

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

**SPANISH FORK CITY, UTAH
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2007**

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	MDA-1 thru MDA-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	9
Statement of Net Assets – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Assets	13
Statement of Changes in Fiduciary Net Assets	14
Notes to the Financial Statements	15-50
SUPPLEMENTARY INFORMATION:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	52
Combining Statement of Net Assets -- Nonmajor Proprietary Funds	53
Combining Statement of Revenue, Expenses and Changes in Net Assets -- Nonmajor Proprietary Funds	54
Combining Statement of Cash Flows – Non-major Proprietary Funds	55
Schedule of Impact Fees Collected and Spent and Capital Facilities Budget	56



LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

November 16, 2007

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of and for the year ended June 30, 2007, which collectively comprise Spanish Fork City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Spanish Fork City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

1

SANDY, OFFICE
9065 SOUTH 1300 EAST
SANDY, UTAH 84094
(801) 313-1900
FAX (801) 313-1912

SPANISH FORK OFFICE
765 NORTH MAIN
SPANISH FORK, UTAH 84660
(801) 798-3545
FAX (801) 798-3678

MOAB OFFICE
121 EAST 100 SOUTH SUITE 104
MOAB, UTAH 84532
(435) 259-9100
FAX (801) 259-9100

The Management's Discussion and Analysis on pages MDA-1 through MDA-9 and the Schedule of Impact Fees are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the State of Utah. Additionally, the impact fee schedule on page 54 is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2007, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larson & Company
Certified Public Accountants

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, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Spanish Fork City increased \$ **21,036,391 (15 %)** to **\$167,077,096**. The governmental net assets increased by \$ **5,617,720** and the business-type net assets increased by \$ **15,418,671**.
- The total net assets of \$ **167,077,096** are made up of \$ **104,148,773** in capital assets net of related debt and \$ **62,928,323** in other net assets.
- The General Fund (the primary operating fund) had a decrease in its fund balance of \$ **(510,913)**.
- The City's total long-term liabilities increased by \$ **22,230,677** during the current fiscal year.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Spanish Fork City's basic financial statements. Spanish Fork City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Spanish Fork City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Spanish Fork City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Spanish Fork City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions

of Spanish Fork City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 3-4 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Spanish Fork City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds is determined to be non-major and is included in the combining statements within this report.

- **Proprietary funds** - Spanish Fork City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Spanish Fork City uses enterprise funds to account for its Electric Utility, Water Utility (Culinary and Pressurized Irrigation), Sewer Utility, Solid Waste Collection Utility, Storm Drainage Utility, Golf Course Operations, Swimming Pool and Gun Club. Internal service funds are an accounting device used to accumulate and allocate costs internally among Spanish Fork City's various functions. The City uses an internal service fund for maintenance of its vehicles and equipment. Because this service primarily benefits governmental activities, it has been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund

classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$167,077,096**.

By far the largest portion of Spanish Fork City's net assets (**\$104,148,773 or 63%**) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets.

Spanish Fork City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	40,716,409	19,063,977	38,900,581	31,816,687	79,616,990	50,880,664
Capital assets	51,017,679	41,875,158	91,272,153	84,071,030	142,289,832	125,946,188
Total assets	<u>91,734,088</u>	<u>60,939,135</u>	<u>130,172,734</u>	<u>115,887,717</u>	<u>221,906,822</u>	<u>176,826,852</u>
Other liabilities	12,918,891	9,972,337	4,226,156	3,876,810	17,145,047	13,849,147
Long-term liabilities outstanding	22,410,677	180,000	16,757,000	16,757,000	39,167,677	16,937,000
Total liabilities	<u>35,329,568</u>	<u>10,152,337</u>	<u>20,983,156</u>	<u>20,633,810</u>	<u>56,312,724</u>	<u>30,786,147</u>
Net assets:						
Invested in capital assets, net						
of related debt	28,600,466	41,437,829	75,548,307	66,891,459	104,148,773	108,329,288
Restricted	4,687,630	3,659,310	8,688,599	7,758,205	13,376,229	11,417,515
Unrestricted	23,116,423	5,689,659	26,435,672	20,604,242	49,552,095	26,293,901
Total net assets	<u>56,404,519</u>	<u>50,786,798</u>	<u>110,672,578</u>	<u>95,253,907</u>	<u>167,077,097</u>	<u>146,040,705</u>

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	5,775,754	4,938,994	30,155,135	27,380,698	35,930,889	32,319,692
Operating grants and contribs	1,041,888	963,085	-	-	1,041,888	963,085
Capital grants and contribs	6,141,480	9,004,350	10,088,110	13,757,365	16,229,590	22,761,715
General revenues:						
Property taxes	1,892,303	1,749,123	-	-	1,892,303	1,749,123
Sales and Use Tax	5,427,400	5,133,795	-	-	5,427,400	5,133,795
Other taxes	164,902	149,246	-	-	164,902	149,246
Unrestricted investment earnings	761,634	387,010	1,260,937	909,991	2,022,571	1,297,001
Joint Venture Gain (Loss)	25,784	(39,468)	-	-	25,784	(39,468)
Gain on Sale of Capital Assets	19,855	5,693	-	-	19,855	5,693
Total revenues	<u>21,251,000</u>	<u>22,291,828</u>	<u>41,504,182</u>	<u>42,048,054</u>	<u>62,755,182</u>	<u>64,339,882</u>
Expenses:						
General government	3,017,891	2,751,890	-	-	3,017,891	2,751,890
Public safety	1,631,253	3,824,681	-	-	1,631,253	3,824,681
Public works	8,890,561	4,785,623	-	-	8,890,561	4,785,623
Parks and recreation	2,071,425	1,713,817	-	-	2,071,425	1,713,817
Operating expenses (business type)	-	-	26,085,511	24,752,321	26,085,511	24,752,321
Interest expense	22,150	35,737	-	-	22,150	35,737
Total expenses	<u>15,633,280</u>	<u>13,111,748</u>	<u>26,085,511</u>	<u>24,752,321</u>	<u>41,718,791</u>	<u>37,864,069</u>
Increase in net assets before transfers	5,617,720	9,180,080	15,418,671	17,295,733	21,036,391	26,475,813
Transfers	-	-	-	-	-	-
Increase in net assets	5,617,720	9,180,080	15,418,671	17,295,733	21,036,391	26,475,813
Net assets - beginning	50,786,798	41,606,718	95,253,907	77,958,174	146,040,705	119,564,892
Prior Period Adjustment	-	-	-	-	-	-
Net assets - ending	<u>56,404,518</u>	<u>50,786,798</u>	<u>110,672,578</u>	<u>95,253,907</u>	<u>167,077,096</u>	<u>146,040,705</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, 2007, the City's governmental funds (General, Debt Service, Special Revenue & Capital Project Fund) reported combined fund equity of \$ **27,744,721**. This represents an increase of **\$18,858,959** over last year's ending balances. This increase is the results of both a planned budget increase with funds being transferred to the Capital Projects Fund and the appropriation of the beginning fund balance. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds (**\$7,484,605**) and represent **35%** of total general fund revenues. The largest element of taxes is sales and use taxes as it has been for the last several years. It represents **73%** of total tax revenues and **26%** of total general fund revenues.

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 \$ **13,132,908** to a final budget of \$ **16,197,713**. 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 for seen 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, 2007, amounts to \$ **142,289,832** (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:

New Park land purchased for \$2,113,088.

Administration purchased Copy Machine for \$11,453.

Ambulance Departments purchased 3 Power Stretchers for \$29,480.

Streets Improvements:

1. Maintenance and Rebuilding of existing roads for \$1,440,559.
2. Right of Way purchased for \$25,000.
3. Roll off containers purchased for \$7070.

Parks Improvements:

1. City Park Restrooms for \$70,800.
2. West Park Trail for \$135,449.
3. Reservoir Pavilion for \$148,538.72.
4. Swenson Park Playground for \$29,023.
5. Master Plan for \$19,570.

Library books for \$76,131.

Fairground Improvements:

1. Indoor Arena East Wall for \$14,275.
2. Fire Alarm System for \$7,357.
3. North Entrance Improvements for \$6,121

Water and Pressurized Irrigation System Improvements:

1. Equipment Meters for \$113,123.
2. Equipment AMR-Radio Units for \$166,534.
3. Equipment I-15 PRV for \$27,215.
4. Water Line 100 South for \$65,748.
5. North Industrial PRV for \$2,336.
6. Water Tank Design for \$69,843.
7. Equipment Meters for \$40,966.
8. Shop Well Filters for \$12,141.

Sewer Improvements:

1. Thickner Building for \$80,000.
2. Pump Building for \$60,000.
3. Equipment Clarifier for \$50,000.
4. Equipment Thickner for \$120,000.
5. Equipment STM Aerotor Tank for \$1,400,000.
6. Sewer Plant Improvements for \$384,513.
7. Video Inspection of Sewer Main for \$90,991.

Electric System Improvements:

1. Transmission Improvements for \$901.
2. Distribution Improvements for \$270,591.
3. Substation Improvements for \$1,263,616.
4. Facilities Building for \$39,751.

Golf Pro Club House Renovation for \$47,197.

Swimming Pool Retiled Locker Rooms for \$25,047.

Garbage Cans for \$71,727.

Storm Drain Improvements:

1. Storm Drain 400 North Improvements for \$196,202.
2. Mill Race Piping Projects for \$199,207

Gun Club Improvements:

1. Trap Lights for \$7,559.
2. Asphalt & Septic Line Replaced for \$6,166.

Spanish Fork City Network new nodes hardware for \$270,454.

Equipment Purchases:

1. 5 Police vehicles for \$163,492.
2. 2 Skidloaders for \$45,493.
3. 10 Trucks for \$237,135.
4. 2 Toro mowers for \$53,967.
5. 4 Backhoes for \$28,409.
6. 1 Sandrake for \$13,378.
7. 1 Trailer for \$29,335.
8. 1 Roller for \$34,368.
9. 1 Mower for \$9,599.
10. 1 Freightliner Sweeper for \$123,255.

