

**SPANISH FORK CITY, UTAH  
INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**



**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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019, 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, as listed in the table of contents, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards 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 6, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Larson & Company, PC*

Larson & Company, PC

Spanish Fork, Utah  
December 6, 2019

## 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, 2019**. 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 **\$25,181,258** to **\$328,769,594**. The governmental net position increased by **\$8,010,349** and the business-type net position increased by **\$15,840,987**.
- The total net position of **\$328,769,594** is made up of **\$273,306,103** in capital assets net of related debt and **\$55,463,491** in other net position.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$1,653,292**.
- The City's total long-term debt decreased by **\$1,977,269** 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 as indicated in the table of contents 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 are determined to be non-major and are 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, Streets and 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, Sewer and Street and Storm Drain 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 **\$328,769,594**.

By far the largest portion of Spanish Fork City's net position **\$273,306,103 or 83%** 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              |                    |
|---|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
|   | 2019                    | 2018               | 2019                     | 2018               | 2019               | 2018               |
| Current and other assets                        | 25,022,975              | 20,107,422         | 52,777,419               | 51,578,538         | 77,800,394         | 71,685,960         |
| Capital assets                                  | 118,132,884             | 114,956,368        | 169,916,108              | 155,189,250        | 288,048,992        | 270,145,618        |
| Total assets                                    | <b>143,155,859</b>      | <b>135,063,790</b> | <b>222,693,527</b>       | <b>206,767,788</b> | <b>365,849,386</b> | <b>341,831,578</b> |
| Deferred outflows - pension                     | 3,200,845               | 3,143,395          | 1,574,670                | 1,557,288          | 4,775,515          | 4,700,683          |
| Total deferred outflows of resources            | <b>3,200,845</b>        | <b>3,143,395</b>   | <b>1,574,670</b>         | <b>1,557,288</b>   | <b>4,775,515</b>   | <b>4,700,683</b>   |
| Total Assets and Deferred outflows              | <b>146,356,704</b>      | <b>138,207,185</b> | <b>224,268,197</b>       | <b>208,325,076</b> | <b>370,624,901</b> | <b>346,532,261</b> |
| Other liabilities                               | 16,842,383              | 15,104,700         | 7,287,101                | 5,260,641          | 24,129,484         | 20,365,341         |
| Long-term liabilities outstanding               | 11,131,405              | 12,274,674         | 3,742,000                | 4,576,000          | 14,873,405         | 16,850,674         |
| Total liabilities                               | <b>27,973,788</b>       | <b>27,379,374</b>  | <b>11,029,101</b>        | <b>9,836,641</b>   | <b>39,002,889</b>  | <b>37,216,015</b>  |
| Deferred property tax revenue                   | 2,507,131               | 2,082,259          | 54,059                   | 48,822             | 2,561,190          | 2,131,081          |
| Deferred inflows - pension                      | 195,198                 | 2,405,236          | 96,030                   | 1,191,593          | 291,228            | 3,596,829          |
| Total deferred inflows of resources             | <b>2,702,329</b>        | <b>4,487,495</b>   | <b>150,089</b>           | <b>1,240,415</b>   | <b>2,852,418</b>   | <b>5,727,910</b>   |
| Total Liabilities and Deferred inflows          | <b>30,676,117</b>       | <b>31,866,869</b>  | <b>11,179,190</b>        | <b>11,077,056</b>  | <b>41,855,307</b>  | <b>42,943,925</b>  |
| Net Position:                                   |                         |                    |                          |                    |                    |                    |
| Invested in capital assets, net of related debt | 106,892,930             | 102,564,008        | 166,413,173              | 150,852,315        | 273,306,103        | 253,416,323        |
| Restricted                                      | 3,999,870               | 4,551,590          | 819,158                  | 517,687            | 4,819,028          | 5,069,277          |
| Unrestricted                                    | 4,787,787               | (775,282)          | 45,856,676               | 45,878,018         | 50,644,463         | 45,102,736         |
| Total Net Position                              | <b>115,680,587</b>      | <b>106,340,316</b> | <b>213,089,007</b>       | <b>197,248,020</b> | <b>328,769,594</b> | <b>303,588,336</b> |

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

|   | Governmental Activities |                    | Business-type Activities |                    | Total              |                    |
|---|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
|   | 2019                    | 2018               | 2019                     | 2018               | 2019               | 2018               |
| Revenues:                                 |                         |                    |                          |                    |                    |                    |
| Program revenues:                         |                         |                    |                          |                    |                    |                    |
| Charges for services                      | 15,773,449              | 11,692,870         | 55,906,642               | 49,443,812         | 71,680,091         | 61,136,682         |
| Operating grants and contribs             | 332,067                 | 317,129            | -                        | -                  | 332,067            | 317,129            |
| Capital grants and contribs               | 6,728,109               | 2,107,358          | 12,669,057               | 20,180,034         | 19,397,166         | 22,287,392         |
| General revenues:                         |                         |                    |                          |                    |                    |                    |
| Property taxes                            | 3,467,262               | 3,108,976          | -                        | -                  | 3,467,262          | 3,108,976          |
| Sales and Use Tax                         | 10,278,030              | 9,648,329          | -                        | -                  | 10,278,030         | 9,648,329          |
| Other taxes                               | 458,925                 | 488,995            | -                        | -                  | 458,925            | 488,995            |
| Unrestricted investment earnings          | 494,394                 | 373,421            | 909,978                  | 655,848            | 1,404,372          | 1,029,269          |
| Joint Venture Gain (Loss)                 | -                       | -                  | 108,704                  | 166,699            | 108,704            | 166,699            |
| Contributed Assets                        | -                       | 5,497,446          | -                        | -                  | -                  | 5,497,446          |
| Gain on Sale of Capital Assets            | 74,221                  | 25,796             | -                        | -                  | 74,221             | 25,796             |
| Total revenues                            | <u>37,606,457</u>       | <u>33,260,320</u>  | <u>69,594,381</u>        | <u>70,446,393</u>  | <u>107,200,838</u> | <u>103,706,713</u> |
| Expenses:                                 |                         |                    |                          |                    |                    |                    |
| General government                        | 6,489,524               | 5,597,155          | -                        | -                  | 6,489,524          | 5,597,155          |
| Public safety                             | 8,519,129               | 7,711,417          | -                        | -                  | 8,519,129          | 7,711,417          |
| Public Works                              | 7,804,269               | 8,085,951          | -                        | -                  | 7,804,269          | 8,085,951          |
| Parks and recreation                      | 6,280,943               | 6,389,964          | -                        | -                  | 6,280,943          | 6,389,964          |
| Operating Expenses (Business Type)        |                         |                    | 52,364,502               | 48,263,973         | 52,364,502         | 48,263,973         |
| Interest Expense                          | 561,213                 | 576,584            | -                        | -                  | 561,213            | 576,584            |
| Total expenses                            | <u>29,655,078</u>       | <u>28,361,071</u>  | <u>52,364,502</u>        | <u>48,263,973</u>  | <u>82,019,580</u>  | <u>76,625,044</u>  |
| Increase in Net Position before transfers | <u>7,951,379</u>        | <u>4,899,249</u>   | <u>17,229,879</u>        | <u>22,182,420</u>  | <u>25,181,258</u>  | <u>27,081,669</u>  |
| Transfers                                 | 1,388,892               | 954,433            | (1,388,892)              | (954,433)          | -                  | -                  |
| Increase in Net Position                  | <u>9,340,271</u>        | <u>5,853,682</u>   | <u>15,840,987</u>        | <u>21,227,987</u>  | <u>25,181,258</u>  | <u>27,081,669</u>  |
| Net Position - beginning                  | 106,340,316             | 100,486,634        | 197,248,020              | 176,020,033        | 303,588,336        | 276,506,667        |
| Net Position - ending                     | <u>115,680,587</u>      | <u>106,340,316</u> | <u>213,089,007</u>       | <u>197,248,020</u> | <u>328,769,594</u> | <u>303,588,336</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, 2019, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$15,501,912**. This represents an increase of **\$5,518,505** under last year's ending balances. This increase is the result of both planned budget transfers of funds to be held for the Capital Projects Fund and the receipt of grant money. 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 **\$14,204,217** and represent **45%** of total governmental funds operating 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 **\$26,586,817** to a final budget of **\$29,456,423**. 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, 2019, amounts to **\$288,048,992** (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:**

#### **Parks Improvements:**

Maintenance and infrastructure improvements of existing parks and golf course for \$6,402,149.

#### **Water & Pressurized Irrigation Improvements:**

Water & Pressurized Irrigation Improvement Projects for \$3,290,957.

Land Purchases for \$590,000

#### **Sewer Improvements:**

Sewer Improvements for \$2,000,551

#### **Electric Improvements:**

Electric Improvements for \$2,638,553.

#### **Other Improvements:**

Airport Infrastructure \$350,666.

Cemetery Infrastructure \$204,851

#### **Spanish Fork Community Network:**

Improvement for Fiber to the Home for \$1,730,748.

Machinery Purchases for \$305,547

#### **Motor pool:**

City Wide Equipment and Vehicle Purchases for \$2,407,612.

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

| Spanish Fork City's Capital Assets        |                         |                       |                          |                       |
|---|-------------------------|-----------------------|--------------------------|-----------------------|
|   | Governmental Activities |                       | Business-type Activities |                       |
|   | 2019                    | 2018                  | 2019                     | 2018                  |
| Land                                      | \$ 22,025,179           | \$ 21,813,969         | \$ 4,023,902             | \$ 3,400,805          |
| Water Shares                              | -                       | -                     | 6,067,361                | 5,900,448             |
| Buildings                                 | 20,962,857              | 21,936,046            | 3,439,026                | 3,616,954             |
| Improvements                              | 26,189,489              | 24,786,481            | 154,268,378              | 139,913,517           |
| Equipment                                 | 6,980,856               | 6,171,702             | 2,117,441                | 2,357,524             |
| Infrastructure                            | 41,974,503              | 40,245,171            | -                        | -                     |
| Total Net Assets -<br>Net of Depreciation | <u>\$ 118,132,884</u>   | <u>\$ 114,953,369</u> | <u>\$ 169,916,108</u>    | <u>\$ 155,189,248</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, 2019, the City had total bonded debt outstanding of **\$14,832,000**. Of that, **\$3,742,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$11,131,405** is debt secured solely by tax sources (i.e. Sales Tax revenue and Property Tax increment for the RDA).

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

| Spanish Fork City's Outstanding Debt |                         |                      |                          |                     |
|--------------------------------------|-------------------------|----------------------|--------------------------|---------------------|
|                                      | Governmental Activities |                      | Business-type Activities |                     |
|                                      | 2019                    | 2018                 | 2019                     | 2018                |
| Capital Lease                        | \$ 41,405               | \$ 84,674            | \$ -                     | \$ -                |
| Accrued Vacation & Sick Leave        | 1,851,725               | 1,804,116            | 1,000,800                | 878,367             |
| Revenue Bonds                        | 11,090,000              | 12,190,000           | 3,742,000                | 4,576,000           |
| Total Outstanding Debt               | <u>\$ 12,983,130</u>    | <u>\$ 14,078,790</u> | <u>\$ 4,742,800</u>      | <u>\$ 5,454,367</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 **\$2,199,594,612**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$87,983,784** which significantly exceeds 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 **\$175,967,568** 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 at year end for Utah County (of which Spanish Fork is one of the principal municipalities) was 2.6% compared with a state unemployment rate of 2.8% and a national rate of 3.7 %. (Source: Utah Dept of Workforce Services)

- Some capital improvements budgeted for the FY 2020 include:

1. Additional trail projects
2. Airport operations and capital improvements
3. Widening of the top of center street roadway
4. River reclamation projects
5. Water rights purchases
6. Water line replacement.
7. Sewer line replacement
8. Electric system improvements
9. Storm drainage system expansion
10. Pressurized irrigation system expansion
11. Sidewalk replacement and repair of various areas of town
12. Purchase of city vehicles
13. All-abilities park
14. New fire station #62
15. Land purchase for library
16. Land purchase for electric/water building

## **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, 2019**

|  | Primary Government         |                             |                       |
|--|----------------------------|-----------------------------|-----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Totals                |
| <b>ASSETS</b>  |                            |                             |                       |
| Cash and cash equivalents                              | \$ 17,429,837              | \$ 40,720,743               | \$ 58,150,580         |
| Receivables (net of allowance)                         | 4,505,595                  | 3,966,106                   | 8,471,701             |
| Prepaid expenses                                       | 59,605                     | 130                         | 59,735                |
| Internal balances                                      | (2,780,649)                | 2,780,649                   | -                     |
| Inventory  | 77,932                     | 1,802,896                   | 1,880,828             |
| Equity in joint venture                                | -                          | 1,681,483                   | 1,681,483             |
| Restricted cash and cash equivalents                   | 5,730,655                  | 1,825,412                   | 7,556,067             |
| Capital Assets (not being depreciated):                |                            |                             |                       |
| Land   | 22,025,179                 | 4,023,902                   | 26,049,081            |
| Water shares   | -                          | 6,067,361                   | 6,067,361             |
| Capital Assets (net of accumulated depreciation):      |                            |                             |                       |
| Buildings  | 20,962,857                 | 3,439,026                   | 24,401,883            |
| Improvements other than buildings                      | 26,189,489                 | 154,268,378                 | 180,457,867           |
| Equipment  | 6,980,856                  | 2,117,441                   | 9,098,297             |
| Infrastructure   | 41,974,503                 | -                           | 41,974,503            |
| Total assets   | <u>143,155,859</u>         | <u>222,693,527</u>          | <u>365,849,386</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                            |                             |                       |
| Deferred outflows of resources relating to pensions    | <u>3,200,845</u>           | <u>1,574,670</u>            | <u>4,775,515</u>      |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                             |                       |
|  | <u>146,356,704</u>         | <u>224,268,197</u>          | <u>370,624,901</u>    |
| <b>LIABILITIES</b>                                     |                            |                             |                       |
| Accounts payable                                       | 1,288,042                  | 1,401,799                   | 2,689,841             |
| Developer escrows and deposits                         | 6,216,846                  | 1,594,347                   | 7,811,193             |
| Deferred revenue                                       | 970,080                    | -                           | 970,080               |
| Compensated absences                                   | 1,851,725                  | 1,000,800                   | 2,852,525             |
| Bond interest payable                                  | 108,549                    | 138,134                     | 246,683               |
| Noncurrent Liabilities:                                |                            |                             |                       |
| Net pension liability                                  | 6,407,141                  | 3,152,021                   | 9,559,162             |
| Due within one year                                    | 1,211,405                  | 854,000                     | 2,065,405             |
| Due in more than one year                              | 9,920,000                  | 2,888,000                   | 12,808,000            |
| Total liabilities                                      | <u>27,973,788</u>          | <u>11,029,101</u>           | <u>39,002,889</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                            |                             |                       |
| Deferred property tax revenue                          | 2,507,131                  | 54,059                      | 2,561,190             |
| Relating to pensions                                   | 195,198                    | 96,030                      | 291,228               |
| Total deferred inflows of resources                    | <u>2,702,329</u>           | <u>150,089</u>              | <u>2,852,418</u>      |
| <b>NET POSITION</b>                                    |                            |                             |                       |
| Net investments in capital assets                      | 106,892,930                | 166,413,173                 | 273,306,103           |
| Restricted for:  |                            |                             |                       |
| Redevelopment agency                                   | 2,859,149                  | -                           | 2,859,149             |
| Impact fees  | 607,130                    | 580,093                     | 1,187,223             |
| Debt service   | 533,591                    | -                           | 533,591               |
| Bond requirements                                      | -                          | 239,065                     | 239,065               |
| Unrestricted   | 4,787,787                  | 45,856,676                  | 50,644,463            |
| Total net position                                     | <u>\$ 115,680,587</u>      | <u>\$ 213,089,007</u>       | <u>\$ 328,769,594</u> |

