5,644	-	245,733	-	251,377	-
Impact fees and water right fees	481,414	197,242	616,408	297,808	1,592,872	-
Contributions from private contractors	2,192,751	2,095,878	1,439,356	2,124,002	7,851,987	-
Grant Proceeds	66,269	22,090	-	-	88,359	-
Gain(loss) on sale of fixed assets	-	-	-	-	-	41,199
Pension Benefit Expense	102,466	61,889	402,990	59,764	627,109	32,566
Pension Expense	(83,193)	(50,248)	(327,192)	(48,524)	(509,157)	(26,441)
Interest expense	(185,668)	-	(2,905)	-	(188,573)	(4,357)
Total nonoperating revenues (expenses)	<u>2,579,683</u>	<u>2,326,851</u>	<u>2,374,390</u>	<u>2,433,050</u>	<u>9,713,974</u>	<u>42,967</u>
Income (loss) before operating transfers	<u>2,766,182</u>	<u>2,754,513</u>	<u>6,822,573</u>	<u>1,561,816</u>	<u>13,905,084</u>	<u>624,933</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	-	-	675,000
Operating transfers out	(229,970)	(127,922)	(1,842,541)	(138,211)	(2,338,644)	-
Total contributions and operating transfers	<u>(229,970)</u>	<u>(127,922)</u>	<u>(1,842,541)</u>	<u>(138,211)</u>	<u>(2,338,644)</u>	<u>675,000</u>
Change in Net Position	2,536,212	2,626,591	4,980,032	1,423,605	11,566,440	1,299,933
Total Net Position - beginning	47,453,040	28,628,686	59,091,429	17,219,511	152,392,666	3,522,732
Total Net Position - ending	<u>\$ 49,989,252</u>	<u>\$ 31,255,277</u>	<u>\$ 64,071,461</u>	<u>\$ 18,643,116</u>	<u>\$ 163,959,106</u>	<u>\$ 4,822,665</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					531,391	
Change in Net Position of business-type activities:					<u>\$ 12,097,831</u>	

**Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016**

	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	\$ 5,787,171	\$ 3,272,582	\$ 31,368,535	\$ 3,339,506	\$ 43,767,794
Other cash receipts	68,818	132,178	1,374,254	11,462	1,586,712
Payments to suppliers	(2,393,914)	(1,351,069)	(23,264,640)	(3,208,893)	(30,218,516)
Payments to employees	(936,174)	(593,165)	(3,887,694)	(660,777)	(6,077,810)
Net cash provided (used) by operating activities	<u>2,525,901</u>	<u>1,460,526</u>	<u>5,590,455</u>	<u>(518,702)</u>	<u>9,058,180</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	326,153	(761,387)	126,092	242,749	(66,393)
Increase (decrease) in due to other funds	(1,901,395)	671,726	(344,532)	731,632	(842,568)
Transfers in (out)	(229,970)	(127,922)	(1,842,541)	(138,211)	(2,338,644)
Net cash provided (used) by noncapital activities	<u>(1,805,212)</u>	<u>(217,583)</u>	<u>(2,060,981)</u>	<u>836,170</u>	<u>(3,247,606)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(3,178,279)	(2,456,877)	(3,276,507)	(2,883,016)	(11,794,680)
Principal (paid) issued on capital debt	(1,300,000)	-	(845,000)	-	(2,145,000)
Interest paid on capital debt	(185,668)	-	(2,905)	-	(188,573)
Contributions from (reimbursements to) private contractors	2,192,751	2,095,878	1,439,356	2,124,002	7,851,987
Impact fees collected	481,414	197,242	616,408	297,808	1,592,872
Grant proceeds	66,269	22,090	-	-	88,359
Net cash provided (used) by capital and related financing activities	<u>(1,923,513)</u>	<u>(141,667)</u>	<u>(2,068,648)</u>	<u>(461,206)</u>	<u>(4,595,035)</u>
Cash Flows From Investing Activities					
Interest and dividends received	5,644	-	245,733	-	251,377
Net cash provided (used) by investing activities	<u>5,644</u>	<u>-</u>	<u>245,733</u>	<u>-</u>	<u>251,377</u>
Net increase (decrease) in cash and cash equivalents	(1,197,180)	1,101,276	1,706,559	(143,738)	1,466,916
Cash and cash equivalents, July 1	2,691,324	11,931,054	18,145,996	2,215,624	34,983,998
Cash and cash equivalents, June 30	<u>\$ 1,494,144</u>	<u>\$ 13,032,330</u>	<u>\$ 19,852,555</u>	<u>\$ 2,071,886</u>	<u>\$ 36,450,914</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 186,499	\$ 427,662	\$ 4,448,183	\$ (871,234)	4,191,110
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,451,637	1,044,806	1,629,714	563,132	5,689,289
(Increase) decrease in accounts receivable	(84,183)	(28,160)	(98,587)	19,323	(191,607)
Decrease (increase) in inventory	-	-	(257,776)	(711)	(258,487)
Increase (decrease) in accrued liabilities	(77,573)	24,456	(235,176)	(254,177)	(542,470)
Increase (decrease) in compensated absences	64,909	(3,233)	62,563	24,965	149,204
Increase (decrease) in customer deposits	(42,423)	(5,005)	41,534	-	(5,894)
Increase (decrease) in deferred revenue	27,035	-	-	-	27,035
Total adjustments	<u>2,339,402</u>	<u>1,032,864</u>	<u>1,142,272</u>	<u>352,532</u>	<u>4,867,070</u>
Net cash provided (used) by operating activities	<u>\$ 2,525,901</u>	<u>\$ 1,460,526</u>	<u>\$ 5,590,455</u>	<u>\$ (518,702)</u>	<u>\$ 9,058,180</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2016**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	\$ 98,549
Total assets	<u>98,549</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
	50
Total liabilities	<u>50</u>
 Net position:	
Deferred compensation	<u>98,499</u>
Total net position	<u>98,499</u>
Total liabilities and net position	<u>\$ 98,549</u>

