

**SPANISH FORK CITY, UTAH
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

**SPANISH FORK CITY, UTAH
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

	<i>Beginning on Page</i>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION:	
Notes to the required supplementary information.	61
Schedule of the Proportionate Share of the Net Pension Liability	62
Schedule of Contributions (Pensions)	63
SUPPLEMENTARY INFORMATION:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	68
Combining Statement of Net Position -- Nonmajor Proprietary Funds	69
Combining Statement of Revenue, Expenses and Changes in Net Position -- Nonmajor Proprietary Funds	70
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	71

OTHER REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	75
Independent Auditors' Report on Compliance and Report on Internal Control over Compliance as Required by the <i>State Compliance Audit Guide</i>	77
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	79
Schedule of Findings and Questioned Costs	81
Schedule of Expenditures of Federal Awards	83
Notes to the Schedule of Expenditures of Federal Awards	84



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, 2020, 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, 2020, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spanish Fork City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2020 on our consideration of Spanish Fork City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 30, 2020

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, 2020. 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 **\$29,008,581** to **\$357,778,175**. The governmental net position increased by **\$8,973,969** and the business-type net position increased by **\$20,034,612**.
- The total net position of **\$357,778,175** is made up of **\$307,318,444** in capital assets net of related debt and **\$50,459,731** in other net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of **\$2,131,491**.
- The City's total long-term debt decreased by **\$6,148,974** during the current fiscal year.

REPORTING THE CITY AS A WHOLE

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork City, assets exceed liabilities by **\$357,778,175**.

By far the largest portion of Spanish Fork City's net position **\$307,318,444 or 86%** 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 23,841,098	\$ 25,122,975	\$ 49,999,500	\$ 52,777,419	\$ 73,840,598	\$ 77,900,394
Capital assets	128,701,647	118,132,884	191,282,134	169,916,108	319,983,781	288,048,992
Total assets	152,542,745	143,255,859	241,281,634	222,693,527	393,824,379	365,949,386
Deferred outflows - pension	1,787,920	3,200,845	754,805	1,574,670	2,542,725	4,775,515
Total deferred outflows of resources	1,787,920	3,200,845	754,805	1,574,670	2,542,725	4,775,515
Total Assets and Deferred outflows	154,330,665	146,456,704	242,036,439	224,268,197	396,367,104	370,724,901
Other liabilities	14,534,535	16,842,383	5,235,131	7,287,101	19,769,666	24,129,484
Long-term liabilities outstanding	9,920,000	11,131,405	2,888,000	3,742,000	12,808,000	14,873,405
Total liabilities	24,454,535	27,973,788	8,123,131	11,029,101	32,577,666	39,002,889
Deferred property tax revenue	3,421,961	2,507,131	29,949	54,059	3,451,910	2,561,190
Deferred inflows - pension	1,799,613	195,198	759,740	96,030	2,559,353	291,228
Total deferred inflows of resources	5,221,574	2,702,329	789,689	150,089	6,011,263	2,852,418
Total Liabilities and Deferred inflows	29,676,109	30,676,117	8,912,820	11,179,190	38,588,929	41,855,307
Net Position:						
Invested in capital assets, net						
of related debt	118,685,245	106,892,930	188,633,199	166,413,173	307,318,444	273,306,103
Restricted	3,606,982	3,999,870	239,065	819,158	3,846,047	4,819,028
Unrestricted	2,362,329	4,787,787	44,251,355	45,856,676	46,613,684	50,644,463
Total Net Position	\$ 124,654,556	\$ 115,680,587	\$ 233,123,619	\$ 213,089,007	\$ 357,778,175	\$ 328,769,594

