

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City, as of June 30, 2018, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2018 on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Larson & Company, PC

Spanish Fork, Utah
December 10, 2018

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, 2018**. 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 **\$27,081,669** to **\$303,588,336**. The governmental net position increased by **\$5,853,682** and the business-type net position increased by **\$21,227,987**.
- The total net position of **\$303,588,336** is made up of **\$253,416,323** in capital assets net of related debt and **\$50,172,013** in other net position.
- The General Fund (the primary operating fund) had a decrease in its fund balance of **\$2,449,842**.
- The City's total long-term liabilities decreased by **\$1,969,874** 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 are determined to be non-major and are included in the combining statements within this report.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$303,588,336**.

By far the largest portion of Spanish Fork City's net position **\$253,416,323 or 83%** reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net position.

Spanish Fork City's Net position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	20,107,422	32,346,623	51,578,538	47,671,836	71,685,960	80,018,459
Capital assets	114,956,368	98,539,318	155,189,250	138,089,747	270,145,618	236,629,065
Total assets	135,063,790	130,885,941	206,767,788	185,761,583	341,831,578	316,647,524
Deferred outflows - pension	3,143,395	2,936,765	1,557,288	1,314,026	4,700,683	4,250,791
Total deferred outflows of resources	3,143,395	2,936,765	1,557,288	1,314,026	4,700,683	4,250,791
Total Assets and Deferred outflows	138,207,185	133,822,706	208,325,076	187,075,609	346,532,261	320,898,315
Other liabilities	15,104,700	17,312,728	5,260,641	5,282,009	20,365,341	22,594,737
Long-term liabilities outstanding	12,274,674	13,431,548	4,576,000	5,389,000	16,850,674	18,820,548
Total liabilities	27,379,374	30,744,276	9,836,641	10,671,009	37,216,015	41,415,285
Deferred property tax revenue	2,082,259	1,838,811	48,822	40,814	2,131,081	1,879,625
Deferred inflows - pension	2,405,236	752,985	1,191,593	343,753	3,596,829	1,096,738
Total deferred inflows of resources	4,487,495	2,591,796	1,240,415	384,567	5,727,910	2,976,363
Total Liabilities and Deferred inflows	31,866,869	33,336,072	11,077,056	11,055,576	42,943,925	44,391,648
Net Position:						
Invested in capital assets, net						
of related debt	102,564,008	84,987,955	150,852,315	132,856,359	253,416,323	217,844,314
Restricted	4,551,590	6,692,741	517,687	394,677	5,069,277	7,087,418
Unrestricted	(775,282)	8,805,938	45,878,018	42,768,997	45,102,736	51,574,935
Total Net Position	106,340,316	100,486,634	197,248,020	176,020,033	303,588,336	276,506,667

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	11,692,870	11,611,509	49,443,812	46,070,070	61,136,682	57,681,579
Operating grants and contribs	317,129	1,560,858	-	-	317,129	1,560,858
Capital grants and contribs	2,107,358	5,703,207	20,180,034	8,325,787	22,287,392	14,028,994
General revenues:						
Property taxes	3,108,976	2,845,772	-	-	3,108,976	2,845,772
Sales and Use Tax	9,648,329	8,813,172	-	-	9,648,329	8,813,172
Other taxes	488,995	511,589	-	-	488,995	511,589
Unrestricted investment earnings	373,421	230,253	655,848	425,806	1,029,269	656,059
Joint Venture Gain (Loss)	-	(75,734)	166,699	232,954	166,699	157,220
Contributed Assets	5,497,446	-	-	-	5,497,446	-
Gain on Sale of Capital Assets	25,796	487,991	-	-	25,796	487,991
Total revenues	33,260,320	31,688,617	70,446,393	55,054,617	103,706,713	86,743,234
Expenses:						
General government	5,597,155	5,574,768	-	-	5,597,155	5,574,768
Public safety	7,711,417	7,007,352	-	-	7,711,417	7,007,352
Public Works	8,085,951	8,183,571	-	-	8,085,951	8,183,571
Parks and recreation	6,389,964	5,694,473	-	-	6,389,964	5,694,473
Operating Expenses (Business Type)			48,263,973	42,233,299	48,263,973	42,233,299
Interest Expense	576,584	605,317			576,584	605,317
Total expenses	28,361,071	27,065,481	48,263,973	42,233,299	76,625,044	69,298,780
Increase in Net Position before transfers	4,899,249	4,623,136	22,182,420	12,821,318	27,081,669	17,444,454
Transfers	954,433	2,062,855	(954,433)	(2,062,855)	-	-
Increase in Net Position	5,853,682	6,685,991	21,227,987	10,758,463	27,081,669	17,444,454
Net Position - beginning	100,486,634	93,800,643	176,020,033	165,261,570	276,506,667	259,062,213
Net Position - ending	106,340,316	100,486,634	197,248,020	176,020,033	303,588,336	276,506,667

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, 2018, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$9,983,407**. This represents a decrease of **\$6,338,702** under last year's ending balances. This decrease 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 (**\$13,246,300**) and represent **58%** 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 **\$23,420,793** to a final budget of **\$24,187,885**. 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, 2018, amounts to **\$270,145,618** (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 \$1,232,734.

Water & Pressurized Irrigation Improvements:

Water & Pressurized Irrigation Improvement Projects for \$3,940,527.

Sewer Improvements:

Sewer Improvements for \$1,972,598

Electric Improvements:

Electric Improvements for \$4,201,221.

Other Improvements:

Library Books & Media for \$76,005.

Airport Improvements \$16,033,082.

Park Improvements \$6,455,341

Landfill Property \$1,239,652

Spanish Fork Community Network:

Improvement for Fiber to the Home for \$859,615.

Motorpool:

City Wide Equipment and Vehicle Purchases for \$1,694,949.

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

	Spanish Fork City's Capital Assets			
	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Land	\$ 21,813,969	\$ 14,551,534	\$ 3,400,805	\$ 3,400,805
Water Shares	-	-	5,900,448	5,238,468
Buildings	21,936,046	20,798,880	3,616,954	3,800,352
Improvements	24,786,481	16,439,724	139,913,517	122,695,113
Equipment	6,171,702	5,776,563	2,357,524	3,148,925
Infrastructure	40,245,171	40,972,617	-	-
Total Net Assets - Net of Depreciation	<u>\$ 114,953,369</u>	<u>\$ 98,539,318</u>	<u>\$ 155,189,248</u>	<u>\$ 138,283,663</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, 2018, the City had total bonded debt outstanding of **\$16,850,674**. Of that, **\$4,576,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Electric and Water Utilities). **\$12,274,674** is debt secured solely by tax sources (i.e. Sales Tax revenue and Property Tax increment for the RDA).

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

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Capital Lease	\$ 84,674	\$ 126,548	\$ -	\$ -
Accrued Vacation & Sick Leave	1,804,116	1,599,110	878,367	825,280
Revenue Bonds	12,190,000	13,305,000	4,576,000	5,389,000
Total Outstanding Debt	<u>\$ 14,078,790</u>	<u>\$ 15,030,658</u>	<u>\$ 5,454,367</u>	<u>\$ 6,214,280</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 **\$1,938,939,565**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$77,557,583** which significantly exceeds the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer and electrical projects is thus **\$155,115,165** which again, significantly exceeds the outstanding business-type activity debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Utah County (of which Spanish Fork is one of the principal municipalities) was 3.1% compared with a state unemployment rate of 3.5% and a national rate of 4.0 %. (Source: Utah Dept of Workforce Services)