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2016

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 27,635
Interest income	725
Total	28,360
EXPENDITURES:	
Retirement payments	27,635
Total	27,635
Excess of revenues over (under) expenditures	725
Net position - beginning of year	97,774
Net position - end of year	\$ 98,499

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. In 2016, 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 six Capital Project Funds which are used to account for the acquisition of capital assets with transfers made from other funds.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 2016, Golf Course and Swimming Pool reporting were moved to the General Fund.

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.
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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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. 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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

The City categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The City does not have any investments that are measured using Level 2 or 3 inputs. 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, 2016**

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.

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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

At June 30, 2016, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liability Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 904,424	\$ 499,059	\$ 1,403,483
Sick Leave Liability	582,920	289,060	871,980
Total Compensated Absences	\$ 1,487,343	\$ 788,119	\$ 2,275,462

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, 2016

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.

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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

1.F PENSIONS

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension/benefit expense related to pensions, information about the fiduciary net position of the Utah Retirement System Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1.G DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

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

Statutes authorize the City to invest in negotiable or non-negotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined by the Act; and the Utah Public Treasurers’ Investment Fund.

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

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

2.B. REVENUE RESTRICTIONS

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

<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, 2016, 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, 2016, 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, 2016, the City had \$21,192,409 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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016.

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 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.
- 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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 the City’s general fund exceeded 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, 2016, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2016
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	3,468,995
Total Depository Accounts		<u>\$ 3,718,995</u>

Investments

As of June 30, 2016 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' Investment	\$ 31,652,721	\$ 31,652,721	\$ -	\$ -	\$ -
Bond Escrows	613,376	613,376	-	-	-
Money Market Account	926,727	926,727	-	-	-
Mutual Fund	15,341,543	15,341,543	-	-	-
Total Fair Value	<u>\$ 48,534,366</u>	<u>\$ 48,534,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Government Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments’ fair value are show in the above table. All of the City’s investments are categorized as Level 1 Inputs.

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

comply with the State's Money Management Act Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

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

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

Reconciliation to Government-wide Statement of Net Position:

Deposits & Investments		\$	3,631,165
Investments			48,534,366
Cash on hand			88,083
Total		\$	52,253,614

Government - Wide

Cash and Cash Equivalents		\$	41,447,713
Restricted Cash & Cash Equivalents			10,707,352
Fiduciary Restricted Cash			98,549
Total		\$	52,253,614

Net Cash on Statement of Net Position		\$	52,155,065
Fiduciary Restricted Cash			98,549
Total		\$	52,253,614

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water impact fees	\$ 5,004	\$ -	\$ -	\$ 5,004
Water right fees	5,004	-	-	5,004
Sewer impact fees	5,004	-	-	5,004
Electric impact fees	5,004	-	-	5,004
Customer deposits	597,776	-	-	597,776
Pressurized Irrigation impact fees	5,004	-	-	5,004
Storm drainage impact fees	718,588	-	-	718,588
Water bond requirements	86,798	-	-	86,798
Final inspection deposits	334,210	-	-	334,210
Total	<u>\$ 1,762,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762,392</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 3,663,565	\$ -	\$ -	\$ 3,663,565
Final inspection deposits	897,516	-	-	897,516
Class "C" roads	470,987	-	-	470,987
Recreation impact fees	528,293	-	-	528,293
Debt service	486,520	-	-	486,520
RDA requirements	3,038,863	-	-	3,038,863
Total	<u>9,085,744</u>	<u>-</u>	<u>-</u>	<u>9,085,744</u>
Grand Totals	<u>\$ 10,848,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,848,136</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2016, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 4,096,049	\$ 4,096,049
Property tax	1,776,057	-	1,776,057
Other tax	1,573,761	-	1,573,761
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 3,349,818</u>	<u>\$ 4,051,241</u>	<u>\$ 7,401,059</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance at June 30, 2015	Additions	Disposals	Balance at June 29, 2016
Governmental activities:				
Land (not being depreciated)	\$ 12,572,668	\$ 1,044,087	\$ -	\$ 13,616,755
Buildings	32,020,311	934,387	-	32,954,698
Improvements	27,044,892	902,701	-	27,947,593
Machinery and equipment	13,262,377	2,419,288	(425,584)	15,256,081
Infrastructure	72,537,116	5,895,014	-	78,432,130
Totals at historical cost	<u>157,437,364</u>	<u>11,195,477</u>	<u>(425,584)</u>	<u>168,207,257</u>
Less accumulated depreciation				
Buildings	\$ (10,574,579)	\$ (940,870)	\$ -	(11,515,449)
Improvements	(10,060,088)	(889,742)	-	(10,949,830)
Machinery and equipment	(9,218,121)	(1,102,384)	420,722	(9,899,783)
Infrastructure	(37,513,204)	(2,626,552)	-	(40,139,756)
Total accumulated depreciation	<u>(67,365,992)</u>	<u>(5,559,548)</u>	<u>420,722</u>	<u>(72,504,818)</u>
Governmental activities capital assets, net	<u>\$ 90,071,173</u>	<u>\$ 5,635,929</u>	<u>\$ (4,862)</u>	<u>\$ 95,702,439</u>
Business-type activities:				
Land (not being depreciated)	\$ 3,055,387	\$ 180,898	\$ -	\$ 3,236,285
Water shares (not being depreciated)	4,980,947	150,399	-	5,131,346
Buildings and structures	6,523,270	81,804	-	6,605,074
Improvements	171,832,530	10,913,945	(13,962)	182,732,513
Machinery and equipment	10,139,528	481,597	-	10,621,125
Totals at historical cost	<u>196,531,661</u>	<u>11,808,643</u>	<u>(13,962)</u>	<u>208,326,342</u>
Less accumulated depreciation				
Buildings and structures	(2,534,365)	(180,071)	-	(2,714,436)
Improvements other than buildings	(61,095,877)	(4,747,424)	-	(65,843,301)
Machinery and equipment	(6,455,914)	(761,793)	-	(7,217,707)
Total accumulated depreciation	<u>(70,086,156)</u>	<u>(5,689,288)</u>	<u>-</u>	<u>(75,775,444)</u>
Business-type activities capital assets, net	<u>\$ 126,445,505</u>	<u>\$ 6,119,355</u>	<u>\$ (13,962)</u>	<u>\$ 132,550,898</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 250,500
Public safety	696,612
Public works	2,774,031
Parks	856,343
Governmental portion of internal service fund	982,062
Total depreciation expense - governmental activities	<u>\$ 5,559,548</u>
Business-type activities	
Water	\$ 2,451,637
Electric	1,629,714
Sewer	1,044,806
Garbage	79,771
Storm drainage	477,734
Gun club	5,627
Total depreciation expense - business-type activities	<u>\$ 5,689,288</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.

