

**SPANISH FORK CITY, UTAH  
INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**



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

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah, (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2017, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as well as the required supplementary information relating to pensions on pages 3–9 and 59-61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2017 on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Larson & Company, PC

Spanish Fork, Utah  
November 21, 2017

## 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, 2017**. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net position of Spanish Fork City increased **\$17,444,454** to **\$276,506,667**. The governmental net position increased by **\$6,685,992** and the business-type net position increased by **\$10,758,463**.
- The total net position of **\$276,506,667** is made up of **\$217,844,314** in capital assets net of related debt and **\$58,662,353** in other net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of **\$985,238**.
- The City's total long-term liabilities decreased by **\$2,371,861** during the current fiscal year.

### REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net position* presents information on all of Spanish Fork City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Spanish Fork City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and

expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Spanish Fork City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-14 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$276,506,667**.

By far the largest portion of Spanish Fork City's net position **\$217,844,314 or 79%** reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net position.

### Spanish Fork City's Net position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	32,346,623	25,105,261	47,671,836	43,067,929	80,018,460	68,173,190
Capital assets	98,539,318	95,702,437	138,089,747	132,550,901	236,629,065	228,253,338
Total assets	130,885,941	120,807,698	185,761,583	175,618,830	316,647,525	296,426,528
Deferred outflows - pension	2,936,765	2,313,901	1,314,026	1,034,423	4,250,791	3,348,324
Total deferred outflows of resources	2,936,765	2,313,901.00	1,314,026	1,034,423.00	4,250,791	3,348,324
Total Assets and Deferred outflows	133,822,706	123,121,599	187,075,609	176,653,253	320,898,316	299,774,852
Other liabilities	17,312,728	12,517,040	5,282,009	4,395,364	22,594,737	16,912,404
Long-term liabilities outstanding	13,431,548	14,476,409	5,389,000	6,716,000	18,820,548	21,192,409
Total liabilities	30,744,276	26,993,449	10,671,009	11,111,364	41,415,285	38,104,813
Deferred property tax revenue	1,838,811	1,776,057	40,814.00	27,035	1,879,625	1,803,092
Deferred inflows - pension	752,985	551,450.77	343,753	253,284.00	1,096,738	804,735
Total deferred inflows of resources	2,591,796	2,327,508	384,567	280,319.00	2,976,363	2,607,827
Total Liabilities and Deferred inflows	33,336,072	29,320,956	11,055,576	11,391,683	44,391,648	40,712,639
Net Position:						
Invested in capital assets, net						
of related debt	84,987,955	81,097,255	132,856,359	125,921,699	217,844,314	207,018,954
Restricted	6,692,741	4,256,337	394,677	830,406	7,087,418	5,086,743
Unrestricted	8,805,938	8,447,051	42,768,997	38,509,465	51,574,935	46,956,516
Total Net Position	100,486,634	93,800,643	176,020,033	165,261,570	276,506,667	259,062,213

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	11,611,509	10,112,241	46,070,070	45,519,081	57,681,579	55,631,322
Operating grants and contribs	1,560,858	1,238,486	-	-	1,560,858	1,238,486
Capital grants and contribs	5,703,207	7,070,583	8,325,787	9,533,218	14,028,994	16,603,801
General revenues:						
Property taxes	2,845,772	2,928,610	-	-	2,845,772	2,928,610
Sales and Use Tax	8,813,172	8,281,976	-	-	8,813,172	8,281,976
Other taxes	511,589	516,279	-	-	511,589	516,279
Unrestricted investment earnings	230,253	143,431	425,806	251,377	656,059	394,808
Joint Venture Gain (Loss)	(75,734)	906,540	232,954	-	157,221	906,540
Miscellaneous	-	-	-	-	-	-
Gain on Sale of Capital Assets	487,991	33,318	-	-	487,991	33,318
Total revenues	<u>31,688,618</u>	<u>31,231,464</u>	<u>55,054,617</u>	<u>55,303,676</u>	<u>86,743,234</u>	<u>86,535,140</u>
Expenses:						
General government	5,574,768	4,234,809	-	-	5,574,768	4,234,809
Public safety	7,007,352	6,471,309	-	-	7,007,352	6,471,309
Public Works	8,183,571	9,941,212	-	-	8,183,571	9,941,212
Parks and recreation	5,694,473	3,752,970	-	-	5,694,473	3,752,970
Operating Expenses (Business Type)			42,233,299	40,867,201	42,233,299	40,867,201
Interest Expense	605,317	656,670			605,317	656,670
Total expenses	<u>27,065,481</u>	<u>25,056,971</u>	<u>42,233,299</u>	<u>40,867,201</u>	<u>69,298,780</u>	<u>65,924,171</u>
Increase in Net Position before transfers	4,623,136	6,174,493	12,821,318	14,436,475	17,444,454	20,610,969
Transfers	2,062,855	2,338,644	(2,062,855)	(2,338,644)	-	-
Increase in Net Position	6,685,992	8,513,137	10,758,463	12,097,831	17,444,454	20,610,969
Net Position - beginning	93,800,643	85,287,505	165,261,570	153,163,739	259,062,213	238,451,244
Prior Period Adjustment	-	-	-	-	-	-
Net Position - ending	<u>100,486,635</u>	<u>93,800,642</u>	<u>176,020,033</u>	<u>165,261,570</u>	<u>276,506,667</u>	<u>259,062,212</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, 2017, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$16,322,109**. This represents an increase of **\$3,062,025** under last year's ending balances. This increase is the result of both planned budget transfers of funds being held for the Capital Projects Fund and the appropriation of the beginning fund balance. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. Capital project funds are used to account for the acquisition of capital assets with transfers made from the General Fund and other funds.

Taxes continue to be the largest source of revenue in the Governmental Funds (**\$12,170,533**) and represent **54%** of total governmental funds revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$23,718,219** to a final budget of **\$23,654,364**. A major contributing factor in the increase was the budget increase to the use of beginning fund balance. During the fiscal year, the City had some capital expenditures it had not foreseen at the time of the original budgeting process.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** - Spanish Fork City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to **\$236,629,065** (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. Capital assets include contributed infrastructure from developers.

### **Major capital asset events during the current fiscal year included the following:**

#### **Streets Improvements:**

Maintenance and Rebuilding of existing roads and sidewalks for \$5,922,078.

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

Water & Pressurized Irrigation Improvement Projects for \$3,125,806.

#### **Sewer Improvements:**

Sewer Improvements for \$2,012,929

#### **Electric Improvements:**

Electric Improvements for \$2,186,666.

#### **Other Improvements:**

Library Books & Media for \$78,616.

Cemetery Improvements \$305,890.

Park Improvements \$394,897

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

Improvement for Fiber to the Home for \$978,796.

#### **Motorpool:**

Shop Addition for \$186,669.

City Wide Equipment and Vehicle Purchases for \$1,879,302.

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

	Spanish Fork City's Capital Assets			
	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Land	\$ 14,551,534	\$ 13,616,755	\$ 3,400,803	\$ 3,236,282
Water Shares	-	-	5,238,467	5,131,345
Buildings	20,798,880	21,439,246	3,800,352	3,890,640
Improvements	16,439,724	16,997,764	122,695,115	116,889,215
Equipment	5,776,563	5,356,298	2,955,010	3,403,419
Infrastructure	40,972,617	38,292,374	-	-
Total Net Assets - Net of Depreciation	<u>\$ 98,539,318</u>	<u>\$ 95,702,437</u>	<u>\$ 138,089,747</u>	<u>\$ 132,550,901</u>

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

**Long-term debt** - At June 30, 2017, the City had total bonded debt outstanding of **\$18,694,000**. Of that, **\$5,389,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$13,305,000** is debt secured solely by tax sources (ie., Sales Tax revenue and Property Tax increment for the RDA).

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

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Capital Lease	\$ 126,548	\$ 96,409	\$ -	\$ -
Accrued Vacation & Sick Leave	1,599,110	1,487,343	825,280	788,119
Revenue Bonds	13,305,000	14,380,000	5,389,000	6,716,000
Total Outstanding Debt	<u>\$ 15,030,658</u>	<u>\$ 15,963,752</u>	<u>\$ 6,214,280</u>	<u>\$ 7,504,119</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 **\$1,741,705,945**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$69,668,238** 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 **\$139,336,476** 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 2.9% compared with a state unemployment rate of 3.3% and a national rate of 4.1 %. (Source: Utah Dept of Workforce Services)
  
- Some capital improvements budgeted for the FY 2018 include:
  1. Additional Trail Projects
  2. Airport operations and capital improvements
  3. Widening of the top of Center Street roadway
  4. Additional ball fields at the Sports Park
  5. New Pickle Ball courts at the Sports Park
  6. Golf Clubhouse Addition
  7. River Reclamation Projects
  8. Water Rights Purchases
  9. Water line replacement.
  10. Sewer line replacement
  11. Electric system improvements
  12. Storm Drainage System Expansion
  13. Pressurized Irrigation System Expansion
  14. Sidewalk replacement and repair of various areas of town
  15. Purchase of City Vehicles