- Some capital improvements budgeted for the FY 2019 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, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 10,360,365	\$ 39,679,842	\$ 50,040,207
Receivables (net of allowance)	4,195,205	4,199,733	8,394,938
Prepaid expenses	33,720	130	33,850
Internal balances	(2,499,660)	2,499,660	-
Inventory	92,347	1,813,981	1,906,328
Equity in joint venture	-	1,572,779	1,572,779
Restricted cash and cash equivalents	7,922,765	1,811,085	9,733,850
Net Pension Asset	2,680	1,328	4,008
Capital Assets (not being depreciated):			
Land	21,813,970	3,400,803	25,214,773
Water shares	-	5,900,448	5,900,448
Capital Assets (net of accumulated depreciation):			
Buildings	21,936,043	3,616,954	25,552,997
Improvements other than buildings	24,786,482	139,913,521	164,700,003
Equipment	6,174,703	2,357,524	8,532,227
Infrastructure	40,245,170	-	40,245,170
Total assets	<u>135,063,790</u>	<u>206,767,788</u>	<u>341,831,578</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources relating to pensions	<u>3,143,395</u>	<u>1,557,288</u>	<u>4,700,683</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>138,207,185</u>	<u>208,325,076</u>	<u>346,532,261</u>
LIABILITIES			
Accounts payable	1,784,243	813,352	2,597,595
Developer escrows and deposits	6,716,287	1,572,020	8,288,307
Deferred revenue	973,882	-	973,882
Compensated absences	1,804,116	878,367	2,682,483
Bond interest payable	117,686	159,658	277,344
Noncurrent Liabilities:			
Net pension liability	3,708,486	1,837,244	5,545,730
Due within one year	1,143,269	834,000	1,977,269
Due in more than one year	11,131,405	3,742,000	14,873,405
Total liabilities	<u>27,379,374</u>	<u>9,836,641</u>	<u>37,216,015</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	2,082,259	48,822	2,131,081
Relating to pensions	2,405,236	1,191,593	3,596,829
Total deferred inflows of resources	<u>4,487,495</u>	<u>1,240,415</u>	<u>5,727,910</u>
NET POSITION			
Net investments in capital assets	102,564,008	150,852,315	253,416,323
Restricted for:			
Redevelopment agency	1,976,351	-	1,976,351
Impact fees	2,071,235	278,622	2,349,857
Debt service	504,004	-	504,004
Bond requirements	-	239,065	239,065
Unrestricted	(775,282)	45,878,018	45,102,736
Total net position	<u>\$ 106,340,316</u>	<u>\$ 197,248,020</u>	<u>\$ 303,588,336</u>

**Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2018**

Function/Programs Primary government:	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
	\$ 5,597,155	\$ 7,549,401	\$ 73,752	\$ -	\$ 2,025,998	\$ 2,025,998
General government	7,711,417	2,063,775	148,349	-	(5,499,293)	(5,499,293)
Public safety	8,085,951	-	-	529,491	(7,556,460)	(7,556,460)
Public works	6,389,964	2,079,694	95,028	1,577,867	(2,637,375)	(2,637,375)
Parks, rec. & public property	576,584	-	-	-	(576,584)	(576,584)
Interest on long-term debt	28,361,071	11,692,870	317,129	2,107,358	(14,243,714)	(14,243,714)
Total governmental activities						
Business-type activities:						
Water	7,034,343	6,841,015	-	4,117,319	3,923,991	3,923,991
Sewer	3,845,990	3,899,140	-	2,368,662	2,421,812	2,421,812
Electric	30,546,055	32,918,821	-	2,502,413	4,875,179	4,875,179
Garbage	1,609,259	2,064,256	-	-	454,997	454,997
Storm drainage	5,029,795	3,533,782	-	11,191,640	9,695,627	9,695,627
Gun club	198,531	186,798	-	-	(11,733)	(11,733)
Total business-type activities	48,263,973	49,443,812	-	20,180,034	21,359,873	21,359,873
Total primary government	\$ 76,625,044	\$ 61,136,682	\$ 317,129	\$ 22,287,392	\$ (14,243,714)	\$ 7,116,159
General revenues:						
Property taxes					3,108,976	3,108,976
Sales taxes					9,648,329	9,648,329
Other taxes					488,995	488,995
Unrestricted investment earnings					373,421	373,421
Joint venture gain (loss)					-	-
Contributed assets					5,497,446	5,497,446
Gain on sale of capital assets					25,796	25,796
Transfers					954,433	954,433
Total general revenues and transfers					20,097,396	20,097,396
Change in Net Position					5,853,682	5,853,682
Net Position - beginning					100,486,634	100,486,634
Net Position - ending					106,340,316	\$ 197,248,020
						\$ 303,588,336

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2018**

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,544,777	\$ 1,477,232	\$ 9,022,009
Receivables (net of allowance):			
Tax	4,188,469	-	4,188,469
Due from other funds	58,955	30,887	89,842
Prepaid expense	33,720	-	33,720
Inventory	92,347	-	92,347
Restricted Assets:			
Cash and cash equivalents	5,449,295	2,473,470	7,922,765
Total assets	<u>\$ 17,367,563</u>	<u>\$ 3,981,589</u>	<u>\$ 21,349,152</u>
LIABILITIES			
Accounts payable and accrued liabilities	973,476	229,935	1,203,411
Payroll payable	389,906	-	389,906
Developer escrow	5,449,295	-	5,449,295
Final inspection deposit	1,266,992	-	1,266,992
Deferred revenue	973,882	-	973,882
Total liabilities	<u>9,053,551</u>	<u>229,935</u>	<u>9,283,486</u>
DEFERRED INFLOWS			
Deferred property tax revenue	2,082,259	-	2,082,259
Total deferred inflows of resources	<u>2,082,259</u>	<u>-</u>	<u>2,082,259</u>
FUND BALANCES			
Nonspendable	33,720	-	33,720
Restricted for:			
Redevelopment agency	-	1,976,351	1,976,351
Debt service	-	504,004	504,004
Impact fees	2,071,235	-	2,071,235
Committed for:			
Capital projects	-	1,271,299	1,271,299
Unassigned	4,126,798	-	4,126,798
Total fund balances	<u>6,231,753</u>	<u>3,751,654</u>	<u>9,983,407</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,367,563</u>	<u>\$ 3,981,589</u>	<u>\$ 21,349,152</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total fund balances - governmental fund types:		<u>\$ 9,983,407</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	202,102,041	
Accumulated depreciation	(87,145,673)	
Net Pension Asset	2,617	
Deferred Outflow - Pension	<u>3,069,585</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>118,028,570</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		
		(1,548,289)
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	(117,686)	
Non-current liabilities due within one year	(1,141,405)	
Compensated absences	(1,804,116)	
Non-current liabilities due in more than one year	(11,090,000)	
Net Pension - Liability	(3,621,407)	
Deferred Inflow - Pension	<u>(2,348,759)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(20,123,373)</u>
Net position of government activities		<u><u>\$ 106,340,316</u></u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 12,336,801	\$ 909,499	\$ 13,246,300
Licenses and permits	1,563,096	-	1,563,096
Intergovernmental revenues	317,129	529,491	846,620
Charges for services	3,321,783	-	3,321,783
Fines and forfeitures	148,008	-	148,008
Interest income	306,764	66,657	373,421
Sundry revenue	2,498,245	845,798	3,344,043
Total revenues	20,491,826	2,351,445	22,843,271
EXPENDITURES			
Current:			
General government	5,349,931	-	5,349,931
Public safety	7,329,539	-	7,329,539
Public works	4,614,809	2,615,973	7,230,782
Parks, recreation and public property	5,555,274	-	5,555,274
Debt Service:			
Principal retirement	-	1,115,000	1,115,000
Interest and fiscal charges	-	578,713	578,713
Capital outlay	-	7,870,972	7,870,972
Total expenditures	22,849,553	12,180,658	35,030,211
Excess revenues over (under) expenditures	(2,357,727)	(9,829,213)	(12,186,940)
Other financing sources (uses)			
Impact fees	1,577,867	-	1,577,867
Indirect services	3,315,940	-	3,315,940
Transfers in	1,074,070	5,940,355	7,014,425
Transfers out	(6,059,992)	-	(6,059,992)
Total other financing sources and uses	(92,115)	5,940,355	5,848,240
Excess of revenues and other sources over (under) expenditures and other uses	(2,449,842)	(3,888,858)	(6,338,700)
Fund balances - beginning of year	8,681,595	7,640,512	16,322,107
Fund balances - end of year	\$ 6,231,753	\$ 3,751,654	\$ 9,983,407

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, 2018

Net changes in fund balances - total governmental funds \$ (6,338,700)

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	9,576,075	
Depreciation Expense	(4,545,663)	<u> </u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities		<u>5,030,412</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.	5,497,446	
	<u> </u>	<u>5,523,242</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.		675,096
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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.		1,117,129
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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.		
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Change in compensated Absences		(208,172)
Change in Pension Expenses		<u>54,675</u>