**Spanish Fork City  
Statement of Activities  
For the Year Ended June 30, 2019**

| 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 |                     |
| <b>Primary government:</b>           |                      |                      |                                    |   |                         |                          |                     |
| Governmental activities:             |                      |                      |                                    |   |                         |                          |                     |
| General government                   | \$ 6,489,524         | \$ 9,165,921         | \$ 55,716                          | \$ -  | \$ 2,732,113            | \$ -                     | \$ 2,732,113        |
| Public safety                        | 8,519,129            | 4,375,931            | 176,481                            | -   | (3,966,717)             | -                        | (3,966,717)         |
| Public works                         | 7,804,269            | -                    | -                                  | 4,934,739   | (2,869,530)             | -                        | (2,869,530)         |
| Parks, rec. & public property        | 6,280,943            | 2,231,597            | 99,870                             | 1,793,370   | (2,156,106)             | -                        | (2,156,106)         |
| Interest on long-term debt           | 561,213              | -                    | -                                  | -   | (561,213)               | -                        | (561,213)           |
| Total governmental activities        | 29,655,078           | 15,773,449           | 332,067                            | 6,728,109   | (6,821,453)             | -                        | (6,821,453)         |
| Business-type activities:            |                      |                      |                                    |   |                         |                          |                     |
| Water                                | 7,168,187            | 6,905,481            | -                                  | 2,792,953   | -                       | 2,530,247                | 2,530,247           |
| Sewer                                | 4,877,927            | 4,004,594            | -                                  | 2,290,145   | -                       | 1,416,812                | 1,416,812           |
| Electric                             | 32,715,206           | 35,692,791           | -                                  | 2,470,836   | -                       | 5,448,421                | 5,448,421           |
| Garbage                              | 2,045,790            | 2,183,275            | -                                  | -   | -                       | 137,485                  | 137,485             |
| Storm drainage                       | 5,381,309            | 6,964,225            | -                                  | 5,115,123   | -                       | 6,698,039                | 6,698,039           |
| Gun club                             | 176,083              | 156,276              | -                                  | -   | -                       | (19,807)                 | (19,807)            |
| Total business-type activities       | 52,364,502           | 55,906,642           | -                                  | 12,669,057  | -                       | 16,211,197               | 16,211,197          |
| <b>Total primary government</b>      | <b>\$ 82,019,580</b> | <b>\$ 71,680,091</b> | <b>\$ 332,067</b>                  | <b>\$ 19,397,166</b>                              | <b>\$ (6,821,453)</b>   | <b>\$ 16,211,197</b>     | <b>\$ 9,389,744</b> |
| General revenues:                    |                      |                      |                                    |   |                         |                          |                     |
| Property taxes                       |                      |                      |                                    |   | 3,467,262               | -                        | 3,467,262           |
| Sales taxes                          |                      |                      |                                    |   | 10,278,030              | -                        | 10,278,030          |
| Other taxes                          |                      |                      |                                    |   | 458,925                 | -                        | 458,925             |
| Unrestricted investment earnings     |                      |                      |                                    |   | 494,394                 | 909,978                  | 1,404,372           |
| Joint venture gain (loss)            |                      |                      |                                    |   | -                       | 108,704                  | 108,704             |
| Gain on sale of capital assets       |                      |                      |                                    |   | 74,221                  | -                        | 74,221              |
| Transfers                            |                      |                      |                                    |   | 1,388,892               | (1,388,892)              | -                   |
| Total general revenues and transfers |                      |                      |                                    |   | 16,161,724              | (370,210)                | 15,791,514          |
| Change in Net Position               |                      |                      |                                    |   | 9,340,271               | 15,840,987               | 25,181,258          |
| Net Position - beginning             |                      |                      |                                    |   | 106,340,316             | 197,248,020              | 303,588,336         |
| Net Position - ending                |                      |                      |                                    |   | 115,680,587             | 213,089,007              | 328,769,594         |

**Spanish Fork City  
Balance Sheet  
Governmental Funds  
As of June 30, 2019**

|  | General<br>Fund      | Total<br>Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---|--------------------------------|
| <b>ASSETS</b>  |                      |   |                                |
| Cash and cash equivalents                              | \$ 7,847,543         | \$ 7,308,642                                | \$ 15,156,185                  |
| Receivables (net of allowance):                        |                      |   |                                |
| Tax  | 4,498,860            | -   | 4,498,860                      |
| Due from other funds                                   | 340,384              | 458,036                                     | 798,420                        |
| Prepaid expense  | 59,606               | -   | 59,606                         |
| Inventory  | 77,932               | -   | 77,932                         |
| Restricted Assets:                                     |                      |   |                                |
| Cash and cash equivalents                              | 2,485,039            | 3,245,616                                   | 5,730,655                      |
| Total assets   | <b>\$ 15,309,364</b> | <b>\$ 11,012,294</b>                        | <b>\$ 26,321,658</b>           |
| <b>LIABILITIES</b>                                     |                      |   |                                |
| Accounts payable and accrued liabilities               | \$ 969,238           | \$ 88,843                                   | \$ 1,058,081                   |
| Payroll payable  | 67,608               | -   | 67,608                         |
| Developer escrow                                       | 4,726,738            | -   | 4,726,738                      |
| Final inspection deposit                               | 1,490,108            | -   | 1,490,108                      |
| Deferred revenue                                       | 970,080              | -   | 970,080                        |
| Total liabilities                                      | <b>8,223,772</b>     | <b>88,843</b>                               | <b>8,312,615</b>               |
| <b>DEFERRED INFLOWS</b>                                |                      |   |                                |
| Deferred property tax revenue                          | 2,507,131            | -   | 2,507,131                      |
| Total deferred inflows of resources                    | <b>2,507,131</b>     | <b>-</b>                                    | <b>2,507,131</b>               |
| <b>FUND BALANCES</b>                                   |                      |   |                                |
| Nonspendable   | 59,606               | -   | 59,606                         |
| Restricted for:  |                      |   |                                |
| Redevelopment agency                                   | -                    | 2,859,149                                   | 2,859,149                      |
| Debt service   | -                    | 533,591                                     | 533,591                        |
| Impact fees  | 607,130              | -   | 607,130                        |
| Committed for:   |                      |   |                                |
| Capital projects                                       | -                    | 7,530,711                                   | 7,530,711                      |
| Unassigned   | 3,911,725            | -   | 3,911,725                      |
| Total fund balances                                    | <b>4,578,461</b>     | <b>10,923,451</b>                           | <b>15,501,912</b>              |
| Total liabilities, deferred inflows, and fund balances | <b>\$ 15,309,364</b> | <b>\$ 11,012,294</b>                        | <b>\$ 26,321,658</b>           |

**Spanish Fork City**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2019**

|  |                       |
|--|-----------------------|
| Total fund balances - governmental fund types:   | <u>\$ 15,501,912</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.  |                       |
| Cost of capital assets   | 210,959,571           |
| Accumulated depreciation   | (92,826,687)          |
| Deferred Outflow - Pension   | <u>3,130,221</u>      |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities   | <u>121,263,105</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 | (1,577,492)           |
|  |                       |
| 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   | (108,549)             |
| Non-current liabilities due within one year  | (1,170,000)           |
| Compensated absences   | (1,851,725)           |
| Non-current liabilities due in more than one year  | (9,920,000)           |
| Net Pension - Liability  | (6,265,773)           |
| Deferred Inflow - Pension  | <u>(190,891)</u>      |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities   | <u>(19,506,938)</u>   |
|  |                       |
| Net position of government activities  | <u>\$ 115,680,587</u> |

**Spanish Fork City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

|  | General<br>Fund     | Total<br>Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---|--------------------------------|
| <b>REVENUES</b>  |                     |   |                                |
| Taxes  | \$ 13,169,906       | \$ 1,034,311                                | \$ 14,204,217                  |
| Licenses and permits   | 1,670,463           | -   | 1,670,463                      |
| Intergovernmental revenues   | 332,067             | 4,934,739                                   | 5,266,806                      |
| Charges for services   | 3,459,154           | -   | 3,459,154                      |
| Fines and forfeitures  | 156,563             | -   | 156,563                        |
| Interest income  | 420,263             | 74,131                                      | 494,394                        |
| Sundry revenue   | 3,415,849           | 3,221,803                                   | 6,637,652                      |
| Total revenues   | <u>22,624,265</u>   | <u>9,264,984</u>                            | <u>31,889,249</u>              |
| <b>EXPENDITURES</b>  |                     |   |                                |
| Current:   |                     |   |                                |
| General government   | 5,793,403           | -   | 5,793,403                      |
| Public safety  | 8,200,539           | -   | 8,200,539                      |
| Public works   | 7,725,080           | 1,671,476                                   | 9,396,556                      |
| Parks, recreation and public property  | 5,284,363           | -   | 5,284,363                      |
| Debt Service:  |                     |   |                                |
| Principal retirement   | -                   | 1,100,000                                   | 1,100,000                      |
| Interest and fiscal charges  | -                   | 570,350                                     | 570,350                        |
| Capital outlay   | -                   | 3,131,633                                   | 3,131,633                      |
| Total expenditures   | <u>27,003,385</u>   | <u>6,473,459</u>                            | <u>33,476,844</u>              |
| Excess revenues over (under)<br>expenditures                                     | <u>(4,379,120)</u>  | <u>2,791,525</u>                            | <u>(1,587,595)</u>             |
| <b>Other financing sources (uses)</b>  |                     |   |                                |
| Sale of fixed assets   | 74,221              | -   | 74,221                         |
| Impact fees  | 1,793,370           | -   | 1,793,370                      |
| Indirect services  | 3,849,617           | -   | 3,849,617                      |
| Transfers in   | 1,531,895           | 4,380,272                                   | 5,912,167                      |
| Transfers out  | (4,523,275)         | -   | (4,523,275)                    |
| Total other financing sources and uses   | <u>2,725,828</u>    | <u>4,380,272</u>                            | <u>7,106,100</u>               |
| Excess of revenues and other sources<br>over (under) expenditures and other uses | (1,653,292)         | 7,171,797                                   | 5,518,505                      |
| Fund balances - beginning of year  | 6,231,753           | 3,751,654                                   | 9,983,407                      |
| Fund balances - end of year  | <u>\$ 4,578,461</u> | <u>\$ 10,923,451</u>                        | <u>\$ 15,501,912</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, 2019**

Net changes in fund balances - total governmental funds \$ 5,518,505

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  | 7,219,812          |                  |
| Depreciation Expense  | <u>(4,871,101)</u> |                  |
| Net adjustment to increase net changes in fund balances-<br>total governmental funds to arrive at changes in Net Position<br>of governmental activities |                    | <u>2,348,711</u> |

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities. 836,596

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. 1,109,137

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

|                                |  |                  |
|--------------------------------|--|------------------|
| Change in compensated Absences |  | (44,199)         |
| Change in Pension Expenses     |  | <u>(428,479)</u> |

Change in Net Position of governmental activities \$ 9,340,271

**Spanish Fork City**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance<br>with Final<br>Budget<br>Over(Under) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>REVENUES</b>  |                     |                     |                     |   |
| Taxes  | \$ 13,322,259       | \$ 13,097,259       | \$ 13,169,906       | \$ 72,647                                       |
| Licenses and permits   | 1,644,500           | 1,746,500           | 1,670,463           | (76,037)  |
| Intergovernmental revenues   | 1,530,231           | 348,327             | 332,067             | (16,260)  |
| Charges for services   | 3,292,460           | 3,345,585           | 3,459,154           | 113,569   |
| Fines and forfeitures  | 156,200             | 156,200             | 156,563             | 363   |
| Interest income  | 213,500             | 427,000             | 420,263             | (6,737)   |
| Sundry revenue   | 2,137,888           | 3,047,738           | 3,415,849           | 368,111   |
| Total revenues   | <u>22,297,038</u>   | <u>22,168,609</u>   | <u>22,624,265</u>   | <u>455,656</u>                                  |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| General government   | 5,923,132           | 6,362,795           | 5,793,403           | (569,392)                                       |
| Public safety  | 8,028,052           | 8,952,264           | 8,200,539           | (751,725)                                       |
| Public works   | 7,098,949           | 8,386,331           | 7,725,080           | (661,251)                                       |
| Parks, recreation and public property  | 5,536,684           | 5,755,033           | 5,284,363           | (470,670)                                       |
| Total expenditures   | <u>26,586,817</u>   | <u>29,456,423</u>   | <u>27,003,385</u>   | <u>(2,453,038)</u>                              |
| Excess revenues over (under)<br>expenditures                                     | <u>(4,289,779)</u>  | <u>(7,287,814)</u>  | <u>(4,379,120)</u>  | <u>2,908,694</u>                                |
| <b>Other financing sources (uses)</b>  |                     |                     |                     |   |
| Sale of fixed assets   | -                   | 74,221              | 74,221              | -   |
| Impact fees  | 2,474,502           | 2,724,500           | 1,793,370           | (931,130)                                       |
| Indirect services  | 3,566,629           | 3,849,617           | 3,849,617           | -   |
| Transfers in   | 4,163,070           | 5,143,898           | 1,531,895           | (3,612,003)                                     |
| Transfers out  | (4,613,022)         | (4,525,022)         | (4,523,275)         | 1,747   |
| Total other financing sources and uses   | <u>5,591,179</u>    | <u>7,267,214</u>    | <u>2,725,828</u>    | <u>(4,541,386)</u>                              |
| Excess of revenues and other sources<br>over (under) expenditures and other uses | 1,301,400           | (20,600)            | (1,653,292)         | (1,632,692)                                     |
| Fund balances - beginning of year  | 6,231,753           | 6,231,753           | 6,231,753           | -   |
| Fund balances - end of year  | <u>\$ 7,533,153</u> | <u>\$ 6,211,153</u> | <u>\$ 4,578,461</u> | <u>\$ (1,632,692)</u>                           |