## **REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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**Spanish Fork City**  
**Statement of Net Position**  
**As of June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,064,029	\$ 37,091,467	\$ 47,155,496
Receivables (net of allowance)	3,590,295	4,086,273	7,676,568
Prepaid expenses	31,529	130	31,659
Internal balances	(1,706,296)	1,706,296	-
Inventory	74,003	1,861,462	1,935,465
Equity in joint venture	5,681,815	1,406,080	7,087,895
Restricted cash and cash equivalents	14,609,885	1,519,428	16,129,313
Net Pension Asset	1,364	700	2,064
Capital Assets (not being depreciated):			
Land	14,551,534	3,400,803	17,952,337
Water shares	-	5,238,467	5,238,467
Capital Assets (net of accumulated depreciation):			
Buildings	20,798,880	3,800,352	24,599,232
Improvements other than buildings	16,439,724	122,695,115	139,134,839
Equipment	5,776,563	2,955,010	8,731,573
Infrastructure	40,972,617	-	40,972,617
Total assets	<u>130,885,941</u>	<u>185,761,583</u>	<u>316,647,525</u>
Deferred outflows of resources relating to pensions	<u>2,936,765</u>	<u>1,314,026</u>	<u>4,250,791</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>133,822,706</u>	<u>187,075,609</u>	<u>320,898,316</u>
<b>LIABILITIES</b>			
Accounts payable	2,471,661	714,327	3,185,988
Developer escrows and deposits	7,908,403	1,363,816	9,272,219
Compensated absences	1,599,110	825,280	2,424,390
Bond interest payable	119,815	10,641	130,456
Noncurrent Liabilities:			
Net Pension Liability	5,213,739	2,367,945	7,581,684
Due within one year	1,156,874	813,000	1,969,874
Due in more than one year	12,274,674	4,576,000	16,850,674
Total liabilities	<u>30,744,276</u>	<u>10,671,009</u>	<u>41,415,285</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	1,838,811	40,814	1,879,625
Relating to Pensions	752,985	343,753	1,096,738
Total deferred inflows of resources	<u>2,591,796</u>	<u>384,567</u>	<u>2,976,363</u>
<b>NET POSITION</b>			
Net investments in capital assets	84,987,955	132,856,359	217,844,314
Restricted for:			
Class "C" roads	305,380	-	305,380
Redevelopment agency	3,455,189	-	3,455,189
Impact fees	2,441,813	239,065	2,680,878
Debt Service	490,359	-	490,359
Bond requirements	-	155,612	155,612
Unrestricted	8,805,938	42,768,997	51,574,935
Total net position	<u>\$ 100,486,634</u>	<u>\$ 176,020,033</u>	<u>\$ 276,506,667</u>

**Spanish Fork City**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
General government	\$ 5,574,768	\$ 7,740,118	\$ 51,465	\$ 2,216,815	\$ -	\$ 2,216,815
Public safety	7,007,352	1,990,244	74,054	(4,943,054)	-	(4,943,054)
Public works	8,183,571	-	1,340,070	(3,189,797)	-	(3,189,797)
Parks, rec. & public property	5,694,473	1,881,147	95,269	(1,668,554)	-	(1,668,554)
Interest on long-term debt	605,317	-	-	(605,317)	-	(605,317)
<b>Total governmental activities</b>	<b>27,065,481</b>	<b>11,611,509</b>	<b>1,560,858</b>	<b>(8,189,907)</b>	<b>-</b>	<b>(8,189,907)</b>
<b>Business-type activities:</b>						
Water	5,822,260	6,303,769	-	-	3,129,581	3,129,581
Sewer	3,351,907	3,567,929	-	-	1,848,351	1,848,351
Electric	28,821,623	32,415,122	-	-	5,611,687	5,611,687
Garbage	1,744,345	1,855,504	-	-	111,159	111,159
Storm drainage	2,319,977	1,744,527	-	-	1,451,748	1,451,748
Gun club	173,186	183,219	-	-	10,033	10,033
<b>Total business-type activities</b>	<b>42,233,299</b>	<b>46,070,070</b>	<b>-</b>	<b>-</b>	<b>12,162,558</b>	<b>12,162,558</b>
<b>Total primary government</b>	<b>\$ 69,298,780</b>	<b>\$ 57,681,579</b>	<b>\$ 1,560,858</b>	<b>(8,189,907)</b>	<b>12,162,558</b>	<b>3,972,651</b>
<b>General revenues:</b>						
Property taxes				2,845,772	-	2,845,772
Sales taxes				8,813,172	-	8,813,172
Other taxes				511,589	-	511,589
Unrestricted investment earnings				230,253	425,806	656,059
Joint venture gain (loss)				(75,734)	232,954	157,221
Gain on sale of capital assets				487,991	-	487,991
Transfers				2,062,855	(2,062,855)	-
<b>Total general revenues and transfers</b>				<b>14,875,899</b>	<b>(1,404,095)</b>	<b>13,471,804</b>
<b>Change in Net Position</b>				<b>6,685,991</b>	<b>10,758,463</b>	<b>17,444,454</b>
<b>Net Position - beginning</b>				<b>93,800,643</b>	<b>165,261,570</b>	<b>259,062,213</b>
<b>Net Position - ending</b>				<b>\$ 100,486,634</b>	<b>\$ 176,020,033</b>	<b>\$ 276,506,667</b>

**Spanish Fork City  
Balance Sheet  
Governmental Funds  
As of June 30, 2017**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,186,258	\$ 3,660,046	\$ 9,846,304
Receivables (net of allowance):			
Tax	3,585,515	-	3,585,515
Due from other funds	110,243	79,913	190,156
Prepaid expense	31,530	-	31,530
Inventory	74,003	-	74,003
Equity in joint venture	79,626	-	79,626
Restricted Assets:			
Cash and cash equivalents	10,699,515	3,910,370	14,609,885
Total assets	<u>\$ 20,766,690</u>	<u>\$ 7,650,329</u>	<u>\$ 28,417,019</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,993,194	\$ 9,816	\$ 2,003,010
Payroll payable	344,686	-	344,686
Developer escrow	6,438,105	-	6,438,105
Final inspection deposit	1,470,298	-	1,470,298
Total liabilities	<u>10,246,283</u>	<u>9,816</u>	<u>10,256,099</u>
<b>DEFERRED INFLOWS</b>			
Deferred property tax revenue	1,838,811	-	1,838,811
Total deferred inflows of resources	<u>1,838,811</u>	<u>-</u>	<u>1,838,811</u>
<b>FUND BALANCES</b>			
Nonspendable	111,156	-	111,156
Restricted for:			
Class "C" roads	305,380	-	305,380
Redevelopment agency	-	3,455,189	3,455,189
Debt service	-	490,359	490,359
Impact fees	2,441,813	-	2,441,813
Committed for:			
Capital projects	-	3,694,965	3,694,965
Unassigned	5,823,247	-	5,823,247
Total fund balances	<u>8,681,596</u>	<u>7,640,513</u>	<u>16,322,109</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 20,766,690</u>	<u>\$ 7,650,329</u>	<u>\$ 28,417,019</u>

**Spanish Fork City**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2017**

Total fund balances - governmental fund types: \$ 16,322,109

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

City's portion of joint ventures	5,602,189	
Cost of capital assets	176,014,520	
Accumulated depreciation	(77,475,202)	
Net Pension Asset	1,324	
Deferred Outflow - Pension	<u>2,866,972</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>107,009,803</u>

Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, but not in the Balance Sheet - Governmental Funds (1,915,743)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(119,815)	
Non-current liabilities due within one year	(1,199,674)	
Compensated absences	(1,599,110)	
Non-current liabilities due in more than one year	(12,190,000)	
Net Pension - Liability	(5,086,575)	
Deferred Inflow - Pension	<u>(734,360)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(20,929,534)</u>

Net position of government activities \$ 100,486,634

**Spanish Fork City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 11,427,758	\$ 742,775	\$ 12,170,533
Licenses and permits	1,424,546	-	1,424,546
Intergovernmental revenues	1,560,858	-	1,560,858
Charges for services	3,062,714	-	3,062,714
Fines and forfeitures	163,447	-	163,447
Interest income	203,047	27,206	230,253
Sundry revenue	3,152,437	851,833	4,004,270
Total revenues	<u>20,994,807</u>	<u>1,621,814</u>	<u>22,616,621</u>
<b>EXPENDITURES</b>			
Current:			
General government	4,662,307	-	4,662,307
Public safety	6,606,249	-	6,606,249
Public works	5,861,506	918,737	6,780,243
Parks, recreation and public property	4,927,851	-	4,927,851
Debt Service:			
Principal retirement	-	1,075,000	1,075,000
Interest and fiscal charges	-	614,275	614,275
Capital outlay	-	2,013,257	2,013,257
Total expenditures	<u>22,057,913</u>	<u>4,621,269</u>	<u>26,679,182</u>
Excess revenues over (under) expenditures	<u>(1,063,106)</u>	<u>(2,999,455)</u>	<u>(4,062,561)</u>
<b>Other financing sources (uses)</b>			
Sale of fixed assets	555,696	-	555,696
Impact fees	2,049,503	-	2,049,503
Indirect services	2,956,532	-	2,956,532
Transfers in	1,370,914	5,076,242	6,447,156
Transfers out	(4,884,301)	-	(4,884,301)
Total other financing sources and uses	<u>2,048,344</u>	<u>5,076,242</u>	<u>7,124,586</u>
Excess of revenues and other sources over (under) expenditures and other use	985,238	2,076,787	3,062,025
Fund balances - beginning of year	7,696,358	5,563,726	13,260,084
Fund balances - end of year	<u>\$ 8,681,596</u>	<u>\$ 7,640,513</u>	<u>\$ 16,322,109</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, 2017**