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

Spanish Fork City's Capital Assets

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Land	\$ 9,313,881	\$ 7,200,793	\$ 597,911	\$ 597,911
Water Shares		\$ -	\$ 2,350,739	\$ 2,250,839
Buildings	\$ 4,758,826	\$ 2,164,580	\$ 4,098,161	\$ 4,072,864
Improvements	\$ 5,668,456	\$ 2,020,738	\$ 81,206,848	\$ 75,828,024
Equipment	\$ 2,904,127	\$ 2,601,120	\$ 3,018,494	\$ 1,321,392
Infrastructure	\$ 28,372,388	\$ 27,887,927		\$ -
Total Net Assets	<u>\$ 51,017,678</u>	<u>\$ 41,877,164</u>	<u>\$ 91,272,153</u>	<u>\$ 84,073,036</u>

Net of Depreciation

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2007, the City had total bonded debt outstanding of **\$ 37,461,421**. **\$16,757,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). \$ 22,180,000 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				
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bonds Payable:				
GO Bonds	-	-	-	-
RDA Bonds	-	350,000	-	-
Capital Lease	187,420	80,793	-	-
Accrued Vacation & Sick Leave	1,061,210	946,506	384,064	415,852
Revenue Bonds	<u>22,000,000</u>	<u>-</u>	<u>15,274,000</u>	<u>18,186,000</u>
Total Outstanding Debt	<u><u>23,248,630</u></u>	<u><u>1,377,299</u></u>	<u><u>15,658,064</u></u>	<u><u>18,601,852</u></u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of \$ **1,122,900,087**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$44,916,003** which is significantly in excess of the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus **\$89,832,007** which again significantly exceeds the outstanding business-type activity debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Utah County (of which Spanish Fork is one of the principal municipalities) was 2.5% compared with a state unemployment rate of 3.0 % and a national rate of 4.6 %. (Source: Utah Dept of Workforce Services)
- The General Fund budget for the fiscal year-ending June 30, 2008 reflects an decrease of 9% over the final budget for the fiscal year-ended June 30, 2007. The largest part of this decrease is a result of the decrease in capital spending for the current year. Some increase is a result in increase personnel and benefits combined with general inflation in the operational portions of the budget. Some capital improvements budgeted for the FY 2008 budget include:

1. Sidewalk replacement and repair various areas of town.
2. Parking lot at the Senior Center and Fire Station.
3. Water Rights Purchases.
4. Completion of Water Tank Construction at Sterling Hollow.
5. Crab Creek Water line relocation.
6. Water line replacement.
7. Finish 2550 East and Hwy 6 utility crossing.
8. Sewer line replacement.
9. Completion of Major Treatment Plant expansion.
10. New Electrical distribution substation.
11. Land purchased for electrical substation.

12. Automated Metering System.
13. Hardware for new broadband nodes.
14. Storm Drainage expansion.
15. Additional Trails Projects.
16. Purchase of mowers, trucks, police car.
17. New Fire Pumper Truck.
18. New Ambulance.
19. New Loader and Electrical Bucket Truck
20. Finish the construction of a new 4-plex at sports park.
21. New Police/Court building project.

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 84663.

BASIC FINANCIAL STATEMENTS

Spanish Fork City
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 23,404,808	\$ 29,154,014	\$ 52,558,822
Receivables (net of allowance)	2,129,754	2,934,043	5,063,797
Prepaid expenses	63,844	-	63,844
Internal balances	3,738,898	(3,738,898)	-
Bond issuance costs (net)	-	252,254	252,254
Inventory	-	1,767,293	1,767,293
Equity in joint venture	1,946,936	1,587,968	3,534,904
Restricted Assets:			
Cash and cash equivalents	9,432,168	6,943,907	16,376,075
Capital Assets (not being depreciated):			
Land	9,313,881	597,911	9,911,792
Water shares	-	2,350,739	2,350,739
Capital Assets (net of accumulated depreciation):			
Buildings	4,758,827	4,098,161	8,856,988
Improvements other than buildings	5,668,456	81,206,848	86,875,304
Equipment	2,904,127	3,018,494	5,922,621
Infrastructure	28,372,388	-	28,372,388
Total assets	<u>91,734,087</u>	<u>130,172,734</u>	<u>221,906,821</u>
LIABILITIES			
Accounts payable	1,634,438	778,165	2,412,603
Deposits	8,663,646	1,371,866	10,035,512
Connectors agreement	16,183	103,804	119,987
Deferred revenue	1,286,850	115,040	1,401,890
Deferred amount of refunding	-	(279,604)	(279,604)
Compensated absences	1,061,210	384,066	1,445,276
Bond interest payable	6,536	43,324	49,860
Bond premiums	250,028	226,495	476,523
Noncurrent Liabilities:			
Due within one year	223,257	1,483,000	1,706,257
Due in more than one year	22,187,420	15,274,000	37,461,420
Total liabilities	<u>35,329,568</u>	<u>19,500,156</u>	<u>54,829,724</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,600,466	75,548,307	104,148,773
Restricted for:			
Class "C" roads	1,471,016	-	1,471,016
Redevelopment agency	1,290,636	-	1,290,636
Impact fees	1,925,978	5,733,858	7,659,836
Water rights	-	1,921,587	1,921,587
Bond requirements	-	1,033,154	1,033,154
Unrestricted	23,116,422	26,435,672	49,552,094
Total net assets	<u>\$ 56,404,518</u>	<u>\$ 110,672,578</u>	<u>\$ 167,077,096</u>

Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2007

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,017,891	\$ 4,478,857	\$ 77,994	\$ -	\$ 1,538,960	\$ -	\$ 1,538,960
Public safety	1,631,253	757,997	88,638	-	(784,618)	-	(784,618)
Public works	8,890,561	-	875,256	4,429,542	(3,585,763)	-	(3,585,763)
Parks, recreation and public property	2,071,425	538,900	-	1,711,938	179,413	-	179,413
Interest on long-term debt	22,150	-	-	-	(22,150)	-	(22,150)
Total governmental activities	<u>15,633,280</u>	<u>5,775,754</u>	<u>1,041,888</u>	<u>6,141,480</u>	<u>(2,674,158)</u>	<u>-</u>	<u>(2,674,158)</u>
Business-type activities:							
Water	4,414,015	4,835,868	-	4,123,738	-	4,545,592	4,545,592
Sewer	2,202,703	2,010,681	-	2,218,842	-	2,026,820	2,026,820
Electric	16,671,876	20,831,416	-	2,136,150	-	6,295,691	6,295,691
Garbage	779,983	847,166	-	-	-	67,183	67,183
Golf course	855,126	723,654	-	-	-	(131,472)	(131,472)
Swimming pool	434,361	244,208	-	-	-	(190,153)	(190,153)
Storm drainage	475,476	436,575	-	1,609,380	-	1,570,479	1,570,479
Gun club	251,972	225,567	-	-	-	(26,405)	(26,405)
Total business-type activities	<u>26,085,511</u>	<u>30,155,135</u>	<u>-</u>	<u>10,088,110</u>	<u>-</u>	<u>14,157,734</u>	<u>14,157,734</u>
Total primary government	<u>\$ 41,718,792</u>	<u>\$ 35,930,889</u>	<u>\$ 1,041,888</u>	<u>\$ 16,229,590</u>	<u>(2,674,158)</u>	<u>14,157,734</u>	<u>11,483,576</u>
General revenues:							
Property taxes					1,892,303	-	1,892,303
Sales taxes					5,427,400	-	5,427,400
Other taxes					164,902	-	164,902
Unrestricted investment earnings					761,634	1,260,937	2,022,571
Joint venture gain (loss)					25,784	-	25,784
Gain on sale of capital assets					19,855	-	19,855
Total general revenues and transfers					<u>8,291,878</u>	<u>1,260,937</u>	<u>9,552,815</u>
Change in net assets					<u>5,617,720</u>	<u>15,418,671</u>	<u>21,036,391</u>
Net assets - beginning					<u>50,786,798</u>	<u>95,253,907</u>	<u>146,040,705</u>
Net assets - ending					<u>\$ 56,404,518</u>	<u>\$ 110,672,578</u>	<u>\$ 167,077,097</u>