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 1,776,057	\$ -
	-	-
Total deferred inflows of resources for governmental funds	<u>\$ 1,776,057</u>	<u>\$ -</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, 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%	2017	\$	1,075,000
Sales Tax Revenue Bond Series 2014 (Original amount \$13,305,000)	0.75% to 5.000%	2027	\$	13,305,000
				14,380,000
				(1,075,000)
Total long term portion of bonds payable - governmental activities			\$	13,305,000

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	\$	96,409
Current portion of capital leases payable		(96,409)
Long term portion of capital leases payable	\$	-

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Business-type Activities:

As of June 30, 2016, 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	\$ 1,690,000
Water Revenue Refunding Bonds 2010 Dated August 18, 2010 (Original amount \$12,895,000)	1.72%	2017	1,185,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,841,000
Total bonds payable - business-type activities			<u>6,716,000</u>
Less current portion			<u>(1,327,000)</u>
Total bonds payable - long term portion			<u><u>\$ 5,389,000</u></u>

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

<u>Type of Debt</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Bonds payable	\$ 15,405,000	\$ -	\$ (1,025,000)	\$ 14,380,000
Capital leases payable	146,244	-	(49,835)	96,409
Compensated absences	1,397,560	89,784	-	1,487,344
Total - Governmental Activities	<u>\$ 16,948,804</u>	<u>\$ 89,784</u>	<u>\$ (1,074,835)</u>	<u>\$ 15,963,753</u>
Business-type Activities:				
Bonds payable	\$ 8,861,000	\$ -	\$ (2,145,000)	\$ 6,716,000
Compensated absences	638,916	149,203	-	788,119
Total - Business-type Activities	<u>\$ 9,499,916</u>	<u>\$ 149,203</u>	<u>\$ (2,145,000)</u>	<u>\$ 7,504,119</u>
Due Within One Year	\$ 3,219,835	\$ 2,498,409	\$ (3,219,835)	\$ 2,498,409

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2017	1,075,000	618,113	1,327,000	157,363
2018	1,115,000	575,113	813,000	127,690
2019	1,100,000	566,750	834,000	107,375
2020	1,170,000	522,750	854,000	76,767
2021	1,225,000	464,250	876,000	55,165
2022-2026	7,090,000	1,215,750	1,318,000	104,729
2027-2031	1,605,000	191,200	573,000	43,870
2032-2036			121,000	2,263
Total	<u>\$ 14,380,000</u>	<u>\$ 4,153,926</u>	<u>\$ 6,716,000</u>	<u>\$ 675,222</u>

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 295,845
Less: Accumulated depreciation	<u>(236,879)</u>
Total	<u>\$ 58,966</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, 2016 are:

<u>Fiscal Year</u>	<u>Amount</u>
2017	<u>98,000</u>
Total minimum lease payments	98,000
Less amounts representing interest	<u>(1,591)</u>
Present value of minimum lease payments	<u>\$ 96,409</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 1,692,095	\$ 1,669,315
RDA Fund	-	-
Debt Service Fund	887,198	-
B&C Road Fund	-	175,000
Capital project fund-Community Center	-	40,649
Capital project fund-Canyon Road	23,621	-
Capital project fund - River Reclamation	470,694	-
Capital project fund - Cemetery Driveway	475,000	-
Motorpool Fund	<u>675,000</u>	<u>-</u>
Total Governmental Activities	4,223,608	1,884,964
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	1,842,541
Sewer Fund	-	127,922
Water Fund	-	229,970
<i>Non-major funds:</i>		
Garbage Fund	-	77,348
Storm Drainage Fund	<u>-</u>	<u>60,863</u>
Total Business-type Activities	<u>-</u>	<u>2,338,644</u>
Grand Totals	<u><u>\$ 4,223,608</u></u>	<u><u>\$ 4,223,608</u></u>

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

Plant Assessments:

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 839,792	\$ -
Sewer Fund	502,086	-
Electric Fund	791,947	-
Non-major business type activities:		
Garbage	91,640	-
Storm Drain	445,562	-
Major Governmental activities:		
General fund	-	2,671,027
	\$ 2,671,027	\$ 2,671,027

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

Due to/from other funds:

Fund	Due to	Due From
Governmental funds		
General fund	\$ 264,450	\$ 1,415,124
Non-major funds		
Special revenue fund	-	622,894
Debt service fund	-	84,063
Capital projects fund	-	263,217
Total Governmental	264,450	2,385,298
Business-type funds		
Major funds		
Water fund	-	312,089
Sewer fund	9,050,394	3,590,756
Electric fund	62,027	4,177,200
Non-major funds		
Garbage fund	-	251,486
Storm drainage fund	731,632	-
Gun club fund	-	31,100
Total Business-Type	9,844,053	8,362,631
Internal service fund		
Motorpool fund	639,426	-
Grand Total	\$ 10,747,929	\$ 10,747,929

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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4. OTHER NOTES

4.A. 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.B. 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.C. 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	21.3%
Provo City Corporation	66.7%
Nephi City Corporation	7.2%
Manti City Corporation	2.5%
Salem City Corporation	1.5%
Levan Town	<u>0.8%</u>
	100.000%

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in 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, 2016 is as follows from UMPA:

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets and deferred outflow of resources	<u>\$ 55,282,815</u>	<u>\$ 11,775,240</u>
Total liabilities and deferred inflow of resources	<u>\$ 55,279,465</u>	<u>\$ 11,774,526</u>
Total net position	<u>\$ 3,350</u>	<u>\$ 714</u>
Total operating revenues	\$ 75,550,012	\$ 16,092,153
Total operating expenses	<u>(66,907,491)</u>	<u>(14,251,296)</u>
Net operating income	8,642,521	813,175
Total non-operating income (expenses)	<u>(1,296,069)</u>	<u>(276,063)</u>
Change in net position before adjustment	<u>\$ 7,346,452</u>	<u>\$ 1,564,794</u>
Deffered inflow of resources adjustment	<u>(7,346,452)</u>	<u>(1,564,794)</u>
Change in net position	<u>\$ -</u>	<u>-</u>
The joint venture has the following long-term debt:		
Revenue bonds payable	<u>\$ 8,527,567</u>	<u>\$ 1,816,372</u>

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

South Utah Valley Solid Waste District

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

Additional information is as follows:

- a. Participants and their percentage shares:
- | | |
|------------------------------------|-----------------|
| Spanish Fork City Corporation | 11.750% |
| Provo City Corporation | 69.750% |
| Springville City Corporation | 15.000% |
| Mapleton City Corporation | 2.000% |
| Salem City Corporation | 1.500% |
| Goshen Town (Landfill participant) | <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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

- 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, budgeti
- d. Audited summary financial information of the District as June 30, 2016 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets & deferred inflows	<u>\$ 16,880,296</u>	<u>\$ 1,983,435</u>
Total liabilities & deferred outflows	<u>\$ 5,869,694</u>	<u>\$ 689,689</u>
Total net position	<u>\$ 11,010,602</u>	<u>\$ 1,293,746</u>
Total operating revenues	\$ 7,150,474	\$ 840,181
Total operating expenses	<u>6,095,120</u>	<u>716,177</u>
Net operating income	1,055,354	124,004
Total non-operating income (expenses)	<u>(28,806)</u>	<u>(3,385)</u>
Change in net assets	<u>\$ 1,026,548</u>	<u>\$ 120,619</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,667,234	\$ 313,400
Accrued compensated absences	170,031	19,979
Net Pension Liability	696,181	81,801
Notes Payable	<u>2,084,394</u>	<u>244,916</u>
Total long-term liabilities	<u>\$ 5,617,840</u>	<u>\$ 660,096</u>

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

Spanish Fork/Springville Airport

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

- a. Participants and their percentage shares:
- | | |
|------------------|--------|
| Springville City | 50.00% |
| Spanish Fork | 50.00% |
- b. The Airport is governed by 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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

d. Summary financial information, as of the joint venture's last year end of June 30, 2016, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
Total assets	<u>\$ 11,554,963</u>	<u>\$ 5,777,482</u>
Total liabilities	<u>\$ (39,869)</u>	<u>\$ (19,935)</u>
Total net position	<u>\$ 11,515,094</u>	<u>\$ 5,757,547</u>
Program revenues	\$ 2,207,340	\$ 1,103,670
General revenues	1,532	766
Program expenses	<u>(395,792)</u>	<u>(197,896)</u>
Change in net position	<u>\$ 1,813,080</u>	<u>\$ 906,540</u>