Change in Net Position of governmental activities		<u><u>\$ 5,853,682</u></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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 11,679,811	\$ 12,565,000	\$ 12,336,801	\$ (228,199)
Licenses and permits	1,413,500	1,644,500	1,563,096	(81,404)
Intergovernmental revenues	179,500	346,931	317,129	(29,802)
Charges for services	3,032,893	3,220,162	3,321,783	101,621
Fines and forfeitures	146,700	151,700	148,008	(3,692)
Interest income	143,500	296,000	306,764	10,764
Sundry revenue	2,103,079	2,353,082	2,498,245	145,163
Total revenues	<u>18,698,983</u>	<u>20,577,375</u>	<u>20,491,826</u>	<u>(85,549)</u>
EXPENDITURES				
Current:				
General government	5,395,708	5,689,692	5,349,931	(339,761)
Public safety	7,166,187	7,496,845	7,329,539	(167,306)
Public works	5,040,651	5,111,269	4,614,809	(496,460)
Parks, recreation and public property	5,818,247	5,890,079	5,555,274	(334,805)
Total expenditures	<u>23,420,793</u>	<u>24,187,885</u>	<u>22,849,553</u>	<u>(1,338,332)</u>
Excess revenues over (under) expenditures	<u>(4,721,810)</u>	<u>(3,610,510)</u>	<u>(2,357,727)</u>	<u>1,252,783</u>
Other financing sources (uses)				
Impact fees	1,667,400	1,221,037	1,577,867	356,830
Indirect services	3,181,318	3,315,940	3,315,940	-
Transfers in	1,914,242	5,616,583	1,074,070	(4,542,513)
Transfers out	(1,520,000)	(6,530,000)	(6,059,992)	470,008
Total other financing sources and uses	<u>5,242,960</u>	<u>3,623,560</u>	<u>(92,115)</u>	<u>(3,715,675)</u>
Excess of revenues and other sources over (under) expenditures and other uses	521,150	13,050	(2,449,842)	(2,462,892)
Fund balances - beginning of year	8,681,595	8,681,595	8,681,595	-
Fund balances - end of year	<u>\$ 9,202,745</u>	<u>\$ 8,694,645</u>	<u>\$ 6,231,753</u>	<u>\$ (2,462,892)</u>

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2018

	Business-Type Activities - Enterprise Funds					Governmental	
	Water	Sewer	Electric	Storm Drainage	Non Major	Internal Service	
					Enterprise Funds		Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,349,222	\$ 9,185,342	\$ 25,515,344	\$ -	\$ 1,629,934	\$ 39,679,842	\$ 1,338,360
Accounts receivable	503,681	308,005	3,072,551	170,189	190,115	4,244,541	6,735
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(488)	(1,730)	(44,808)	-
Due from other funds	28,053	71,810	211,767	-	12,737	324,367	10,463
Prepaid Expense	-	-	130	-	-	130	-
Inventory	4,500	3,500	1,785,163	-	20,818	1,813,981	-
Total current assets	3,876,048	9,565,832	30,554,598	169,701	1,851,874	46,018,053	1,355,558
Noncurrent assets:							
Restricted cash and equivalents	239,065	-	1,572,020	-	-	1,811,085	-
Net Pension Asset	169	124	796	224	15	1,328	63
Capital Assets:							
Land	280,483	1,810,982	971,096	120,336	217,906	3,400,803	-
Water rights	5,900,448	-	-	-	-	5,900,448	-
Buildings	2,503,585	546,531	3,478,398	26,646	141,867	6,697,027	1,374,524
Improvements	83,634,743	42,111,544	57,846,848	32,551,905	132,851	216,277,891	-
Equipment	2,885,012	2,473,875	3,908,913	11,900	1,436,702	10,716,402	14,943,893
Less: accumulated depreciation	(37,443,205)	(21,396,357)	(22,936,893)	(4,774,540)	(1,252,326)	(87,803,321)	(9,657,816)
Other Assets:							
Equity in joint venture	-	-	-	-	1,572,779	1,572,779	-
Total noncurrent assets	58,000,300	25,546,699	44,841,178	27,936,471	2,249,794	158,574,442	6,660,664
Total assets	61,876,348	35,112,531	75,395,776	28,106,172	4,101,668	204,592,495	8,016,222
Deferred Outflows of Resources Due to Pensions	197,889	145,744	933,655	260,802	19,198	1,557,288	73,810
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 62,074,237	\$ 35,258,275	\$ 76,329,431	\$ 28,366,974	\$ 4,120,866	\$ 206,149,783	\$ 8,090,032
LIABILITIES							
Current liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ 424,676	\$ -	\$ 424,676	\$ -
Accounts payable	164,831	57,320	332,698	119,596	138,907	813,352	189,310
Accrued interest payable	38,314	-	121,344	-	-	159,658	1,616
Compensated absences payable	165,094	76,471	489,886	136,842	10,074	878,367	38,728
Customer deposits	-	-	591,091	-	-	591,091	-
Final inspection deposits	-	-	980,929	-	-	980,929	-
Lease payable - current portion	-	-	-	-	-	-	43,269
Bonds payable - current portion	834,000	-	-	-	-	834,000	-
Total current liabilities	1,202,239	133,791	2,515,948	681,114	148,981	4,682,073	272,923
Noncurrent liabilities:							
Deferred revenue	28,405	17,695	2,722	-	-	48,822	-
Net pension liability	233,464	171,945	1,101,499	307,687	22,649	1,837,244	87,079
Lease payable	-	-	-	-	-	-	41,405
Bonds payable	3,742,000	-	-	-	-	3,742,000	-
Total noncurrent liabilities	4,003,869	189,640	1,104,221	307,687	22,649	5,628,066	128,484
Total liabilities	5,206,108	323,431	3,620,169	988,801	171,630	10,310,139	401,407
Deferred Inflows of Resources Due to Pensions	151,419	111,519	714,407	199,559	14,689	1,191,593	56,477
Net Position							
Net investment in capital assets, net of related debt	53,424,131	25,546,575	43,268,362	27,936,247	677,000	150,852,315	6,575,927
Restricted for:							
Impact fees	-	-	-	278,622	-	278,622	-
Bond requirements	239,065	-	-	-	-	239,065	-
Unrestricted	3,053,514	9,276,750	28,726,493	(1,036,255)	3,257,547	43,278,049	1,056,221
Total Net Position	\$ 56,716,710	\$ 34,823,325	\$ 71,994,855	\$ 27,178,614	\$ 3,934,547	\$ 194,648,051	\$ 7,632,148
						Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:	2,599,969
						Net Position from business-type activities:	\$ 197,248,020

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds						Governmental
	Water	Sewer	Electric	Storm Drain	Non Major Enterprise Funds	Total Enterprise Funds	Activities- Internal Service Fund
Operating Revenues:							
Charges for sales and services	\$ 6,292,900	\$ 3,776,884	\$ 32,905,726	\$ 1,945,208	\$ 2,250,345	\$ 47,171,063	\$ 1,249,387
Other income	548,115	122,256	13,095	1,588,574	709	2,272,749	2,653,746
Total operating revenues	6,841,015	3,899,140	32,918,821	3,533,782	2,251,054	49,443,812	3,903,133
Operating Expenses:							
Water assessment	133,799	-	-	-	-	133,799	-
Power purchases	-	-	16,319,581	-	-	16,319,581	-
Landfill fees	-	-	-	-	685,730	685,730	-
Employee salaries	1,009,616	743,954	4,567,848	1,373,598	175,039	7,870,055	357,259
Materials and supplies	406,223	102,955	1,966,439	323,054	177,746	2,976,417	381,126
Repairs and maintenance	48,959	177,980	97,615	3,935	4,685	333,174	346,195
Professional services	1,194,146	553,566	4,086,819	715,534	398,867	6,948,932	17,559
Motorpool charges	186,735	168,101	402,413	1,048,631	4,372	1,810,252	-
Utilities	432,049	290,543	280,542	67,127	32,114	1,102,375	35,161
Insurance	33,454	81,426	93,614	-	7,036	215,530	7,852
Depreciation	2,519,862	1,146,843	1,891,299	756,459	83,621	6,398,084	1,287,184
Capital Outlay	3,782	-	-	-	-	3,782	-
Indirect services	1,062,411	656,635	927,240	554,268	115,386	3,315,940	-
Sundry charges	7,754	12,733	81,370	22,553	520,177	644,587	-
Training	-	1,065	645	-	-	1,710	-
Total operating expenses	7,038,790	3,935,801	30,715,425	4,865,159	2,204,773	48,759,948	2,432,336
Operating income	(197,775)	(36,661)	2,203,396	(1,331,377)	46,281	683,864	1,470,797
Nonoperating revenues (expenses):							
Interest revenue	9,446	92	646,310	-	-	655,848	-
Impact fees and water right fees	597,414	524,011	877,761	309,020	-	2,308,206	-
Change in joint venture equity	-	-	-	-	166,699	166,699	-
Contributions from private contractors	3,484,905	1,809,651	1,624,652	10,882,620	-	17,801,828	-
Grant Proceeds	35,000	35,000	-	-	-	70,000	-
Pension Benefit Expense	161,050	98,753	475,542	(33,524)	7,820	709,641	43,379
Pension Expense	(99,484)	(73,269)	(469,374)	(131,112)	(9,651)	(782,890)	(37,106)
Interest expense	(131,997)	-	-	-	-	(131,997)	(7,594)
Total nonoperating revenues (expenses)	4,056,334	2,394,238	3,154,891	11,027,004	164,868	20,797,335	(94,480)
Income (loss) before operating transfers	3,858,559	2,357,577	5,358,287	9,695,627	211,149	21,481,199	1,376,317
Operating Transfers from (to) Other Funds							
Operating transfers out	(181,495)	(119,082)	(1,637,209)	1,053,290	(69,937)	(954,433)	-
Total contributions and operating transfers	(181,495)	(119,082)	(1,637,209)	1,053,290	(69,937)	(954,433)	-
Change in Net Position	3,677,064	2,238,495	3,721,079	10,748,917	141,212	20,526,766	1,376,317
Total Net Position - beginning	53,039,646	32,584,830	68,273,776	16,429,697	3,793,335	174,121,284	6,255,831
Total Net Position - ending	\$ 56,716,710	\$ 34,823,325	\$ 71,994,855	\$ 27,178,614	\$ 3,934,547	\$ 194,648,050	\$ 7,632,148
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:						701,221	
Change in Net Position of business-type activities:						\$ 21,227,987	

Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds					
	Water	Sewer	Electric	Storm Drain	Non Major	Total
	Fund	Fund	Fund	Fund	Enterprise Funds	Enterprise Funds
Cash Flows From Operating Activities						
Receipts from customers	\$ 6,335,766	\$ 3,788,383	\$ 32,790,950	\$ 1,917,204	\$ 2,233,308	\$ 47,065,611
Other cash receipts	548,115	122,256	13,095	1,588,574	709	2,272,749
Payments to suppliers	(3,420,391)	(2,049,324)	(23,892,091)	(2,627,557)	(1,998,719)	(33,988,082)
Payments to employees	(1,017,598)	(742,319)	(4,582,471)	(1,299,549)	(175,031)	(7,816,968)
Net cash provided (used) by operating activities	<u>2,445,892</u>	<u>1,118,996</u>	<u>4,329,483</u>	<u>(421,328)</u>	<u>60,267</u>	<u>7,533,310</u>
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	909	11,225	66,546	-	4,520	83,200
Increase (decrease) in due to other funds	-	-	-	(175,343)	-	(175,343)
Transfers in (out)	(181,495)	(119,082)	(1,637,209)	1,053,290	(69,937)	(954,433)
Net cash provided (used) by noncapital activities	<u>(180,586)</u>	<u>(107,857)</u>	<u>(1,570,663)</u>	<u>877,947</u>	<u>(65,417)</u>	<u>(1,046,576)</u>
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(4,602,507)	(2,060,768)	(5,186,052)	(11,648,259)	-	(23,497,586)
Principal (paid) issued on capital debt	(813,000)	-	-	-	-	(813,000)
Interest paid on capital debt	(131,997)	-	-	-	-	(131,997)
Contributions from (reimbursements to) private contractors	3,484,905	1,809,651	1,624,652	10,882,620	-	17,801,828
Impact fees collected	597,414	524,011	877,761	309,020	-	2,308,206
Grant proceeds	35,000	35,000	-	-	-	70,000
Net cash provided (used) by capital and related financing activities	<u>(1,430,185)</u>	<u>307,894</u>	<u>(2,683,639)</u>	<u>(456,619)</u>	<u>-</u>	<u>(4,262,549)</u>
Cash Flows From Investing Activities						
Interest and dividends received	9,446	92	646,310	-	-	655,848
Net cash provided (used) by investing activities	<u>9,446</u>	<u>92</u>	<u>646,310</u>	<u>-</u>	<u>-</u>	<u>655,848</u>
Net increase (decrease) in cash and cash equivalents	844,567	1,319,125	721,491	-	(5,150)	2,880,033
Cash and cash equivalents, July 1	2,743,720	7,866,217	26,365,873	-	1,635,084	38,610,894
Cash and cash equivalents, June 30	<u>\$ 3,588,287</u>	<u>\$ 9,185,342</u>	<u>\$ 27,087,364</u>	<u>\$ -</u>	<u>\$ 1,629,934</u>	<u>\$ 41,490,927</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (197,775)	\$ (36,661)	\$ 2,203,396	\$ (1,331,377)	\$ 46,281	\$ 683,864
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,519,862	1,146,843	1,891,299	756,459	83,621	6,398,084
(Increase) decrease in accounts receivable	55,047	(716)	(122,750)	(28,004)	(17,037)	(113,460)
Decrease (increase) in inventory	-	-	42,139	-	5,342	47,481
Increase (decrease) in accrued liabilities	88,921	(4,320)	113,844	107,545	(57,948)	248,042
Increase (decrease) in compensated absences	(7,982)	1,635	(14,623)	74,049	8	53,087
Increase (decrease) in customer deposits	-	-	208,204	-	-	208,204
Increase (decrease) in deferred revenue	(12,181)	12,215	7,974	-	-	8,008
Total adjustments	<u>2,643,667</u>	<u>1,155,657</u>	<u>2,126,087</u>	<u>910,049</u>	<u>13,986</u>	<u>6,849,446</u>
Net cash provided (used) by operating activities	<u>\$ 2,445,892</u>	<u>\$ 1,118,996</u>	<u>\$ 4,329,483</u>	<u>\$ (421,328)</u>	<u>\$ 60,267</u>	<u>\$ 7,533,310</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2018**

	<u>Fire Retirement Capital Fund</u>
ASSETS	
Cash and equivalents	<u>101,355</u>
Total assets	<u><u>101,355</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Total liabilities	<u>-</u>
Net position:	
Deferred compensation	<u>101,355</u>
Total net position	<u>101,355</u>
Total liabilities and net position	<u><u>\$ 101,355</u></u>

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2018

	Fire Retirement Capital Fund
REVENUES:	
Employer contribution	\$ 33,000
Interest income	1,820
Total	34,820
 EXPENDITURES:	
Retirement payments	33,100
Total	33,100
Excess of revenues over (under) expenditures	1,720
Net position - beginning of year	99,635
Net position - end of year	\$ 101,355

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

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

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

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

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

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

Library: Library Administration and Public Services.

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

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

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018**

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash & Cash Equivalents and Investments

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

The City categorizes the fair value measurements of its investments in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Interfund Receivables and Payables

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

Receivables

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

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

Inventories and prepaid items

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

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

Restricted Assets

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Capital Assets

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

Restricted Assets

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

Long-term Debt

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018, 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	\$ 1,090,941	\$ 558,525	\$ 1,649,466
Sick Leave Liability	713,175	319,842	1,033,017
Total Compensated Absences	\$ 1,804,116	\$ 878,367	\$ 2,682,483

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

Equity Classifications

Government-wide Statements

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

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

Fund Statements

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

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

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

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

Property Tax

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

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds—By Character:

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

Proprietary Fund—By Operating and Non-operating

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

Interfund Transfers

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Use of estimates

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

1.F PENSIONS

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

1.G DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018, 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, 2018, 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, 2018, the City had \$16,850,674 of such indebtedness.

Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2018.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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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 formal deposit policy for bank custodial credit risk. As of June 30, 2018, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2018
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	4,491,436
Total Depository Accounts		\$ 4,741,436

Investments

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

Spanish Fork City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Spanish Fork City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

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

SPANISH FORK CITY
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fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

Fair Value of Investments

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

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

At June 30, 2018, Spanish Fork City had the following recurring fair value measurements:

Security Type Category	Level 1	Level 2	Level 3	Other	Total
Agency	\$ 7,854,262	\$ -	\$ -	\$ -	\$ 7,854,262
Corporate	-	11,407,337	-	-	\$ 11,407,337
Currency	2,484	-	-	-	\$ 2,484
MM Fund	114,917	-	-	-	\$ 114,917
US Gov	1,331,496	-	-	-	\$ 1,331,496
Total Fair Value	<u>\$ 9,303,159</u>	<u>\$ 11,407,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,710,496</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

For securities that generally have market prices from multiple sources, it can be difficult to select the best individual price, and the best source one day may not be the best source on the following day. The solution is to report a “consensus price” or a weighted average price for each security. Spanish Fork City receives market prices for these securities from a variety of industry standard data providers (e.g., Bloomberg), security master files from large financial institutions, and other third-party sources. Through the help of an investment advisor, Spanish Fork City uses these multiple prices as inputs into a distribution-curve based algorithm to determine the daily market value.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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- U.S. Treasuries, U.S. Agencies: quoted prices for identical securities in markets that are active;

Debt securities classified in Level 2 are valued using the following approaches

- Corporate and Municipal Bonds and Commercial Paper: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, and Bond Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to Spanish Fork City's average daily balance in the Fund; and,
- Donated Real Estate: recent appraisals of the real estate's value.