**Spanish Fork City**  
**Statement of Net Position – Proprietary Funds**  
**As of June 30, 2019**

|  | Business-Type Activities - Enterprise Funds |                      |                      |                      |                               |   | Governmental             |
|--|---|----------------------|----------------------|----------------------|-------------------------------|---|--------------------------|
|  | Water                                       | Sewer                | Electric             | Storm Drainage       | Non Major<br>Enterprise Funds | Total   | Activities -             |
|  |   |                      |                      |                      |                               |   | Internal Service<br>Fund |
| <b>ASSETS</b>  |   |                      |                      |                      |                               |   |                          |
| Current assets:  |   |                      |                      |                      |                               |   |                          |
| Cash and cash equivalents                              | \$ 3,118,367                                | \$ 9,471,927         | \$ 26,704,238        | \$ -                 | \$ 1,426,211                  | \$ 40,720,743   | \$ 2,273,652             |
| Accounts receivable                                    | 448,541                                     | 335,315              | 2,824,847            | 202,214              | 199,995                       | 4,010,912   | 6,735                    |
| Allowance for doubtful accounts                        | (9,408)                                     | (2,825)              | (30,357)             | (487)                | (1,729)                       | (44,806)  | -                        |
| Due from other funds                                   | 145,707                                     | 411,066              | 1,227,763            | -                    | 61,877                        | 1,846,413   | 98,673                   |
| Prepaid Expense  | -   | -                    | 130                  | -                    | -                             | 130   | -                        |
| Inventory  | 4,500                                       | 3,500                | 1,786,796            | -                    | 8,100                         | 1,802,896   | -                        |
| Total current assets                                   | <b>3,707,707</b>                            | <b>10,218,983</b>    | <b>32,513,417</b>    | <b>201,727</b>       | <b>1,694,454</b>              | <b>48,336,288</b>   | <b>2,379,060</b>         |
| Noncurrent assets:                                     |   |                      |                      |                      |                               |   |                          |
| Restricted cash and equivalents                        | 239,065                                     | -                    | 1,586,347            | -                    | -                             | 1,825,412   | -                        |
| Capital Assets:  |   |                      |                      |                      |                               |   |                          |
| Land   | 870,483                                     | 1,840,081            | 975,096              | 120,336              | 217,906                       | 4,023,902   | -                        |
| Water rights   | 6,067,361                                   | -                    | -                    | -                    | -                             | 6,067,361   | -                        |
| Buildings  | 2,503,585                                   | 546,531              | 3,478,398            | 26,647               | 141,867                       | 6,697,028   | 1,374,524                |
| Improvements   | 86,925,700                                  | 44,112,095           | 62,216,148           | 43,326,443           | 132,851                       | 236,713,237   | -                        |
| Equipment  | 3,015,055                                   | 2,483,271            | 4,222,508            | 11,900               | 1,436,702                     | 11,169,436  | 16,838,263               |
| Less: accumulated depreciation                         | (40,018,808)                                | (22,579,050)         | (24,975,083)         | (5,852,230)          | (1,329,685)                   | (94,754,856)  | (10,727,380)             |
| Other Assets:  |   |                      |                      |                      |                               |   |                          |
| Equity in joint venture                                | -   | -                    | -                    | -                    | 1,681,483                     | 1,681,483   | -                        |
| Total noncurrent assets                                | 59,602,441                                  | 26,402,928           | 47,503,414           | 37,633,096           | 2,281,124                     | 173,423,003   | 7,485,407                |
| Total assets   | <b>63,310,148</b>                           | <b>36,621,911</b>    | <b>80,016,831</b>    | <b>37,834,823</b>    | <b>3,975,578</b>              | <b>221,759,291</b>  | <b>9,864,467</b>         |
| Deferred Outflows of Resources Due to Pensions         | 211,661                                     | 148,304              | 933,631              | 262,153              | 18,921                        | 1,574,670   | 70,624                   |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <b>\$ 63,521,809</b>                        | <b>\$ 36,770,215</b> | <b>\$ 80,950,462</b> | <b>\$ 38,096,976</b> | <b>\$ 3,994,499</b>           | <b>\$ 223,333,961</b>   | <b>\$ 9,935,091</b>      |
| <b>LIABILITIES</b>                                     |   |                      |                      |                      |                               |   |                          |
| Current liabilities:                                   |   |                      |                      |                      |                               |   |                          |
| Due to other funds                                     | \$ -  | \$ -                 | \$ 140,757           | \$ 2,602,750         | \$ -                          | \$ 2,743,507  | \$ -                     |
| Accounts payable                                       | 141,244                                     | 514,612              | 369,399              | 175,383              | 201,161                       | 1,401,799   | 161,094                  |
| Accrued interest payable                               | 46,567                                      | -                    | 91,567               | -                    | -                             | 138,134   | 1,259                    |
| Compensated absences payable                           | 187,552                                     | 88,487               | 557,057              | 156,415              | 11,289                        | 1,000,800   | 42,138                   |
| Customer deposits                                      | -   | -                    | 553,097              | 8,000                | -                             | 561,097   | -                        |
| Final inspection deposits                              | -   | -                    | 1,033,250            | -                    | -                             | 1,033,250   | -                        |
| Lease payable - current portion                        | -   | -                    | -                    | -                    | -                             | -   | 41,405                   |
| Bonds payable - current portion                        | 854,000                                     | -                    | -                    | -                    | -                             | 854,000   | -                        |
| Total current liabilities                              | <b>1,229,363</b>                            | <b>603,099</b>       | <b>2,745,127</b>     | <b>2,942,548</b>     | <b>212,450</b>                | <b>7,732,587</b>  | <b>245,896</b>           |
| Noncurrent liabilities:                                |   |                      |                      |                      |                               |   |                          |
| Deferred revenue                                       | 25,883                                      | 12,216               | 15,960               | -                    | -                             | 54,059  | -                        |
| Net pension liability                                  | 423,682                                     | 296,861              | 1,868,852            | 524,753              | 37,873                        | 3,152,021   | 141,368                  |
| Bonds payable  | 2,888,000                                   | -                    | -                    | -                    | -                             | 2,888,000   | -                        |
| Total noncurrent liabilities                           | <b>3,337,565</b>                            | <b>309,077</b>       | <b>1,884,812</b>     | <b>524,753</b>       | <b>37,873</b>                 | <b>6,094,080</b>  | <b>141,368</b>           |
| Total liabilities                                      | <b>4,566,928</b>                            | <b>912,176</b>       | <b>4,629,939</b>     | <b>3,467,301</b>     | <b>250,323</b>                | <b>13,826,667</b>   | <b>387,264</b>           |
| Deferred Inflows of Resources Due to Pensions          | 12,908                                      | 9,044                | 56,937               | 15,987               | 1,154                         | 96,030  | 4,307                    |
| <b>Net Position</b>                                    |   |                      |                      |                      |                               |   |                          |
| Net investment in capital assets, net of related debt  | 55,860,441                                  | 26,402,928           | 45,917,067           | 37,633,096           | 599,641                       | 166,413,173   | 7,444,002                |
| Restricted for:  |   |                      |                      |                      |                               |   |                          |
| Impact fees  | -   | -                    | -                    | 580,093              | -                             | 580,093   | -                        |
| Bond requirements                                      | 239,065                                     | -                    | -                    | -                    | -                             | 239,065   | -                        |
| Unrestricted   | 2,842,467                                   | 9,446,067            | 30,346,519           | (3,599,501)          | 3,143,381                     | 42,178,933  | 2,099,518                |
| Total Net Position                                     | <b>\$ 58,941,973</b>                        | <b>\$ 35,848,995</b> | <b>\$ 76,263,586</b> | <b>\$ 34,613,688</b> | <b>\$ 3,743,022</b>           | <b>\$ 209,411,264</b>   | <b>\$ 9,543,520</b>      |
|  |   |                      |                      |                      |                               | Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund: | 3,677,743                |
|  |   |                      |                      |                      |                               | Net Position from business-type activities:   | <b>\$ 213,089,007</b>    |



**Spanish Fork City**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

|   | Business-Type Activities - Enterprise Funds |                      |                      |                      |                               |                           | Governmental                            |
|---|---|----------------------|----------------------|----------------------|-------------------------------|---------------------------|---|
|   | Water                                       | Sewer                | Electric             | Storm Drain          | Non Major<br>Enterprise Funds | Total<br>Enterprise Funds | Activities-<br>Internal Service<br>Fund |
| <b>Operating Revenues:</b>  |   |                      |                      |                      |                               |                           |   |
| Charges for sales and services  | \$ 6,728,950                                | \$ 3,924,811         | \$ 35,689,343        | \$ 2,316,671         | \$ 2,339,700                  | \$ 50,999,475             | \$ 1,174,169                            |
| Other income  | 176,531                                     | 79,783               | 3,448                | 4,647,554            | (149)                         | 4,907,167                 | 3,473,873                               |
| Total operating revenues  | <b>6,905,481</b>                            | <b>4,004,594</b>     | <b>35,692,791</b>    | <b>6,964,225</b>     | <b>2,339,551</b>              | <b>55,906,642</b>         | <b>4,648,042</b>                        |
| <b>Operating Expenses:</b>  |   |                      |                      |                      |                               |                           |   |
| Water assessment  | 128,998                                     | -                    | -                    | -                    | -                             | 128,998                   | -                                       |
| Power purchases   | -   | -                    | 17,175,469           | -                    | -                             | 17,175,469                | -                                       |
| Landfill fees   | -   | -                    | -                    | -                    | 751,796                       | 751,796                   | -                                       |
| Employee salaries   | 1,212,730                                   | 832,560              | 5,061,418            | 1,391,390            | 170,087                       | 8,668,185                 | 407,592                                 |
| Materials and supplies  | 489,403                                     | 168,020              | 1,993,551            | 343,891              | 221,967                       | 3,216,832                 | 405,981                                 |
| Repairs and maintenance   | 96,096                                      | 236,466              | 76,187               | 7,204                | 4,974                         | 420,927                   | 415,431                                 |
| Professional services   | 671,837                                     | 888,751              | 4,447,166            | 1,009,599            | 488,943                       | 7,506,296                 | 30,739                                  |
| Motorpool charges   | 268,497                                     | 589,311              | 775,125              | 765,700              | 10,204                        | 2,408,837                 | -                                       |
| Utilities   | 437,608                                     | 380,593              | 193,603              | 68,112               | 33,414                        | 1,113,330                 | 39,184                                  |
| Insurance   | 18,653                                      | 72,527               | 59,414               | -                    | 4,069                         | 154,663                   | 5,653                                   |
| Depreciation  | 2,575,603                                   | 1,182,693            | 2,038,191            | 1,077,690            | 77,359                        | 6,951,536                 | 1,457,128                               |
| Capital outlay  | 4,777                                       | (37)                 | (4,092)              | 7,415                | -                             | 8,063                     | 5,910                                   |
| Indirect services   | 1,231,634                                   | 757,996              | 1,069,194            | 654,336              | 136,457                       | 3,849,617                 | -                                       |
| Sundry charges  | 10,757                                      | 3,038                | 66,698               | 23,606               | 669,164                       | 773,263                   | -                                       |
| Training  | -   | 928                  | 737                  | -                    | -                             | 1,665                     | -                                       |
| Total operating expenses  | <b>7,146,593</b>                            | <b>5,112,846</b>     | <b>32,952,661</b>    | <b>5,348,943</b>     | <b>2,568,434</b>              | <b>53,129,477</b>         | <b>2,767,618</b>                        |
| Operating income  | <b>(241,112)</b>                            | <b>(1,108,252)</b>   | <b>2,740,130</b>     | <b>1,615,282</b>     | <b>(228,883)</b>              | <b>2,777,165</b>          | <b>1,880,424</b>                        |
| <b>Nonoperating revenues (expenses):</b>  |   |                      |                      |                      |                               |                           |   |
| Interest revenue  | 15,228                                      | 145                  | 894,605              | -                    | -                             | 909,978                   | -                                       |
| Impact fees and water right fees  | 831,600                                     | 1,165,149            | 1,522,245            | 580,093              | -                             | 4,099,087                 | -                                       |
| Contributions from private contractors  | 1,723,038                                   | 1,124,996            | 948,591              | 4,535,030            | -                             | 8,331,655                 | -                                       |
| Grant proceeds  | 238,315                                     | -                    | -                    | -                    | -                             | 238,315                   | -                                       |
| Gain(loss) on sale of fixed assets  | -   | -                    | -                    | -                    | -                             | -                         | 42,503                                  |
| Pension benefit expense   | 103,258                                     | 79,043               | 512,845              | 142,719              | 10,655                        | 848,520                   | 41,800                                  |
| Pension expense   | (141,363)                                   | (99,049)             | (623,547)            | (175,085)            | (12,637)                      | (1,051,681)               | (47,168)                                |
| Interest expense  | (109,638)                                   | -                    | -                    | -                    | -                             | (109,638)                 | (6,187)                                 |
| Total nonoperating revenues (expenses)  | <b>2,660,438</b>                            | <b>2,270,284</b>     | <b>3,254,739</b>     | <b>5,082,757</b>     | <b>106,722</b>                | <b>13,374,940</b>         | <b>30,948</b>                           |
| Income (loss) before operating transfers  | <b>2,419,326</b>                            | <b>1,162,032</b>     | <b>5,994,869</b>     | <b>6,698,039</b>     | <b>(122,161)</b>              | <b>16,152,105</b>         | <b>1,911,372</b>                        |
| <b>Operating Transfers from (to) Other Funds</b>  |   |                      |                      |                      |                               |                           |   |
| Operating transfers out   | (194,063)                                   | (136,362)            | (1,726,138)          | 737,035              | (69,364)                      | (1,388,892)               | -                                       |
| Total contributions and operating transfers   | <b>(194,063)</b>                            | <b>(136,362)</b>     | <b>(1,726,138)</b>   | <b>737,035</b>       | <b>(69,364)</b>               | <b>(1,388,892)</b>        | <b>-</b>                                |
| Change in Net Position  | 2,225,263                                   | 1,025,670            | 4,268,731            | 7,435,074            | (191,525)                     | 14,763,213                | 1,911,372                               |
| Total Net Position - beginning  | 56,716,710                                  | 34,823,325           | 71,994,855           | 27,178,614           | 3,934,547                     | 194,648,051               | 7,632,148                               |
| Total Net Position - ending   | <b>\$ 58,941,973</b>                        | <b>\$ 35,848,995</b> | <b>\$ 76,263,586</b> | <b>\$ 34,613,688</b> | <b>\$ 3,743,022</b>           | <b>\$ 209,411,264</b>     | <b>\$ 9,543,520</b>                     |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund: |   |                      |                      |                      |                               | 1,077,774                 |   |
| Change in Net Position of business-type activities:   |   |                      |                      |                      |                               | <b>\$ 15,840,987</b>      |   |