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 14,510,727	\$ 15,773,449	\$ 57,414,800	\$ 55,906,642	\$ 71,925,527	\$ 71,680,091
Operating grants and contribs	2,322,548	332,067	-	-	2,322,548	332,067
Capital grants and contribs	2,295,598	6,728,109	15,317,763	12,669,057	17,613,361	19,397,166
General revenues:						
Property taxes	3,402,355	3,467,262	-	-	3,402,355	3,467,262
Sales and Use Tax	12,029,215	10,278,030	-	-	12,029,215	10,278,030
Other taxes	420,119	458,925	-	-	420,119	458,925
Unrestricted investment earnings	237,626	494,394	929,767	909,978	1,167,393	1,404,372
Sundry revenues	4,145,291	-	-	-	4,145,291	-
Joint Venture Gain (Loss)	-	-	-	108,704	-	108,704
Contributed Assets	-	-	-	-	-	-
Gain on Sale of Capital Assets	(55,074)	74,221	(7,638)	-	(62,712)	74,221
Total revenues	<u>39,308,405</u>	<u>37,606,457</u>	<u>73,654,692</u>	<u>69,594,381</u>	<u>112,963,097</u>	<u>107,200,838</u>
Expenses:						
General government	6,373,088	6,489,524	-	-	6,373,088	6,489,524
Public safety	4,611,644	8,519,129	-	-	4,611,644	8,519,129
Public Works	8,725,124	7,804,269	-	-	8,725,124	7,804,269
Parks and recreation	10,389,102	6,280,943	-	-	10,389,102	6,280,943
Operating Expenses (Business Type)	-	-	53,341,355	52,364,502	53,341,355	52,364,502
Interest Expense	514,203	561,213	-	-	514,203	561,213
Total expenses	<u>30,613,161</u>	<u>29,655,078</u>	<u>53,341,355</u>	<u>52,364,502</u>	<u>83,954,516</u>	<u>82,019,580</u>
Increase in Net Position before transfers	<u>8,695,244</u>	<u>7,951,379</u>	<u>20,313,337</u>	<u>17,229,879</u>	<u>29,008,581</u>	<u>25,181,258</u>
Transfers	278,725	1,388,892	(278,725)	(1,388,892)	-	-
Increase in Net Position	<u>8,973,969</u>	<u>9,340,271</u>	<u>20,034,612</u>	<u>15,840,987</u>	<u>29,008,581</u>	<u>25,181,258</u>
Net Position - beginning	115,680,587	106,340,316	213,089,007	197,248,020	328,769,594	303,588,336
Net Position - ending	<u>\$ 124,654,556</u>	<u>\$ 115,680,587</u>	<u>\$ 233,123,619</u>	<u>\$ 213,089,007</u>	<u>\$ 357,778,175</u>	<u>\$ 328,769,594</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2020, the City's governmental funds (General, Debt Service, Special Revenue, and Capital Project Fund) reported combined fund equity of **\$14,537,768**. This represents a decrease of **\$964,144** under last year's ending balances. This decrease is the result of planned budget expenditures in the Capital Projects Funds. 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 **\$15,851,689** and represent **47%** of total governmental funds operating revenues. The largest element of taxes is **sales and use taxes** as it has been for the last several years.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of **\$30,657,054** to a final budget of **\$30,932,649**. There was not a significant change to expenditures from original budget to the final budget.

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, 2020, amounts to **\$281,702,162** (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. Capital assets include contributed infrastructure from developers.

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

Parks Improvements:

Maintenance and infrastructure improvements of existing parks and golf course for \$3,329,454.
Construction of Adventure Heights All Abilities Park for \$4,023,223.

Water & Pressurized Irrigation Improvements:

Water & Pressurized Irrigation Improvement Projects for \$3,910,863

Sewer Improvements:

Sewer Improvements for \$2,131,554
Sewer Land Purchase for \$1,976,753

Streets/Storm Drain Improvements:

Streets/Storm Drain Improvements for \$14,285,366
Streets/Storm Drain Land Purchase for \$424,654

Electric Improvements:

Electric Equipment & Improvements for \$4,798,608.

Other Improvements:

Fairgrounds Land Purchase for \$2,280,723.
Library Land Purchases for \$1,271,623.
Fire Station 62 Building for \$4,111,767.

Spanish Fork Community Network:

Improvement for Fiber to the Home for \$1,185,390.
Equipment Purchases for \$161,218.

Motor pool:

City Wide Equipment and Vehicle Purchases for \$1,883,450.

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

	Spanish Fork City's Capital Assets			
	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Land	\$ 25,658,633	\$ 22,025,179	\$ 6,425,309	\$ 4,023,902
Water Shares	-	-	6,197,677	6,067,361
Buildings	24,360,437	20,962,857	3,319,583	3,439,026
Improvements	26,235,717	26,189,489	173,696,540	154,268,378
Equipment	7,010,039	6,980,856	1,643,025	2,117,441
Infrastructure	45,436,821	41,974,503	-	-
Total Net Assets - Net of Depreciation	<u>\$ 128,701,647</u>	<u>\$ 118,132,884</u>	<u>\$ 191,282,134</u>	<u>\$ 169,916,108</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, 2020, the City had total bonded debt outstanding of **\$12,808,000**. Of that, **\$2,888,000** is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water Utilities). **\$9,920,000** is debt secured solely by tax sources (i.e. Sales Tax revenue).

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

	Spanish Fork City's Outstanding Debt			
	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Capital Lease	\$ -	\$ 41,405	\$ -	\$ -
Accrued Vacation & Sick Leave	1,980,661	1,851,725	970,812	1,000,800
Revenue Bonds	9,920,000	11,090,000	2,888,000	3,742,000
Total Outstanding Debt	<u>\$ 11,900,661</u>	<u>\$ 12,983,130</u>	<u>\$ 3,858,812</u>	<u>\$ 4,742,800</u>

State statutes limit the amount of general obligation debt (G.O.) a governmental entity may issue to 4% of its total taxable value of **\$2,529,899,806**. The City currently has no outstanding general obligation debt. The current limitation for the City is **\$101,195,992** 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 **\$202,391,984** which again, significantly exceeds the outstanding business-type activity debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate at year end for Utah County (of which Spanish Fork is one of the principal municipalities) was 4.5% compared with a state unemployment rate of 5.3% and a national rate of 11.1%. (Source: Utah Dept of Workforce Services)