Net changes in fund balances - total governmental funds \$ 3,062,025

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

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

Capital Outlay	3,162,516	
Depreciation Expense	<u>(4,522,250)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities		<u>(1,359,734)</u>

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

The statement of activities reports capital contributions from developers as revenue. Conversely, governmental funds do not report any capital contributions from developers as revenue.	<u>3,653,704</u>	
		<u>3,585,999</u>

Internal service funds are used by management to charge the cost of motor pool to individual funds. The net revenue of certain activities of internal service funds are reported with the governmental activities.	836,882
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,083,958
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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	(75,734)
Change in compensated Absences	(107,618)
Change in Pension Expenses	<u>(339,787)</u>

Change in Net Position of governmental activities	<u>\$ 6,685,991</u>
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**Spanish Fork City**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,799,057	\$ 11,247,046	\$ 11,427,758	\$ 180,712
Licenses and permits	1,371,000	1,560,000	1,424,546	(135,454)
Intergovernmental revenues	1,436,350	1,499,930	1,560,858	60,928
Charges for services	2,858,525	2,989,849	3,062,714	72,865
Fines and forfeitures	146,700	159,000	163,447	4,447
Interest income	93,500	196,070	203,047	6,977
Sundry revenue	1,948,724	3,111,468	3,152,437	40,969
Total revenues	<u>18,653,856</u>	<u>20,763,363</u>	<u>20,994,807</u>	<u>231,444</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,854,935	5,119,080	4,662,307	(456,773)
Public safety	6,769,369	6,944,497	6,606,249	(338,248)
Public works	6,431,629	6,325,158	5,861,506	(463,652)
Parks, recreation and public property	5,662,286	5,265,629	4,927,851	(337,778)
Total expenditures	<u>23,718,219</u>	<u>23,654,364</u>	<u>22,057,913</u>	<u>(1,596,451)</u>
Excess revenues over (under) expenditures	<u>(5,064,363)</u>	<u>(2,891,001)</u>	<u>(1,063,106)</u>	<u>1,827,895</u>
<b>Other financing sources (uses)</b>				
Impact fees	165,000	2,000,000	2,049,503	49,503
Indirect services	2,854,270	2,956,532	2,956,532	-
Transfers in	2,221,943	2,124,924	1,370,914	(754,010)
Transfers out	(200,000)	(4,884,301)	(4,884,301)	-
Total other financing sources and uses	<u>5,047,713</u>	<u>2,759,351</u>	<u>2,048,344</u>	<u>(711,007)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(16,650)</u>	<u>(131,650)</u>	<u>985,238</u>	<u>1,116,888</u>
Fund balances - beginning of year	7,696,358	7,696,358	7,696,358	-
Fund balances - end of year	<u>\$ 7,679,708</u>	<u>\$ 7,564,708</u>	<u>\$ 8,681,596</u>	<u>\$ 1,116,888</u>

**Spanish Fork City**  
**Statement of Net Position – Proprietary Funds**  
**As of June 30, 2017**

	Business-Type Activities - Enterprise Funds					Governmental
					Activities -	
	Water	Sewer	Electric	Non Major Enterprise Funds	Total	Internal Service Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,588,109	\$ 7,866,217	\$ 25,002,057	\$ 1,635,084	\$ 37,091,467	\$ 217,725
Accounts receivable	558,728	307,289	2,949,801	315,263	4,131,081	4,778
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(2,218)	(44,808)	-
Due from other funds	28,962	83,035	278,313	17,256	407,566	2,298
Prepaid Expense	-	-	130	-	130	-
Inventory	4,500	3,500	1,827,302	26,160	1,861,462	-
Total current assets	<u>3,170,891</u>	<u>8,257,216</u>	<u>30,027,246</u>	<u>1,991,545</u>	<u>43,446,898</u>	<u>224,801</u>
Noncurrent assets:						
Restricted cash and equivalents	155,612	-	1,363,816	-	1,519,428	-
Net Pension Asset	167	115	415	3	700	40
Capital Assets:						
Land	280,483	1,810,982	971,096	338,242	3,400,803	-
Water rights	5,238,467	-	-	-	5,238,467	-
Buildings	2,503,585	546,531	3,478,398	168,513	6,697,027	1,374,524
Improvements	79,694,216	40,050,776	52,786,011	21,040,397	193,571,400	-
Equipment	2,885,012	2,473,875	3,977,613	1,444,702	10,781,202	13,885,337
Less: accumulated depreciation	(34,923,343)	(20,249,514)	(21,239,509)	(5,186,786)	(81,599,152)	(8,860,467)
Other Assets:						
Equity in joint venture	-	-	-	1,406,080	1,406,080	-
Total noncurrent assets	<u>55,834,199</u>	<u>24,632,765</u>	<u>41,337,840</u>	<u>19,211,151</u>	<u>141,015,955</u>	<u>6,399,434</u>
Total assets	<u>59,005,090</u>	<u>32,889,981</u>	<u>71,365,086</u>	<u>21,202,696</u>	<u>184,462,853</u>	<u>6,624,235</u>
Deferred Outflows of Resources Due to Pensions	215,666	135,836	846,138	116,386	1,314,026	69,793
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 59,220,756</u>	<u>\$ 33,025,817</u>	<u>\$ 72,211,224</u>	<u>\$ 21,319,082</u>	<u>\$ 185,776,879</u>	<u>\$ 6,694,028</u>
<b>LIABILITIES</b>						
Current liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ 600,019	\$ 600,019	\$ -
Accounts payable	103,583	61,640	340,198	208,906	714,327	122,005
Accrued interest payable	10,641	-	-	-	10,641	1,960
Compensated absences payable	173,076	74,836	504,509	72,859	825,280	41,895
Customer deposits	-	-	627,959	-	627,959	-
Final inspection deposits	-	-	735,857	-	735,857	-
Lease payable - current portion	-	-	-	-	-	41,874
Bonds payable - current portion	813,000	-	-	-	813,000	-
Total current liabilities	<u>1,100,300</u>	<u>136,476</u>	<u>2,208,523</u>	<u>881,784</u>	<u>4,327,083</u>	<u>207,734</u>
Noncurrent liabilities:						
Deferred revenue	40,586	5,480	(5,252)	-	40,814	-
Net Pension Liability	405,657	260,794	1,513,896	187,598	2,367,945	127,164
Lease Payable	-	-	-	-	-	84,674
Bonds payable	4,576,000	-	-	-	4,576,000	-
Total noncurrent liabilities	<u>5,022,243</u>	<u>266,274</u>	<u>1,508,644</u>	<u>187,598</u>	<u>6,984,759</u>	<u>211,838</u>
Total liabilities	<u>6,122,543</u>	<u>402,750</u>	<u>3,717,167</u>	<u>1,069,382</u>	<u>11,311,842</u>	<u>419,572</u>
Deferred Inflows of Resources Due to Pensions	58,567	38,237	220,281	26,668	343,753	18,625
<b>Net Position</b>						
Net investment in capital assets, net of related debt	50,445,032	24,632,650	39,973,609	17,805,068	132,856,359	6,272,846
Restricted for:						
Impact fees	-	-	-	239,065	239,065	-
Bond requirements	155,612	-	-	-	155,612	-
Unrestricted	2,439,002	7,952,180	28,300,167	2,178,899	40,870,248	(17,015)
Total Net Position	<u>\$ 53,039,646</u>	<u>\$ 32,584,830</u>	<u>\$ 68,273,776</u>	<u>\$ 20,223,032</u>	<u>\$ 174,121,284</u>	<u>\$ 6,255,831</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					1,898,749	
Net Position from business-type activities:					<u>\$ 176,020,033</u>	