**Spanish Fork City
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2007**

	General Fund	Major Capital Project Fund Police/Court	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,920,291	\$ 14,330,299	\$ 4,154,218	\$ 23,404,808
Receivables (net of allowance):				
Tax	2,089,829	-	9,925	2,099,754
Due from other funds	853,626	2,459,260	894,424	4,207,310
Prepaid expense	54,799	-	9,045	63,844
Equity in joint venture	79,626	-	-	79,626
Restricted Assets:				
Cash and cash equivalents	8,332,085	-	1,100,083	9,432,168
Total assets	<u>\$ 16,330,256</u>	<u>\$ 16,789,559</u>	<u>\$ 6,167,695</u>	<u>\$ 39,287,510</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,192,719	\$ -	\$ -	\$ 1,192,719
Payroll payable	383,391	-	-	383,391
Developer escrow	7,133,190	-	-	7,133,190
Final inspection deposit	1,530,456	-	-	1,530,456
Connector agreements	16,183	-	-	16,183
Deferred revenue	1,286,850	-	-	1,286,850
Total liabilities	<u>11,542,789</u>	<u>-</u>	<u>-</u>	<u>11,542,789</u>
Fund balances:				
Reserved for:				
Class "C" roads	1,471,016	-	-	1,471,016
Redevelopment agency	-	-	1,290,636	1,290,636
Impact fees	1,925,978	-	-	1,925,978
Designated for:				
Capital projects	-	16,789,559	4,501,648	21,291,207
Undesignated	1,390,473	-	375,411	1,765,884
Total fund balances	<u>4,787,467</u>	<u>16,789,559</u>	<u>6,167,695</u>	<u>27,744,721</u>
Total liabilities and fund balances	<u>\$ 16,330,256</u>	<u>\$ 16,789,559</u>	<u>\$ 6,167,695</u>	<u>\$ 39,287,510</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total fund balances - governmental fund types:		\$ 27,744,721
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
City's portion of joint ventures	1,867,310	
Cost of capital assets	81,899,029	
Accumulated depreciation	<u>(30,881,350)</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		<u>52,884,989</u>
<p>Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, but not in the Balance Sheet - Governmental Funds</p>		
		(539,997)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Accrued interest payable	(6,537)	
Non-current liabilities due within one year	(367,420)	
Compensated absences	(1,061,210)	
Unamortized Bond Premium	(250,028)	
Non-current liabilities due in more than one year	<u>(22,000,000)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities		<u>(23,685,195)</u>
Net assets of government activities		<u>\$ 56,404,518</u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Major Capital Project Fund Police/Court	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,063,458	\$ -	\$ 421,147	\$ 7,484,605
Licenses and permits	1,564,852	-	-	1,564,852
Intergovernmental revenues	1,041,888	-	-	1,041,888
Charges for services	1,165,353	-	-	1,165,353
Fines and forfeitures	158,166	-	-	158,166
Interest income	752,639	-	8,995	761,634
Sundry revenue	1,304,624	-	-	1,304,624
Total revenues	<u>13,050,980</u>	<u>-</u>	<u>430,142</u>	<u>13,481,122</u>
EXPENDITURES				
Current:				
General government	2,930,918	-	-	2,930,918
Public safety	4,183,433	-	-	4,183,433
Public works	6,645,431	-	6,972	6,652,403
Parks, recreation and public property	1,672,396	-	-	1,672,396
Debt Service:				
Principal retirement	-	-	170,000	170,000
Interest and fiscal charges	-	-	22,150	22,150
Capital outlay	-	2,753,044	1,802,310	4,555,354
Total expenditures	<u>15,432,178</u>	<u>2,753,044</u>	<u>2,001,432</u>	<u>20,186,654</u>
Excess revenues over (under) expenditures	<u>(2,381,198)</u>	<u>(2,753,044)</u>	<u>(1,571,290)</u>	<u>(6,705,532)</u>
Other financing sources (uses)				
Sale of fixed assets	19,855	-	-	19,855
Bond Proceeds	-	18,250,028	4,000,000	22,250,028
Impact fees	1,711,938	-	-	1,711,938
Indirect services	1,582,759	-	-	1,582,759
Transfers in	-	244,655	1,199,612	1,444,267
Transfers out	(1,444,267)	-	-	(1,444,267)
Total other financing sources and uses	<u>1,870,285</u>	<u>18,494,683</u>	<u>5,199,612</u>	<u>25,564,580</u>
Excess of revenues and other sources over (under) expenditures and other uses	(510,913)	15,741,639	3,628,322	18,859,048
Fund balances - beginning of year	5,298,380	1,047,920	2,539,373	8,885,673
Fund balances - end of year	<u>\$ 4,787,467</u>	<u>\$ 16,789,559</u>	<u>\$ 6,167,695</u>	<u>\$ 27,744,721</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, 2007

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

Net changes in fund balances - total governmental funds \$ 18,859,048

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	7,151,786	
Depreciation Expense	<u>(2,732,006)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities		<u>4,419,780</u>

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

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount that proceeds exceed the gain on the statement of activities.

-

The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.

4,429,542

4,429,542

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(22,080,028)

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.

79,664

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

Change in joint venture equity

25,784

Change in compensated Absences

(116,070)

Change in net assets of governmental activities

\$ 5,617,720

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 6,492,555	\$ 6,862,000	\$ 7,063,458	\$ 201,458
Licenses and permits	876,000	1,496,700	1,564,852	68,152
Intergovernmental revenues	222,204	155,184	1,041,888	886,704
Charges for services	1,062,200	1,131,200	1,165,353	34,153
Fines and forfeitures	135,000	151,000	158,166	7,166
Interest income	253,050	545,050	752,639	207,589
Sundry revenue	925,497	1,181,230	1,304,624	123,394
Total revenues	<u>9,966,506</u>	<u>11,522,364</u>	<u>13,050,980</u>	<u>1,528,616</u>
EXPENDITURES				
Current:				
General government	2,961,263	3,231,516	2,930,918	(300,598)
Public safety	4,406,512	4,453,474	4,183,433	(270,041)
Public works	4,174,923	6,719,185	6,645,431	(73,754)
Parks, recreation and public property	1,590,210	1,793,538	1,672,396	(121,142)
Total expenditures	<u>13,132,908</u>	<u>16,197,713</u>	<u>15,432,178</u>	<u>(765,535)</u>
Excess revenues over (under) expenditures	<u>(3,166,402)</u>	<u>(4,675,349)</u>	<u>(2,381,198)</u>	<u>2,294,151</u>
Other financing sources (uses)				
Sale of fixed assets	10,000	1,119	19,855	18,736
Impact fees	78,000	1,294,612	1,711,938	417,326
Indirect services	1,492,285	1,582,759	1,582,759	-
Transfers in	841,020	502,829	-	(502,829)
Transfers out	<u>(322,655)</u>	<u>(1,444,267)</u>	<u>(1,444,267)</u>	<u>-</u>
Total other financing sources and uses	<u>2,098,650</u>	<u>1,937,052</u>	<u>1,870,285</u>	<u>(66,767)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,067,752)</u>	<u>(2,738,297)</u>	<u>(510,913)</u>	<u>2,227,384</u>
Fund balances - beginning of year	<u>5,298,380</u>	<u>5,298,380</u>	<u>5,298,380</u>	<u>-</u>
Fund balances - end of year	<u>\$ 4,230,628</u>	<u>\$ 2,560,083</u>	<u>\$ 4,787,467</u>	<u>\$ 2,227,384</u>