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

4.D. 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, 2016 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring March 31, 2016 covering all employees and elected officials of the City issued by Moreton & Company.
2. 10,1334 water connections at June 30, 2016
3. Total culinary water billings for the year were \$2,471,224.
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base is	\$1.14
Connection/Impact fee (1 inch)	\$1,011.71

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

4.E. 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	\$ 307,170
B. Kirby RDA	402,852
C. Wasatch Wind CDA	210,279
Total Collected	\$ 920,301
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Wasatch Wind CDA	63,084
Total Paid	\$ 63,084
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	651,882
D. Administrative & contracted costs	200,909
Total Expended	\$ 852,791

4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- **Public Employees Noncontributory Retirement System** (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- **Public Safety Retirement System** (Public Safety System) is a mixed agent and cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System); and the **Tier 2 Public Safety and Firefighter Contributory Retirement System** (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

URS issues a publicly available report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website www.urs.gov.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:
 Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	.30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

** all post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111-Local Government Division Tier 2	N/A	N/A	16.67%	1.78
Noncontributory System				
15-Local Government Division Tier 1	N/A	N/A	18.47%	N/A
Public Safety Retirement System				
Contributory				
122 Tier 2 DB Hybrid Public Safety	N/A	N/A	22.50%	1.33%
Noncontributory				
122-Other Division A Contributory Tier 2	N/A	N/A	34.04%	N/A
Tier 2 DC Only				
211 Local Government	N/A	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$1,232,880	N/A
Public Safety System	585,803	-
Tier 2 Public Employees System	189,010	-
Tier 2 Public Safety and Firefighter	38,350	-
Tier 2 DC Only System	4,560	-

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 systems.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, we reported a net pension asset of \$4,041 and a net pension liability of \$6,468,454.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.7778810%	\$ -	\$ 4,401,629
Public Safety System	1.1538440%	-	2,066,825
Tier 2 Public Employees System	0.1713882%	374	-
Tier 2 Public Safety and Fire Fighter System	0.2509637%	3,667	-
Total Net Pension Asset / Liability		<u>\$ 4,041</u>	<u>\$ 6,468,454</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016. We recognized pension expense of \$1,664,873.

At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 637	\$ 418,451
Changes in assumptions	-	386,066
Net difference between projected and actual earnings on pension plan investments	2,157,592	-
Changes in proportion and differences between contributions and proportionate share of contributions	146,837	-
Contributions subsequent to the measurement date	1,043,258	-
Total	<u>\$ 3,348,324</u>	<u>\$ 804,517</u>

\$1,043,258 was reported as deferred outflows of resources related to pension results from contributions made by us

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2016	\$ 313,125
2017	313,125
2018	372,688
2019	506,848
2020	(1,020)
Thereafter	(4,438)

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75 percent
Salary increases	3.50-10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based on plan experience. Retiree mortality assumptions are highlighted in the table below.

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 9,300,205	\$ 4,401,629	\$ 312,300
Public Safety System	4,376,663	2,066,825	186,190
Tier 2 Public Employee System	68,611	(374)	(52,658)
Tier 2 Public Safety and Firefighter	6,233	(3,667)	(11,269)
Total	\$ 13,751,712	\$ 6,464,413	\$ 434,563

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plan

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed Information regarding plan provisions is available in the separately issued URS financial report.

Spanish Fork City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- *401(k) Plan
- *Roth IRA Plan
- *Traditional IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follow: 401(k) contributions for 2016, 2015, and 2014 were \$42,804, \$29,829, and \$18,140 employer contributions; \$26,705, \$10,397, and \$5,399 employee contributions. Roth IRA Plan contributions for the same periods were \$10,135, \$4,515, \$505 employee contributions. Traditional IRA contributions for the same periods were \$2,355, \$1,360, and \$100 employee contributions.

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 2, 2016, which is the date that the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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SPANISH FORK CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes in Assumptions Related to Pensions

Regarding the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions presented in this section, the following assumption changes were adopted from the most recent actuarial experience study:

There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was a decrease from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographics assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

SPANISH FORK CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Utah Retirement Systems
December 31, 2015
Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	2014 0.7580962%	1.0812842%	0.1617363%	0.2023030%
	2015 0.7778810%	1.1538440%	0.0171388%	0.2509637%
Proportionate share of the net pension liability (asset)	2014 \$ 3,291,832	\$ 1,359,805	\$ (4,901)	\$ (2,993)
	2015 \$ 4,401,329	\$ 2,066,825	\$ (374)	\$ 3,667
Covered Employee Payroll	2014 \$ 6,433,835	\$ 1,579,886	\$ 794,624	\$ 83,973
	2015 \$ 65,714,249	\$ 1,692,697	\$ 1,107,243	\$ 149,361
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2014 51.2%	86.1%	-0.6%	-3.6%
	2015 66.98%	122.1%	-0.030%	-0.246%
Plan fiduciary net position as a percentage of the total pension liability.	2014 90.2%	90.5%	103.5%	120.5%
	2015 87.8%	87.1%	100.2%	110.7%

* In accordance with paragraph 81 of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10 year schedule will need to be built prospectively. The Schedule is only for the last two years.