**Spanish Fork City  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2019**

Business-Type Activities - Enterprise Funds

|  | Water<br>Fund       | Sewer<br>Fund       | Electric<br>Fund     | Storm Drain<br>Fund | Non Major<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |
|--|---------------------|---------------------|----------------------|---------------------|----------------------------------|------------------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                     |                      |                     |                                  |                              |
| Receipts from customers  | \$ 6,781,568        | \$ 3,892,022        | \$ 35,950,285        | \$ 2,284,645        | \$ 2,329,819                     | \$ 51,238,339                |
| Other cash receipts  | 176,531             | 79,783              | 3,448                | 4,647,554           | (149)                            | 4,907,167                    |
| Payments to suppliers  | (3,373,594)         | (2,640,301)         | (25,833,434)         | (2,816,076)         | (2,246,016)                      | (36,909,421)                 |
| Payments to employees  | (1,190,272)         | (820,544)           | (4,994,247)          | (1,371,817)         | (168,872)                        | (8,545,752)                  |
| Net cash provided (used) by operating activities   | <u>2,394,233</u>    | <u>510,960</u>      | <u>5,126,052</u>     | <u>2,744,306</u>    | <u>(85,218)</u>                  | <u>10,690,333</u>            |
| <b>Cash Flows From Noncapital Financing Activities</b>   |                     |                     |                      |                     |                                  |                              |
| Decrease (increase) in due from other funds  | (117,654)           | (339,256)           | (1,015,996)          | -                   | (49,140)                         | (1,522,046)                  |
| Increase (decrease) in due to other funds  | -                   | -                   | 140,757              | 2,178,074           | -                                | 2,318,831                    |
| Transfers in (out)   | (194,063)           | (136,362)           | (1,726,138)          | 737,035             | (69,364)                         | (1,388,892)                  |
| Net cash provided (used) by noncapital activities  | <u>(311,717)</u>    | <u>(475,618)</u>    | <u>(2,601,377)</u>   | <u>2,915,109</u>    | <u>(118,504)</u>                 | <u>(592,107)</u>             |
| <b>Cash Flows From Capital and Related Financing Activities</b>                                |                     |                     |                      |                     |                                  |                              |
| Purchases of capital assets  | (4,177,914)         | (2,039,046)         | (4,686,896)          | (10,774,538)        | -                                | (21,678,394)                 |
| Principal (paid) issued on capital debt  | (834,000)           | -                   | -                    | -                   | -                                | (834,000)                    |
| Interest paid on capital debt  | (109,638)           | -                   | -                    | -                   | -                                | (109,638)                    |
| Contributions from (reimbursements to) private contractors                                     | 1,723,038           | 1,124,996           | 948,591              | 4,535,030           | -                                | 8,331,655                    |
| Impact fees collected  | 831,600             | 1,165,149           | 1,522,245            | 580,093             | -                                | 4,099,087                    |
| Grant proceeds   | 238,315             | -                   | -                    | -                   | -                                | 238,315                      |
| Net cash provided (used) by capital and related financing activities                           | <u>(2,328,599)</u>  | <u>251,099</u>      | <u>(2,216,060)</u>   | <u>(5,659,415)</u>  | <u>-</u>                         | <u>(9,952,975)</u>           |
| <b>Cash Flows From Investing Activities</b>  |                     |                     |                      |                     |                                  |                              |
| Interest and dividends received  | 15,228              | 145                 | 894,605              | -                   | -                                | 909,978                      |
| Net cash provided (used) by investing activities   | <u>15,228</u>       | <u>145</u>          | <u>894,605</u>       | <u>-</u>            | <u>-</u>                         | <u>909,978</u>               |
| Net increase (decrease) in cash and cash equivalents   | (230,855)           | 286,586             | 1,203,220            | -                   | (203,722)                        | 1,055,229                    |
| Cash and cash equivalents, July 1  | 3,588,287           | 9,185,341           | 27,087,365           | -                   | 1,629,933                        | 41,490,926                   |
| Cash and cash equivalents, June 30   | <u>\$ 3,357,432</u> | <u>\$ 9,471,927</u> | <u>\$ 28,290,585</u> | <u>\$ -</u>         | <u>\$ 1,426,211</u>              | <u>\$ 42,546,155</u>         |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b> |                     |                     |                      |                     |                                  |                              |
| Operating income   | \$ (241,112)        | \$ (1,108,252)      | \$ 2,740,130         | \$ 1,615,282        | \$ (228,883)                     | 2,777,165                    |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                     |                     |                      |                     |                                  |                              |
| Depreciation expense   | 2,575,603           | 1,182,693           | 2,038,191            | 1,077,690           | 77,359                           | 6,951,536                    |
| (Increase) decrease in accounts receivable   | 55,140              | (27,310)            | 247,704              | (32,026)            | (9,881)                          | 233,627                      |
| Decrease (increase) in inventory   | -                   | -                   | (1,633)              | -                   | 12,718                           | 11,085                       |
| Increase (decrease) in accrued liabilities   | (15,334)            | 457,292             | 6,924                | 55,787              | 62,254                           | 566,923                      |
| Increase (decrease) in compensated absences  | 22,458              | 12,016              | 67,171               | 19,573              | 1,215                            | 122,433                      |
| Increase (decrease) in customer deposits   | -                   | -                   | 14,327               | 8,000               | -                                | 22,327                       |
| Increase (decrease) in deferred revenue  | (2,522)             | (5,479)             | 13,238               | -                   | -                                | 5,237                        |
| Total adjustments  | <u>2,635,345</u>    | <u>1,619,212</u>    | <u>2,385,922</u>     | <u>1,129,024</u>    | <u>143,665</u>                   | <u>7,913,168</u>             |
| Net cash provided (used) by operating activities   | <u>\$ 2,394,233</u> | <u>\$ 510,960</u>   | <u>\$ 5,126,052</u>  | <u>\$ 2,744,306</u> | <u>\$ (85,218)</u>               | <u>\$ 10,690,333</u>         |

**Spanish Fork City  
Statement of Net Position  
Fiduciary Fund  
As of June 30, 2019**

|  | <u>Fire<br/>Retirement<br/>Capital Fund</u> |
|--|---|
| <b>ASSETS</b>                            |   |
| Cash and equivalents                     | <u>104,251</u>                              |
| Total assets                             | <u><b>104,251</b></u>                       |
| <br><b>LIABILITIES AND FUND BALANCES</b> |   |
| Net position:                            |   |
| Deferred compensation                    | <u>104,251</u>                              |
| Total net position                       | <u>104,251</u>                              |
| Total liabilities and net position       | <u><b>\$ 104,251</b></u>                    |

**Spanish Fork City**  
**Statement of Changes in Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2019**

|   | Fire<br>Retirement<br>Capital Fund |
|---|------------------------------------|
| <b>REVENUES:</b>                                |                                    |
| Employer contribution                           | \$ 36,612                          |
| Interest income                                 | 2,859                              |
| Total   | <b>39,471</b>                      |
| <br><b>EXPENDITURES:</b>                        |                                    |
| Retirement payments                             | 36,575                             |
| Total   | 36,575                             |
| Excess of revenues over<br>(under) expenditures | 2,896                              |
| Net position - beginning of year                | 101,355                            |
| Net position - end of year                      | <b>\$ 104,251</b>                  |

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

*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, 2019**

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. Program 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. The Golf Course and Swimming Pool are reported in 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 seven 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**  
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***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, Streets and 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, Electric, Streets and Storm Drainage Funds | 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. Streets and Storm Drainage Fund accounts for revenues and expenditures of Streets and Storm Drainage Utility. |
| 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.   |
| 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, 2019**

**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**  
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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 & Cash Equivalents 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 in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

***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.

***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.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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***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.

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.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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, 2019, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

|                            | Liability Amount           |                              |              |
|----------------------------|----------------------------|------------------------------|--------------|
|                            | Governmental<br>Activities | Business -Type<br>Activities | Total        |
| Vacation Liability         | \$ 1,141,094               | \$ 649,724                   | \$ 1,790,818 |
| Sick Leave Liability       | 710,631                    | 351,076                      | 1,061,707    |
| Total Compensated Absences | \$ 1,851,725               | \$ 1,000,800                 | \$ 2,852,525 |

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.

**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.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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.

***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.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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*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 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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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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.

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, 2019, 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, 2019, 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, 2019, the City had \$14,881,812 of such indebtedness.

***Bonds Payable***

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2019.

| 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

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- 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.

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.



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**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 formal deposit policy for bank custodial credit risk. As of June 30, 2019, The City’s custodial credit risk for deposits is as follows:

|                     | Custodial Credit Risk          | Balance<br>June 30, 2019 |
|---------------------|--------------------------------|--------------------------|
| Depository Accounts | Insured                        | \$ 250,000               |
|                     | Uninsured and uncollateralized | 1,871,477                |
|                     | Total Depository Accounts      | \$ 2,121,477             |

***Investments***

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

Spanish Fork City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Spanish Fork 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 State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for Spanish Fork City’s funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, certified investment advisors, or directly with issuers of the investment securities.

Statutes authorize Spanish Fork City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); 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 in the Money Management Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

*Fair Value of Investments*

Spanish Fork City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Valuations based on quoted prices in active markets for identical assets or liabilities that the City has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.;
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and "brokered" or securitized certificates of deposit; and,
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2019, Spanish Fork City had the following recurring fair value measurements:

| Security Type Category | Level 1             | Level 2              | Level 3     | Other       | Total                |
|------------------------|---------------------|----------------------|-------------|-------------|----------------------|
| Agency                 | \$ 7,945,719        | \$ -                 | \$ -        | \$ -        | \$ 7,945,719         |
| Corporate              | -                   | 12,389,696           | -           | -           | 12,389,696           |
| Currency               | 16,829              | -                    | -           | -           | 16,829               |
| MM Fund                | 41,946              | -                    | -           | -           | 41,946               |
| US Gov                 | 1,052,833           | -                    | -           | -           | 1,052,833            |
| PTIF*                  | -                   | 37,363,229           | -           | -           | 37,363,229           |
| Total Fair Value       | <u>\$ 9,057,327</u> | <u>\$ 49,752,925</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 58,810,252</u> |

\* Not recorded at fair value as it is not a true investment and will only receive book value not fair value when account is closed

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Spanish Fork City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

**SPANISH FORK CITY**  
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**FOR THE YEAR ENDED JUNE 30, 2019**

As of June 30, 2019, Spanish Fork City's investments had the following maturities:

|                  | Investment Maturity in Years- Fair Value |                |               |              |                |
|------------------|--|----------------|---------------|--------------|----------------|
|                  | Fair Value                               | Less<br>Than 1 | 1-3           | 3-5          | More<br>Than 5 |
| AGCY Bond        | \$ 7,966,195                             | \$ 2,049,237   | \$ 4,807,021  | \$ 1,109,937 | \$ -           |
| Cash             | 16,829                                   | 16,829         | -             | -            | -              |
| Corp             | 11,871,839                               | 4,042,692      | 7,829,147     | -            | -              |
| MM Fund          | 41,946                                   | 41,946         | -             | -            | -              |
| US Gov           | 1,054,955                                | 299,299        | 755,656       | -            | -              |
| Yankee           | 562,418                                  | 477,594        | 84,824        | -            | -              |
| Total Fair Value | \$ 21,514,182                            | \$ 6,927,597   | \$ 13,476,648 | \$ 1,109,937 | \$ -           |

|                  | Investment Maturity in Years- Book Value |                |               |              |                |
|------------------|--|----------------|---------------|--------------|----------------|
|                  | Book Value                               | Less<br>Than 1 | 1-3           | 3-5          | More<br>Than 5 |
| AGCY Bond        | \$ 7,959,933                             | \$ 2,049,933   | \$ 4,805,000  | \$ 1,105,000 | \$ -           |
| Cash             | 16,829                                   | 16,829         | -             | -            | -              |
| Corp             | 11,826,471                               | 4,023,455      | 7,803,016     | -            | -              |
| MM Fund          | 41,946                                   | 41,946         | -             | -            | -              |
| US Gov           | 1,052,630                                | 300,458        | 752,172       | -            | -              |
| Yankee           | 560,142                                  | 475,358        | 84,784        | -            | -              |
| Total Book Value | \$ 21,457,951                            | \$ 6,907,979   | \$ 13,444,972 | \$ 1,105,000 | \$ -           |

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Spanish Fork City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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At June 30, 2019, Spanish Fork City's investments had the following quality ratings:

|        |               | Investment Ratings |                           |
|--------|---------------|--------------------|---------------------------|
| Rating | Security Type | Book Value         | Market Value Plus Accrued |
| AAA    | AGCY Bond     | \$ 7,959,933       | \$ 7,966,195              |
| AAA    | US Gov        | 1,052,630          | 1,054,955                 |
| AAA    | Cash          | 16,829             | 16,829                    |
| AAA    | MMFUND        | 41,946             | 41,946                    |
| AA     | Corp          | 712,269            | 717,059                   |
| AA-    | Corp          | 2,967,291          | 2,970,677                 |
| AA-    | Yankee        | 475,358            | 477,594                   |
| A+     | Corp          | 2,719,668          | 2,736,271                 |
| A      | Corp          | 4,774,477          | 4,790,770                 |
| A      | Yankee        | 84,784             | 84,824                    |
| A-     | Corp          | 286,875            | 288,312                   |
| BBB+   | Corp          | 365,891            | 368,750                   |
| Total  |               | \$ 21,457,951      | \$ 21,514,182             |

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Spanish Fork City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

At June 30, 2019, Spanish Fork City does not hold more than 5 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies.