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

As of June 30, 2018, Spanish Fork City's investments had the following maturities:

	Fair Value	Investment Maturity in Years - Fair Value			More Than 5
		Less Than 1	1-3	3-5	
AGCY Bond	\$ 7,875,275	\$ 100,517	\$ 3,801,558	\$ 3,973,200	\$ -
Cash	2,484	2,484	-	-	-
Corp	10,980,998	5,684,057	5,296,941	-	-
MM Fund	114,917	114,917	-	-	-
US Gov	1,333,966	299,458	543,293	491,215	-
Yankee	478,220	-	478,220	-	-
Total Fair Value	\$ 20,785,860	\$ 6,201,433	\$ 10,120,012	\$ 3,973,200	\$ -

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	Book Value	Investment Maturity in Years - Book Value			
		Less Than 1	1-3	3-5	More Than 5
AGCY Bond	\$ 8,059,825	\$ 100,065	\$ 3,874,760	\$ 4,085,000	\$ -
Cash	2,484	2,484	-	-	-
Corp	10,939,167	5,652,906	5,286,261	-	-
MM Fund	114,917	114,917	-	-	-
US Gov	1,354,827	300,144	552,827	501,856	-
Yankee	475,771	-	475,771	-	-
Total Fair Value	\$ 20,946,991	\$ 6,170,516	\$ 10,189,619	\$ 4,085,000	\$ -

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

At June 30, 2018, Spanish Fork City’s investments had the following quality ratings:

Rating	Security Type	Investment Ratings	
		Book Value	Market Value plus Accrued
AAA	Cash	\$ 2,484	\$ 2,484
AA+	AGCY Bond	8,059,825	7,875,276
AA+	US Gov	1,354,827	1,333,966
AA-	Corp	1,540,216	1,547,077
A+	Corp	1,587,135	1,591,959
A	Yankee	475,771	478,220
A	Corp	2,140,061	2,144,302
A-	Corp	3,371,695	3,388,295
BB+	Corp	2,300,060	2,309,365
NA	MM Fund	114,917	114,917
		\$ 20,946,991	\$ 20,785,861

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

At June 30, 2018, Spanish Fork City does not hold more than 5 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies.

The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the

SPANISH FORK CITY
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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	\$	4,614,453
Investments		55,134,562
Cash on hand		126,983
Total	\$	<u><u>59,875,998</u></u>

Government - Wide

Cash and Cash Equivalents	\$	49,538,080
Restricted Cash & Cash Equivalents		10,236,563
Fiduciary Restricted Cash		101,355
Total	\$	<u><u>59,875,998</u></u>

Net Cash on Statement of Net Position	\$	59,774,643
Fiduciary Restricted Cash		101,355
Total	\$	<u><u>59,875,998</u></u>

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, 2018 are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<i>Business-Type Activities:</i>				
Customer deposits	591,091	-	-	591,091
Storm drainage impact fees	278,622	-	-	278,622
Water bond requirements	171,002	-	-	171,002
Final inspection deposits	980,929	-	-	980,929
Total	<u>\$ 2,021,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,021,644</u>
<i>Governmental Activities:</i>				
Developer escrows	\$ 5,449,295	\$ -	\$ -	\$ 5,449,295
Final inspection deposits	1,266,992	-	-	1,266,992
Impact fees	2,071,235	-	-	2,071,235
Debt service	504,004	-	-	504,004
RDA requirements	1,792,729	-	-	1,792,729
Total	<u>11,084,255</u>	<u>-</u>	<u>-</u>	<u>11,084,255</u>
Grand Totals	<u>\$ 13,105,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,105,899</u>

SPANISH FORK CITY
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3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2018, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivables	\$ -	\$ 4,244,541	\$ 4,244,541
Property tax	2,082,259	-	2,082,259
Other tax	2,087,293	-	2,087,293
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 4,169,552</u>	<u>\$ 4,199,733</u>	<u>\$ 8,369,285</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
Governmental activities:				
Land (not being depreciated)	\$ 14,551,533	\$ 7,262,436	\$ -	\$ 21,813,969
Buildings	33,262,297	2,106,617	-	35,368,914
Improvements	28,295,497	13,676,563	-	41,972,060
Machinery and equipment	16,171,771	1,912,277	(697,413)	17,386,635
Infrastructure	83,733,423	1,827,040	-	85,560,463
Totals at historical cost	<u>176,014,521</u>	<u>26,784,933</u>	<u>(697,413)</u>	<u>202,102,041</u>
Less accumulated depreciation				
Buildings	\$ (12,463,415)	\$ (969,453)	\$ -	(13,432,868)
Improvements	(11,855,774)	(5,329,805)	-	(17,185,579)
Machinery and equipment	(10,395,208)	(1,356,018)	536,293	(11,214,933)
Infrastructure	(42,760,805)	(2,554,487)	-	(45,315,292)
Total accumulated depreciation	<u>(77,475,202)</u>	<u>(10,209,763)</u>	<u>536,293</u>	<u>(87,148,672)</u>
Governmental activities capital assets, net	<u>\$ 98,539,319</u>	<u>\$ 16,575,170</u>	<u>\$ (161,120)</u>	<u>\$ 114,953,369</u>
Business-type activities:				
Land (not being depreciated)	\$ 3,400,805	\$ -	\$ -	\$ 3,400,805
Water shares (not being depreciated)	5,238,468	661,980	-	5,900,448
Buildings and structures	6,697,027	-	-	6,697,027
Improvements	193,571,398	22,706,489	-	216,277,887
Machinery and equipment	10,781,202	129,116	(193,916)	10,716,402
Totals at historical cost	<u>219,688,900</u>	<u>23,497,585</u>	<u>(193,916)</u>	<u>242,992,569</u>
Less accumulated depreciation				
Buildings and structures	\$ (2,896,675)	\$ (183,398)	\$ -	\$ (3,080,073)
Improvements other than buildings	(70,876,285)	(5,488,085)	-	(76,364,370)
Machinery and equipment	(7,632,277)	(726,601)	-	(8,358,878)
Total accumulated depreciation	<u>(81,405,237)</u>	<u>(6,398,084)</u>	<u>-</u>	<u>(87,803,321)</u>
Business-type activities capital assets, net	<u>\$ 138,283,663</u>	<u>\$ 17,099,501</u>	<u>\$ (193,916)</u>	<u>\$ 155,189,248</u>

SPANISH FORK CITY
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Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 266,732
Public safety	693,955
Public works	2,665,278
Parks	5,333,973
Governmental portion of internal service fund	1,249,825
Total depreciation expense - governmental activities	<u>\$ 10,209,763</u>
Business-type activities	
Water	\$ 2,519,862
Electric	1,891,299
Sewer	1,146,843
Garbage	78,688
Storm drainage	756,459
Gun club	4,933
Total depreciation expense - business-type activities	<u>\$ 6,398,084</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)	\$ 2,082,259	\$ -
Total deferred inflows of resources for governmental funds	<u>\$ 2,082,259</u>	<u>\$ -</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018, 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	\$ 12,190,000
Total bonds payable - governmental activities			12,190,000
			(1,100,000)
Total long term portion of bonds payable - governmental activities			\$ 11,090,000

Capital leases payable

Governmental activities: (Internal Service Fund)

Capital leases payable	\$ 84,674
Current portion of capital leases payable	(43,269)
Long term portion of capital leases payable	\$ 41,405

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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Business-type Activities:

As of June 30, 2018, 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	\$ 1,505,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original amount \$4,041,000)	2.58%	2022	3,071,000
Total bonds payable - business-type activities			4,576,000
Less current portion			(834,000)
Total bonds payable - long term portion			<u>\$ 3,742,000</u>