SPANISH FORK CITY
SCHEDULE OF CONTRIBUTIONS
Utah Retirement Systems
December 31, 2015
Last 10 Fiscal Years*

As of Fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System					
2014	\$ 1,088,729	\$ 1,088,729	\$ -	\$ 6,377,740	17.18%
2015	1,188,850	1,188,850	-	6,490,086	18.32%
2016	1,232,880	1,232,880	-	6,738,212	18.30%
Public Safety System					
2014	\$ 476,060	\$ 476,060	\$ -	\$ 1,481,207	32.14%
2015	559,347	559,347	-	1,647,057	33.96%
2016	585,803	585,803	-	1,723,555	33.99%
Tier 2 Public Employees System*					
2014	\$ 75,093	\$ 75,093	\$ -	\$ 537,572	13.97%
2015	151,634	151,634	-	1,024,321	14.80%
2016	189,010	189,010	-	1,276,697	14.80%
Tier 2 Public Safety and Firefighter System*					
2014	\$ 8,627	\$ 8,627	\$ -	\$ 42,619	20.24%
2015	28,463	28,463	-	126,220	22.55%
2016	38,350	38,350	-	170,444	22.50%
Tier 2 Public Employees DC Only System*					
2014	\$ -	\$ -	\$ -	\$ -	0.00%
2015	-	-	-	-	0.00%
2016	4,560	4,560	-	68,155	6.69%

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 Systems. Tier 2 Systems were created effectively July 1, 2011

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past 3 years.

Contributions as a percentage of covered-payroll may be different that the board certified rate due to rounding and other administrative issues.

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SUPPLEMENTARY INFORMATION

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**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2016**

	Special Revenue		Debt Service		Capital Projects						Total
	RDA Fund	Special Fund	Debt Service Fund	Special Fund	Cemetery Driveway Fund	Canyon Creek Fund	River Reclamation Fund	Community Center Fund	Canyon Road Intersection Fund	Street Cut Bridge Fund	Non-major Governmental Funds
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 392,898	\$ 309,532	\$ 247,304	\$ -	\$ 15,585	\$ 294,851	\$ 1,260,170
Due from other funds	622,894	6,791	77,272	6,791	82,066	64,653	51,655	-	3,255	61,587	970,173
Restricted Assets:											
Cash and cash equivalents	2,982,142	369,944	369,944	32,513	-	-	-	-	-	-	3,384,599
Total assets	\$ 3,605,036	\$ 39,304	\$ 447,216	\$ 39,304	\$ 474,964	\$ 374,185	\$ 298,959	\$ -	\$ 18,840	\$ 356,438	\$ 5,614,942
LIABILITIES											
Accounts Payable	\$ 1,091	\$ -	\$ -	\$ -	\$ 48,375	\$ -	\$ -	\$ -	\$ -	\$ 1,750	\$ 51,216
Total liabilities	1,091	-	-	-	48,375	-	-	-	-	1,750	51,216
FUND BALANCES											
Restricted for:											
Redevelopment	3,038,863	-	447,216	39,304	-	-	-	-	-	-	3,038,863
Debt Service	-	-	-	-	-	-	-	-	-	-	486,520
Committed for:											
Capital projects	-	-	-	-	426,589	374,185	298,959	-	18,840	354,688	1,473,261
Redevelopment	565,082	-	-	-	-	-	-	-	-	-	565,082
Total fund balances	\$ 3,603,945	\$ 39,304	\$ 447,216	\$ 39,304	\$ 426,589	\$ 374,185	\$ 298,959	\$ -	\$ 18,840	\$ 354,688	\$ 5,563,726
Total liabilities and fund balance	\$ 3,605,036	\$ 39,304	\$ 447,216	\$ 39,304	\$ 474,964	\$ 374,185	\$ 298,959	\$ -	\$ 18,840	\$ 356,438	\$ 5,614,942

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue	Debt Service				Capital Projects				Total	
		Debt Service Fund	Special Guarantee Fund	Cemetery Driveway Fund	Canyon Creek Fund	River Reclamation Fund	Community Center Fund	Canyon Road Fund	Street Cut Bridge Fund		Non-major Governmental Funds
REVENUES:											
Taxes	\$ 920,301	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920,301
Sundry Revenues	-	796,915	-	-	-	-	-	-	-	11,294	808,209
Interest income	-	5,095	-	-	-	-	-	-	-	-	5,095
Total revenues	920,301	802,010	-	-	-	-	-	-	-	11,294	1,733,605
EXPENDITURES:											
Current Expenditures:											
RDA	852,791	-	-	-	-	-	-	-	-	-	852,791
Debt service:											
Principal retirement	-	1,025,000	-	-	-	-	-	-	-	-	1,025,000
Interest and fiscal charges	-	665,212	-	-	-	-	-	-	-	-	665,212
Capital outlay	-	-	48,411	-	-	201,041	-	-	-	10,160	259,612
Total expenditures	852,791	1,690,212	48,411	-	-	201,041	-	-	-	10,160	2,802,615
Excess of revenues over (under) expenditures	67,510	(888,202)	(48,411)	-	-	(201,041)	-	-	(10,160)	11,294	(1,069,010)
Other financing sources (uses):											
Transfers in (out)	-	887,198	475,000	-	-	470,694	(40,649)	-	23,621	-	1,815,864
Total other financing sources (uses)	-	887,198	475,000	-	-	470,694	(40,649)	-	23,621	-	1,815,864
Excess of revenues and other sources over (under) expenditures and other uses	67,510	(1,004)	426,589	-	-	269,653	(40,649)	-	13,461	11,294	746,854
Fund balances - beginning of year	3,536,435	448,220	-	374,185	29,306	343,394	4,816,872				
Fund balances - end of year	\$ 3,603,945	\$ 447,216	\$ 426,589	\$ 374,185	\$ 298,959	\$ 354,688	\$ -	\$ -	\$ 18,840	\$ 354,688	\$ 5,563,726