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

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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 |       | 1,981,475  |  |
| Investments            |       | 63,689,421 |  |
| Cash on Hand           |       | 140,003    |  |
|                        | Total | 65,810,898 |  |

**Government-Wide**

|                                    |       |            |  |
|------------------------------------|-------|------------|--|
| Cash and Cash Equivalents          |       | 58,150,580 |  |
| Restricted Cash & Cash Equivalents |       | 7,556,067  |  |
| Fiduciary Restricted Cash          |       | 104,251    |  |
|                                    | Total | 65,810,898 |  |

|                                       |       |            |  |
|---------------------------------------|-------|------------|--|
| Net Cash on Statement of Net Position |       | 65,706,647 |  |
| Fiduciary Restricted Cash             |       | 104,251    |  |
|                                       | Total | 65,810,898 |  |

**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, 2019 are as follows:

| <b>Type of Restricted Asset</b>  | Cash/Time Deposites | Investments | Accrued Int | Total         |
|----------------------------------|---------------------|-------------|-------------|---------------|
| <b>Business-Type Activities:</b> |                     |             |             |               |
| Customer deposits                | \$ 561,097          | \$ -        | \$ -        | \$ 561,097    |
| Storm drainage impact fees       | 580,093             | -           | -           | 580,093       |
| Water bond requirements          | 239,065             | -           | -           | 239,065       |
| Final inspection deposits        | 1,033,250           | -           | -           | 1,033,250     |
| Total                            | 2,413,505           | -           | -           | 2,413,505     |
| <b>Governmental Activities:</b>  |                     |             |             |               |
| Developer escrows                | 4,726,738           | -           | -           | 4,726,738     |
| Final inspection deposits        | 1,490,108           | -           | -           | 1,490,108     |
| Impact fees                      | 607,130             | -           | -           | 607,130       |
| Debt services                    | 533,591             | -           | -           | 533,591       |
| RDA requirements                 | 2,859,149           | -           | -           | 2,859,149     |
| Total                            | 10,216,716          | -           | -           | 10,216,716    |
| Grand Total                      | \$ 12,630,221       | \$ -        | \$ -        | \$ 12,630,221 |

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2019, were as follows:

|                                 | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---------------------------------|----------------------------|-----------------------------|---------------------|
| Accounts receivables            | \$ -                       | \$ 4,010,912                | \$ 4,010,912        |
| Property tax                    | 1,990,004                  | -                           | 1,990,004           |
| Other tax                       | 2,507,131                  | -                           | 2,507,131           |
| Allowance for doubtful accounts | -                          | (44,806)                    | (44,806)            |
| Net accounts receivable         | <u>\$ 4,497,135</u>        | <u>\$ 3,966,106</u>         | <u>\$ 8,463,241</u> |

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

|  | Balance at<br>June 30, 2018 | Additions            | Disposals           | Balance at<br>June 30, 2019 |
|--|-----------------------------|----------------------|---------------------|-----------------------------|
| <b>Governmental Activities:</b>                  |                             |                      |                     |                             |
| Land (not being depreciated)                     | \$ 21,813,969               | \$ 211,209           | \$ -                | \$ 22,025,178               |
| Buildings  | 35,368,914                  | 11,586               | -                   | 35,380,500                  |
| Improvements                                     | 41,972,060                  | 2,587,960            | (144,329)           | 44,415,691                  |
| Machinery and equipment                          | 17,386,635                  | 2,487,299            | (625,564)           | 19,248,370                  |
| Infrastructure                                   | 85,560,463                  | 4,329,370            | -                   | 89,889,833                  |
| Totals at historical cost                        | <u>202,102,041</u>          | <u>9,627,424</u>     | <u>(769,893)</u>    | <u>210,959,572</u>          |
| Less accumulated depreciation                    |                             |                      |                     |                             |
| Buildings  | (13,432,868)                | (984,772)            | -                   | (14,417,640)                |
| Improvements                                     | (17,185,579)                | (1,184,953)          | 144,329             | (18,226,203)                |
| Machinery and equipment                          | (11,211,933)                | (1,517,137)          | 461,557             | (12,267,513)                |
| Infrastructure                                   | (45,315,292)                | (2,600,037)          | -                   | (47,915,329)                |
| Total accumulated depreciation                   | <u>(87,145,672)</u>         | <u>(6,286,899)</u>   | <u>605,886</u>      | <u>(92,826,685)</u>         |
| Governmental Activities:<br>capital assets, net  | <u>\$ 114,956,369</u>       | <u>\$ 3,340,525</u>  | <u>\$ (164,007)</u> | <u>\$ 118,132,887</u>       |
| <b>Business-Type Activities</b>                  |                             |                      |                     |                             |
| Land (not being depreciated)                     | \$ 3,400,802                | \$ 623,100           | \$ -                | \$ 4,023,902                |
| Water shares (not being depreciated)             | 5,900,448                   | 166,913              | -                   | 6,067,361                   |
| Buildings and structures                         | 6,697,028                   | -                    | -                   | 6,697,028                   |
| Improvements                                     | 216,277,891                 | 20,435,346           | -                   | 236,713,237                 |
| Machinery and equipment                          | 10,716,402                  | 453,034              | -                   | 11,169,436                  |
| Totals at historical cost                        | <u>242,992,571</u>          | <u>21,678,393</u>    | <u>-</u>            | <u>264,670,964</u>          |
| Less accumulated depreciation                    |                             |                      |                     |                             |
| Buildings and structures                         | (3,080,073)                 | (177,929)            | -                   | (3,258,002)                 |
| Improvements                                     | (76,364,370)                | (6,080,489)          | -                   | (82,444,859)                |
| Machinery and equipment                          | (8,358,878)                 | (693,117)            | -                   | (9,051,995)                 |
| Total accumulated depreciation                   | <u>(87,803,321)</u>         | <u>(6,951,535)</u>   | <u>-</u>            | <u>(94,754,856)</u>         |
| Business-Type Activities:<br>capital assets, net | <u>\$ 155,189,250</u>       | <u>\$ 14,726,858</u> | <u>\$ -</u>         | <u>\$ 169,916,108</u>       |

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Depreciation expense was charged to governmental activities as follows:

|   |                            |
|---|----------------------------|
| <b>Governmental Activities:</b>               |                            |
| General government                            | \$ 509,819                 |
| Public safety                                 | 689,679                    |
| Public works                                  | 2,616,693                  |
| Parks   | 1,054,910                  |
| Governmental portion of internal service fund | 1,415,798                  |
| <b>Total depreciation expense</b>             | <u><u>\$ 6,286,899</u></u> |

|                                   |                            |
|-----------------------------------|----------------------------|
| <b>Business-Type Activities</b>   |                            |
| Water                             | \$ 2,575,603               |
| Electric                          | 1,182,693                  |
| Sewer                             | 2,038,191                  |
| Garbage                           | 73,131                     |
| Streets and storm drainage        | 1,077,690                  |
| Gun club                          | 4,228                      |
| <b>Total depreciation expense</b> | <u><u>\$ 6,951,536</u></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>    |
|--|----------------------------|--------------------|
| Deferred property tax                                      | \$ 2,507,131               | \$ -               |
| Deferred onflows - pension                                 | 195,198                    | -                  |
| Total deferred inflows of resources for governmental funds | <u><u>\$ 2,702,329</u></u> | <u><u>\$ -</u></u> |



**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019, the governmental long-term debt of the financial reporting entity consisted of the following:

|   | Interest<br>Rate   | Maturity<br>Dates | Balance       |
|---|--------------------|-------------------|---------------|
| Sales Tax Revenue Bond<br>Series 2014<br>(Original amount \$13,305,000) | 0.75% to<br>5.000% | 2027              | \$ 11,090,000 |
| Total bonds payable - governmental activities                           |                    |                   | 11,090,000    |
|   |                    |                   | (1,170,000)   |
| Total long term portion of bonds payable - governmental activities      |                    |                   | \$ 9,920,000  |

***Capital leases payable***

Governmental activities: (Internal Service Fund)

|   |           |
|---|-----------|
| Capital leases payable                      | \$ 41,405 |
| Current portion of capital leases payable   | (41,405)  |
| Long term portion of capital leases payable | \$ -      |

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

***Business-type Activities:***

As of June 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

|  | Interest<br>Rate | Maturity<br>Dates | Balance             |
|--|------------------|-------------------|---------------------|
| Water Revenue Bonds Series 2011<br>Dated October 26, 2011<br>(Original amount \$2,040,000) | 1.87%            | 2032              | \$ 1,505,000        |
| Water Revenue Bonds Series 2012<br>Dated July 2, 2012<br>(Original amount \$4,041,000)     | 2.58%            | 2022              | 3,071,000           |
| Total bonds payable - business-type activities   |                  |                   | 4,576,000           |
| Less current portion   |                  |                   | (834,000)           |
| Total bonds payable - long term portion  |                  |                   | <u>\$ 3,742,000</u> |

***Changes in Long-term Debt:***

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

| Type of Debt                            | Balance<br>June 30, 2018 | Additions         | Deductions            | Balance<br>June 30, 2019 |
|---|--------------------------|-------------------|-----------------------|--------------------------|
| <b>Governmental activities:</b>         |                          |                   |                       |                          |
| Bonds:                                  |                          |                   |                       |                          |
| Bonds payable                           | \$ 12,190,000            | \$ -              | \$ (1,100,000)        | \$ 11,090,000            |
| <b>Total bonds:</b>                     | <b>12,190,000</b>        | <b>-</b>          | <b>(1,100,000)</b>    | <b>11,090,000</b>        |
| Direct borrowings:                      |                          |                   |                       |                          |
| Capital leases payable                  | 84,674                   | -                 | (43,269)              | 41,405                   |
| <b>Total direct borrowings:</b>         | <b>84,674</b>            | <b>-</b>          | <b>(43,269)</b>       | <b>41,405</b>            |
| <b>Compensated absences</b>             | <b>1,804,115</b>         | <b>47,610</b>     | <b>-</b>              | <b>1,851,725</b>         |
| <b>Total - Governmental Activities</b>  | <b>\$ 14,078,789</b>     | <b>\$ 47,610</b>  | <b>\$ (1,143,269)</b> | <b>\$ 12,983,130</b>     |
| <b>Business-type Activities:</b>        |                          |                   |                       |                          |
| Bonds:                                  |                          |                   |                       |                          |
| Bonds payable                           | \$ 4,576,000             | \$ -              | \$ (834,000)          | \$ 3,742,000             |
| <b>Total bonds:</b>                     | <b>4,576,000</b>         | <b>-</b>          | <b>(834,000)</b>      | <b>3,742,000</b>         |
| <b>Compensated absences</b>             | <b>878,368</b>           | <b>122,432</b>    | <b>-</b>              | <b>1,000,800</b>         |
| <b>Total - Business-type Activities</b> | <b>\$ 5,454,368</b>      | <b>\$ 122,432</b> | <b>\$ (834,000)</b>   | <b>\$ 4,742,800</b>      |
| Due Within One Year                     | \$ 1,969,874             | \$ 1,977,269      | \$ (1,969,874)        | \$ 1,977,269             |

The City has outstanding bonds and other direct borrowings related to governmental activities, and related to business-type activities. The outstanding bonds and other direct borrowings are all secured with their respective revenues and/or property and equipment as collateral.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

***Annual Debt Service Requirements:***

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2019, are as follows:

| Year Ending<br>June 30 | Governmental Activities<br>Bonds Payable |                     | Business-type Activities<br>Bonds Payable |                   |
|------------------------|--|---------------------|---|-------------------|
|                        | Principal                                | Interest            | Principal                                 | Interest          |
| 2020                   | 1,170,000                                | 522,750             | 854,000                                   | 86,533            |
| 2021                   | 1,225,000                                | 464,250             | 876,000                                   | 65,188            |
| 2022                   | 1,280,000                                | 403,000             | 898,000                                   | 43,290            |
| 2023                   | 1,335,000                                | 339,000             | 102,000                                   | 20,832            |
| 2024                   | 1,415,000                                | 272,250             | 104,000                                   | 18,924            |
| 2025-2029              | 4,665,000                                | 392,700             | 551,000                                   | 64,684            |
| 2030-2034              | -  | -                   | 357,000                                   | 13,427            |
| Total                  | <u>\$ 11,090,000</u>                     | <u>\$ 2,393,950</u> | <u>\$ 3,742,000</u>                       | <u>\$ 312,878</u> |

***Depreciation and Other Information on Capital Leases***

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, 2019 are:

|   |                  |
|---|------------------|
| Fiscal Year                             |                  |
| 2020                                    | <u>\$ 49,812</u> |
| Total minimum lease payments            | 49,812           |
| Less amounts representing interest      | <u>(8,407)</u>   |
| Present value of minimum lease payments | <u>\$ 41,405</u> |

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**3.G. INTERFUND TRANSACTIONS AND BALANCES**

*Operating Transfers:*

|  | Transfers in                   | Transfers out                  |
|--|--------------------------------|--------------------------------|
| <b>Governmental Activities:</b>                |                                |                                |
| General fund                                   | \$ 1,531,895                   | \$ 4,523,275                   |
| RDA fund                                       | 335,253                        | -                              |
| Debt service fund                              | 871,997                        | -                              |
| Land acquisition fund                          | 1,600,000                      | -                              |
| Airport projects fund                          | 105,000                        | -                              |
| Golf course improvements fund                  | 183,022                        | -                              |
| Capital projects fund - north park development | 145,000                        | -                              |
| Capital projects fund - stret cut bridge       | 1,000,000                      | -                              |
| Capital projects fund - cemetary driveway      | 140,000                        | -                              |
| <b>Total Governmental Activities</b>           | <u><b>5,912,167</b></u>        | <u><b>4,523,275</b></u>        |
| <b>Business-Type Activities:</b>               |                                |                                |
| Major Funds:                                   |                                |                                |
| Water fund                                     | -                              | 194,063                        |
| Sewer fund                                     | -                              | 136,362                        |
| Electric fund                                  | -                              | 1,535,337                      |
| Broadband services                             | -                              | 190,801                        |
| Non-Major Funds:                               |                                |                                |
| Garbage fund                                   | -                              | 69,364                         |
| Strom drainage fund                            | 815,000                        | 77,965                         |
| <b>Total Business-Type Activities</b>          | <u><b>815,000</b></u>          | <u><b>2,203,892</b></u>        |
| <b>Grand Totals</b>                            | <u><u><b>6,727,167</b></u></u> | <u><u><b>6,727,167</b></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.