**Spanish Fork City**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds				Governmental	
	Water	Sewer	Electric	Non Major Enterprise Funds	Total Enterprise Funds	Activities- Internal Service Fund
<b>Operating Revenues:</b>						
Charges for sales and services	\$ 6,221,783	\$ 3,531,379	\$ 32,415,122	\$ 3,665,241	\$ 45,833,525	\$ 1,117,967
Other income	81,986	36,550	-	118,009	236,545	2,062,127
Total operating revenues	<u>6,303,769</u>	<u>3,567,929</u>	<u>32,415,122</u>	<u>3,783,250</u>	<u>46,070,070</u>	<u>3,180,094</u>
<b>Operating Expenses:</b>						
Water assessment	132,455	-	-	-	132,455	-
Power purchases	-	-	15,882,255	-	15,882,255	-
Landfill fees	-	-	-	700,782	700,782	-
Employee salaries	953,895	649,567	4,369,876	691,193	6,664,531	351,977
Materials and supplies	424,727	89,054	1,410,236	125,453	2,049,470	308,552
Repairs and maintenance	44,946	142,162	85,974	5,046	278,128	316,182
Professional services	203,579	194,500	3,785,486	735,149	4,918,714	27,296
Motorpool charges	159,511	472,385	388,303	205,264	1,225,463	-
Utilities	382,595	281,512	206,881	38,246	909,234	33,914
Insurance	20,562	56,649	64,336	3,296	144,843	8,126
Depreciation	2,457,556	1,108,130	1,749,692	640,229	5,955,607	1,257,580
Indirect services	924,601	554,089	871,434	606,407	2,956,531	-
Sundry charges	16,770	4,875	96,832	576,822	695,299	-
Total operating expenses	<u>5,721,197</u>	<u>3,552,923</u>	<u>28,911,305</u>	<u>4,327,887</u>	<u>42,513,312</u>	<u>2,303,627</u>
Operating income	<u>582,572</u>	<u>15,006</u>	<u>3,503,817</u>	<u>(544,637)</u>	<u>3,556,758</u>	<u>876,467</u>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	9,100	58	416,648	-	425,806	-
Impact fees and water right fees	615,469	474,117	951,923	142,626	2,184,135	-
Contributions from private contractors	2,032,603	939,873	1,066,265	1,884,572	5,923,313	-
Grant Proceeds	183,339	35,000	-	-	218,339	-
Gain(loss) on sale of fixed assets	-	-	-	-	-	68,817
Pension Benefit Expense	100,696	67,396	454,345	65,615	688,052	37,729
Pension Expense	(123,582)	(82,713)	(557,610)	(80,528)	(844,433)	(46,304)
Interest expense	(159,891)	-	-	-	(159,891)	(3,542)
Total nonoperating revenues (expenses)	<u>2,657,734</u>	<u>1,433,731</u>	<u>2,331,571</u>	<u>2,245,239</u>	<u>8,668,275</u>	<u>56,700</u>
Income (loss) before operating transfers	<u>3,240,306</u>	<u>1,448,737</u>	<u>5,835,388</u>	<u>1,700,602</u>	<u>12,225,033</u>	<u>933,167</u>
<b>Operating Transfers from (to) Other Funds</b>						
Operating transfers in	-	9,684,036	-	-	9,684,036	500,000
Operating transfers out	(189,912)	(9,803,222)	(1,633,074)	(120,683)	(11,746,891)	-
Total contributions and operating transfers	<u>(189,912)</u>	<u>(119,186)</u>	<u>(1,633,074)</u>	<u>(120,683)</u>	<u>(2,062,855)</u>	<u>500,000</u>
Change in Net Position	3,050,394	1,329,551	4,202,314	1,579,919	10,162,178	1,433,167
Total Net Position - beginning	49,989,252	31,255,279	64,071,462	18,643,113	163,959,106	4,822,664
Total Net Position - ending	<u>\$ 53,039,646</u>	<u>\$ 32,584,830</u>	<u>\$ 68,273,776</u>	<u>\$ 20,223,032</u>	<u>\$ 174,121,284</u>	<u>\$ 6,255,831</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:					596,285	
Change in Net Position of business-type activities:					<u>\$ 10,758,463</u>	

**Spanish Fork City**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Non Major Enterprise Funds	Total Enterprise Funds
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 6,176,755	\$ 3,545,201	\$ 32,439,519	\$ 3,650,798	\$ 45,812,273
Other cash receipts	81,986	36,550	-	118,009	236,545
Payments to suppliers	(2,256,897)	(1,777,577)	(22,686,691)	(2,958,728)	(29,679,893)
Payments to employees	(960,846)	(646,463)	(4,332,457)	(687,604)	(6,627,370)
Net cash provided (used) by operating activities	<u>3,040,998</u>	<u>1,157,711</u>	<u>5,420,371</u>	<u>122,475</u>	<u>9,741,555</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Decrease (increase) in due from other funds	283,127	3,507,721	3,898,887	265,330	7,955,065
Increase (decrease) in due to other funds	-	(9,050,394)	(62,027)	(131,613)	(9,244,034)
Transfers in (out)	(189,912)	(119,186)	(1,633,074)	(120,683)	(2,062,855)
Net cash provided (used) by noncapital activities	<u>93,215</u>	<u>(5,661,859)</u>	<u>2,203,786</u>	<u>13,034</u>	<u>(3,351,824)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases of capital assets	(3,238,256)	(2,111,013)	(3,545,675)	(2,599,509)	(11,494,453)
Principal (paid) issued on capital debt	(1,327,000)	-	-	-	(1,327,000)
Interest paid on capital debt	(159,891)	-	-	-	(159,891)
Contributions from (reimbursements to) private contractors	2,032,603	939,873	1,066,265	1,884,572	5,923,313
Impact fees collected	615,469	474,117	951,923	142,626	2,184,135
Grant proceeds	183,339	35,000	-	-	218,339
Net cash provided (used) by capital and related financing activities	<u>(1,893,736)</u>	<u>(662,023)</u>	<u>(1,527,487)</u>	<u>(572,311)</u>	<u>(4,655,557)</u>
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	9,100	58	416,648	-	425,806
Net cash provided (used) by investing activities	<u>9,100</u>	<u>58</u>	<u>416,648</u>	<u>-</u>	<u>425,806</u>
Net increase (decrease) in cash and cash equivalents	1,249,577	(5,166,113)	6,513,318	(436,802)	2,159,980
Cash and cash equivalents, July 1	1,494,144	13,032,330	19,852,555	2,071,886	36,450,914
Cash and cash equivalents, June 30	<u>\$ 2,743,721</u>	<u>\$ 7,866,217</u>	<u>\$ 26,365,873</u>	<u>\$ 1,635,084</u>	<u>\$ 38,610,894</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 582,572	\$ 15,006	\$ 3,503,817	\$ (544,637)	3,556,758
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,457,556	1,108,130	1,749,692	640,229	5,955,607
(Increase) decrease in accounts receivable	(58,580)	8,342	29,649	(14,440)	(35,029)
Decrease (increase) in inventory	-	-	(286,206)	(5,093)	(291,299)
Increase (decrease) in accrued liabilities	52,849	17,649	(40,578)	42,827	72,747
Increase (decrease) in compensated absences	(6,951)	3,104	37,419	3,589	37,161
Increase (decrease) in customer deposits	-	-	431,830	-	431,830
Increase (decrease) in deferred revenue	13,552	5,480	(5,252)	-	13,780
Total adjustments	<u>2,458,426</u>	<u>1,142,705</u>	<u>1,916,554</u>	<u>667,112</u>	<u>6,184,797</u>
Net cash provided (used) by operating activities	<u>\$ 3,040,998</u>	<u>\$ 1,157,711</u>	<u>\$ 5,420,371</u>	<u>\$ 122,475</u>	<u>\$ 9,741,555</u>

**Spanish Fork City**  
**Statement of Net Position**  
**Fiduciary Fund**  
**As of June 30, 2017**

	<u>Fire Retirement Capital Fund</u>
<b>ASSETS</b>	
Cash and equivalents	<u>\$ 99,635</u>
Total assets	<u><u>99,635</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Total liabilities	<u>-</u>
Net position:	
Deferred compensation	<u>99,635</u>
Total net position	<u>99,635</u>
Total liabilities and net position	<u><u>\$ 99,635</u></u>

**Spanish Fork City**  
**Statement of Changes in Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2017**

	Fire Retirement Capital Fund
<b>REVENUES:</b>	
Employer contribution	\$ 30,115
Interest income	1,136
Total	31,251
<b>EXPENDITURES:</b>	
Retirement payments	30,115
Total	30,115
Excess of revenues over (under) expenditures	1,136
Net position - beginning of year	98,499
Net position - end of year	\$ 99,635

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1.A. FINANCIAL REPORTING ENTITY**

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

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

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

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

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

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

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

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

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

*Library:* Library Administration and Public Services.

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The Redevelopment Agency is governed by a separate governing board, who are the City's Mayor and Council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit as a Special Revenue Fund.

**1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

***Government-wide Financial Statements:***

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of inter-fund activity has been removed from these statements. The statements distinguish between governmental and

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

***Fund Financial Statements:***

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

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

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. In 2016, Golf Course and Swimming Pool reporting were moved to the General Fund.

**Debt Service Fund**

The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The reporting entity reports the Redevelopment Fund (RDA) as a Special Revenue Fund.

**Capital Project Fund**

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

*Proprietary Fund*

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water, Sewer, Electric, Garbage, Storm Drainage, and Gun Club funds. In 2016, Golf Course and Swimming Pool reporting were moved to the General Fund.

Internal Service Fund

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

*Major and Nonmajor Funds*

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General	See above for description.
Enterprise Funds:	
Water, Sewer and Electric	Accounts for revenues and expenditures of water, sewer and electric utilities. These funds also account for the accumulation of resources for, and the payment of, long term debt principal and interest associated with these utilities. All costs are financed through charges to customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds. Water Fund consists of culinary and secondary water systems. Electric Fund consists of electric and broadband systems. Sewer Fund consists of sewer collections and sewer plant systems.
Nonmajor Governmental Funds:	
Debt Service Fund	The Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term general-obligation debt of governmental funds.
Special Revenue Fund (RDA)	Accounts for activity within the City's redevelopment agency.
Capital Projects Funds	Accounts for the accumulation of funds, revenues and expenditures on specific projects.
Nonmajor Enterprise Funds:	
Garbage Fund	Accounts for revenues and expenditures of the garbage utility.
Storm Drainage Fund	Accounts for revenues and expenditures of storm drainage utility.
Gun Club Fund	Accounts for revenues and expenditures of the gun club.
Internal Service Funds:	
Motor Pool	This fund is used to account for the costs of operating and maintaining vehicles and equipment owned by the City.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

*Measurement Focus*

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

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

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

*Basis of Accounting*

In the government-wide Statement of Net position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**1.D. ASSETS, LIABILITIES, AND EQUITY**

*Cash and Investments*

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

The City categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. Additional cash and investment disclosures are presented in Notes 2.A. and 3.A.