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

Type of Debt	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Governmental activities:				
Bonds payable	\$ 13,305,000	\$ -	\$ (1,115,000)	\$ 12,190,000
Capital leases payable	126,548	-	(41,874)	84,674
Compensated absences	1,599,110	205,005	-	1,804,115
Total - Governmental Activities	<u>\$ 15,030,658</u>	<u>\$ 205,005</u>	<u>\$ (1,156,874)</u>	<u>\$ 14,078,789</u>
Business-type Activities:				
Bonds payable	\$ 5,389,000	\$ -	\$ (813,000)	\$ 4,576,000
Compensated absences	825,280	53,088	-	878,368
Total - Business-type Activities	<u>\$ 6,214,280</u>	<u>\$ 53,088</u>	<u>\$ (813,000)</u>	<u>\$ 5,454,368</u>
Due Within One Year	\$ 1,969,874	\$ 1,977,269	\$ (1,969,874)	\$ 1,977,269

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2018, are as follows:

Year Ending June 30	Governmental Activities Bonds Payable		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
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	1,335,000	339,000	102,000	20,832
2024-2028	6,080,000	664,950	541,000	74,800
2029-2032			471,000	22,235
Total	<u>\$ 12,190,000</u>	<u>\$ 2,960,700</u>	<u>\$ 4,576,000</u>	<u>\$ 420,254</u>

Depreciation and Other Information on Capital Leases

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

The present value of future minimum capital lease payments under these leases as of June 30, 2018 are:

<u>Fiscal Year</u>	<u>Amount</u>
2019	49,812
2020	49,812
Total minimum lease payments	99,624
Less amounts representing interest	(14,950)
Present value of minimum lease payments	<u><u>\$ 84,674</u></u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers:

Governmental Activities :	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 1,074,070	\$ 6,059,992
RDA Fund	154,992	-
Debt Service Fund	895,363	-
Land Acquisition Fund	500,000	-
Capital project fund-Airport Projects	105,000	-
Capital project fund-River Reclamation	2,775,000	-
Capital project fund- Golf Course Improvements	810,000	-
Capital project fund- Street Cut Bridge	700,000	-
Total Governmental Activities	<u>7,014,425</u>	<u>6,059,992</u>
Business-type Activities:		
<i>Major funds:</i>		
Electric fund	-	1,637,209
Sewer Fund	-	119,082
Water Fund	-	181,495
Storm Drainage Fund	1,053,290	-
<i>Non-major funds:</i>		
Garbage Fund	-	69,937
Total Business-type Activities	<u>1,053,290</u>	<u>2,007,723</u>
Grand Totals	<u><u>\$ 8,067,715</u></u>	<u><u>\$ 8,067,715</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>
Major Business-type activities:		
Water Fund	\$ 1,062,411	\$ -
Sewer Fund	656,635	-
Electric Fund	927,240	-
Storm Drain	554,268	-
Non-major business type activities:		
Garbage	115,386	-
Major Governmental activities:		
General fund	-	3,315,940
	<u>\$ 3,315,940</u>	<u>\$ 3,315,940</u>

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

**SPANISH FORK CITY
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Due to/from other funds:

Fund	Due to	Due From
Governmental funds		
General fund	\$ -	\$ 58,955
Non-major funds		
Special revenue fund	-	15,428
Debt service fund	-	3,910
Capital projects fund	-	11,549
Total Governmental	<u>-</u>	<u>89,842</u>
Business-type funds		
Major funds		
Water fund	-	28,053
Sewer fund	-	71,810
Electric fund	-	211,767
Storm drainage fund	424,676	-
Non-major funds		
Garbage fund	-	11,252
Gun club fund	-	1,485
Total Business-Type	<u>424,676</u>	<u>324,367</u>
Internal service fund		
Motorpool fund		10,467
Grand Total	<u>\$ 424,676</u>	<u>\$ 424,676</u>

3.H. RESERVED FUND BALANCES

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

**SPANISH FORK CITY
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FOR THE YEAR ENDED JUNE 30, 2018**

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 2018 financial information were available prior to the issuance of these statements. Audited summary financial information of UMPA at June 30, 2018 are as follows from UMPA:

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

South Utah Valley Solid Waste District

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

Additional information is as follows:

- a. Participants and their percentage shares:

b.	Spanish Fork City Corporation	11.750%
	Provo City Corporation	69.750%
	Springville City Corporation	15.000%
	Mapleton City Corporation	2.000%
	Salem City Corporation	1.500%
	Goshen Town (Landfill participant)	<u>0.000%</u>
		<u>100.000%</u>

- b. The District is governed by a Board of Directors which are comprised of six directors. The Mayor and City Council of each member appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.
- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budget.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

d. Audited summary financial information of the District as June 30, 2018 is as follows from SUVSWD:

	South Utah Valley Solid Waste District	Spanish Fork City's Share
Total assets & deferred inflows	<u>\$ 14,518,447</u>	<u>\$ 1,705,918</u>
Total liabilities & deferred outflows	<u>\$ 1,133,092</u>	<u>\$ 133,138</u>
Total net position	<u>\$ 13,385,355</u>	<u>\$ 1,572,779</u>
Total operating revenues	\$ 7,030,445	\$ 826,077
Total operating expenses	<u>6,055,480</u>	<u>711,519</u>
Net operating income	974,965	114,558
Total non-operating income (expenses)	<u>443,750</u>	<u>52,141</u>
Change in net assets	<u>\$ 1,418,715</u>	<u>\$ 166,699</u>
The joint venture has the following long-term debt:		
Closure and postclosure liability	\$ 2,162,102	\$ 254,047
Accrued compensated absences	205,615	24,160
Net pension liability	361,625	42,491
Notes payable	-	-
Total long-term liabilities	<u>\$ 2,729,342</u>	<u>\$ 320,698</u>

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

Spanish Fork/Springville Airport

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

4.D. WATER LOAN PROGRAM

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

1. Fidelity Bonds
 - A. Public Treasurer Bond for \$2,000,000 expiring April 21, 2019 issued by Moreton & Company.
 - B. \$100,000 Blanket Employee Bond expiring April 1, 2020 covering all employees and elected officials of the City issued by Moreton & Company.
2. 12,040 water connections at June 30, 2018
3. Total culinary water billings for the year were \$2,672,106.
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, 2018**

4.E. SPANISH FORK REDEVELOPMENT AGENCY

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

1. The sales tax and property tax increment collected by the agency for each project area:	
A. North Industrial RDA	\$ 320,218
B. Kirby Lane RDA	345,651
C. Wasatch Wind CDA	192,876
D. Sierra Bonita CDA	68,985
E. Krona CRA	154,992
 Total Collected	 <u><u>\$ 1,082,722</u></u>
2. The amount of tax increment paid to any taxing agency:	
A. North Industrial RDA	\$ -
B. Kirby Lane RDA	-
C. Wasatch Wind CDA	57,863
Total Paid	<u><u>\$ 57,863</u></u>
3. The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	
	\$ -
4. The actual amounts expended for :	
A. Acquisition of property	\$ -
B. Site improvements	-
C. Installation of public utilities and roads	2,225,592
D. Administrative & contracted costs	390,381
Total Expended	<u><u>\$ 2,615,973</u></u>

4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

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

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

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Utah Code grants the authority to establish and amend the benefit terms.

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

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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:

Utah Retirement Systems

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111-Local Government Division Tier 2	N/A	N/A	15.11%	1.58
Noncontributory System				
15-Local Government Division Tier 1	N/A	N/A	18.47%	N/A
Public Safety Retirement System				
Contributory				
122 Tier 2 DB Hybrid Public Safety	N/A	N/A	22.57%	1.26%
Noncontributory				
122-Other Division A Contributory Tier 2	N/A	N/A	34.04%	N/A
Tier 2 DC Only				
211 Local Government	N/A	N/A	6.69%	10.00%
222 Public Safety	N/A	N/A	11.83%	12.00%

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

For fiscal year ended June 30, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contribution	Employee Contribution
Noncontributory System	\$ 1,279,367	N/A
Public Safety System	588,532	-
Tier 2 Public Employee System	362,112	-
Tier 2 Public Safety and Firefighter	100,657	-
Tier 2 DC Only System	21,094	N/A
Total	\$ 2,351,762	\$ -

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, we reported a net pension asset of \$4,007 and a net pension liability of \$5,545,730.

(Measurement Date): December 31, 2017					
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 3,652,083	0.833562%	0.804305%	0.0292570%
Public Safety System	-	1,874,264	1.194820%	1.180762%	0.0140581%
Tier 2 Public Employees System	-	19,383	0.219840%	0.188026%	0.0318138%
Tier 2 Public Safety and Fire Fighter System	4,007	-	0.346282%	0.237812%	0.1084692%
	\$ 4,007	\$ 5,545,730			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018. We recognized pension expense of \$2,363,158.