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,204,003	\$ -	\$ 149,295	\$ 1,353,298
Accounts receivable	171,711	129,109	-	300,820
Allowance for doubtful accounts	(1,730)	(488)	-	(2,218)
Due from other funds	251,486	-	31,100	282,586
Inventory	-	-	21,067	21,067
Total current assets	<u>1,625,470</u>	<u>128,621</u>	<u>201,462</u>	<u>1,955,553</u>
Noncurrent assets:				
Restricted cash and equivalents	-	718,588	-	718,588
Net Pension Asset	14	46	2	62
Capital Assets:				
Land	217,906	120,336	-	338,242
Buildings	108,423	21,319	28,116	157,858
Improvements	37,378	18,372,859	95,473	18,505,710
Equipment	1,298,417	8,000	84,120	1,390,537
Less: accumulated depreciation	(945,551)	(3,464,020)	(136,986)	(4,546,557)
Other Assets:				
Equity in joint venture	1,173,126	-	-	1,173,126
Total noncurrent assets	<u>1,889,713</u>	<u>15,777,128</u>	<u>70,725</u>	<u>17,737,566</u>
Total assets	<u>3,515,183</u>	<u>15,905,749</u>	<u>272,187</u>	<u>19,693,119</u>
Deferred Outflows of Resources Due to Pensions				
	<u>11,329</u>	<u>77,459</u>	<u>935</u>	<u>89,723</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,526,512</u>	<u>\$ 15,983,208</u>	<u>\$ 273,122</u>	<u>\$ 19,782,842</u>
LIABILITIES				
Current liabilities:				
Due to other funds	\$ -	\$ 731,632	\$ -	\$ 731,632
Accounts payable	150,809	11,031	4,236	166,076
Compensated absences	8,001	60,533	736	69,270
Total current liabilities	<u>158,810</u>	<u>803,196</u>	<u>4,972</u>	<u>966,978</u>
Noncurrent liabilities:				
Net Pension Liability	22,020	131,123	1,564	154,707
Total noncurrent liabilities	<u>22,020</u>	<u>131,123</u>	<u>1,564</u>	<u>154,707</u>
Total liabilities	<u>180,830</u>	<u>934,319</u>	<u>6,536</u>	<u>1,121,685</u>
Deferred Inflows of Resources Due to Pensions				
	<u>2,748</u>	<u>15,114</u>	<u>179</u>	<u>18,041</u>
Net Position				
Net investment in capital assets	716,573	15,058,494	70,723	15,845,790
Restricted for:				
Impact fees	-	718,588	-	718,588
Unrestricted	2,626,361	(743,307)	195,684	2,078,738
Total Net Position	<u>\$ 3,342,934</u>	<u>\$ 15,033,775</u>	<u>\$ 266,407</u>	<u>\$ 18,643,116</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
Operating Revenues:				
Charges for sales and services	\$ 1,761,507	\$ 1,392,701	\$ 165,978	\$ 3,320,186
Other income	-	11,462	-	11,462
Total operating revenues	<u>1,761,507</u>	<u>1,404,163</u>	<u>165,978</u>	<u>3,331,648</u>
Operating Expenses:				
Landfill fees	779,469	-	-	779,469
Employee salaries	92,035	524,577	69,130	685,742
Materials and supplies	14,106	48,043	61,612	123,761
Repairs and maintenance	489	4,382	4,365	9,236
Professional services	254,786	71,708	25,280	351,774
Motorpool charges	2,692	149,166	2,478	154,336
Utilities	8,377	10,998	11,575	30,950
Insurance	2,334	831	509	3,674
Depreciation	79,771	477,734	5,627	563,132
Indirect services	91,640	445,562	-	537,202
Sundry charges	532,959	430,647	-	963,606
Total operating expenses	<u>1,858,658</u>	<u>2,163,648</u>	<u>180,576</u>	<u>4,202,882</u>
Operating income	<u>(97,151)</u>	<u>(759,485)</u>	<u>(14,598)</u>	<u>(871,234)</u>
Nonoperating revenues (expenses):				
Pension benefit expense	6,903	52,226	635	59,764
Pension expense	(5,605)	(42,403)	(516)	(48,524)
Impact fees	-	297,808	-	297,808
Contributions from private contractors	-	2,124,002	-	2,124,002
Total nonoperating revenues (expenses)	<u>1,298</u>	<u>2,431,633</u>	<u>119</u>	<u>2,433,050</u>
Income (loss) before operating transfers	<u>(95,853)</u>	<u>1,672,148</u>	<u>(14,479)</u>	<u>1,561,816</u>
Operating Transfers:				
Operating transfers in/(out)	<u>(77,348)</u>	<u>(60,863)</u>	<u>-</u>	<u>(138,211)</u>
Total operating transfers	<u>(77,348)</u>	<u>(60,863)</u>	<u>-</u>	<u>(138,211)</u>
Change in Net Position	(173,201)	1,611,285	(14,479)	1,423,605
Total Net Position - beginning	3,516,135	13,422,490	280,886	17,219,511
Total Net Position - ending	<u>\$ 3,342,934</u>	<u>\$ 15,033,775</u>	<u>\$ 266,407</u>	<u>\$ 18,643,116</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Non-Major Funds
Cash Flows From Operating Activities				
Receipts from customers	1,759,402	1,414,126	165,978	3,339,506
Other cash receipts	-	11,462	-	11,462
Payments to suppliers	(1,602,603)	(1,459,914)	(146,376)	(3,208,893)
Payments to employees	(90,959)	(500,988)	(68,830)	(660,777)
Net cash provided (used) by operating activities	<u>65,840</u>	<u>(535,314)</u>	<u>(49,228)</u>	<u>(518,702)</u>
Cash Flows From Noncapital Financing Activities				
Decrease (increase) in due from other funds	45,921	183,989	12,839	242,749
Increase (decrease) in due to other funds	-	731,632	-	731,632
Transfers in (out)	(77,348)	(60,863)	-	(138,211)
Net cash provided (used) by noncapital activities	<u>(31,427)</u>	<u>854,758</u>	<u>12,839</u>	<u>836,170</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(84,511)	(2,798,505)	-	(2,883,016)
Contributions from private contractors	-	2,124,002	-	2,124,002
Impact fees collected	-	297,808	-	297,808
Net cash provided (used) by capital and related financing activities	<u>(84,511)</u>	<u>(376,695)</u>	<u>-</u>	<u>(461,206)</u>
Net increase (decrease) in cash and cash equivalents	<u>(50,098)</u>	<u>(57,251)</u>	<u>(36,389)</u>	<u>(143,738)</u>
Cash and cash equivalents, July 1	1,254,101	775,839	185,684	2,215,624
Cash and cash equivalents, June 30	<u>1,204,003</u>	<u>718,588</u>	<u>149,295</u>	<u>2,071,886</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	<u>(97,151)</u>	<u>(759,485)</u>	<u>(14,598)</u>	<u>(871,234)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	79,771	477,734	5,627	563,132
(Increase) decrease in accounts receivable	(2,105)	21,428	-	19,323
(Increase) decrease in inventory	-	-	(711)	(711)
Increase (decrease) in accrued liabilities	84,249	(298,580)	(39,846)	(254,177)
Increase (decrease) in compensated absences	1,076	23,589	300	24,965
Total adjustments	<u>162,991</u>	<u>224,171</u>	<u>(34,630)</u>	<u>352,532</u>
Net cash provided (used) by operating activities	<u>65,840</u>	<u>(535,314)</u>	<u>(49,228)</u>	<u>(518,702)</u>