*Interfund Receivables and Payables*

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

*Receivables*

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

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

*Inventories and prepaid items*

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

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

***Restricted Assets***

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

***Capital Assets***

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

***Government-wide Statements***

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

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

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

***Fund Financial Statements***

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

***Restricted Assets***

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

***Long-term Debt***

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

***Compensated Absences***

The City's personnel policies permits departmental heads to accumulate up to 480 hours and other employees to accumulate up to 240 hours of earned, but unused, vacation time. Accumulated vacation time will be paid to employees upon termination. Accumulated sick leave is paid upon termination or retirement at a rate of between 25% and 33% of the accumulated amount. The accrued liability is based on a 28% rate.

At June 30, 2017, 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	\$ 983,586	\$ 525,255	\$ 1,508,841
Sick Leave Liability	615,524	300,025	915,549
Total Compensated Absences	\$ 1,599,110	\$ 825,280	\$ 2,424,390

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

**Equity Classifications**

***Government-wide Statements***

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

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

***Fund Statements***

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

**Nonspendable fund balance** - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Committed fund balance** - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, which is the City Council.

**Assigned fund balance** - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The role of assigning fund balance resides with the City Council.

**Unassigned fund balance** - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted fund balance is available for use, it is the City's policy to first use restricted fund balance, then committed funds, followed by assigned and then unassigned funds. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

*Sales Tax*

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

*Property Tax*

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

*Operating Revenues and Expenses*

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

*Expenditures/Expenses*

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

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

Governmental Funds—By Character:

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

Proprietary Fund—By Operating and Non-operating

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

***Interfund Transfers***

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

***Use of estimates***

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

**1.F PENSIONS**

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

**1.G DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

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

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

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

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

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

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

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

**2.B. REVENUE RESTRICTIONS**

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Water and Electric Revenue	Debt Service and Utility Operations
Impact Fee Revenue	Capital Improvements
B & C Road Funds	Eligible B & C Roads

For the year ended June 30, 2017, 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, 2017, the City had no general obligation debt.

***Other Long-term Debt***

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight (8%) percent for third class cities. For the year ended June 30, 2017, the City had \$18,820,548 of such indebtedness.

***Bonds Payable***

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account

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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, 2017.

Requirement	Level of Compliance
a. Bonds Payable Coverage:	1. Net electric and water operating revenues (excluding depreciation) must equal 1.10 (electric revenue bonds) and 1.25 (water revenue bonds) times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 2009 Electric Revenue Bonds, the 2002, 2011, & 2012 Water Revenue Bonds. Sales tax Revenue Bond 2007 must equal 2.0 times the annual debt service.
b. Reserve Account Requirement:	Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

**2.D. BUDGETS AND BUDGETARY ACCOUNTING**

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

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

- A. On or before the first regularly scheduled meeting of the City Council in May, the City administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in B above must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

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

**2.E. FUND EQUITY RESTRICTIONS**

*Utah Code 10-6-116(4)* indicates only the “fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes.” The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 25% of the total revenue of the general fund.

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

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

**3.A. CASH AND INVESTMENTS**

*Deposits*

*Deposits – Custodial Credit Risk:*

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2017, The City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2017</u>
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	5,275,981
Total Depository Accounts		<u>\$ 5,525,981</u>

*Investments*

As of June 30, 2017 the government had the following investments and maturities:

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Investments in Public					
Treasurers' Investment	\$ 35,667,438	\$ 35,667,438	\$ -	\$ -	\$ -
Bond Escrows	580,177	580,177	-	-	-
Money Market Account	984,319	984,319	-	-	-
Mutual Fund	20,603,272	6,208,240	14,395,032	-	-
Total Fair Value	<u>\$ 57,835,206</u>	<u>\$ 43,440,174</u>	<u>\$ 14,395,032</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Government Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments’ fair value are show in the above table. Of the \$57,835,206 fair value of investments, \$10,752,630 are Level 1 Inputs, and \$47,082,576 are Level 2 Inputs.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to

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

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

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

Reconciliation to Government-wide Statement of Net Position:

Deposits & Investments		\$	5,437,941
Investments			57,858,463
Cash on hand			88,040
Total		\$	63,384,444
Government - Wide			
Cash and Cash Equivalents		\$	47,155,496
Restricted Cash & Cash Equivalents			16,129,313
Fiduciary Restricted Cash			99,635
Total		\$	63,384,444
Net Cash on Statement of Net Position		\$	63,284,809
Fiduciary Restricted Cash			99,635
Total		\$	63,384,444

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**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, 2017 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Customer deposits	627,959	-	-	627,959
Storm drainage impact fees	239,065	-	-	239,065
Water bond requirements	155,612	-	-	155,612
Final inspection deposits	735,857	-	-	735,857
Total	<u>\$ 1,758,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,758,493</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 6,438,105	\$ -	\$ -	\$ 6,438,105
Final inspection deposits	1,470,298	-	-	1,470,298
Class "C" roads	305,380	-	-	305,380
Impact fees	2,441,813	-	-	2,441,813
Debt service	490,359	-	-	490,359
RDA requirements	3,455,189	-	-	3,455,189
Total	<u>14,601,144</u>	<u>-</u>	<u>-</u>	<u>14,601,144</u>
Grand Totals	<u>\$ 16,359,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,359,637</u>

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2017, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 4,131,081	\$ 4,131,081
Property tax	1,838,811	-	1,838,811
Other tax	1,746,704	-	1,746,704
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 3,585,515</u>	<u>\$ 4,086,273</u>	<u>\$ 7,671,788</u>

**SPANISH FORK CITY**  
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**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Governmental activities:				
Land (not being depreciated)	\$ 13,616,755	\$ 934,779	\$ -	\$ 14,551,534
Buildings	32,954,698	307,598	-	33,262,296
Improvements	27,947,593	347,904	-	28,295,497
Machinery and equipment	15,256,081	1,990,618	(1,074,928)	16,171,771
Infrastructure	78,432,130	5,301,292	-	83,733,422
Totals at historical cost	<u>168,207,257</u>	<u>8,882,191</u>	<u>(1,074,928)</u>	<u>176,014,520</u>
Less accumulated depreciation				
Buildings	\$ (11,515,449)	\$ (947,966)	\$ -	(12,463,415)
Improvements	(10,949,830)	(905,944)	-	(11,855,774)
Machinery and equipment	(9,841,215)	(1,282,422)	728,429	(10,395,208)
Infrastructure	(40,139,756)	(2,621,049)	-	(42,760,805)
Total accumulated depreciation	<u>(72,446,250)</u>	<u>(5,757,381)</u>	<u>728,429</u>	<u>(77,475,202)</u>
Governmental activities capital assets, net	<u>\$ 90,071,173</u>	<u>\$ 3,124,810</u>	<u>\$ (346,499)</u>	<u>\$ 98,539,318</u>
Business-type activities:				
Land (not being depreciated)	\$ 3,236,285	\$ 164,520	\$ -	\$ 3,400,805
Water shares (not being depreciated)	5,131,346	107,122	-	5,238,468
Buildings and structures	6,605,074	91,953	-	6,697,026
Improvements	182,732,513	10,838,886	(131,900)	193,439,498
Machinery and equipment	10,621,125	291,976	-	10,913,101
Totals at historical cost	<u>196,531,661</u>	<u>11,494,456</u>	<u>(131,900)</u>	<u>219,688,898</u>
Less accumulated depreciation				
Buildings and structures	(2,714,436)	(182,239)	-	(2,896,675)
Improvements other than buildings	(65,843,301)	(5,032,983)	-	(70,876,284)
Machinery and equipment	(7,217,707)	(740,385)	131,900	(7,826,192)
Total accumulated depreciation	<u>(70,086,156)</u>	<u>(5,955,608)</u>	<u>131,900</u>	<u>(81,599,151)</u>
Business-type activities capital assets, net	<u>\$ 126,445,505</u>	<u>\$ 5,538,849</u>	<u>\$ -</u>	<u>\$ 138,089,747</u>

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Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 254,388
Public safety	696,270
Public works	2,763,579
Parks	866,581
Governmental portion of internal service fund	1,176,563
Total depreciation expense - governmental activities	<u>\$ 5,757,381</u>
Business-type activities	
Water	\$ 2,457,556
Electric	1,749,693
Sewer	1,108,130
Garbage	80,922
Storm drainage	554,061
Gun club	5,246
Total depreciation expense - business-type activities	<u>\$ 5,955,608</u>

**3.E. ACCOUNTS PAYABLE & DEFERRED INFLOW**

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

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

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 1,838,811	\$ -
	-	-
Total deferred inflows of resources for governmental funds	<u>\$ 1,838,811</u>	<u>\$ -</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**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, 2017, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Maturity Dates		Balance
Sales Tax Revenue Bond Series 2014 (Original amount \$13,305,000)	0.75% to 5.000%	2027	\$	13,305,000
				13,305,000
				(1,115,000)
Total long term portion of bonds payable - governmental activities			\$	12,190,000

*Capital leases payable*

Governmental activities: (Internal Service Fund)

Capital leases payable		\$	126,548
Current portion of capital leases payable			(41,874)
Long term portion of capital leases payable		\$	84,674

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NOTES TO BASIC FINANCIAL STATEMENTS  
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*Business-type Activities:*