Indirect Services:

|  | Indirect Service<br>Expense | Indirect Service<br>Revenue |
|--|-----------------------------|-----------------------------|
| <b>Major business-type activities:</b>     |                             |                             |
| Water fund                                 | \$ 1,231,634                | \$ -                        |
| Sewer fund                                 | 757,996                     | -                           |
| Electric fund                              | 1,069,194                   | -                           |
| Strom drain                                | 654,336                     | -                           |
| <b>Non-major business-type activities:</b> |                             |                             |
| Garbage                                    | 136,457                     | -                           |
| <b>Major governmental activities:</b>      |                             |                             |
| General fund                               | -                           | 3,849,617                   |
| Total                                      | <u><u>\$ 3,849,617</u></u>  | <u><u>\$ 3,849,617</u></u>  |

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Due to/from other funds**

|  | <u>Due to</u> | <u>Due from</u> |
|--|---------------|-----------------|
| <b>Governmental Funds:</b>                     |               |                 |
| Major Funds:                                   |               |                 |
| General fund                                   | \$ -          | \$ 340,384      |
| Non-Major Funds:                               |               |                 |
| RDA fund                                       | -             | 119,083         |
| Debt service fund                              | -             | 20,137          |
| Special guarantee fund                         | -             | 1,635           |
| Land acquisition fund                          | -             | 65,679          |
| Airport projects fund                          | -             | 9,763           |
| Golf course improvements fund                  | -             | 6,860           |
| Spanish Fork parkway & canyon creek            | -             | 17,939          |
| Spanish Fork river reclamation fund            | -             | 3,464           |
| Capital projects fund - north park development | -             | 55,409          |
| Capital projects fund - street cut bridge      | -             | 156,298         |
| Capital projects fund - cemetery driveway      | -             | 1,081           |
| Canyon road                                    | -             | 689             |
| <b>Total Governmental Funds</b>                | <u>-</u>      | <u>798,421</u>  |

**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, 2019**

**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> |
|                               | 100.00%     |

- 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. The UMPA 2019 financial information were not available prior to the issuance of these statements. June 30, 2018 audited statements are the most recent available. Audited summary financial information of UMPA at June 30, 2018 are as follows from UMPA:

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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|   | <u>UMPA</u>           | <u>Spanish Fork<br/>City's Share</u> |
|---|-----------------------|--------------------------------------|
| Total assets and deferred outflow of resources      | <u>\$ 186,920,130</u> | <u>\$ 39,813,988</u>                 |
| Total liabilities and deferred inflow of resources  | <u>\$ 186,916,780</u> | <u>\$ 39,813,274</u>                 |
| Total net position                                  | <u>\$ 3,350</u>       | <u>\$ 714</u>                        |
| Total operating revenues                            | \$ 79,523,349         | \$ 16,938,473                        |
| Total operating expenses                            | <u>(72,299,913)</u>   | <u>(15,399,881)</u>                  |
| Net operating income                                | 7,223,436             | 1,538,592                            |
| Total non-operating income (expenses)               | <u>(2,712,477)</u>    | <u>(577,758)</u>                     |
| Change in net position before adjustment            | <u>\$ 4,510,959</u>   | <u>\$ 960,834</u>                    |
| Transfer in of generation assets                    | \$ 11,343,675         | 2,416,203                            |
| Deferred inflow of resources adjustment             | (15,854,634)          | (3,377,037)                          |
| Change in net position                              | <u>\$ -</u>           | <u>\$ -</u>                          |
| The joint venture has the following long-term debt: |                       |                                      |
| Revenue bonds payable                               | <u>\$ 123,527,116</u> | <u>\$ 26,311,276</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:

|    |                                    |                 |
|----|------------------------------------|-----------------|
| b. | 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**  
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- 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, budget.
- d. Audited summary financial information of the District as June 30, 2019 is as follows from SUVSWD:

|  | South Utah<br>Valley Solid<br>Waste District | Spanish Fork<br>City's Share |
|--|--|------------------------------|
| Total assets and deferred outflow of resources     | \$ 15,412,400                                | \$ 1,810,957                 |
| Total liabilities and deferred inflow of resources | \$ 1,101,908                                 | \$ 129,474                   |
| Total net position                                 | \$ 14,310,492                                | \$ 1,681,483                 |
| Total operating revenues                           | \$ 7,542,716                                 | \$ 886,269                   |
| Total operating expenses                           | (6,870,463)                                  | (807,279)                    |
| Net operating income                               | 672,253                                      | 78,990                       |
| Total non-operating income (expenses)              | 252,884                                      | 29,714                       |
| Change in net assets                               | \$ 925,137                                   | \$ 108,704                   |

The joint venture has the following long-term debt:

|                                   |                |               |
|-----------------------------------|----------------|---------------|
| Closure and postclosure liability | \$ 2,162,102   | \$ 254,047    |
| Accrued compensated absences      | 213,035        | 25,032        |
| Net pension liability             | 638,171        | 74,985        |
| Total long-term liabilities       | \$ 123,527,116 | \$ 26,311,276 |

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

**Spanish Fork/Springville Airport**

The City was party to a joint venture with Springville, a neighboring municipality, in the Spanish Fork/Springville Airport (the airport). The joint venture was dissolved in 2018, with Spanish Fork City taking full responsibility of the airport. The airport is now reported in Spanish Fork City financial as a capital projects fund and in the General Fund under Public Works.

**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 \$2,000,000 expiring April 21, 2020 issued by Moreton & Company.
  - B. \$100,000 Blanket Employee Bond expiring April 1, 2020 covering all employees and elected officials of the City issued by Moreton & Company.
2. 12,148 water connections at June 30, 2019
3. Total culinary water billings for the year were \$2,917,624.



**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

4. Rate schedule

|  |                 |
|--|-----------------|
| Base charge                                    | \$10.00         |
| Price per 1,000 gallons for usage over base is | \$1.14 - \$2.14 |
| Connection/Impact fee (1 inch)                 | \$897.08        |

**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 sales tax and property tax increment collected by the agency for each project area:

|                         |            |
|-------------------------|------------|
| A. North Industrial RDA | \$ 343,973 |
| B. Kirby Lane RDA       | 425,573    |
| C. Wasatch Wind CDA     | 195,009    |
| D. Sierra Bonita CDA    | 69,754     |
| E. Krona CRA            | 301,728    |

|                 |                     |
|-----------------|---------------------|
| Total Collected | <u>\$ 1,336,037</u> |
|-----------------|---------------------|

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

|                         |                   |
|-------------------------|-------------------|
| A. North Industrial RDA | \$ -              |
| B. Kirby Lane RDA       | -                 |
| C. Wasatch Wind CDA     | 111,483           |
| Total Paid              | <u>\$ 111,483</u> |

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

\$ -

4. The actual amounts expended for :

|   |                     |
|---|---------------------|
| A. Acquisition of property                    | \$ -                |
| B. Site improvements                          | -                   |
| C. Installation of public utilities and roads | 1,116,064           |
| D. Administrative & contracted costs          | 555,412             |
| Total Expended                                | <u>\$ 1,671,476</u> |

**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 cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;
- **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.

**SPANISH FORK CITY**  
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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.

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](http://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<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years                                     | Up to 4%                                      |
| Public Safety System                        | Highest 3 years      | 20 years any age<br>10 years age 60<br>4 years age 65   | 2.5% per year up to 20 years<br>2.0% per year over 20 years | Up to 2.5% to 4%<br>depending on the employer |
| Tier 2 Public Employees System              | Highest 5 years      | 35 years any age<br>20 years any age 60*<br>10 years age 62*<br>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<br>20 years any age 60*<br>10 years age 62*<br>4 years age 65                  | 1.5% per year all years                                     | Up to 2.5%                                    |

\*Actuarial reductions are applied

\*\* 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.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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:

| <u>Utah Retirement Systems</u>           | Employee<br>Paid | Paid by<br>Employer<br>for Employee | Employer<br>Contribution<br>Rates | Employer<br>rate for<br>401(k) Plan |
|--|------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| <b>Contributory System</b>               |                  |                                     |                                   |                                     |
| 111-Local Government Division Tier 2     | N/A              | N/A                                 | 15.54                             | 1.15                                |
| <b>Noncontributory System</b>            |                  |                                     |                                   |                                     |
| 15-Local Government Division Tier 1      | N/A              | N/A                                 | 18.47                             | N/A                                 |
| <b>Public Safety Retirement System</b>   |                  |                                     |                                   |                                     |
| <b>Contributory</b>                      |                  |                                     |                                   |                                     |
| 122 Tier 2 DB Hybrid Public Safety       | N/A              | N/A                                 | 23.09                             | 0.74                                |
| <b>Noncontributory</b>                   |                  |                                     |                                   |                                     |
| 122-Other Division A Contributory Tier 2 | N/A              | N/A                                 | 34.04                             | N/A                                 |
| <b>Tier 2 DC Only</b>                    |                  |                                     |                                   |                                     |
| 211 Local Government                     | N/A              | N/A                                 | 6.69                              | 10.00                               |
| 222 Public Safety                        | N/A              | N/A                                 | 11.83                             | 12.00                               |

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

| <b>System</b>                        | <b>Employer<br/>Contribution</b> | <b>Employee<br/>Contribution</b> |
|--------------------------------------|----------------------------------|----------------------------------|
| Noncontributory System               | \$ 1,327,797                     | N/A                              |
| Public Safety System                 | 594,209                          | -                                |
| Tier 2 Public Employee System        | 477,206                          | -                                |
| Tier 2 Public Safety and Firefighter | 121,965                          | -                                |
| Tier 2 DC Only System                | 30,671                           | N/A                              |
| <b>Total</b>                         | <b>\$ 2,551,848</b>              | <b>\$ -</b>                      |

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.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

At June 30, 2019, we reported a net pension asset of \$0 and a net pension liability of \$9,559,162.

|  | (Measurement Date): December 31, 2018 |                          |                        |  |                      |
|--|---------------------------------------|--------------------------|------------------------|--|----------------------|
|  | Net Pension<br>Asset                  | Net Pension<br>Liability | Proportionate<br>Share | Proportionate Share<br>December 31, 2017 | Change<br>(Decrease) |
| Noncontributory System                       | \$ -                                  | \$ 6,328,638             | 0.8594345%             | 0.8335616%                               | 0.0258729%           |
| Public Safety System                         | -                                     | 3,120,976                | 1.2131674%             | 1.1948197%                               | 0.0183477%           |
| Tier 2 Public Employees System               | -                                     | 100,588                  | 0.2348667%             | 0.2198402%                               | 0.0150265%           |
| Tier 2 Public Safety and Fire Fighter System | -                                     | 8,960                    | 0.3575857%             | 0.3462816%                               | 0.0113041%           |
|  | \$ -                                  | \$ 9,559,162             |                        |  |                      |

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019. We recognized pension expense of \$3,189,437.

At June 30, 2019, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ 86,218                            | \$ 516,559                          |
| Changes in assumptions   | 1,240,273                            | 113,460                             |
| Net difference between projected and actual earnings on pension plan investments                     | 1,894,562                            | 2,964,975                           |
| Changes in proportion and differences between contributions and proportionate share of contributions | 255,004                              | 1,836                               |
| Contributions subsequent to the measurement date   | 1,299,458                            | -                                   |
| Total  | \$ 4,775,515                         | \$ 3,596,830                        |

\$1,299,458 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

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:

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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| Year Ended December 31, | Deferred Outflows<br>(inflows) of Resources |
|-------------------------|---|
| 2019                    | \$ 1,457,034                                |
| 2020                    | 531,911                                     |
| 2021                    | 263,816                                     |
| 2022                    | 898,999                                     |
| 2023                    | 3,895                                       |
| Thereafter              | 29,172                                      |

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50 percent   |
| Salary increases          | 3.25-9.75 percent, average, including inflation                          |
| Investment rate of return | 6.95 percent, net of pension plan investment expense including inflation |

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, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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 table on the following page:

| Asset Class               | Expected Return Arithmetic Basis |                                    |  |
|---------------------------|----------------------------------|------------------------------------|--|
|                           | Target Asset<br>Allocation       | Real Return<br>Arithmetic<br>Basis | Long-Term expected<br>portfolio real<br>rate of return |
| Equity securities         | 40.00%                           | 6.15%                              | 2.46%  |
| Debt securities           | 20.00%                           | 0.40%                              | 0.08%  |
| Real assets               | 15.00%                           | 5.75%                              | 0.86%  |
| Private equity            | 9.00%                            | 9.95%                              | 0.89%  |
| Absolute return           | 16.00%                           | 2.85%                              | 0.46%  |
| Cash and cash equivalents | 0.00%                            | 0.00%                              | 0.00%  |
| Totals                    | 100.00%                          |                                    | 4.75%  |
|                           |                                  | Inflation                          | 2.50%  |
|                           |                                  | Expected arithmetic nominal return | 7.25%  |

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 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. The discount rate does not use the

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

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 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

| <b>System</b>                        | 1%<br>Decrease<br>(5.95%) | Discount<br>Rate<br>(6.95%) | 1%<br>Increase<br>(7.95%) |
|--------------------------------------|---------------------------|-----------------------------|---------------------------|
| Noncontributory System               | \$ 12,970,292             | \$ 6,328,638                | \$ 797,895                |
| Public Safety System                 | 6,117,664                 | 3,120,976                   | 688,324                   |
| Tier 2 Public Employee System        | 402,976                   | 100,588                     | (132,780)                 |
| Tier 2 Public Safety and Firefighter | 67,578                    | 8,960                       | (35,898)                  |
| Total                                | \$ 19,558,510             | \$ 9,559,162                | \$ 1,317,541              |

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
- \*457(b) 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 follows:

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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|                               | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-------------------------------|-------------|-------------|-------------|
| <b><i>401 (k) Plan</i></b>    |             |             |             |
| Employer Contributions        | \$ 96,645   | \$ 86,209   | \$ 63,760   |
| Employee Contributions        | \$ 35,373   | \$ 39,100   | \$ 37,891   |
| <b><i>457 Plan</i></b>        |             |             |             |
| Employer Contributions        | \$ -        | \$ -        | \$ -        |
| Employee Contributions        | \$ 489      | \$ -        | \$ -        |
| <b><i>Roth IRA Plan</i></b>   |             |             |             |
| Employer Contributions        | N/A         | N/A         | N/A         |
| Employee Contributions        | \$ 61,705   | \$ 44,470   | \$ 29,018   |
| <b><i>Traditional IRA</i></b> |             |             |             |
| Employer Contributions        | N/A         | N/A         | N/A         |
| Employee Contributions        | \$ -        | \$ 1,250    | \$ 1,595    |

**4. G. SUBSEQUENT EVENTS**

Subsequent events were evaluated through the date of the audit report, 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, 2019**