**Spanish Fork City
Statement of Net Assets
Proprietary Funds
June 30, 2007**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,020,564	\$ 7,709,860	\$ 15,913,299	\$ 4,510,291	\$ 29,154,014	\$ -
Accounts receivable	521,859	201,033	2,120,388	135,571	2,978,851	30,000
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	259,505	-	586,761	292,255	1,138,521	-
Inventory	4,500	3,500	1,713,147	46,146	1,767,293	-
Total current assets	<u>1,797,020</u>	<u>7,911,568</u>	<u>20,303,238</u>	<u>4,982,045</u>	<u>34,993,871</u>	<u>30,000</u>
Noncurrent assets:						
Restricted cash and equivalents	4,286,646	151,679	2,128,681	376,901	6,943,907	-
Capital Assets:						
Land	280,483	8,711	134,925	173,792	597,911	-
Water rights	2,350,739	-	-	-	2,350,739	-
Buildings	2,249,501	483,703	2,503,948	495,889	5,733,041	205,920
Improvements	49,197,410	25,389,795	28,120,074	10,600,308	113,307,587	-
Equipment	1,130,576	2,102,105	1,107,888	827,143	5,167,712	7,802,078
Less: accumulated depreciation	(12,723,239)	(9,874,843)	(8,934,678)	(4,352,077)	(35,884,837)	(5,445,906)
Other Assets:						
Equity in joint venture	-	-	-	1,587,968	1,587,968	-
Deferred bond costs	152,444	-	99,810	-	252,254	-
Total noncurrent assets	<u>46,924,560</u>	<u>18,261,150</u>	<u>25,160,648</u>	<u>9,709,924</u>	<u>100,056,282</u>	<u>2,562,092</u>
Total assets	<u>\$ 48,721,580</u>	<u>\$ 26,172,718</u>	<u>\$ 45,463,886</u>	<u>\$ 14,691,969</u>	<u>\$ 135,050,153</u>	<u>\$ 2,592,092</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ -	\$ 2,750,290	\$ -	\$ 2,311,800	\$ 5,062,090	\$ 283,741
Accounts payable	117,510	123,009	359,915	177,731	778,165	57,846
Accrued interest payable	43,324	-	-	-	43,324	482
Compensated absences payable	67,472	45,104	216,652	54,838	384,066	23,240
Customer deposits	-	-	408,566	-	408,566	-
Final inspection deposits	-	-	963,300	-	963,300	-
Connector agreements	-	-	103,804	-	103,804	-
Current Portion:						
Lease payable	-	-	-	-	-	43,257
Bonds payable	913,000	-	570,000	-	1,483,000	-
Total current liabilities	<u>1,141,306</u>	<u>2,918,403</u>	<u>2,622,237</u>	<u>2,544,369</u>	<u>9,226,315</u>	<u>408,566</u>
Noncurrent liabilities:						
Deferred revenue	6,002	75,102	28,936	5,000	115,040	-
Lease Payable	-	-	-	-	-	187,420
Bonds payable	9,524,000	-	5,750,000	-	15,274,000	-
Bond premiums	226,495	-	-	-	226,495	-
Deferred amount of refunding	(279,604)	-	-	-	(279,604)	-
Total noncurrent liabilities	<u>9,476,893</u>	<u>75,102</u>	<u>5,778,936</u>	<u>5,000</u>	<u>15,335,931</u>	<u>187,420</u>
Total liabilities	<u>10,618,199</u>	<u>2,993,505</u>	<u>8,401,173</u>	<u>2,549,369</u>	<u>24,562,246</u>	<u>595,986</u>
NET ASSETS						
Invested in capital assets, net of related debt	32,409,531	18,109,471	17,284,250	7,745,055	75,548,307	2,562,092
Restricted for:						
Impact fees	3,594,049	151,679	1,456,588	531,542	5,733,858	-
Water rights	1,921,587	-	-	-	1,921,587	-
Bond requirements	361,061	-	672,093	-	1,033,154	-
Unrestricted	(182,847)	4,918,063	17,649,782	3,866,003	26,251,001	(565,986)
Total net assets	<u>\$ 38,103,381</u>	<u>\$ 23,179,213</u>	<u>\$ 37,062,714</u>	<u>\$ 12,142,600</u>	<u>110,487,907</u>	<u>\$ 1,996,107</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					184,671	
Net assets from business-type activities:					<u>\$ 110,672,578</u>	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities- Internal Service Fund
	Water	Sewer	Electric	Non Major Enterprise Funds		
Operating Revenues:						
Charges for sales and services	\$ 4,694,033	\$ 1,856,787	\$ 19,595,145	\$ 2,475,176	\$ 28,621,141	\$ 1,469,262
Other income	141,835	153,894	1,236,271	1,994	1,533,994	-
Total operating revenues	<u>4,835,868</u>	<u>2,010,681</u>	<u>20,831,416</u>	<u>2,477,170</u>	<u>30,155,135</u>	<u>1,469,262</u>
Operating Expenses:						
Water assessment	38,814	-	-	-	38,814	-
Power purchases	-	-	8,738,020	-	8,738,020	-
Landfill fees	-	-	-	635,040	635,040	-
Employee salaries	654,082	429,559	2,077,112	705,300	3,866,053	223,612
Materials and supplies	173,951	78,804	1,318,647	308,568	1,879,970	269,178
Repairs and maintenance	83,721	48,398	58,626	66,670	257,415	190,482
Professional services	235,463	129,637	1,767,647	211,657	2,344,404	1,884
Motorpool charges	161,931	68,410	187,542	114,216	532,099	-
Utilities	235,251	162,690	62,455	98,826	559,222	13,551
Insurance	16,806	59,298	43,328	29,212	148,644	6,151
Depreciation	1,578,882	832,160	822,988	387,207	3,621,237	657,262
Amortization	45,246	-	12,222	-	57,468	-
Indirect services	488,495	377,363	477,456	239,445	1,582,759	-
Plant assessment	136,284	9,567	741,892	-	887,743	-
Sundry charges	2,385	13,655	60,467	11,016	87,523	-
Total operating expenses	<u>3,851,311</u>	<u>2,209,541</u>	<u>16,368,402</u>	<u>2,807,157</u>	<u>25,236,411</u>	<u>1,362,120</u>
Operating income	<u>984,557</u>	<u>(198,860)</u>	<u>4,463,014</u>	<u>(329,987)</u>	<u>4,918,724</u>	<u>107,142</u>
Nonoperating revenues (expenses):						
Interest revenue	107,516	103,790	1,038,198	11,433	1,260,937	-
Impact fees and water right fees	2,298,197	754,979	849,032	531,542	4,433,750	-
Contributions from private contractors	1,825,541	1,463,863	1,287,118	1,077,838	5,654,360	-
Gain(loss) on sale of fixed assets	-	-	-	-	-	12,055
Interest expense	(566,777)	-	(321,768)	-	(888,544)	-
Total nonoperating revenues (expenses)	<u>3,664,478</u>	<u>2,322,632</u>	<u>2,852,581</u>	<u>1,620,813</u>	<u>10,460,503</u>	<u>12,055</u>
Income (loss) before operating transfers	<u>4,649,035</u>	<u>2,123,772</u>	<u>7,315,595</u>	<u>1,290,826</u>	<u>15,379,227</u>	<u>119,197</u>
Operating Transfers from (to) Other Funds						
Operating transfers in	-	-	-	198,800	198,800	-
Operating transfers out	-	-	(198,800)	-	(198,800)	-
Total contributions and operating transfers	<u>-</u>	<u>-</u>	<u>(198,800)</u>	<u>198,800</u>	<u>-</u>	<u>-</u>
Change in net assets	4,649,035	2,123,772	7,116,795	1,489,626	15,379,227	119,197
Total net assets - beginning	33,454,346	21,055,441	29,945,919	10,652,974	95,108,680	1,876,910
Total net assets - ending	<u>\$ 38,103,381</u>	<u>\$ 23,179,213</u>	<u>\$ 37,062,714</u>	<u>\$ 12,142,600</u>	<u>\$ 121,037,507</u>	<u>\$ 1,996,107</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					<u>39,444</u>	
Change in net assets of business-type activities:					<u>\$ 15,418,671</u>	

Spanish Fork City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 4,550,053	\$ 1,827,472	\$ 18,918,044	\$ 2,457,466	\$ 27,753,035
Other cash receipts	141,835	153,894	1,236,271	1,994	1,533,994
Interfund services provided	125,675	-	415,877	-	541,552
Payments to suppliers	(1,575,909)	(947,822)	(13,857,306)	(1,658,346)	(18,039,383)
Payments to employees	(657,053)	(432,714)	(2,084,671)	(723,401)	(3,897,839)
Net cash provided (used) by operating activities	<u>2,584,601</u>	<u>600,830</u>	<u>4,628,215</u>	<u>77,713</u>	<u>7,891,359</u>
Cash Flows From Noncapital Financing Activities					
Decrease (increase) in due from other funds	-	-	-	83,464	83,464
Increase (decrease) in due to other funds	(384,358)	(1,296,544)	1,410,305	554,414	283,817
Transfers in (out)	-	-	(198,800)	198,800	-
Net cash provided (used) by noncapital activities	<u>(384,358)</u>	<u>(1,296,544)</u>	<u>1,211,505</u>	<u>836,678</u>	<u>367,281</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(2,449,257)	(3,649,367)	(3,132,432)	(1,617,217)	(10,848,273)
Principal paid on capital debt	(884,000)	-	(545,000)	-	(1,429,000)
Interest paid on capital debt	(566,777)	-	(321,768)	-	(888,544)
(Increase) decrease in deferred amount on refunding	33,711	-	-	-	33,711
Contributions from (reimbursements to) private contractors	1,825,541	1,463,863	1,287,118	1,077,838	5,654,360
Impact fees collected	2,298,197	754,979	849,032	531,542	4,433,750
Net cash provided (used) by capital and related financing activities	<u>257,416</u>	<u>(1,430,525)</u>	<u>(1,863,050)</u>	<u>(7,837)</u>	<u>(3,043,996)</u>
Cash Flows From Investing Activities					
Interest and dividends received	107,516	103,790	1,038,198	11,433	1,260,937
Increase (decrease) in unamortized bond premiums	(23,033)	-	-	-	(23,033)
Net cash provided (used) by investing activities	<u>84,483</u>	<u>103,790</u>	<u>1,038,198</u>	<u>11,433</u>	<u>1,237,904</u>
Net increase (decrease) in cash and cash equivalents	2,542,142	(2,022,449)	5,014,868	917,987	6,452,548
Cash and cash equivalents, July 1	3,024,573	7,133,698	13,613,873	3,969,205	27,741,349
Cash and cash equivalents, June 30	<u>\$ 5,566,715</u>	<u>\$ 5,111,249</u>	<u>\$ 18,628,741</u>	<u>\$ 4,887,192</u>	<u>\$ 34,193,897</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 984,557	\$ (198,860)	\$ 4,463,014	\$ (329,987)	4,918,724
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,578,882	832,160	822,988	387,207	3,621,237
Amortization expense	45,246	-	12,222	-	57,468
(Increase) decrease in accounts receivable	(13,993)	(47,827)	(272,972)	(17,710)	(352,502)
Decrease (increase) in inventory	-	-	(704,367)	66,131	(638,236)
Increase (decrease) in accrued liabilities	(2,808)	-	100,485	(9,827)	87,850
Increase (decrease) in compensated absences	(2,971)	(3,155)	(7,559)	(18,101)	(31,786)
Increase (decrease) in customer deposits	-	-	202,656	-	202,656
Increase (decrease) in deferred revenue	(4,312)	18,512	11,748	-	25,948
Total adjustments	<u>1,600,044</u>	<u>799,690</u>	<u>165,201</u>	<u>407,700</u>	<u>2,972,635</u>
Net cash provided (used) by operating activities	<u>\$ 2,584,601</u>	<u>\$ 600,830</u>	<u>\$ 4,628,215</u>	<u>\$ 77,713</u>	<u>\$ 7,891,359</u>

**Spanish Fork City
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	<u>\$ 54,805</u>
Total assets	<u><u>\$ 54,805</u></u>
 LIABILITIES AND FUND BALANCES	
Fund Balances:	
Deferred compensation	<u>\$ 54,805</u>
Total fund balances	<u>54,805</u>
Total liabilities and fund balance	<u><u>\$ 54,805</u></u>

Spanish Fork City
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	<u>Fire Retirement Capital Fund</u>
REVENUES:	
Employer contribution	\$ 5,000
Interest income	4,507
Total	<u>9,507</u>
EXPENDITURES:	
Retirement payments	<u>8,594</u>
Total	<u>8,594</u>
Excess of revenues over (under) expenditures	<u>913</u>
Fund balances - beginning of year	<u>53,892</u>
Fund balances - end of year	<u><u>\$ 54,805</u></u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

INDEX

- NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- A. Financial Reporting Entity
 - B. Government-wide and Fund Financial Statements
 - C. Measurement Focus and Basis of Accounting
 - D. Assets, Liabilities, and Equity
 - E. Revenues, Expenditures, and Expenses
- NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
- A. Deposits and Investments Laws and Regulations
 - B. Revenue Restrictions
 - C. Debt Restrictions and Covenants
 - D. Budgets and Budgetary Accounting
 - E. Fund Balance
- NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS
- A. Cash and Investments
 - B. Restricted Assets
 - C. Accounts Receivable
 - D. Capital Assets
 - E. Accounts Payable
 - F. Long-term Debt
 - G. Interfund Transactions and Balances
 - H. Reserved Fund Balances and Net Assets
- NOTE 4. OTHER NOTES
- A. Employee Pension and Other Benefit Plans
 - B. Risk Management
 - C. Commitments and Contingencies
 - D. Joint Ventures
 - E. Water Loan Program
 - F. Spanish Fork Redevelopment Agency

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. 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, Animal Control and Emergency Medical Services.