As of June 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

	Interest Rate	Maturity Dates	Balance
Water Revenue Bonds Series 2011 Dated October 26, 2011 (Original amount \$2,040,000)	1.87%	2032	\$ 1,598,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,791,000
Total bonds payable - business-type activities			5,389,000
Less current portion			(813,000)
Total bonds payable - long term portion			<u>\$ 4,576,000</u>

*Changes in Long-term Debt:*

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Type of Debt	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Governmental activities:				
Bonds payable	\$ 14,380,000	\$ -	\$ (1,075,000)	\$ 13,305,000
Capital leases payable	96,409	175,574	(145,435)	126,548
Compensated absences	1,487,344	111,766	-	1,599,110
Total - Governmental Activities	<u>\$ 15,963,753</u>	<u>\$ 287,340</u>	<u>\$ (1,220,435)</u>	<u>\$ 15,030,658</u>
Business-type Activities:				
Bonds payable	\$ 6,716,000	\$ -	\$ (1,327,000)	\$ 5,389,000
Compensated absences	788,119	37,161	-	825,280
Total - Business-type Activities	<u>\$ 7,504,119</u>	<u>\$ 37,161</u>	<u>\$ (1,327,000)</u>	<u>\$ 6,214,280</u>
Due Within One Year	\$ 2,498,409	\$ 1,969,874	\$ (2,498,409)	\$ 1,969,874

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***Annual Debt Service Requirements:***

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2017, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2018	1,115,000	575,113	813,000	127,691
2019	1,100,000	566,750	834,000	107,376
2020	1,170,000	522,750	854,000	86,533
2021	1,225,000	464,250	876,000	65,188
2022	1,280,000	403,000	898,000	43,290
2023-2027	7,415,000	1,003,950	530,000	84,711
2028-2032			584,000	33,155
Total	<u>\$ 13,305,000</u>	<u>\$ 3,535,813</u>	<u>\$ 5,389,000</u>	<u>\$ 547,944</u>

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

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Machinery and equipment	\$ 175,574
Less: Accumulated depreciation	(21,766)
Total	<u>\$ 153,808</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, 2017 are:

Fiscal Year	Amount
2018	\$ 49,812
2019	49,812
2020	49,812
Total minimum lease payments	<u>149,436</u>
Less amounts representing interest	(22,888)
Present value of minimum lease payments	<u>\$ 126,548</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**3.G. INTERFUND TRANSACTIONS AND BALANCES**

*Operating Transfers:*

<i>Governmental Activities :</i>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 1,370,914	\$ 4,884,301
Debt Service Fund	891,940	-
Land Acquisition Fund	1,555,000	-
Capital project fund-Recreation	1,500,000	-
Capital project fund- Street Cut Bridge	1,250,000	-
Capital project fund - Cemetery Driveway	-	120,699
Motorpool Fund	500,000	-
Total Governmental Activities	<u>7,067,854</u>	<u>5,005,000</u>
 <i>Business-type Activities:</i>		
<i>Major funds:</i>		
Electric fund	-	1,633,074
Sewer Fund	9,684,037	9,803,222
Water Fund	-	189,912
<i>Non-major funds:</i>		
Garbage Fund	-	64,858
Storm Drainage Fund	-	55,825
Total Business-type Activities	<u>9,684,037</u>	<u>11,746,891</u>
<b>Grand Totals</b>	<u><u>\$ 16,751,891</u></u>	<u><u>\$ 16,751,891</u></u>

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

*Indirect services:*

	<u>Indirect Service Expense</u>	<u>Indirect Service Revenue</u>
<b>Major Business-type activities:</b>		
Water Fund	\$ 924,601	\$ -
Sewer Fund	554,089	-
Electric Fund	871,434	-
<b>Non-major business type activities:</b>		
Garbage	101,784	-
Storm Drain	504,623	-
<b>Major Governmental activities:</b>		
General fund	-	2,956,531
	<u><u>\$ 2,956,531</u></u>	<u><u>\$ 2,956,531</u></u>

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

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*Due to/from other funds:*

Fund	Due to	Due From
<b>Governmental funds</b>		
General fund	\$ -	\$ 110,243
<i>Non-major funds</i>		
Special revenue fund	-	36,155
Debt service fund	-	5,122
Capital projects fund	-	38,635
<b>Total Governmental</b>	<b>-</b>	<b>190,155</b>
<b>Business-type funds</b>		
<b>Major funds</b>		
Water fund	-	28,962
Sewer fund	-	83,034
Electric fund	-	278,313
<b>Non-major funds</b>		
Garbage fund	-	15,277
Storm drainage fund	600,019	-
Gun club fund	-	1,979
<b>Total Business-Type</b>	<b>600,019</b>	<b>407,566</b>
<b>Internal service fund</b>		
Motorpool fund		2,298
<b>Grand Total</b>	<b>\$ 600,019</b>	<b>\$ 600,019</b>

**3.H. RESERVED FUND BALANCES**

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

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**NOTE 4. OTHER NOTES**

**4.A. RISK MANAGEMENT**

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

**4.B. COMMITMENTS AND CONTINGENCIES**

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

**4.C. JOINT VENTURES**

**Utah Municipal Power Agency**

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

Additional information is as follows:

a. Participants and their percentage shares:

Spanish Fork City Corporation	21.3%
Provo City Corporation	66.7%
Nephi City Corporation	7.2%
Manti City Corporation	2.5%
Salem City Corporation	1.5%
Levan Town	<u>0.8%</u>
	100.000%

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. The UMPA 2017 financial information was not available prior to the issuance of these statements. Audited summary financial information of UMPA at June 30, 2016 is as follows from UMPA:

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

**South Utah Valley Solid Waste District**

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

Additional information is as follows:

- a. Participants and their percentage shares:
- |                                    |                 |
|------------------------------------|-----------------|
| Spanish Fork City Corporation      | 11.750%         |
| Provo City Corporation             | 69.750%         |
| Springville City Corporation       | 15.000%         |
| Mapleton City Corporation          | 2.000%          |
| Salem City Corporation             | 1.500%          |
| Goshen Town (Landfill participant) | <u>0.000%</u>   |
|                                    | <u>100.000%</u> |
- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeti
- d. Audited summary financial information of the District as June 30, 2017 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets & deferred inflows	<u>\$ 15,863,070</u>	<u>\$ 1,863,911</u>
Total liabilities & deferred outflows	<u>\$ 3,896,430</u>	<u>\$ 457,831</u>
Total net position	<u>\$ 11,966,640</u>	<u>\$ 1,406,080</u>
Total operating revenues	\$ 7,155,035	\$ 840,717
Total operating expenses	<u>6,033,568</u>	<u>708,944</u>
Net operating income	1,121,467	131,772
Total non-operating income (expenses)	<u>(165,429)</u>	<u>(19,438)</u>
Change in net assets	<u>\$ 956,038</u>	<u>\$ 112,334</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ 2,162,102	\$ 254,047
Accrued compensated absences	177,014	20,799
Net pension liability	774,580	91,013
Notes payable	446,982	52,520
Total long-term liabilities	<u>\$ 3,560,678</u>	<u>\$ 418,380</u>

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

**Spanish Fork/Springville Airport**

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

- a. Participants and their percentage shares:
- |                  |        |
|------------------|--------|
| Springville City | 50.00% |
| Spanish Fork     | 50.00% |
- b. The Airport is governed by its own board which is selected from members of the participants' City councils and other citizens of the two communities.
- c. The Airport board governs the operations of the airport through management employed by the board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal managements, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

d. Summary financial information, as of the joint venture's last year end of June 30, 2017, is as follows:

	Spanish Fork/ Springville Airport	Spanish Fork City's Share
Total assets	\$ 11,371,509	\$ 5,685,755
Total liabilities	\$ 7,880	\$ 3,940
Total net position	\$ 11,363,629	\$ 5,681,815
Program revenues	\$ 301,380	\$ 150,690
General revenues	2,441	1,221
Program expenses	(455,286)	(227,643)
Change in net position	\$ (151,465)	\$ (75,733)

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

**4.D. WATER LOAN PROGRAM**

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

1. Fidelity Bonds
  - A. Public Treasurer Bond for \$1,500,000 expiring April 21, 2018 issued by Moreton & Company.
  - B. \$100,000 Blanket Employee Bond expiring March 31, 2018 covering all employees and elected officials of the City issued by Moreton & Company.
2. 11,596 water connections at June 30, 2017
3. Total culinary water billings for the year were \$2,592,431.
4. Rate schedule
 

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**4.E. SPANISH FORK REDEVELOPMENT AGENCY**

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

1. The tax increment collected by the agency for each project area:	
A. North Industrial RDA	\$ 261,078
B. Kirby RDA	285,039
C. Wasatch Wind CDA	186,656
Total Collected	\$ 732,773
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby RDA	-
C. Wasatch Wind CDA	55,997
Total Paid	\$ 55,997
3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	
	\$ -
4. The actual amounts expended for :	
A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	129,372
D. Administrative & contracted costs	200,336
Total Expended	\$ 329,708

**4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

*General Information about the Pension Plan*

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

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

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

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

\* with actuarial reductions

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

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

<u>Utah Retirement Systems</u>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111-Local Government Division Tier 2	N/A	N/A	14.91%	1.78
Noncontributory System				
15-Local Government Division Tier 1	N/A	N/A	18.47%	N/A
Public Safety Retirement System				
<b>Contributory</b>				
122 Tier 2 DB Hybrid Public Safety	N/A	N/A	22.50%	1.33%
<b>Noncontributory</b>				
122-Other Division A Contributory Tier 2	N/A	N/A	34.04%	N/A
Tier 2 DC Only				
211 Local Government	N/A	N/A	6.69%	10.00%
222 Public Safety	N/A	N/A	11.83%	12.00%