**Changes in Assumptions Related to Pensions**

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year

**SPANISH FORK CITY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Utah Retirement Systems**  
**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)  | 2015 0.7580962%        | 1.0812842%           | 0.1617363%                     | 0.2023030%                                  |
|  | 2016 0.7778810%        | 1.1538440%           | 0.0171388%                     | 0.2509637%                                  |
|  | 2017 0.8043046%        | 1.1807616%           | 0.1880264%                     | 0.2378124%                                  |
|  | 2018 0.8335616%        | 1.1948197%           | 0.2198402%                     | 0.3462816%                                  |
|  | 2019 0.8594345%        | 1.2131674%           | 0.2348667%                     | 0.3575857%                                  |
| Proportionate share of the net pension liability (asset)   | 2015 \$ 3,291,832      | \$ 1,359,805         | \$ (4,901)                     | \$ (2,993)                                  |
|  | 2016 \$ 4,401,629      | \$ 2,066,825         | \$ (374)                       | \$ (3,667)                                  |
|  | 2017 \$ 5,164,320      | \$ 2,396,091         | \$ 20,974                      | \$ (2,064)                                  |
|  | 2018 \$ 3,652,083      | \$ 1,874,264         | \$ 19,383                      | \$ (4,007)                                  |
|  | 2019 \$ 6,328,638      | \$ 3,120,976         | \$ 100,588                     | \$ 8,960                                    |
| Covered Employee Payroll   | 2015 \$ 6,433,835      | \$ 1,579,886         | \$ 794,624                     | \$ 83,973                                   |
|  | 2016 \$ 6,571,249      | \$ 1,692,697         | \$ 1,107,243                   | \$ 149,361                                  |
|  | 2017 \$ 6,903,588      | \$ 1,743,639         | \$ 1,541,963                   | \$ 196,486                                  |
|  | 2018 \$ 6,977,545      | \$ 1,739,944         | \$ 2,151,729                   | \$ 365,405                                  |
|  | 2019 \$ 7,117,204      | \$ 1,738,220         | \$ 2,740,105                   | \$ 478,878                                  |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 2015 51.2000000%       | 86.1000000%          | -0.6000000%                    | -3.6000000%                                 |
|  | 2016 66.9800000%       | 122.1000000%         | -0.0300000%                    | -0.2460000%                                 |
|  | 2017 74.8100000%       | 137.4000000%         | 1.3600000%                     | -1.0500000%                                 |
|  | 2018 52.3400000%       | 107.7000000%         | 0.9000000%                     | -1.1000000%                                 |
|  | 2019 88.9200000%       | 179.5500000%         | 3.6700000%                     | 1.8700000%                                  |
| Plan fiduciary net position as a percentage of the total pension liability.                              | 2015 90.2000000%       | 90.5000000%          | 103.5000000%                   | 120.5000000%                                |
|  | 2016 87.8000000%       | 87.1000000%          | 100.2000000%                   | 110.7000000%                                |
|  | 2017 87.3000000%       | 86.5000000%          | 95.1000000%                    | 103.6000000%                                |
|  | 2018 91.9000000%       | 90.2000000%          | 97.4000000%                    | 103.0000000%                                |
|  | 2019 87.0000000%       | 84.7000000%          | 90.8000000%                    | 95.6000000%                                 |

\* 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 five years.

**SPANISH FORK CITY**  
**SCHEDULE OF CONTRIBUTIONS**  
**Utah Retirement Systems**  
**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 |
|---|------------------------------------|--|----------------------------------|--------------------------|---|
| <b>Noncontributory System</b>                       |                                    |  |                                  |                          |   |
| 2015  | \$ 1,188,850                       | \$ 1,188,850   | \$ -                             | \$ 6,490,086             | 18.32%  |
| 2016  | 1,232,880                          | 1,232,880  | -                                | 6,738,212                | 18.30%  |
| 2017  | 1,274,437                          | 1,274,437  | -                                | 6,972,376                | 18.28%  |
| 2018  | 1,279,367                          | 1,279,367  | -                                | 7,022,987                | 18.22%  |
| 2019  | 1,279,367                          | 1,279,367  | -                                | 7,022,987                | 18.22%  |
| <b>Public Safety System</b>                         |                                    |  |                                  |                          |   |
| 2015  | \$ 559,347                         | \$ 559,347   | \$ -                             | \$ 1,647,057             | 33.96%  |
| 2016  | 585,803                            | 585,803  | -                                | 1,723,555                | 33.99%  |
| 2017  | 595,387                            | 595,387  | -                                | 1,749,030                | 34.04%  |
| 2018  | 588,532                            | 588,532  | -                                | 1,729,410                | 34.03%  |
| 2019  | 588,532                            | 588,532  | -                                | 1,729,410                | 34.03%  |
| <b>Tier 2 Public Employees System*</b>              |                                    |  |                                  |                          |   |
| 2015  | \$ 151,634                         | \$ 151,634   | \$ -                             | \$ 1,024,321             | 14.80%  |
| 2016  | 189,010                            | 189,010  | -                                | 1,276,697                | 14.80%  |
| 2017  | 281,807                            | 281,807  | -                                | 1,890,051                | 14.91%  |
| 2018  | 362,112                            | 362,112  | -                                | 2,398,374                | 15.10%  |
| 2019  | 362,112                            | 362,112  | -                                | 2,398,374                | 15.10%  |
| <b>Tier 2 Public Safety and Firefighter System*</b> |                                    |  |                                  |                          |   |
| 2015  | \$ 28,463                          | \$ 28,463  | \$ -                             | \$ 126,220               | 22.55%  |
| 2016  | 38,350                             | 38,350   | -                                | 170,444                  | 22.50%  |
| 2017  | 59,687                             | 59,687   | -                                | 265,276                  | 22.50%  |
| 2018  | 100,657                            | 100,657  | -                                | 446,619                  | 22.54%  |
| 2019  | 100,657                            | 100,657  | -                                | 446,619                  | 22.54%  |
| <b>Tier 2 Public Employees DC Only System*</b>      |                                    |  |                                  |                          |   |
| 2015  | \$ -                               | \$ -   | \$ -                             | \$ -                     | 0.00%   |
| 2016  | 4,560                              | 4,560  | -                                | 68,155                   | 6.69%   |
| 2017  | 10,751                             | 10,751   | -                                | 160,707                  | 6.69%   |
| 2018  | 21,094                             | 21,094   | -                                | 315,310                  | 6.69%   |
| 2019  | 21,094                             | 21,094   | -                                | 315,310                  | 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 five 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, 2019**

| Special Revenue                    | Debt Service      |                  | Capital Projects       |                   |                       |                       |                        |                        |                               |                     |                        |  |
|------------------------------------|-------------------|------------------|------------------------|-------------------|-----------------------|-----------------------|------------------------|------------------------|-------------------------------|---------------------|------------------------|--|
|                                    | Debt Service Fund | Special Fund     | Cemetery Driveway Fund | Canyon Creek Fund | Land Acquisition Fund | Airport Projects Fund | River Reclamation Fund | Golf Course Impr. Fund | Canyon Road Intersection Fund | Fire Station Fund   | Street Cut Bridge Fund |  |
| RDA Fund                           |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| \$ -                               | \$ -              | \$ -             | \$ 24,917              | \$ 413,361        | \$ 1,513,396          | \$ 224,951            | \$ 79,821              | \$ 158,082             | \$ 15,867                     | \$ 1,276,763        | \$ 3,601,484           |  |
| 119,083                            | 20,137            | 1,635            | 1,081                  | 17,939            | 65,679                | 9,762                 | 3,464                  | 6,860                  | 689                           | 55,409              | 156,298                |  |
| 2,743,946                          | 464,001           | 37,669           | -                      | -                 | -                     | -                     | -                      | -                      | -                             | -                   | -                      |  |
| <b>\$ 2,863,029</b>                | <b>\$ 484,138</b> | <b>\$ 39,304</b> | <b>\$ 25,998</b>       | <b>\$ 431,300</b> | <b>\$ 1,579,075</b>   | <b>\$ 234,713</b>     | <b>\$ 83,285</b>       | <b>\$ 164,942</b>      | <b>\$ 16,556</b>              | <b>\$ 1,332,172</b> | <b>\$ 3,757,782</b>    |  |
| \$ 3,880                           | \$ -              | \$ -             | \$ 15,849              | \$ 1,750          | \$ -                  | \$ -                  | \$ 29,372              | \$ 19,036              | \$ -                          | \$ 2,250            | \$ 16,706              |  |
| <b>3,880</b>                       | <b>-</b>          | <b>-</b>         | <b>15,849</b>          | <b>1,750</b>      | <b>-</b>              | <b>-</b>              | <b>29,372</b>          | <b>19,036</b>          | <b>-</b>                      | <b>2,250</b>        | <b>16,706</b>          |  |
| <b>ASSETS</b>                      |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Cash and cash equivalents          |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Due from other funds               |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Restricted Assets:                 |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Cash and cash equivalents          |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Total assets                       |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| <b>LIABILITIES</b>                 |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Accounts payable                   |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Total liabilities                  |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| <b>FUND BALANCES</b>               |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Restricted for:                    |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Redevelopment                      |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Debt service                       |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Committed for:                     |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Capital projects                   |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Total fund balances                |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| Total liabilities and fund balance |                   |                  |                        |                   |                       |                       |                        |                        |                               |                     |                        |  |
| 2,859,149                          | -                 | -                | -                      | -                 | -                     | -                     | -                      | -                      | -                             | -                   | -                      |  |
| -                                  | 484,138           | 39,304           | 10,149                 | -                 | -                     | -                     | -                      | -                      | -                             | -                   | -                      |  |
| -                                  | -                 | -                | -                      | 429,550           | 1,579,075             | 234,713               | 53,913                 | 145,906                | 16,556                        | 1,329,922           | 3,741,076              |  |
| 2,859,149                          | 484,138           | 39,304           | 10,149                 | 429,550           | 1,579,075             | 234,713               | 53,913                 | 145,906                | 16,556                        | 1,329,922           | 3,741,076              |  |
| <b>\$ 2,863,029</b>                | <b>\$ 484,138</b> | <b>\$ 39,304</b> | <b>\$ 25,998</b>       | <b>\$ 431,300</b> | <b>\$ 1,579,075</b>   | <b>\$ 234,713</b>     | <b>\$ 83,285</b>       | <b>\$ 164,942</b>      | <b>\$ 16,556</b>              | <b>\$ 1,332,172</b> | <b>\$ 3,757,782</b>    |  |

**Spanish Fork City**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2019**

|   | Special Revenue  |  | Debt Service      |                        |                        |                   | Capital Projects      |                       |                        |                               |                  |                   |                        |  |
|---|------------------|--|-------------------|------------------------|------------------------|-------------------|-----------------------|-----------------------|------------------------|-------------------------------|------------------|-------------------|------------------------|--|
|   | RDA Fund         |  | Debt Service Fund | Special Guarantee Fund | Cemetery Driveway Fund | Canyon Creek Fund | Land Acquisition Fund | Airport Projects Fund | River Reclamation Fund | Golf Course Improvements Fund | Canyon Road Fund | Fire Station Fund | Street Cut Bridge Fund |  |
| REVENUES:   |                  |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Taxes   | 1,034,311        |  | 797,497           |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Sundry revenues   | 1,130,873        |  |                   |                        |                        | 55,365            |                       |                       |                        |                               |                  | 1,238,068         |                        |  |
| Intergovernmental   | -                |  | 20,294            |                        |                        |                   |                       | 364,610               | 2,122,583              |                               |                  |                   | 2,447,546              |  |
| Interest income   | 53,837           |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Total revenues  | <b>2,219,021</b> |  | <b>817,791</b>    |                        |                        | <b>55,365</b>     |                       | <b>364,610</b>        | <b>2,122,583</b>       |                               |                  | <b>1,238,068</b>  | <b>2,447,546</b>       |  |
| EXPENDITURES:   |                  |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Current Expenditures:   |                  |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| RDA   | 1,671,476        |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Debt service:   |                  |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Principal retirement  | -                |  | 1,100,000         |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Interest and fiscal charges   | -                |  | 570,350           |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Capital outlay  | -                |  |                   |                        | 129,851                |                   |                       | 350,666               | 2,339,182              | 151,593                       |                  | 53,146            |                        |  |
| Total expenditures  | <b>1,671,476</b> |  | <b>1,670,350</b>  |                        | <b>129,851</b>         |                   | <b>350,666</b>        | <b>2,339,182</b>      | <b>151,593</b>         |                               |                  | <b>53,146</b>     |                        |  |
| Excess of revenues over (under) expenditures                                  | 547,545          |  | (852,559)         |                        | (129,851)              | 55,365            | (107,195)             | 13,944                | (216,599)              | (151,593)                     |                  | 1,184,922         | 2,447,546              |  |
| Other financing sources (uses):   |                  |  |                   |                        |                        |                   |                       |                       |                        |                               |                  |                   |                        |  |
| Transfers in (out)  | 335,253          |  | 871,997           |                        | 140,000                |                   | 1,600,000             | 105,000               |                        | 183,022                       |                  | 145,000           | 1,000,000              |  |
| Total other financing sources (uses)  | <b>335,253</b>   |  | <b>871,997</b>    |                        | <b>140,000</b>         |                   | <b>1,600,000</b>      | <b>105,000</b>        |                        | <b>183,022</b>                |                  | <b>145,000</b>    | <b>1,000,000</b>       |  |
| Excess of revenues and other sources over (under) expenditures and other uses | 882,798          |  | 19,438            |                        | 10,149                 | 55,365            | 1,492,805             | 118,944               | (216,599)              | 31,429                        |                  | 1,329,922         | 3,447,546              |  |
| Fund balances - beginning of year   | 1,976,351        |  | 464,700           |                        |                        | 374,185           | 86,270                | 115,769               | 270,512                | 114,477                       | 16,556           |                   | 293,530                |  |
| Fund balances - end of year   | <b>2,859,149</b> |  | <b>484,138</b>    |                        | <b>10,149</b>          | <b>429,550</b>    | <b>1,579,075</b>      | <b>234,713</b>        | <b>53,913</b>          | <b>145,906</b>                | <b>16,556</b>    | <b>1,329,922</b>  | <b>3,741,076</b>       |  |