Public Works: Streets, Engineering Parks, Fleet Maintenance, Water, Solid Waste Services, Water Reclamation, Street Lighting and Storm Sewer Services.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Recreation: Swimming Pool Operations, Outdoor Recreation Programs and Senior Citizen Programs.

Library: Library Administration, Collection Development 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.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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.

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.

Capital Project Fund

The Capital Project Fund is used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes only three Capital Project Funds and it is used to account for the acquisition of capital assets with transfers made from other funds. The reporting entity includes the Police/Court Building, Recreation, and North Park Development funds.

Proprietary Fund

Enterprise Fund

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Internal Service Fund

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

Major and Nonmajor Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Capital Projects Fund–Police/Court Bldg.	Accounts for the accumulation of funds, revenues and expenditures on projects such as the police/court building.
Enterprise Funds:	
Water, Sewer and Electric	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.
Nonmajor Governmental Funds:	
Debt Service Fund	See above for description.
Special Revenue Fund (RDA)	Accounts for activity within the City’s redevelopment agency.
Capital Projects Fund	Accounts for the accumulation of funds, revenues and expenditures on projects such as the North Park Development and Recreation Complex Improvements.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.
Golf Course Fund	Accounts for revenues and expenditures of Spanish Oaks Golf Course
Swimming Pool Fund	Accounts for revenues and expenditures of the swimming pool.
Storm Drainage Fund	Accounts for revenues and expenditures of

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.A. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to” and “due from” other funds. Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales and use taxes and franchise taxes. Business-type activities report utilities billings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Restricted assets

Cash, which is restricted to a particular use due to statutory, budgetary or bonding requirements, is classified as “restricted cash” on the Statement of Net Assets and on the Balance Sheets.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's personnel policies permits departmental heads to accumulate up to 480 hours and other employees to accumulate up to 120 hours of earned, but unused, vacation time. Accumulated vacation time will be paid to employees upon termination. Accumulated sick leave is paid upon termination or retirement at a rate of between 25% and 33% of the accumulated amount. The accrued liability is based on a 28% rate.

At June 30, 2007, the total liability for accrued vacation pay and the total liability for accrued sick leave is as follows:

	Liability Amount		
	Governmental Activities	Business -Type Activities	Total
Vacation Liability	\$ 694,574	\$ 233,663	\$ 928,237
Sick Leave Liability	366,636	150,401	517,037
Total Compensated Absences	<u>\$ 1,061,210</u>	<u>\$ 384,064</u>	<u>\$ 1,445,274</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue.

Property Tax

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Utah County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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.

Use of estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

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

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

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

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested.

**SPANISH FORK CITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007, 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, 2007, 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 percent for third class cities. For the year ended June 30, 2007, the City had \$39,167,677 of such indebtedness.

Notes 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, 2007.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

a. Note Payable Coverage:

1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 and 1.25 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 2000 Electric Revenue Bonds, the 2002 Water Revenue Bonds. Sales tax Revenue Bond 2007 must equal 2.0 times the annual debt service.

b. Reserve Account Requirement:

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

2.D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

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

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

2.E. FUND EQUITY RESTRICTIONS

Utah Code 10-6-116(4) indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. For the year ended June 30, 2007 the City’s general fund was in compliance.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the financial statements for its assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2007, The City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2007</u>
Depository Accounts	Insured	\$ 100,000
	Uninsured and uncollateralized	8,279,896
Total Depository Accounts		<u>\$ 8,379,896</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Investments

As of June 30, 2007 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	More Than 10
Investments in Public					
Treasurers'	\$40,001,175	\$40,001,175	\$ -	\$ -	\$ -
Bond Escrows	21,578,474	21,578,474			
Money Market	665,048	665,048			
Total Fair Value	<u>\$62,244,697</u>	<u>\$62,244,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Reconciliation to Government-wide Statement of Net Assets:

Deposits & Investments		\$	6,742,269
Investments			62,244,697
Cash on hand			2,736
	Total	\$	<u>68,989,702</u>

Government - Wide

Cash and Cash Equivalents		\$	52,558,822
Restricted Cash & Cash Equivalents			16,376,075
Fiduciary Restricted Cash			54,805
	Total	\$	<u>68,989,702</u>

Net Cash on Statement of Net Assets		\$	68,934,897
Fiduciary Restricted Cash			54,805
	Total	\$	<u>68,989,702</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Water impact fees	\$ 1,327,096	\$ -	\$ -	\$ 1,327,096
Water right fees	1,159,718			1,159,718
Sewer impact fees	1,394,436			1,394,436
Electric impact fees	1,765,556			1,765,556
Pressurized Irrigation Impact Fee	911,831			911,831
Storm drainage impact fees	222,670			222,670
Water bond requirements	361,061			361,061
Electric bond requirements	672,093			672,093
Total	\$ 7,814,461	\$ -	\$ -	\$ 7,814,461
<i>Governmental Activities:</i>				
Developer escrows	\$ 7,133,190	\$ -	\$ -	\$ 7,133,190
Class "C" roads	1,198,895			1,198,895
Recreation impact fees	1,895,581			1,895,581
Capital Projects-Public Safety Buildir	16,387,181			16,387,181
Capital Projects-Park Improvements	4,000,000			4,000,000
Firemans	87,797			87,797
RDA bond requirements	788,631			788,631
Total	31,491,275	-	-	31,491,275
Grand Totals	\$ 39,305,736	\$ -	\$ -	\$ 39,305,736

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2007, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 2,978,851	\$ 2,978,851
Property tax	1,284,600	-	1,284,600
Other tax	815,154	-	815,154
Assessments	-	-	-
Other	30,000	-	30,000
Allowance for doubtful accounts	-	(44,810)	(44,810)
Net accounts receivable	<u>\$ 2,129,754</u>	<u>\$ 2,934,041</u>	<u>\$ 5,063,795</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (general fund)	\$ 1,284,600	\$ -
	-	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,284,600</u>	<u>\$ -</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance at June 30, 2006	Additions	Disposals	Balance at June 30, 2007
Governmental activities:				
Land (not being depreciated)	\$ 7,200,792	\$ 2,113,088	\$ -	\$ 9,313,880
Buildings	6,009,129	2,759,155	-	8,768,284
Improvements	5,328,955	2,187,477	-	7,516,432
Machinery and equipment	8,945,891	1,158,401	(384,624)	9,719,668
Infrastructure	42,154,508	4,397,475	-	46,551,983
Totals at historical cost	<u>69,639,275</u>	<u>12,615,596</u>	<u>(384,624)</u>	<u>81,870,247</u>
Less accumulated depreciation				
Buildings	(3,811,540)	(197,918)	-	(4,009,458)
Improvements	(1,609,245)	(238,731)	-	(1,847,976)
Machinery and equipment	(6,344,771)	(771,515)	300,746	(6,815,540)
Infrastructure	(15,998,564)	(2,181,032)	-	(18,179,596)
Total accumulated depreciation	<u>(27,764,120)</u>	<u>(3,389,196)</u>	<u>300,746</u>	<u>(30,852,570)</u>
Governmental activities capital assets, net	<u>\$ 41,875,155</u>	<u>\$ 9,226,400</u>	<u>\$ (83,878)</u>	<u>\$ 51,017,677</u>
Business-type activities:				
Land (not being depreciated)	\$ 597,912	\$ -	\$ -	\$ 597,912
Water shares (not being depreciated)	2,250,839	99,900	-	2,350,739
Buildings and structures	5,553,291	226,948	-	5,780,239
Improvements	104,754,438	8,505,950	-	113,260,388
Machinery and equipment	3,178,146	1,989,564	-	5,167,710
Totals at historical cost	<u>116,334,626</u>	<u>10,822,362</u>	<u>-</u>	<u>127,156,988</u>
Less accumulated depreciation				
Buildings and structures	(1,480,426)	(154,455)	-	(1,634,881)
Improvements other than buildings	(28,922,902)	(3,177,837)	-	(32,100,739)
Machinery and equipment	(1,860,215)	(289,750)	-	(2,149,965)
Total accumulated depreciation	<u>(32,263,543)</u>	<u>(3,622,041)</u>	<u>-</u>	<u>(35,885,584)</u>
Business-type activities capital assets, net	<u>\$ 84,071,083</u>	<u>\$ 7,200,321</u>	<u>\$ -</u>	<u>\$ 91,271,404</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 203,252
Public safety	129,641
Public works	2,211,797
Parks	187,315
Governmental portion of internal service fund	657,190
Total depreciation expense - governmental activities	<u>\$ 3,389,195</u>
Business-type activities	
Water	\$ 1,578,882
Electric	823,792
Sewer	832,160
Garbage	26,795
Golf course	53,678
Swimming pool	128,480
Storm drainage	157,877
Gun club	20,377
Total depreciation expense - business-type activities	<u>\$ 3,622,041</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

3.E. ACCOUNTS PAYABLE

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

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, 2007, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Maturity Dates	Balance
RDA Tax Increment Revenue Bond North Industrial Project Dated June 2, 1998 (original amount \$925,000)	5.100% to 5.300%	2008	\$ 115,000
RDA Tax Increment Bond Kirby Lane Project Dated June 2, 1998 (original amount \$520,000)	5.100% to 5.300%	2008	65,000
Sales Tax Revenue Bond Series 2007 (Original amount \$22,000,000)	4.0% to 4.750%	2027	22,000,000
Total bonds payable - governmental activities			<u>\$ 22,180,000</u>
			<u>(180,000)</u>
Total long term portion of bonds payable - governmental activities			<u>\$ 22,000,000</u>

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	230,677
Current portion of capital leases payable	<u>(43,257)</u>
Long term portion of capital leases payable	<u>\$ 187,420</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Business-type Activities:

As of June 30, 2007, the long-term debt payable from proprietary fund resources consisted of the following:

Dated October 23, 1991 (Original amount \$875,000)	0.00%	2012	\$ 217,000
Water Revenue Refunding Bond Series 1998A - Dated October 1, 1998 (Original amount \$1,310,000)	3.4% to 4.35%	2011	595,000
Electric Utility Revenue Bond Dated August 15, 2000 (Original amount \$9,230,000)	4.25% to 5.20%	2015	6,320,000
Water Revenue Bond 2002 Dated March 15, 2002 (Original amount \$16,255,000)	4.00% to 5.50%	2017	9,625,000
			<u>16,757,000</u>
Total bonds payable - business-type activities			(1,483,000)
Less current portion			<u>\$ 15,274,000</u>
Total bonds payable - long term portion			

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

<u>Type of Debt</u>	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</u>
Governmental activities:				
Bonds payable	\$ 180,000	\$22,000,000	\$ (180,000)	\$ 22,000,000
Capital leases payable	-	230,677	(43,257)	187,420
Compensated absences	946,506	114,704	-	1,061,210
Total - Governmental Activities	<u>\$ 1,126,506</u>	<u>\$22,345,381</u>	<u>\$ (223,257)</u>	<u>\$ 23,248,630</u>
Business-type Activities:				
Bonds payable	\$ 16,757,000	\$ -	\$ (1,483,000)	\$ 15,274,000
Compensated absences	415,852	-	(31,788)	384,064
Total - Business-type Activities	<u>\$ 17,172,852</u>	<u>\$ -</u>	<u>\$ (1,514,788)</u>	<u>\$ 15,658,064</u>
Due Within One Year	\$ 1,679,793	\$ 1,706,257	\$ (1,679,793)	\$ 1,706,257

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Bonds Payable</u>		<u>Business-type Activities Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ -	\$ 929,091	\$ 1,483,000	\$ 823,360
2009	800,000	958,375	1,554,000	756,325
2010	825,000	926,375	1,628,000	682,955
2011	850,000	893,375	1,854,000	606,338
2012	-	-	1,663,000	516,773
2013 - 2017	875,000	859,375	8,575,000	1,243,216
2017 - 2021	4,950,000	3,740,875	-	-
2018-2022	6,100,000	2,626,405	-	-
2023-2027	7,600,000	1,112,813	-	-
Total	<u>\$ 22,000,000</u>	<u>\$ 12,046,684</u>	<u>\$ 16,757,000</u>	<u>\$ 4,628,967</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Depreciation and Other Information on Capital Leases

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 286,621
Less: Accumulated depreciation	<u>(14,442)</u>
Total	<u><u>\$ 272,179</u></u>

Amortization of capital assets purchased under capital leases is included in depreciation expense.

The present value of future minimum capital lease payments under these leases as of June 30, 2007 are:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 43,257
2009	45,636
2010	<u>141,785</u>
Total minimum lease payments	230,678
Less amounts representing interest	<u>(35,155)</u>
Present value of minimum lease payments	<u><u>\$ 195,523</u></u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 1,444,267
Capital project fund-Rec	1,199,612	-
Capital project fund-Police/Court	244,655	-
Total Governmental Activities	<u>1,444,267</u>	<u>1,444,267</u>
<i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	198,800
<i>Non-major funds:</i>		
Golf course	132,800	-
Swimming pool	66,000	-
Total Business-type Activities	<u>198,800</u>	<u>198,800</u>
<i>Grand Totals</i>	<u><u>\$ 1,643,067</u></u>	<u><u>\$ 1,643,067</u></u>

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

Plant Assessments:

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Indirect services:

	Indirect Service Expense	Indirect Service Revenue
Major Business-type activities:		
Water Fund	\$ 488,495	\$ -
Sewer Fund	377,363	-
Electric Fund	477,456	-
Non-major business type activities:		
Golf Course	43,744	-
Swimming Pool	26,358	-
Garbage	84,589	-
Storm Drain	84,754	-
Major Governmental activities:		
General fund	-	1,582,759
	<u>\$ 1,582,759</u>	<u>\$ 1,582,759</u>

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

Due to/from other funds:

Fund	Due from	Due to
Governmental funds		
General fund	\$ 853,626	\$ -
Non-major funds		
Special revenue fund	181,508	-
Debt service fund	53,535	-
Capital projects fund	3,118,641	-
Total Governmental	<u>4,207,310</u>	<u>-</u>
Business-type funds		
Major funds		
Water fund	259,505	-
Sewer fund	-	2,750,290
Electric fund	586,761	-
Non-major funds		
Golf course fund	-	2,167,520
Swimming pool fund	-	28,943
Garbage fund	227,574	-
Storm drainage fund	64,681	-
Gun club fund	-	115,337
Total Business-Type	<u>1,138,521</u>	<u>5,062,090</u>
Internal service fund		
Motorpool fund	-	283,741
Grand Total	<u>\$ 5,345,831</u>	<u>\$ 5,345,831</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

3.H. RESERVED FUND BALANCES

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

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in the following employee pension systems:

Local Governmental - Cost Sharing Defined Benefits Pension Plans

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

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

Funding Policy. The City is required to contribute a percentage of covered salary to the respective systems, 11.09% to the Noncontributory, and 19.340% to the Public Safety Noncontributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City contributions to the various systems for the years ending June 30, 2007, 2006, and 2005 were; for the Noncontributory System \$606,690, \$541,325, and \$515,543; for

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

the Public Safety Noncontributory \$264,706, \$211,092, and \$203,138, respectively. The contributions were equal to or greater than the required contributions for each year.

401(k) Plan

The employees of City also participate in a 401(k) deferred compensation plan with MetLife. The amount of the employer contributions for the year ended June 30, 2007, 2006, and 2005, were \$436,115, \$ 427,535, and \$ 452,667 respectively.

4.B. RISK MANAGEMENT

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

4.C. COMMITMENTS AND CONTINGENCIES

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

4.D. JOINT VENTURES

Utah Municipal Power Agency

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

Additional information is as follows:

a. Participants and their percentage shares:	
Spanish Fork City Corporation	9.409%
Provo City Corporation	80.540%
Nephi City Corporation	5.839%
Manti City Corporation	2.164%
Salem City Corporation	1.446%
Levan Town	<u>0.602%</u>
	100.000%

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. Audited summary financial information of UMPA at June 30, 2007 is as follows:

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 62,281,032</u>	<u>\$ 5,860,022</u>
Total liabilities	<u>\$ 62,277,682</u>	<u>\$ 5,859,707</u>
Total net assets	<u>\$ 3,350</u>	<u>\$ 315</u>
Total operating revenues	\$ 73,439,280	\$ 6,909,902
Total operating expenses	<u>69,967,767</u>	<u>6,583,267</u>
Net operating income	3,471,513	326,635
Total non-operating income (expenses)	<u>(3,471,513)</u>	<u>(326,635)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>

The joint venture has the following long-term debt:

Revenue bonds payable	<u>\$ 35,508,608</u>	<u>\$ 3,341,005</u>
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- f. Audited financial statements for Utah Municipal Power Agency are available at UMPA's office.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

South Utah Valley Solid Waste District

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

Additional information is as follows:

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

- d. Audited summary financial information of the District as June 30, 2007 is as follows:

	<u>Waste District</u>	<u>City's Share</u>
Total assets	<u>\$ 17,641,522</u>	<u>\$ 2,072,879</u>
Total liabilities	<u>\$ 3,578,953</u>	<u>\$ 420,527</u>
Total net assets	<u>\$ 14,062,569</u>	<u>\$ 1,652,352</u>
Total operating revenues	\$ 4,708,428	\$ 553,240
Total operating expenses	<u>4,813,191</u>	<u>565,550</u>
Net operating income	(104,763)	(12,310)
Total non-operating income (expenses)	<u>302,784</u>	<u>35,577</u>
Change in net assets	<u>\$ 198,021</u>	<u>\$ 23,267</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,743,437	\$ 322,354
Accrued compensated absences	134,730	15,831
Capital Lease Payable	<u>226,258</u>	
Total long-term liabilities	<u>\$ 3,104,425</u>	<u>\$ 338,185</u>

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

Spanish Fork/Springville Airport

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

- a. Participants and their percentage shares:

Springville City	50.00%
Spanish Fork	50.00%

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

- b. The Airport is governed by it's own board which is selected from members of the participants' City councils and other citizens of the two communities.
- c. The Airport board governs the operations of the airport through management employed by the board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal managements, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.
- d. Summary financial information, as of the joint venture's last year end of June 30, 2007, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Spanish Fork City's Share</u>
Total assets	<u>\$ 3,894,357</u>	<u>\$ 1,947,179</u>
Total liabilities	<u>\$ 485</u>	<u>\$ 243</u>
Total net assets	<u>\$ 3,893,872</u>	<u>\$ 1,946,936</u>
Program revenues	\$ 224,288	\$ 112,144
General revenues	11,680	5,840
Program expenses	<u>(184,400)</u>	<u>(92,200)</u>
Change in net assets	<u>\$ 51,568</u>	<u>\$ 25,784</u>

- e. Audited financial statements for the Spanish Fork/Springville Airport are available at the Airport offices, 5300 South 200 West, Spanish Fork, Utah.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

4.E. WATER LOAN PROGRAM

The following information is presented as required by the State of Utah Water Loan Program:

1. Fidelity Bonds
 - A. Public Treasurer Bond for \$1,200,000 expiring December 31, 2007 issued by Leavitt Insurance.
 - B. \$10,000 Blanket Employee Bond expiring March 31, 2008 covering all employees and elected officials of the City issued by Leavitt Insurance.
 - C. \$510,000 Water bond expiring April 30, 2008 covering billing clerk, cashier, treasurer and administrative finance director issued by Leavitt Insurance.
2. 8,445 water connections at June 30, 2007.
3. Total water billings for the year were \$2,374,191
4. Rate schedule

Base charge	\$10.00
Price per 1,000 gallons for usage over base:	
0 to 9,000 gallons	\$1.27
9,001 to 16,000 gallons	\$1.72
Over 16,000 gallons	\$3.44
Connection/Impact fee	\$807.00
5. The balance in the reserve and emergency repair funds is \$41,000.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