**SPANISH FORK CITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$1,274,437	N/A
Public Safety System	595,387	-
Tier 2 Public Employees System	281,807	-
Tier 2 Public Safety and Firefighter	59,687	-
Tier 2 DC Only System	10,751	N/A

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

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

At June 30, 2017, we reported a net pension asset of \$2,064 and a net pension liability of \$7,581,685.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$ 5,164,620	0.804305%	0.777881%	0.026424%
Public Safety System	-	2,396,091	1.180762%	1.153844%	0.026918%
Tier 2 Public Employees System	-	20,974	0.188026%	0.171388%	0.016638%
Tier 2 Public Safety and Fire Fighter System	2,064	-	0.237812%	0.250964%	-0.013151%
	<u>\$ 2,064</u>	<u>\$ 7,581,685</u>			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017. We recognized pension expense of \$2,725,539.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 113,708	\$ 352,414
Changes in assumptions	1,128,626	253,788
Net difference between projected and actual earnings on pension plan investments	1,661,069	490,330
Changes in proportion and differences between contributions and proportionate share of contributions	222,107	205
Contributions subsequent to the measurement date	1,125,281	-
Total	<u>\$ 4,250,791</u>	<u>\$ 1,096,737</u>

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

\$1,125,281 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

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

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2017	\$ 611,148
2018	672,146
2019	766,295
2020	(30,957)
2021	813
Thereafter	9,331

Actuarial assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.60 percent
Salary increases	3.35-10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense including inflation

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

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

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 10,697,678	\$ 5,164,620	\$ 547,586
Public Safety System	4,983,327	2,396,091	293,022
Tier 2 Public Employee System	142,764	20,974	(71,678)
Tier 2 Public Safety and Firefighter	14,443	(2,064)	(14,750)
Total	\$ 15,838,212	\$ 7,579,621	\$ 754,180

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

***Defined Contribution Savings Plan***

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

**SPANISH FORK CITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>401(k) Plan</i>			
Employer Contributions	\$63,760	\$42,804	\$29,829
Employee Contributions	\$37,891	\$26,705	\$10,397
<i>Roth IRA Plan</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$29,018	\$10,135	\$4,515
<i>Traditional IRA</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$1,595	\$2,355	\$1,360

**4. G. SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 21, 2017 which is the date that the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SPANISH FORK CITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Changes in Assumptions Related to Pensions**

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50 percent to 7.20 percent and the assumed inflation rate was decreased from 2.75 percent to 2.60 percent. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15 percent from the prior year's assumption.

**SPANISH FORK CITY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Utah Retirement Systems**  
**Last 10 Fiscal Years\***

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)				
2015	0.7778810%	1.1538440%	0.0171388%	0.2509637%
2016	0.8043046%	1.1807616%	0.1880264%	0.2378124%
Proportionate share of the net pension liability (asset)				
2015	\$ 4,401,329	\$ 2,066,825	\$ (374)	\$ 3,667
2016	\$ 5,164,320	\$ 2,396,091	\$ 20,974	\$ (2,064)
Covered Employee Payroll				
2015	\$ 65,714,249	\$ 1,692,697	\$ 1,107,243	\$ 149,361
2016	\$ 6,903,588	\$ 1,743,639	\$ 1,541,963	\$ 196,486
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll				
2015	66.98%	122.1%	-0.030%	-0.246%
2016	74.81%	137.4%	1.360%	-1.050%
Plan fiduciary net position as a percentage of the total pension liability.				
2015	87.8%	87.1%	100.2%	110.7%
2016	87.3%	86.5%	95.1%	103.6%

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

**SPANISH FORK CITY**  
**SCHEDULE OF CONTRIBUTIONS**  
**Utah Retirement Systems**  
**Last 10 Fiscal Years\***

As of Fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory System</b>					
2015	\$ 1,188,850	\$ 1,188,850	\$ -	\$ 6,490,086	18.32%
2016	1,232,880	1,232,880	-	6,738,212	18.30%
2017	1,274,437	1,274,437	-	6,972,376	18.28%
<b>Public Safety System</b>					
2015	\$ 559,347	\$ 559,347	\$ -	\$ 1,647,057	33.96%
2016	585,803	585,803	-	1,723,555	33.99%
2017	595,387	595,387	-	1,749,030	34.04%
<b>Tier 2 Public Employees System*</b>					
2015	\$ 151,634	\$ 151,634	\$ -	\$ 1,024,321	14.80%
2016	189,010	189,010	-	1,276,697	14.80%
2017	281,807	281,807	-	1,890,051	14.91%
<b>Tier 2 Public Safety and Firefighter System*</b>					
2015	\$ 28,463	\$ 28,463	\$ -	\$ 126,220	22.55%
2016	38,350	38,350	-	170,444	22.50%
2017	59,687	59,687	-	265,276	22.50%
<b>Tier 2 Public Employees DC Only System*</b>					
2015	\$ -	\$ -	\$ -	\$ -	0.00%
2016	4,560	4,560	-	68,155	6.69%
2017	10,751	10,751	-	160,707	6.69%

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

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

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

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## SUPPLEMENTARY INFORMATION

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**Spanish Fork City  
Combining Balance Sheet  
Non-Major Governmental Funds  
As of June 30, 2017**

	Special Revenue		Debt Service		Capital Projects							Total Non-major Governmental Funds			
	RDA Fund		Debt Service Fund	Special Fund	Driveway Fund	Cemetery Fund	Canyon Creek Fund	Land Acquisition Fund	River Reclamation Fund	Impr. Fund	Golf Course Fund		Intersection Fund	Canyon Road Fund	Street Cut Bridge Fund
<b>ASSETS</b>															
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,276	\$ 817,295	\$ 269,613	\$ 1,396,354	\$ 16,383	\$ 790,125	\$ 3,660,046	\$ 8,340	\$ 79,913
Due from other funds	36,155	4,712	411	3,909	2,846	14,740	173								
Restricted Assets:															
Cash and cash equivalents	3,425,134	446,343	38,893	-	-	-	-	-	-	-	-	-	-	-	3,910,370
Total assets	\$ 3,461,289	\$ 451,055	\$ 39,304	\$ 374,185	\$ 272,459	\$ 1,411,094	\$ 16,556	\$ 798,465	\$ 7,650,329	\$ 16	\$ 9,816	\$ 7,650,329	\$ 16	\$ 9,816	
<b>LIABILITIES</b>															
Accounts Payable	\$ 6,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	6,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>															
Restricted for:															
Redevelopment	3,455,189	-	-	-	-	-	-	-	-	-	-	-	-	-	3,455,189
Debt Service	-	451,055	39,304	-	-	-	-	-	-	-	-	-	-	-	490,359
Committed for:															
Capital projects	-	-	-	-	-	-	374,185	825,922	268,759	1,411,094	16,556	798,449	3,694,965	798,449	7,640,513
Total fund balances	3,455,189	451,055	39,304	374,185	268,759	1,411,094	16,556	798,449	7,650,329	16	9,816	7,650,329	16	9,816	
Total liabilities and fund balance	\$ 3,461,289	\$ 451,055	\$ 39,304	\$ 374,185	\$ 272,459	\$ 1,411,094	\$ 16,556	\$ 798,465	\$ 7,650,329	\$ 16	\$ 9,816	\$ 7,650,329	\$ 16	\$ 9,816	

**Spanish Fork City**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue	Debt Service		Capital Projects							Total Non-major Governmental Funds	
		Debt Service Fund	Special Guarantee Fund	Cemetery Driveway Fund	Canyon Creek Fund	Land Acquisition Fund	River Reclamation Fund	Golf Course Improvements Fund	Canyon Road Fund	Street Cut Bridge Fund		
REVENUES:												
Taxes	\$ 742,775	-	-	-	-	-	-	-	-	-	-	\$ 742,775
Sundry Revenues	-	801,173	-	-	-	-	-	-	-	-	9,548	851,833
Interest Income	27,206	-	-	-	-	41,112	-	-	-	-	-	27,206
Total revenues	769,981	801,173	-	-	-	41,112	-	-	-	-	9,548	1,621,814
EXPENDITURES:												
Current Expenditures:												
RDA	918,737	-	-	-	-	-	-	-	-	-	-	918,737
Debt service:												
Principal retirement	-	1,075,000	-	-	-	-	-	-	-	-	-	1,075,000
Interest and fiscal charges	-	614,275	-	-	-	-	-	-	-	-	-	614,275
Capital outlay	-	-	305,890	-	-	770,190	-	88,906	-	2,284	815,787	2,013,257
Total expenditures	918,737	1,689,275	305,890	-	-	770,190	-	88,906	-	2,284	815,787	4,621,269
Excess of revenues over (under) expenditures	(148,756)	(888,102)	(305,890)	-	(729,078)	(2,284)	(88,906)	(2,284)	(806,239)	(2,999,455)		
Other financing sources (uses):												
Transfers in (out)	-	891,941	(120,699)	-	1,555,000	-	1,500,000	-	1,250,000	-	1,250,000	5,076,242
Total other financing sources (uses)	-	891,941	(120,699)	-	1,555,000	-	1,500,000	-	1,250,000	-	1,250,000	5,076,242
Excess of revenues and other sources over (under) expenditures and other uses	(148,756)	3,839	(426,589)	-	825,922	(30,200)	1,411,094	(2,284)	443,761			2,076,787
Fund balances - beginning of year	3,603,945	447,216	39,304	374,185	-	-	-	18,840	354,688			5,563,726
Fund balances - end of year	\$ 3,455,189	\$ 451,055	\$ -	\$ 374,185	\$ 825,922	\$ 268,759	\$ 1,411,094	\$ 16,556	\$ 798,449			\$ 7,640,513