**Spanish Fork City**  
**Combining Statement of Net Position**  
**Non-Major Proprietary Funds**  
**As of June 30, 2019**

|  | Business-Type Activities - Enterprise Funds |                          |                            |
|--|---|--------------------------|----------------------------|
|  | Garbage<br>Fund                             | Gun Club<br>Fund         | Total<br>Other Funds       |
| <b>ASSETS</b>  |   |                          |                            |
| Current assets:  |   |                          |                            |
| Cash and cash equivalents                              | \$ 1,245,287                                | \$ 180,924               | \$ 1,426,211               |
| Accounts receivable                                    | 199,995                                     | -                        | 199,995                    |
| Allowance for doubtful accounts                        | (1,729)                                     | -                        | (1,729)                    |
| Due from other funds                                   | 54,043                                      | 7,834                    | 61,877                     |
| Inventory  | -   | 8,100                    | 8,100                      |
| Total current assets                                   | <u>1,497,596</u>                            | <u>196,858</u>           | <u>1,694,454</u>           |
| Noncurrent assets:                                     |   |                          |                            |
| Capital Assets:  |   |                          |                            |
| Land   | 217,906                                     | -                        | 217,906                    |
| Buildings  | 113,751                                     | 28,116                   | 141,867                    |
| Improvements   | 37,378                                      | 95,473                   | 132,851                    |
| Equipment  | 1,352,582                                   | 84,120                   | 1,436,702                  |
| Less: accumulated depreciation                         | (1,178,292)                                 | (151,393)                | (1,329,685)                |
| Other Assets:  |   |                          |                            |
| Equity in joint venture                                | 1,681,483                                   | -                        | 1,681,483                  |
| Total noncurrent assets                                | <u>2,224,808</u>                            | <u>56,316</u>            | <u>2,281,124</u>           |
| Total assets   | <u>3,722,404</u>                            | <u>253,174</u>           | <u>3,975,578</u>           |
| Deferred outflows of resources due to pensions         | <u>17,774</u>                               | <u>1,147</u>             | <u>18,921</u>              |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b> | <u><b>\$ 3,740,178</b></u>                  | <u><b>\$ 254,321</b></u> | <u><b>\$ 3,994,499</b></u> |
| <b>LIABILITIES</b>                                     |   |                          |                            |
| Current liabilities:                                   |   |                          |                            |
| Due to other funds                                     | \$ -  | \$ -                     | \$ -                       |
| Accrued Liabilities                                    | -   | 684                      | 684                        |
| Accounts payable                                       | 194,788                                     | 5,689                    | 200,477                    |
| Compensated absences                                   | 10,605                                      | 684                      | 11,289                     |
| Customer Deposits Payable                              | -   | -                        | -                          |
| Total current liabilities                              | <u>205,393</u>                              | <u>7,057</u>             | <u>212,450</u>             |
| Noncurrent liabilities:                                |   |                          |                            |
| Net pension liability                                  | 35,578                                      | 2,295                    | 37,873                     |
| Total noncurrent liabilities                           | <u>35,578</u>                               | <u>2,295</u>             | <u>37,873</u>              |
| Total liabilities                                      | <u>240,971</u>                              | <u>9,352</u>             | <u>250,323</u>             |
| Deferred inflows of resources due to pensions          | <u>1,084</u>                                | <u>70</u>                | <u>1,154</u>               |
| <b>Net Position</b>                                    |   |                          |                            |
| Net investment in capital assets                       | 543,325                                     | 56,316                   | 599,641                    |
| Restricted for:  |   |                          |                            |
| Impact fees  | -   | -                        | -                          |
| Unrestricted   | <u>2,954,798</u>                            | <u>188,583</u>           | <u>3,143,381</u>           |
| Total Net Position                                     | <u><b>\$ 3,498,123</b></u>                  | <u><b>\$ 244,899</b></u> | <u><b>\$ 3,743,022</b></u> |

**Spanish Fork City**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Non-Major Proprietary Funds**  
**For the Year Ended June 30, 2019**

|  | Business-Type Activities - Enterprise Funds |                   |                      |
|--|---|-------------------|----------------------|
|  | Garbage<br>Fund                             | Gun Club<br>Fund  | Total<br>Other Funds |
| Operating revenues:                      |   |                   |                      |
| Charges for sales and services           | \$ 2,183,275                                | \$ 156,425        | \$ 2,339,700         |
| Other income                             | -   | (149)             | (149)                |
| Total operating revenues                 | <u>2,183,275</u>                            | <u>156,276</u>    | <u>2,339,551</u>     |
| Operating expenses:                      |   |                   |                      |
| Landfill fees                            | 751,796                                     | -                 | 751,796              |
| Employee salaries                        | 116,909                                     | 53,178            | 170,087              |
| Materials and supplies                   | 146,819                                     | 75,148            | 221,967              |
| Repairs and maintenance                  | 382   | 4,592             | 4,974                |
| Professional services                    | 465,812                                     | 23,131            | 488,943              |
| Motorpool charges                        | 8,833                                       | 1,371             | 10,204               |
| Utilities                                | 19,796                                      | 13,618            | 33,414               |
| Insurance                                | 3,413                                       | 656               | 4,069                |
| Depreciation                             | 73,131                                      | 4,228             | 77,359               |
| Capital Outlay                           | -   | -                 | -                    |
| Indirect services                        | 136,457                                     | -                 | 136,457              |
| Sundry charges                           | 669,164                                     | -                 | 669,164              |
| Total operating expenses                 | <u>2,392,512</u>                            | <u>175,922</u>    | <u>2,568,434</u>     |
| Operating income                         | <u>(209,237)</u>                            | <u>(19,646)</u>   | <u>(228,883)</u>     |
| Nonoperating revenues (expenses):        |   |                   |                      |
| Pension benefit expense                  | 10,050                                      | 605               | 10,655               |
| Pension expense                          | (11,871)                                    | (766)             | (12,637)             |
| Change in joint venture equity           | 108,704                                     | -                 | 108,704              |
| Contributions from private contractors   | -   | -                 | -                    |
| Total nonoperating revenues (expenses)   | <u>106,883</u>                              | <u>(161)</u>      | <u>106,722</u>       |
| Income (loss) before operating transfers | <u>(102,354)</u>                            | <u>(19,807)</u>   | <u>(122,161)</u>     |
| Operating transfers:                     |   |                   |                      |
| Operating transfers in/(out)             | (69,364)                                    | -                 | (69,364)             |
| Total operating transfers                | <u>(69,364)</u>                             | <u>-</u>          | <u>(69,364)</u>      |
| Change in Net Position                   | (171,718)                                   | (19,807)          | (191,525)            |
| Total Net Position - beginning           | 3,669,841                                   | 264,706           | 3,934,547            |
| Total Net Position - ending              | <u>\$ 3,498,123</u>                         | <u>\$ 244,899</u> | <u>\$ 3,743,022</u>  |

**Spanish Fork City**  
**Combining Statement Cash Flows**  
**Non-Major Proprietary Funds**  
**For the Year Ended June 30, 2019**

|  | Business-Type Activities - Enterprise Funds |                          |                            |
|--|---|--------------------------|----------------------------|
|  | Garbage                                     | Gun Club                 | Total                      |
|  | Fund  | Fund                     | Non-Major<br>Funds         |
| <b>Cash Flows From Operating Activities</b>  |   |                          |                            |
| Receipts from customers  | \$ 2,173,394                                | \$ 156,425               | \$ 2,329,819               |
| Other cash receipts  | -   | (149.00)                 | (149)                      |
| Payments to suppliers  | (2,139,449)                                 | (106,567)                | (2,246,016)                |
| Payments to employees  | (115,790)                                   | (53,082)                 | (168,872)                  |
| Net cash provided (used) by operating activities   | <u>(81,845)</u>                             | <u>(3,373)</u>           | <u>(85,218)</u>            |
| <b>Cash Flows From Noncapital</b>  |   |                          |                            |
| <b>Financing Activities</b>  |   |                          |                            |
| Increase (decrease) in due from other funds  | (42,791)                                    | (6,349)                  | (49,140)                   |
| Increase (decrease) in due to other funds  | -   | -                        | -                          |
| Transfers in (out)   | (69,364)                                    | -                        | (69,364)                   |
| Net cash provided (used) by noncapital activities  | <u>(112,155)</u>                            | <u>(6,349)</u>           | <u>(118,504)</u>           |
| <b>Cash Flows From Capital and Related</b>   |   |                          |                            |
| <b>Financing Activities</b>  |   |                          |                            |
| Purchases of capital assets  | -   | -                        | -                          |
| Contributions from private contractors   | -   | -                        | -                          |
| Impact fees collected  | -   | -                        | -                          |
| Net cash provided (used) by capital and related financing activities                           | <u>-</u>                                    | <u>-</u>                 | <u>-</u>                   |
| Net increase (decrease) in cash and cash equivalents   | <u>(194,000)</u>                            | <u>(9,722)</u>           | <u>(203,722)</u>           |
| Cash balance, beginning  | 1,439,287                                   | 190,646                  | 1,629,933                  |
| Cash balance, ending   | <u><u>\$ 1,245,287</u></u>                  | <u><u>\$ 180,924</u></u> | <u><u>\$ 1,426,211</u></u> |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b> |   |                          |                            |
| Operating income   | <u>(209,237)</u>                            | <u>(19,646)</u>          | <u>(228,883)</u>           |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |   |                          |                            |
| Depreciation expense   | 73,131                                      | 4,228                    | 77,359                     |
| (Increase) decrease in accounts receivable   | (9,881)                                     | -                        | (9,881)                    |
| (Increase) decrease in inventory   | -   | 12,718                   | 12,718                     |
| Increase (decrease) in customer deposits   | -   | -                        | -                          |
| Increase (decrease) in accrued liabilities   | 63,023                                      | (769)                    | 62,254                     |
| (Increase) decrease in compensated absences  | 1,119                                       | 96                       | 1,215                      |
| Total adjustments  | <u>127,392</u>                              | <u>16,273</u>            | <u>143,665</u>             |
| Net cash provided (used) by operating activities   | <u><u>(81,845)</u></u>                      | <u><u>(3,373)</u></u>    | <u><u>(85,218)</u></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, 2019, 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 6, 2019.

**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.

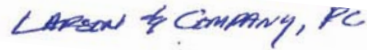
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 6, 2019



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

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, 2019

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

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

**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, 2019.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated December 6, 2019 as items SC-2019.1 and SC-2019.2. Our opinion on compliance is not modified with respect to these matters.

The City’s response to the noncompliance findings identified in our audit is described in our letter to management. The City’s response was not subject 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 6, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Spanish Fork City, Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Spanish Fork City's major federal programs for the year ended June 30, 2019. Spanish Fork City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Spanish Fork City's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Spanish Fork City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Spanish Fork City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Spanish Fork City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control over Compliance**

Management of Spanish Fork City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Spanish Fork City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spanish Fork City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance, which we consider to be material weaknesses.

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

A handwritten signature in blue ink that reads "Larson & Company, PC". The signature is written in a cursive style and is positioned above a faint, light-colored rectangular stamp.

Larson & Company, PC

Spanish Fork, Utah  
December 6, 2019

**Spanish Fork City**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended June 30, 2019

**SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the Spanish Fork City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Spanish Fork City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award programs for the Spanish Fork City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under 2 CFR section 200.516(a).
7. The programs tested as a major programs include:

|                                   |        |
|-----------------------------------|--------|
| Community Development Block Grant | 14.218 |
|-----------------------------------|--------|
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Spanish Fork City was determined not to be a low-risk auditee.

**Spanish Fork City**  
**Schedule of Findings and Questioned Costs (continued)**  
For the Year Ended June 30, 2019

**FINANCIAL STATEMENT FINDINGS**

No findings noted during current audit

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted during current audit

**SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FINANCIAL STATEMENT FINDINGS**

No findings noted during prior audit.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted during prior audit



**Spanish Fork City**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2019

| Federal Grantor/Pass-Thru/<br>Grantor/Program Title                  | Federal CFDA<br>Number | Pass-Through<br>Grantors Contract | Amount of<br>Expenditures |
|--|------------------------|-----------------------------------|---------------------------|
|  |                        |                                   |                           |
| <b>Direct Assistance:</b>  |                        |                                   |                           |
| <b>U.S. Department of Transportation</b>                             |                        |                                   |                           |
| Airport Improvement Program - FAA                                    | 20.106                 |                                   | 358,848                   |
| State and Community Highway Safety                                   | 20.600                 |                                   | 6,263                     |
| Total Department of Transportation                                   |                        |                                   | \$ 365,112                |
| <b>Total Direct Assistance:</b>                                      |                        |                                   | <b>\$ 365,112</b>         |
| <b>Indirect Assistance:</b>  |                        |                                   |                           |
| <b>U.S. Department of Housing and Urban Development</b>              |                        |                                   |                           |
| <b>Mountainland Association of Governments (pass-through entity)</b> |                        |                                   |                           |
| * Community Development Block Grant                                  | 14.218                 |                                   | 2,687,363                 |
| Total U.S. Department of Housing and Urban Development:              |                        |                                   | 2,687,363                 |
| Total Indirect Assistance  |                        |                                   | <b>\$ 2,687,363</b>       |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                          |                        |                                   | <b>\$ 3,052,475</b>       |
| * Major Program  |                        |                                   |                           |

**Spanish Fork City**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2019

1. **GENERAL**

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of Spanish Fork City (the City) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of Spanish Fork City, it is not intended to and does not present the financial position, changes in net position, or cash flows of Spanish Fork City.

2. **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. **NON-CASH ASSISTANCE**

The City did not receive any non-cash assistance

4. **LOANS OUTSTANDING**

The City has no federal loans outstanding through as of June 30, 2019.

4. **DE MINIMIS INDIRECT COST RATE**

The City has elected not to use the 10% de minimis indirect cost rate.

**SPANISH FORK CITY**  
***COMMUNICATION TO THOSE***  
***CHARGED WITH GOVERNANCE***  
**JUNE 30, 2019**



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, 2019. 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 17, 2019. 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. Management has reviewed the applicability and adopted GASB 88 *Certain disclosures related to debt, including direct borrowings and direct placements*. No other new accounting policies were adopted and the application of existing policies was not changed during 2019. 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 6, 2019.

*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 6, 2019

## **State Compliance Findings – Current Year**

SC-2019.1

**Condition:** The Garbage Fund exceeded budgeted appropriations at year end.

**Criteria:** *Utah State Code* 10-6-123 states that “City officers may not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or as subsequently amended.”

**Cause of condition:** Internal control deficiency in review process of budget to actual results.

**Potential effect of condition:** Non-compliance with Utah State Law

**Recommendation:** Management and those charged with governance should review actual expenditures to budgeted appropriations on a frequent and regular basis. Controls should be implemented to prevent the approval of expenditures that exceed budgeted appropriations.

**Client response:** The City will stress the importance of staying within budget. Management and governance will review budget to actual results on a regular basis, and disallow expenditures that are in excess of budget appropriations.

SC-2019.2

**Condition:** Certain public meeting minutes were not posted to the **Utah Public Notice Website** (the website) in the required time frame after the minutes have were approved.

**Criteria:** *Utah State Code* 52-4-203(4)(e)(ii)(A) states “within three business days after approving written minutes of an open meeting: post to the state website a copy of the approved minutes and any public materials distributed at the meeting”.

**Cause of condition:** Internal control deficiency to ensure all public meeting agendas and minutes are posted to the website within the required period.

**Potential effect of condition:** Non-compliance with Utah State Law

**Recommendation:** Management should review and identify internal controls over this procedure to ensure that they are sufficient to prevent noncompliance going forward. Internal controls should include review controls to verify procedures are accomplished timely and accurately.

**Client response:** The City will establish a procedure to enforce the posting of approved minutes and agendas on the Utah Public Notice Website within 3 days of approval.

## **Internal Control Findings – Current Year**

No Internal Control findings noted in current year.

## **Status of State Compliance Findings – Prior Year**

No Internal Control findings noted in prior year.

## **Status of Internal Control Findings – Prior Year**

No Internal Control findings noted in prior year.