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OTHER REPORTS

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

Mayor and Council Members:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah (herein referred to as the “City”), as of and for the year ended June 30, 2016, 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, 2016.

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, 2016



**INDEPENDENT AUDITOR’S REPORT AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE* ON
COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROL
OVER COMPLIANCE**

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

Report on Compliance with General State Compliance Requirements

We have audited Spanish Fork City’s (herein referred to as the “City”) compliance with the applicable general state 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 for the year ended June 30, 2016

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

Budgetary Compliance	Treasurer’s Bond
Fund Balance	Cash Management
Utah Retirement Systems Compliance	Enterprise Fund Transfers, Reimbursements, Loans, and Services
Restricted Taxes and Related Revenues	Impact Fees
Open and Public Meetings Act	

Management’s Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor’s 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 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. 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 for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which is described in our letter to management dated December 2, 2016 as item SC-2016.1. Our opinion is not modified with respect to this matter.

The City’s response to the noncompliance finding identified in our audit is described in our letter to management. The City’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 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.



Larson & Company, PC

Spanish Fork, Utah
December 2, 2016

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2016



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, each major fund, and the aggregate remaining fund information of Spanish Fork City for the year ended June 30, 2016. 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 September 13, 2016. 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 2016. 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, 2016.

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 Auditor's 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, 2016

State Compliance Findings – Current Year

SC-2016.1 General Fund Balance.

Finding: *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 minimum fund balance. The maximum committed, assigned, and unassigned fund balance may not exceed 25% of the total revenue of the general fund. At year end the City’s committed, assigned, and unassigned fund balance was in excess of the required maximum fund balance limit.

Recommendation: We recommend that the City monitor the balances in committed, assigned, and unassigned fund balance categories to ensure compliance with State requirements. If there are upcoming projects that are being planned for, the funds should be properly transferred to a capital projects fund.

Client Response: The City will monitor more closely the fund balances to ensure compliance in the future.

Internal Control Findings – Current Year

No Internal Control findings noted in current year.

Status of State Compliance Findings – Prior Year

SC-2016.1 General Fund Balance.

Finding: *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 minimum fund balance. The maximum committed, assigned, and unassigned fund balance may not exceed 25% of the total revenue of the general fund. At year end the City’s committed, assigned, and unassigned fund balance was in excess of the required maximum fund balance limit.

Recommendation: We recommend that the City monitor the balances in committed, assigned, and unassigned fund balance categories to ensure compliance with State requirements. If there are upcoming projects that are being planned for, the funds should be properly transferred to a capital projects fund.

Status of Finding: See current year findings.

Status of Internal Control Findings – Prior Year

No Internal Control findings noted in prior year.