**Spanish Fork City**  
**Combining Statement of Net Position**  
**Non-Major Proprietary Funds**  
**As of June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,447,220	\$ -	\$ 187,864	\$ 1,635,084
Accounts receivable	173,078	142,185	-	315,263
Allowance for doubtful accounts	(1,730)	(488)	-	(2,218)
Due from other funds	15,277	-	1,979	17,256
Inventory	-	-	26,160	26,160
Total current assets	<u>1,633,845</u>	<u>141,697</u>	<u>216,003</u>	<u>1,991,545</u>
Noncurrent assets:				
Net Pension Asset	7	(4)	-	3
Capital Assets:				
Land	217,906	120,336	-	338,242
Buildings	113,751	26,646	28,116	168,513
Improvements	37,378	20,907,546	95,473	21,040,397
Equipment	1,352,582	8,000	84,120	1,444,702
Less: accumulated depreciation	(1,026,473)	(4,018,081)	(142,232)	(5,186,786)
Other Assets:				
Equity in joint venture	1,406,080	-	-	1,406,080
Total noncurrent assets	<u>2,101,231</u>	<u>17,044,443</u>	<u>65,477</u>	<u>19,211,151</u>
Total assets	<u>3,735,076</u>	<u>17,186,140</u>	<u>281,480</u>	<u>21,202,696</u>
Deferred Outflows of Resources Due to Pensions				
	<u>14,746</u>	<u>100,439</u>	<u>1,201</u>	<u>116,386</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>\$ 3,749,822</u>	<u>\$ 17,286,579</u>	<u>\$ 282,681</u>	<u>\$ 21,319,082</u>
<b>LIABILITIES</b>				
Current liabilities:				
Due to other funds	\$ -	\$ 600,019	\$ -	\$ 600,019
Accounts payable	193,498	12,051	3,357	208,906
Compensated absences	9,338	62,793	728	72,859
Total current liabilities	<u>202,836</u>	<u>674,863</u>	<u>4,085</u>	<u>881,784</u>
Noncurrent liabilities:				
Net Pension Liability	26,236	159,470	1,892	187,598
Total noncurrent liabilities	<u>26,236</u>	<u>159,470</u>	<u>1,892</u>	<u>187,598</u>
Total liabilities	<u>229,072</u>	<u>834,333</u>	<u>5,977</u>	<u>1,069,382</u>
Deferred Inflows of Resources Due to Pensions				
	<u>3,854</u>	<u>22,549</u>	<u>265</u>	<u>26,668</u>
<b>Net Position</b>				
Net investment in capital assets	695,144	17,044,447	65,477	17,805,068
Restricted for:				
Impact fees	-	239,065	-	239,065
Unrestricted	2,821,752	(853,815)	210,962	2,178,899
Total Net Position	<u>\$ 3,516,896</u>	<u>\$ 16,429,697</u>	<u>\$ 276,439</u>	<u>\$ 20,223,032</u>

**Spanish Fork City**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Non-Major Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Other Funds
Operating Revenues:				
Charges for sales and services	\$ 1,855,504	\$ 1,626,518	\$ 183,219	\$ 3,665,241
Other income	-	118,009	-	118,009
Total operating revenues	<u>1,855,504</u>	<u>1,744,527</u>	<u>183,219</u>	<u>3,783,250</u>
Operating Expenses:				
Landfill fees	700,782	-	-	700,782
Employee salaries	89,980	530,971	70,242	691,193
Materials and supplies	7,796	60,768	56,889	125,453
Repairs and maintenance	141	1,942	2,963	5,046
Professional services	272,088	439,906	23,155	735,149
Motorpool charges	2,692	201,022	1,550	205,264
Utilities	18,160	7,559	12,527	38,246
Insurance	2,831	-	465	3,296
Depreciation	80,922	554,061	5,246	640,229
Indirect services	101,784	504,623	-	606,407
Sundry charges	570,550	6,272	-	576,822
Total operating expenses	<u>1,847,726</u>	<u>2,307,124</u>	<u>173,037</u>	<u>4,327,887</u>
Operating income	<u>7,778</u>	<u>(562,597)</u>	<u>10,182</u>	<u>(544,637)</u>
Nonoperating revenues (expenses):				
Pension benefit expense	8,410	56,549	656	65,615
Pension expense	(10,321)	(69,402)	(805)	(80,528)
Impact fees	-	142,626	-	142,626
Change in joint venture equity	232,954	-	-	232,954
Contributions from private contractors	-	1,884,572	-	1,884,572
Total nonoperating revenues (expenses)	<u>231,043</u>	<u>2,014,345</u>	<u>(149)</u>	<u>2,245,239</u>
Income (loss) before operating transfers	<u>238,821</u>	<u>1,451,748</u>	<u>10,033</u>	<u>1,700,602</u>
Operating Transfers:				
Operating transfers in/(out)	<u>(64,858)</u>	<u>(55,825)</u>	<u>-</u>	<u>(120,683)</u>
Total operating transfers	<u>(64,858)</u>	<u>(55,825)</u>	<u>-</u>	<u>(120,683)</u>
Change in Net Position	173,963	1,395,923	10,033	1,579,919
Total Net Position - beginning	<u>3,342,933</u>	<u>15,033,774</u>	<u>266,406</u>	<u>18,643,113</u>
Total Net Position - ending	<u>\$ 3,516,896</u>	<u>\$ 16,429,697</u>	<u>\$ 276,439</u>	<u>\$ 20,223,032</u>

**Spanish Fork City**  
**Combining Statement Cash Flows**  
**Non-Major Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	Total Non-Major Funds
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 1,854,137	\$ 1,613,442	\$ 183,219	\$ 3,650,798
Other cash receipts	-	118,009	-	118,009
Payments to suppliers	(1,634,135)	(1,221,072)	(103,521)	(2,958,728)
Payments to employees	(88,643)	(528,711)	(70,250)	(687,604)
Net cash provided (used) by operating activities	<u>131,359</u>	<u>(18,332)</u>	<u>9,448</u>	<u>122,475</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Decrease (increase) in due from other funds	236,209	-	29,121	265,330
Increase (decrease) in due to other funds	-	(131,613)	-	(131,613)
Transfers in (out)	(64,858)	(55,825)	-	(120,683)
Net cash provided (used) by noncapital activities	<u>171,351</u>	<u>(187,438)</u>	<u>29,121</u>	<u>13,034</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(59,493)	(2,540,016)	-	(2,599,509)
Contributions from private contractors	-	1,884,572	-	1,884,572
Impact fees collected	-	142,626	-	142,626
Net cash provided (used) by capital and related financing activities	<u>(59,493)</u>	<u>(512,818)</u>	<u>-</u>	<u>(572,311)</u>
Net increase (decrease) in cash and cash equivalents	<u>243,217</u>	<u>(718,588)</u>	<u>38,569</u>	<u>(436,802)</u>
Cash balance, beginning	<u>1,204,003</u>	<u>718,588</u>	<u>149,295</u>	<u>2,071,886</u>
Cash balance, ending	<u>\$ 1,447,220</u>	<u>\$ -</u>	<u>\$ 187,864</u>	<u>\$ 1,635,084</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	<u>7,778</u>	<u>(562,597)</u>	<u>10,182</u>	<u>(544,637)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	80,922	554,061	5,246	640,229
(Increase) decrease in accounts receivable	(1,367)	(13,073)	-	(14,440)
(Increase) decrease in inventory	-	-	(5,093)	(5,093)
Increase (decrease) in accrued liabilities	42,689	1,017	(879)	42,827
Increase (decrease) in compensated absences	1,337	2,260	(8)	3,589
Total adjustments	<u>123,581</u>	<u>544,265</u>	<u>(734)</u>	<u>667,112</u>
Net cash provided (used) by operating activities	<u>131,359</u>	<u>(18,332)</u>	<u>9,448</u>	<u>122,475</u>

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## OTHER REPORTS

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

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

Mayor and Council Members:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, Utah (herein referred to as the “City”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Spanish Fork City’s basic financial statements and have issued our report thereon dated November 21, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Larson & Company, PC

Spanish Fork, Utah  
November 21, 2017



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

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

**Report on Compliance with General State Compliance Requirements**

We have audited Spanish Fork City’s (herein referred to as the “City”) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2017

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

Budgetary Compliance	Restricted Taxes and Related Revenues
Fund Balance	Open and Public Meetings Act
Utah Retirement Systems Compliance	Public Treasurer’s Bond

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the City’s compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those Standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City’s compliance.

**Opinion**

In our opinion, Spanish Fork City, complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2017.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which is described in our letter to management dated November 21, 2017 as item SC-2017.1. Our opinion is not modified with respect to this matter.

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

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

## Purpose of Report

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



Larson & Company, PC

Spanish Fork, Utah  
November 21, 2017