4.F. SPANISH FORK REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1. The tax increment collected by the agency for each project area:

A. North Industrial RDA	\$ 184,124
B. Kirby RDA	131,122
C. Canyon EDA	-
D. Gateway	<u>105,901</u>
Total Collected	<u><u>\$ 421,147</u></u>

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

A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Canyon EDA	-
Total Paid	<u><u>\$ -</u></u>

3. The outstanding principal amount of loans incurred

to finance the cost associated with the project areas:	\$ 180,000
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4. The actual amounts expended for :

A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	-
D. Administrative costs	<u>6,972</u>
Total Expended	<u><u>\$ 6,972</u></u>

SUPPLEMENTARY INFORMATION

**Spanish Fork City
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2007**

	RDA Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	North Park Dev Fund	Recreation Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ 278,404	\$ 33,547	\$ 3,414,098	\$ 428,169	\$ 4,154,218
Prepaid interest	9,045	-	-	-	-	9,045
Accounts receivable	-	9,925	-	-	-	9,925
Due from other funds	181,508	47,778	5,757	585,902	73,479	894,424
Restricted Assets:						
Cash and cash equivalents	1,100,083	-	-	-	-	1,100,083
Total assets	<u>\$ 1,290,636</u>	<u>\$ 336,107</u>	<u>\$ 39,304</u>	<u>\$ 4,000,000</u>	<u>\$ 501,648</u>	<u>\$ 6,167,695</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:						
Designated for:						
Capital projects	-	-	-	4,000,000	501,648	\$ 4,501,648
Reserved for:						
Redevelopment	1,290,636	-	-	-	-	1,290,636
Unreserved:						
Unreserved fund balance	-	336,107	39,304	-	-	375,411
Total fund balances	<u>1,290,636</u>	<u>336,107</u>	<u>39,304</u>	<u>4,000,000</u>	<u>501,648</u>	<u>6,167,695</u>
Total liabilities and fund balance	<u>\$ 1,290,636</u>	<u>\$ 336,107</u>	<u>\$ 39,304</u>	<u>\$ 4,000,000</u>	<u>\$ 501,648</u>	<u>\$ 6,167,695</u>

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2007

	RDA Fund	Debt Service		Capital Projects		Total Non-major Governmental Funds
		Debt Service Fund	Special Guarantee Fund	North Park Dev Fund	Recreation Fund	
REVENUES:						
Taxes	\$ 421,147	\$ -	\$ -	\$ -	\$ -	421,147
Interest income	8,995	-	-	-	-	8,995
Total revenues	<u>430,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,142</u>
EXPENDITURES:						
Current Expenditures:						
RDA	6,972	-	-	-	-	6,972
Debt service:						
Principal retirement	170,000	-	-	-	-	170,000
Interest and fiscal charges	22,150	-	-	-	-	22,150
Capital outlay	-	-	-	-	1,802,310	1,802,310
Total expenditures	<u>199,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,802,310</u>	<u>199,122</u>
Excess of revenues over (under) expenditures	<u>231,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,802,310)</u>	<u>(4,555,354)</u>
Other financing sources (uses):						
Bond Proceeds	-	-	-	4,000,000	-	4,000,000
Transfers in	-	-	-	-	1,199,612	1,199,612
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>1,199,612</u>	<u>1,199,612</u>
Excess of revenues and other sources over (under) expenditures and other uses	231,020	-	-	4,000,000	(602,698)	3,628,322
Fund balances - beginning of year	1,059,616	336,107	39,304	-	1,104,346	2,539,373
Fund balances - end of year	<u>\$ 1,290,636</u>	<u>\$ 336,107</u>	<u>\$ 39,304</u>	<u>\$ 4,000,000</u>	<u>\$ 501,648</u>	<u>\$ 6,167,695</u>

Spanish Fork City
Combining Statement of Net Assets
Non-major Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds					
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,183,796	\$ 205	\$ 1,326,090	\$ -	\$ 200	\$ 4,510,291
Accounts receivable	-	-	94,351	41,207	13	135,571
Allowance for doubtful accounts	-	-	(1,730)	(488)	-	(2,218)
Due from other funds	-	-	227,574	64,681	-	292,255
Inventory	-	-	-	-	46,146	46,146
Total current assets	<u>3,183,796</u>	<u>205</u>	<u>1,646,285</u>	<u>105,400</u>	<u>46,359</u>	<u>4,982,045</u>
Noncurrent assets:						
Restricted cash and equivalents	-	-	-	376,901	-	376,901
Capital Assets:						
Land	19,955	-	143,505	10,332	-	173,792
Buildings	419,707	-	48,066	-	28,116	495,889
Improvements	1,193,764	2,176,760	111,779	7,022,532	95,473	10,600,308
Equipment	138,722	13,938	595,534	-	78,949	827,143
Less: accumulated depreciation	(1,467,859)	(1,626,047)	(518,234)	(654,016)	(85,921)	(4,352,077)
Other Assets:						
Equity in joint venture	-	-	1,587,968	-	-	1,587,968
Total noncurrent assets	<u>304,289</u>	<u>564,651</u>	<u>1,968,618</u>	<u>6,755,749</u>	<u>116,617</u>	<u>9,709,924</u>
Total assets	<u>\$ 3,488,085</u>	<u>\$ 564,856</u>	<u>\$ 3,614,903</u>	<u>\$ 6,861,149</u>	<u>\$ 162,976</u>	<u>\$ 14,691,969</u>
LIABILITIES						
Current liabilities:						
Due to other funds	\$ 2,167,520	\$ 28,943	\$ -	\$ -	\$ 115,337	\$ 2,311,800
Accounts payable	54,111	42,619	50,726	7,266	23,009	177,731
Compensated absences	37,219	2,715	2,579	9,455	2,870	54,838
Total current liabilities	<u>2,258,850</u>	<u>74,277</u>	<u>53,305</u>	<u>16,721</u>	<u>141,216</u>	<u>2,544,369</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	5,000	-	5,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total liabilities	<u>2,258,850</u>	<u>74,277</u>	<u>53,305</u>	<u>21,721</u>	<u>141,216</u>	<u>2,549,369</u>
NET ASSETS						
Invested in capital assets, net of related debt	304,289	564,651	380,650	6,378,848	116,617	7,745,055
Restricted for:						
Impact fees	-	-	-	531,542	-	531,542
Unrestricted	924,946	(74,072)	3,180,948	(70,962)	(94,857)	3,866,003
Total net assets	<u>\$ 1,229,235</u>	<u>\$ 490,579</u>	<u>\$ 3,561,598</u>	<u>\$ 6,839,428</u>	<u>\$ 21,760</u>	<u>\$ 12,142,600</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-major Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds					Total Other Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Operating Revenues:						
Charges for sales and services	\$ 723,654	\$ 244,208	\$ 847,166	\$ 436,575	\$ 223,573	\$ 2,475,176
Other income	-	-	-	-	1,994	1,994
Total operating revenues	<u>723,654</u>	<u>244,208</u>	<u>847,166</u>	<u>436,575</u>	<u>225,567</u>	<u>2,477,170</u>
Operating Expenses:						
Landfill fees	-	-	635,040	-	-	635,040
Employee salaries	405,954	167,101	23,401	86,422	22,422	705,300
Materials and supplies	123,450	35,323	-	27,160	122,635	308,568
Repairs and maintenance	47,879	6,456	-	394	11,941	66,670
Professional services	18,788	2,994	20,309	104,122	65,444	211,657
Motorpool charges	100,194	-	-	14,022	-	114,216
Utilities	35,427	55,476	-	3	7,920	98,826
Insurance	14,996	12,173	88	722	1,233	29,212
Depreciation	53,678	128,480	26,795	157,877	20,377	387,207
Indirect services	43,744	26,358	84,589	84,754	-	239,445
Sundry charges	11,016	-	-	-	-	11,016
Total operating expenses	<u>855,126</u>	<u>434,361</u>	<u>790,222</u>	<u>475,476</u>	<u>251,972</u>	<u>2,807,157</u>
Operating income	<u>(131,472)</u>	<u>(190,153)</u>	<u>56,944</u>	<u>(38,901)</u>	<u>(26,405)</u>	<u>(329,987)</u>
Nonoperating revenues (expenses):						
Interest revenue	-	-	-	11,433	-	11,433
Impact fees	-	-	-	531,542	-	531,542
Contributions from private contractors	-	-	-	1,077,838	-	1,077,838
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,620,813</u>	<u>-</u>	<u>1,620,813</u>
Income (loss) before operating transfers	<u>(131,472)</u>	<u>(190,153)</u>	<u>56,944</u>	<u>1,581,912</u>	<u>(26,405)</u>	<u>1,290,826</u>
Operating Transfers:						
Operating transfers in	132,800	66,000	-	-	-	198,800
Total operating transfers	<u>132,800</u>	<u>66,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,800</u>
Change in net assets	1,328	(124,153)	56,944	1,581,912	(26,405)	1,489,626
Total net assets - beginning	1,227,907	614,732	3,504,654	5,257,516	48,165	10,652,974
Total net assets - ending	<u>\$ 1,229,235</u>	<u>\$ 490,579</u>	<u>\$ 3,561,598</u>	<u>\$ 6,839,428</u>	<u>\$ 21,760</u>	<u>\$ 12,142,600</u>