At June 30, 2018, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,280	\$ 516,559
Changes in assumptions	2,036,843	113,460
Net difference between projected and actual earnings on pension plan investments	1,130,549	2,964,975
Changes in proportion and differences between contributions and proportionate share of contributions	257,364	1,836
Contributions subsequent to the measurement date	1,191,647	-
Total	\$ 4,700,683	\$ 3,596,830

\$1,191,647 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
2018	\$ 411,683
2019	510,120
2020	(390,098)
2021	(644,442)
2022	(4,745)
Thereafter	29,689

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Actuarial assumptions: The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

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

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 9,876,948	\$ 3,652,083	\$(1,523,582)
Public Safety System	4,722,302	1,874,264	(434,039)
Tier 2 Public Employee System	228,222	19,383	(141,662)
Tier 2 Public Safety and Firefighter	35,482	(4,007)	(34,176)
Total	\$ 14,862,954	\$ 5,541,723	\$(2,133,459)

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

Defined Contribution Savings Plan

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

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

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

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

	2018	2017	2016
<i>401 (k) Plan</i>			
Employer Contributions	\$ 86,209	\$ 63,760	\$ 42,804
Employee Contributions	\$ 39,100	\$ 37,891	\$ 26,705
<i>Roth IRA Plan</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 44,470	\$ 29,018	\$ 10,135
<i>Traditional IRA</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 1,250	\$ 1,595	\$ 2,355

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 10, 2018 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, 2018

Changes in Assumptions Related to Pensions

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

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%
	2017 0.8335616%	1.1948197%	0.2198402%	0.3462816%
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)
	2017 \$ 3,652,083	\$ 1,874,264	\$ 19,383	\$ (4,007)
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
	2017 \$ 6,977,545	\$ 1,739,944	\$ 2,151,729	\$ 365,405
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2015 66.98%	122.1%	-0.03%	-0.25%
	2016 74.81%	137.4%	1.36%	-1.05%
	2017 52.34%	107.7%	0.90%	-1.10%
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%
	2017 91.9%	90.2%	97.4%	103.0%

* 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 three 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
Noncontributory System					
2015	\$ 1,188,850	\$ 1,188,850	\$ -	\$ 6,490,086	18.32%
2016	1,232,880	1,232,880	-	6,738,212	18.30%
2017	1,274,437	1,274,437	-	6,972,376	18.28%
2018	1,279,367	1,279,367	-	7,022,987	18.22%
Public Safety System					
2015	\$ 559,347	\$ 559,347	\$ -	\$ 1,647,057	33.96%
2016	585,803	585,803	-	1,723,555	33.99%
2017	595,387	595,387	-	1,749,030	34.04%
2018	588,532	58,532	-	1,729,410	34.03%
Tier 2 Public Employees System*					
2015	\$ 151,634	\$ 151,634	\$ -	\$ 1,024,321	14.80%
2016	189,010	189,010	-	1,276,697	14.80%
2017	281,807	281,807	-	1,890,051	14.91%
2018	362,112	362,112	-	2,398,374	15.10%
Tier 2 Public Safety and Firefighter System*					
2015	\$ 28,463	\$ 28,463	\$ -	\$ 126,220	22.55%
2016	38,350	38,350	-	170,444	22.50%
2017	59,687	59,687	-	265,276	22.50%
2018	100,657	100,657	-	446,619	22.54%
Tier 2 Public Employees DC Only System*					
2015	\$ -	\$ -	\$ -	\$ -	0.00%
2016	4,560	4,560	-	68,155	6.69%
2017	10,751	10,751	-	160,707	6.69%
2018	21,094	21,094	-	315,310	6.69%

*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 four 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, 2018**

	Special Revenue		Debt Service		Capital Projects										Total Non-major Governmental Funds	
	RDA Fund	Special Fund	Debt Service Fund	Special Fund	Cemetery Driveway Fund	Canyon Creek Fund	Land Acquisition Fund	Airport Projects Fund	River Reclamation Fund	Golf Course Impr. Fund	Canyon Road Intersection Fund	Street Cut Bridge Fund				
ASSETS																
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,060	\$ 371,312	\$ 85,601	\$ 198,983	\$ 284,828	\$ 223,461	\$ 16,428	\$ 292,558	\$ 1,477,231			
Due from other funds	15,428	305	3,605	305	32	2,903	669	1,556	2,227	1,747	128	2,287	30,887			
Restricted Assets:																
Cash and cash equivalents	1,973,376	38,999	461,095	38,999	-	-	-	-	-	-	-	-	2,473,470			
Total assets	<u>\$ 1,988,804</u>	<u>\$ 39,304</u>	<u>\$ 464,700</u>	<u>\$ 39,304</u>	<u>\$ 4,092</u>	<u>\$ 374,215</u>	<u>\$ 86,270</u>	<u>\$ 200,539</u>	<u>\$ 287,055</u>	<u>\$ 225,208</u>	<u>\$ 16,556</u>	<u>\$ 294,845</u>	<u>\$ 3,981,588</u>			
LIABILITIES																
Accounts payable	\$ 12,453	-	-	-	\$ 4,092	\$ 30	\$ -	\$ 84,770	\$ 16,543	\$ 110,732	\$ -	\$ 1,315	229,935			
Total liabilities	<u>\$ 12,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 4,092</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 84,770</u>	<u>\$ 16,543</u>	<u>\$ 110,732</u>	<u>\$ -</u>	<u>\$ 1,315</u>	<u>\$ 229,935</u>			
FUND BALANCES																
Restricted for:																
Redevelopment	1,976,351	-	-	-	-	-	-	-	-	-	-	-	1,976,351			
Debt service	-	39,304	464,700	39,304	-	-	-	-	-	-	-	-	504,004			
Committed for:																
Capital projects	-	-	-	-	-	374,185	86,270	115,769	270,512	114,477	16,556	293,530	1,271,299			
Total fund balances	<u>1,976,351</u>	<u>39,304</u>	<u>464,700</u>	<u>39,304</u>	<u>-</u>	<u>374,185</u>	<u>86,270</u>	<u>115,769</u>	<u>270,512</u>	<u>114,477</u>	<u>16,556</u>	<u>293,530</u>	<u>3,751,654</u>			
Total liabilities and fund balance	<u>\$ 1,988,804</u>	<u>\$ 39,304</u>	<u>\$ 464,700</u>	<u>\$ 39,304</u>	<u>\$ 4,092</u>	<u>\$ 374,215</u>	<u>\$ 86,270</u>	<u>\$ 200,539</u>	<u>\$ 287,055</u>	<u>\$ 225,209</u>	<u>\$ 16,556</u>	<u>\$ 294,845</u>	<u>\$ 3,981,589</u>			

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2018

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	Airport Projects Fund	River Reclamation Fund	Golf Course Improvements Fund	Canyon Road Fund		Street Cut Bridge Fund
REVENUES:											
Taxes	\$ 909,499	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 909,499
Sundry revenues	18,230	799,753	-	-	-	-	-	-	-	27,815	845,798
Intergovernmental	-	-	-	-	-	529,491	-	-	-	-	529,491
Interest income	54,415	12,242	-	-	-	-	-	-	-	-	66,657
Total revenues	<u>982,144</u>	<u>811,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,815</u>	<u>2,351,445</u>
EXPENDITURES:											
Current Expenditures:											
RDA	2,615,973	-	-	-	-	-	-	-	-	-	2,615,973
Debt service:											
Principal retirement	-	1,115,000	-	-	-	-	-	-	-	-	1,115,000
Interest and fiscal charges	-	578,713	-	-	-	-	-	-	-	-	578,713
Capital outlay	-	-	-	-	1,239,652	518,722	2,773,247	2,106,617	-	1,232,734	7,870,972
Total expenditures	<u>2,615,973</u>	<u>1,693,713</u>	<u>-</u>	<u>-</u>	<u>1,239,652</u>	<u>518,722</u>	<u>2,773,247</u>	<u>2,106,617</u>	<u>-</u>	<u>1,232,734</u>	<u>12,180,658</u>
Excess of revenues over (under) expenditures	(1,633,829)	(881,718)	-	-	(1,239,652)	10,769	(2,773,247)	(2,106,617)	-	(1,204,919)	(9,829,213)
Other financing sources (uses):											
Transfers in (out)	154,992	895,363	-	-	500,000	105,000	2,775,000	810,000	-	700,000	5,940,355
Total other financing sources (uses)	<u>154,992</u>	<u>895,363</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>105,000</u>	<u>2,775,000</u>	<u>810,000</u>	<u>-</u>	<u>700,000</u>	<u>5,940,355</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,478,837)	13,645	-	-	(739,652)	115,769	1,753	(1,296,617)	-	(504,919)	(3,888,858)
Fund balances - beginning of year	3,455,188	451,055	-	374,185	825,922	-	268,759	1,411,094	16,556	798,449	7,640,512
Fund balances - end of year	<u>\$ 1,976,351</u>	<u>\$ 464,700</u>	<u>\$ -</u>	<u>\$ 374,185</u>	<u>\$ 86,270</u>	<u>\$ 115,769</u>	<u>\$ 270,512</u>	<u>\$ 114,477</u>	<u>\$ 16,556</u>	<u>\$ 293,530</u>	<u>\$ 3,751,654</u>