Spanish Fork City
Combining Statement of Cash Flows
Non-major Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds					Total Non-Major Funds
	Golf Course Funds	Swimming Pool Fund	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
Cash Flows From Operating Activities						
Receipts from customers	\$ 723,654	\$ 244,208	\$ 844,488	\$ 421,544	\$ 223,572	\$ 2,457,466
Other cash receipts	-	-	-	-	1,994	1,994
Payments to suppliers	(329,339)	(138,475)	(740,026)	(231,175)	(219,331)	(1,658,346)
Payments to employees	(423,421)	(167,202)	(23,495)	(86,947)	(22,336)	(723,401)
Net cash provided (used) by operating activities	<u>(29,106)</u>	<u>(61,469)</u>	<u>80,967</u>	<u>103,422</u>	<u>(16,101)</u>	<u>77,713</u>
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	-	-	106,872	(23,408)	-	83,464
Increase (decrease) in due to other funds	517,797	20,516	-	-	16,101	554,414
Transfers in (out)	132,800	66,000	-	-	-	198,800
Net cash provided (used) by noncapital activities	<u>650,597</u>	<u>86,516</u>	<u>106,872</u>	<u>(23,408)</u>	<u>16,101</u>	<u>836,678</u>
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(47,196)	(25,047)	(71,727)	(1,473,247)	-	(1,617,217)
Contributions from (reimbursements to) private contractors	-	-	-	1,077,838	-	1,077,838
Impact fees collected	-	-	-	531,542	-	531,542
Net cash provided (used) by capital and related financing activities	<u>(47,196)</u>	<u>(25,047)</u>	<u>(71,727)</u>	<u>136,133</u>	<u>-</u>	<u>(7,837)</u>
Cash Flows From Investing Activities						
Interest and dividends received	-	-	-	11,433	-	11,433
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,433</u>	<u>-</u>	<u>11,433</u>
Net increase (decrease) in cash and cash equivalents	574,295	-	116,112	227,580	-	917,987
Cash and cash equivalents, July 1	2,609,501	205	1,209,978	149,321	200	3,969,205
Cash and cash equivalents, June 30	<u>\$ 3,183,796</u>	<u>\$ 205</u>	<u>\$ 1,326,090</u>	<u>\$ 376,901</u>	<u>\$ 200</u>	<u>\$ 4,887,192</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (131,472)	\$ (190,153)	\$ 56,944	\$ (38,901)	\$ (26,405)	(329,987)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	53,678	128,480	26,795	157,877	20,377	387,207
(Increase) decrease in accounts receivable	-	-	(2,678)	(15,031)	(1)	(17,710)
(Increase) decrease in inventory	68,819	-	-	-	(2,688)	66,131
Increase (decrease) in accrued liabilities	(2,664)	305	-	2	(7,470)	(9,827)
Increase (decrease) in compensated absences	(17,467)	(101)	(94)	(525)	86	(18,101)
Total adjustments	<u>102,366</u>	<u>128,684</u>	<u>24,023</u>	<u>142,323</u>	<u>10,304</u>	<u>407,700</u>
Net cash provided (used) by operating activities	<u>\$ (29,106)</u>	<u>\$ (61,469)</u>	<u>\$ 80,967</u>	<u>\$ 103,422</u>	<u>\$ (16,101)</u>	<u>\$ 77,713</u>

Spanish Fork City
Schedule of Impact Fees Collected and Spent
and Capital Facilities Budget for 2008 thru 2013
June 30, 2007

Fiscal Year	Water Impact Fee	Sewer Impact Fee	Electric Impact Fee	Pressurized Irrigation Impact Fee	Recreation Impact Fee	South East Storm Drainage Impact Fee	North East Storm Drainage Impact Fee	West Fields Storm Drainage Impact Fee
Pre 1996 Balance	\$ 528,097	\$ 879,611	\$ 235,144	\$ -	\$ 265,905	\$ -	\$ -	\$ -
1996 Collected	279,900	701,435	102,027	-	226,277	-	-	-
1996 Spent	-	-	-	-	(289,082)	-	-	-
1997 Collected	267,627	503,998	106,506	-	182,853	-	-	-
1997 Spent	(1,120,294)	(2,146,920)	(142,575)	-	(253,425)	-	-	-
1998 Collected	222,649	277,642	146,883	-	225,451	105,815	-	-
1998 Spent	(115,380)	(205,140)	(383,678)	-	(357,071)	(32,752)	-	-
1999 Collected	251,828	255,970	155,255	-	253,114	87,656	-	-
1999 Spent	(240,000)	(237,963)	(175,000)	-	(335,210)	(2,576)	-	-
2000 Collected	417,714	399,277	219,020	-	404,599	140,859	-	-
2000 Spent	(116,653)	(303,020)	(212,000)	-	(313,352)	(83,168)	-	-
2001 Collected	534,381	609,157	310,409	-	493,052	91,411	-	-
2001 Spent	(95,851)	(468,822)	(8,668)	-	(432,250)	(39,491)	-	-
2002 Collected	298,454	451,002	195,641	-	419,702	51,909	-	-
2002 Spent	-	(627,307)	(470,000)	-	(550,000)	(158,628)	-	-
2003 Collected	448,054	585,097	310,127	111,229	599,923	64,120	-	-
2003 Spent	(396,400)	(116,554)	(79,500)	(7,000)	(4,000)	(39,156)	-	-
2004 Collected	373,921	436,416	278,022	105,779	506,416	57,672	-	-
2004 Spent	(1,413,374)	(566,856)	-	-	(837,169)	(21,068)	-	-
2005 Collected	461,620	390,241	375,545	176,938	670,635	202,837	65,012	47,433
2005 Spent	-	(10,489)	-	-	(96,413)	(367,670)	-	(32,297)
2006 Collected	859,112	749,489	817,378	548,839	1,643,675	4,201	70,499	31,468
2006 Spent	(75,000)	(136,636)	-	-	(1,238,349)	(13,490)	-	(19,356)
2007 Collected	815,450	826,564	939,668	542,253	972,080	183,249	346,682	13,042
2007 Spent	(69,843)	(2,094,513)	(1,263,616)	-	(4,083,341)	(60,796)	-	(21,317)
Ending Balance	\$ 2,116,012	\$ 151,679	\$ 1,456,588	\$ 1,478,038	\$ (1,925,980)	\$ 170,934	\$ 482,193	\$ 18,973

Capital Facilities Budget - 2008 thru 2013

Project	2008	2009	2010	2011	2012	2013	Total
Culinary Water Projects	\$ 3,765,000	\$ 438,000	\$ 438,000	\$ 438,000	\$ 438,000	\$ 438,000	\$ 5,955,000
Sewer Projects	-	-	-	-	-	-	-
Electric Projects	1,322,500	1,202,000	808,000	1,190,000	1,725,000	-	6,247,500
Pressurized Irrigation Projects	52,500	403,200	684,000	75,000	75,000	75,000	1,364,700
Parks and Recreation Projects	940,500	178,000	1,750,000	950,000	150,000	150,000	4,118,500
Storm Drainage Projects	899,090	1,142,770	2,418,980	1,242,000	1,499,620	2,192,300	9,394,760

**SPANISH FORK CITY
MANAGEMENT LETTER
INDEPENDENT AUDITORS' REPORT IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
INDEPENDENT AUDITORS' REPORT
ON LEGAL COMPLIANCE
JUNE 30, 2007**

SPANISH FORK CITY, UTAH
TABLE OF CONTENTS
JUNE 30, 2007

	<u>Pages</u>
GOVERNMENT AUDITING STANDARDS REPORT	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
STATE COMPLIANCE REPORT	
Independent Auditors' Report on Legal Compliance with Applicable Utah State Laws and Regulations	3-4
MANAGEMENT LETTER	
CURRENT YEAR FINDINGS	5
STATUS OF PRIOR YEAR FINDINGS	6

GOVERNMENT AUDITING STANDARDS REPORT



LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 16, 2007

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

Mayor and Council Members:

We have audited the accompanying basic financial statements of the Spanish Fork City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

This report is intended for the information of the Mayor and City Council, management, and various federal and state funding and auditing agencies and is and is not intended to be and should not be used by anyone other than these specified parties.

Larson & Company
Certified Public Accountants

STATE COMPLIANCE REPORT



INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

November 16, 2007

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

Mayor and Council Members:

We have audited the basic financial statements of the Spanish Fork City, Utah, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 2007. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following major State assistance programs from the State of Utah:

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

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees and Other Development Fees
Asset Forfeiture

The management of the Spanish Fork City, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

3

SANDY, OFFICE
9065 SOUTH 1300 EAST
SANDY, UTAH 84094
(801) 313-1900
FAX (801) 313-1912

SPANISH FORK OFFICE
765 NORTH MAIN
SPANISH FORK, UTAH 84660
(801) 798-3545
FAX (801) 798-3678

MOAB OFFICE
121 EAST 100 SOUTH SUITE 104
MOAB, UTAH 84532
(435) 259-9100
FAX (801) 259-9100

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter dated November 16, 2007. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Spanish Fork City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

Larson & Company
Certified Public Accountants

MANAGEMENT LETTER

**MANAGEMENT LETTER
CURRENT YEAR FINDINGS**

STATE COMPLIANCE FINDINGS

FINDING – TREASURER’S BOND

Utah Code 51-7-15 and Rule 4 of the Utah Money Management Councils states that every public treasurer shall secure a fidelity bond, based on the previous years budgeted gross revenue, which includes all funds collected or handled by the public treasurer. Currently the City of Spanish Fork’s treasurer’s bond is underfunded by \$ 299,376.

RECOMMENDATION

We recommend that the City comply with this state regulation by increasing the value of its treasurer’s bond.

CLIENT RESPONSE

Management concurs with the finding and has already made the necessary increase in the treasurer’s bond.

**MANAGEMENT LETTER
STATUS OF PRIOR YEAR FINDINGS**

STATE COMPLIANCE FINDINGS

FINDING – GENERAL FUND BALANCE

Utah Code 10-6-116(4) indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. For the year ended June 30, 2006 the City’s general fund exceeded the maximum by \$498,767.

RECOMMENDATION

We recommend that the City comply with this state regulation by making the necessary adjustments in budget appropriations. The City had made appropriations for some projects that did not occur in this fiscal year as budgeted. Many of these projects are carried forward to the ensuing year. The City is aware of the issue and will make the adjustments necessary.

STATUS OF FINDING

No problems noted in current audit