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2018

	Business-Type Activities - Enterprise Funds			Total Other Funds
	Garbage Fund	Storm Drainage Fund	Gun Club Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,439,288	\$ -	\$ 190,646	\$ 1,629,934
Accounts receivable	190,115	170,189	-	190,115
Allowance for doubtful accounts	(1,730)	(488)	-	(1,730)
Due from other funds	11,252	-	1,485	12,737
Inventory	-	-	20,818	20,818
Total current assets	<u>1,638,925</u>	<u>169,701</u>	<u>212,949</u>	<u>1,851,874</u>
Noncurrent assets:				
Net pension asset	15	224	-	15
Capital Assets:				
Land	217,906	120,336	-	217,906
Buildings	113,751	26,646	28,116	141,867
Improvements	37,378	32,551,905	95,473	132,851
Equipment	1,352,582	11,900	84,120	1,436,702
Less: accumulated depreciation	(1,105,161)	(4,774,540)	(147,165)	(1,252,326)
Other Assets:				
Equity in joint venture	1,572,779	-	-	1,572,779
Total noncurrent assets	<u>2,189,250</u>	<u>27,936,471</u>	<u>60,544</u>	<u>2,249,794</u>
Total assets	<u>3,828,175</u>	<u>28,106,172</u>	<u>273,493</u>	<u>4,101,668</u>
Deferred outflows of resources due to pensions				
	<u>18,078</u>	<u>260,802</u>	<u>1,120</u>	<u>19,198</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>3,846,253</u>	<u>28,366,974</u>	<u>274,613</u>	<u>4,120,866</u>
LIABILITIES				
Current liabilities:				
Accounts payable	131,765	119,596	7,142	138,907
Compensated absences	9,486	136,842	588	10,074
Total current liabilities	<u>141,251</u>	<u>681,114</u>	<u>7,730</u>	<u>148,981</u>
Noncurrent liabilities:				
Net pension liability	21,328	307,687	1,321	22,649
Total noncurrent liabilities	<u>21,328</u>	<u>307,687</u>	<u>1,321</u>	<u>22,649</u>
Total liabilities	<u>162,579</u>	<u>988,801</u>	<u>9,051</u>	<u>171,630</u>
Deferred inflows of resources due to pensions				
	<u>13,833</u>	<u>199,559</u>	<u>856</u>	<u>14,689</u>
Net Position				
Net investment in capital assets	616,456	27,936,247	60,544	677,000
Unrestricted	3,053,385	(1,036,255)	204,162	3,257,547
Total Net Position	<u>\$ 3,669,841</u>	<u>\$ 27,178,614</u>	<u>\$ 264,706</u>	<u>\$ 3,934,547</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Other Funds
Operating revenues:			
Charges for sales and services	\$ 2,064,256	\$ 186,089	\$ 2,250,345
Other income	-	709	709
Total operating revenues	<u>2,064,256</u>	<u>186,798</u>	<u>2,251,054</u>
Operating expenses:			
Landfill fees	685,730	-	685,730
Employee salaries	102,232	72,807	175,039
Materials and supplies	100,230	77,516	177,746
Repairs and maintenance	665	4,020	4,685
Professional services	374,646	24,221	398,867
Motorpool charges	2,924	1,448	4,372
Utilities	19,715	12,399	32,114
Insurance	5,950	1,086	7,036
Depreciation	78,688	4,933	83,621
Indirect services	115,386	-	115,386
Sundry charges	520,177	-	520,177
Total operating expenses	<u>2,006,343</u>	<u>198,430</u>	<u>2,204,773</u>
Operating income	<u>57,913</u>	<u>(11,632)</u>	<u>46,281</u>
Nonoperating revenues (expenses):			
Pension benefit expense	7,358	462	7,820
Pension expense	(9,088)	(563)	(9,651)
Change in joint venture equity	166,699	-	166,699
Total nonoperating revenues (expenses)	<u>164,969</u>	<u>(101)</u>	<u>164,868</u>
Income (loss) before operating transfers	<u>222,882</u>	<u>(11,733)</u>	<u>211,149</u>
Operating transfers:			
Operating transfers in/(out)	<u>(69,937)</u>	<u>-</u>	<u>(69,937)</u>
Total operating transfers	<u>(69,937)</u>	<u>-</u>	<u>(69,937)</u>
Change in Net Position	152,945	(11,733)	141,212
Total Net Position - beginning	3,516,896	276,439	3,793,335
Total Net Position - ending	<u>\$ 3,669,841</u>	<u>\$ 264,706</u>	<u>\$ 3,934,547</u>

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Non-Major Funds
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,047,219	\$ 186,089	\$ 2,233,308
Other cash receipts	-	709.00	709
Payments to suppliers	(1,887,156)	(111,563)	(1,998,719)
Payments to employees	(102,084)	(72,947)	(175,031)
Net cash provided (used) by operating activities	<u>57,979</u>	<u>2,288</u>	<u>60,267</u>
Cash Flows From Noncapital			
Financing Activities			
Decrease (increase) in due from other funds	4,026	494	4,520
Transfers in (out)	(69,937)	-	(69,937)
Net cash provided (used) by noncapital activities	<u>(65,911)</u>	<u>494</u>	<u>(65,417)</u>
Cash Flows From Capital and Related			
Net increase (decrease) in cash and cash equivalents	<u>(7,932)</u>	<u>2,782</u>	<u>(5,150)</u>
Cash balance, beginning	<u>1,447,220</u>	<u>187,864</u>	<u>1,635,084</u>
Cash balance, ending	<u>\$ 1,439,288</u>	<u>\$ 190,646</u>	<u>\$ 1,629,934</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	<u>57,913</u>	<u>(11,632)</u>	<u>46,281</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	78,688	4,933	83,621
(Increase) decrease in accounts receivable	(17,037)	-	(17,037)
(Increase) decrease in inventory	-	5,342	5,342
Increase (decrease) in accrued liabilities	(61,733)	3,785	(57,948)
Increase (decrease) in compensated absences	148	(140)	8
Total adjustments	<u>66</u>	<u>13,920</u>	<u>13,986</u>
Net cash provided (used) by operating activities	<u>57,979</u>	<u>2,288</u>	<u>60,267</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, 2018, and the related notes to the financial statements, which collectively comprise Spanish Fork City’s basic financial statements and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Larson & Company, PC

Spanish Fork, Utah
December 10, 2018



**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, 2018

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, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

Report on Internal Control Over Compliance

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

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

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

Purpose of Report

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



Larson & Company, PC

Spanish Fork, Utah
December 10, 2018

SPANISH FORK CITY
COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE
JUNE 30, 2018



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spanish Fork City for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 17, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Spanish Fork City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the combining and individual fund statements and schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,


Larson & Company, PC

Spanish Fork, Utah
December 10, 2018

State Compliance Findings – Current Year

No State compliance findings noted in current year.

Internal Control Findings – Current Year

No Internal Control findings noted in current year.

Status of State Compliance Findings – Prior Year

SC-2017.1 Treasurer's Bond.

Finding: Every public treasurer shall secure a fidelity bond in an amount based on the prior year's budgeted revenue as dictated by the Money Management Council. It was noted during our review of the City's treasurer bond that it was under the required amount.

Recommendation: We recommend that the City monitor the bond limit more often. Whereas the bond is calculated based on the prior year budget, the City should know prior to the beginning of the year what the amount should be. Budgets will increase and decrease annually, as will the required bond amount. A good internal control over bond compliance will help avoid being under-bonded in future periods.

Status of Finding: Finding appears to have appropriately addressed. No issues noted in current period.

Status of Internal Control Findings – Prior Year

No Internal Control findings noted in prior year.