- Some capital improvements budgeted for the FY 2021 include:
 1. Additional trail projects
 2. Airport operations and capital improvements
 3. Widening of the top of center street roadway
 4. River reclamation projects
 5. Water rights purchases
 6. Water line replacement.
 7. Sewer line replacement
 8. Electric system improvements
 9. Storm drainage system expansion
 10. Pressurized irrigation system expansion
 11. Sidewalk replacement and repair of various areas of town
 12. Purchase of city vehicles
 13. All-abilities park
 14. New fire station #62
 15. Land purchase for library
 16. Land purchase for electric/water building

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Intentionally left blank

**Spanish Fork City
Statement of Net Position
As of June 30, 2020**

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 14,910,504	\$ 33,783,126	\$ 48,693,630
Receivables (net of allowance)	6,012,087	4,369,673	10,381,760
Prepaid expenses	82,682	130	82,812
Internal balances	(6,572,919)	6,572,919	-
Inventory	79,451	1,802,556	1,882,007
Equity in joint venture	-	1,681,483	1,681,483
Restricted cash and cash equivalents	9,329,293	1,789,613	11,118,906
Capital Assets (not being depreciated):			
Land	25,658,633	6,425,309	32,083,942
Water shares	-	6,197,677	6,197,677
Capital Assets (net of accumulated depreciation):			
Buildings	24,360,437	3,319,583	27,680,020
Improvements other than buildings	26,235,717	173,696,540	199,932,257
Equipment	7,010,039	1,643,025	8,653,064
Infrastructure	45,436,821	-	45,436,821
Total assets	152,542,745	241,281,634	393,824,379
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources relating to pensions	1,787,920	754,805	2,542,725
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	154,330,665	242,036,439	396,367,104
LIABILITIES			
Accounts payable	1,928,844	1,043,561	2,972,405
Developer escrows and deposits	5,685,202	1,550,548	7,235,750
Deferred revenue	993,255	-	993,255
Compensated absences	1,980,661	970,812	2,951,473
Bond interest payable	96,402	44,788	141,190
Noncurrent Liabilities:			
Net pension liability	3,850,171	1,625,422	5,475,593
Due within one year	1,225,000	876,000	2,101,000
Due in more than one year	8,695,000	2,012,000	10,707,000
Total liabilities	24,454,535	8,123,131	32,577,666
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	3,421,961	29,949	3,451,910
Relating to pensions	1,799,613	759,740	2,559,353
Total deferred inflows of resources	5,221,574	789,689	6,011,263
NET POSITION			
Net investments in capital assets	118,685,245	188,633,199	307,318,444
Restricted for:			
Redevelopment agency	3,093,643	-	3,093,643
Debt service	513,339	-	513,339
Bond requirements	-	239,065	239,065
Unrestricted	2,362,329	44,251,355	46,613,684
Total net position	\$ 124,654,556	\$ 233,123,619	\$ 357,778,175

**Spanish Fork City
Statement of Activities
For the Year Ended June 30, 2020**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 6,373,088	\$ 10,938,171	\$ 23,396	\$ -	\$ 4,588,479	\$ -	\$ 4,588,479
Public safety	4,611,644	1,285,203	2,263,895	-	(1,062,546)	-	(1,062,546)
Public works	8,725,124	-	-	882,638	(7,842,486)	-	(7,842,486)
Parks, rec. & public property	10,389,102	2,287,353	35,257	1,412,960	(6,653,532)	-	(6,653,532)
Interest on long-term debt	514,203	-	-	-	(514,203)	-	(514,203)
Total governmental activities	<u>30,613,161</u>	<u>14,510,727</u>	<u>2,322,548</u>	<u>2,295,598</u>	<u>(11,484,288)</u>	<u>-</u>	<u>(11,484,288)</u>
Business-type activities:							
Water	7,497,253	6,369,438	-	3,618,360	-	2,490,545	2,490,545
Sewer	4,748,779	5,061,334	-	2,434,871	-	2,747,426	2,747,426
Electric	32,480,302	35,628,254	-	1,719,083	-	4,867,035	4,867,035
Garbage	2,005,360	2,430,584	-	-	-	425,224	425,224
Streets & Storm Drain	6,390,229	7,721,815	-	7,545,449	-	8,877,035	8,877,035
Gun club	219,432	203,375	-	-	-	(16,057)	(16,057)
Total business-type activities	<u>53,341,355</u>	<u>57,414,800</u>	<u>-</u>	<u>15,317,763</u>	<u>-</u>	<u>19,391,208</u>	<u>19,391,208</u>
Total primary government	<u>\$ 83,954,516</u>	<u>\$ 71,925,527</u>	<u>\$ 2,322,548</u>	<u>\$ 17,613,361</u>	<u>(11,484,288)</u>	<u>19,391,208</u>	<u>7,906,920</u>
General revenues:							
Property taxes					3,402,355	-	3,402,355
Sales taxes					12,029,215	-	12,029,215
Other taxes					420,119	-	420,119
Unrestricted investment earnings					237,626	929,767	1,167,393
Sundry revenues					4,145,291	-	4,145,291
Loss on sale of capital assets					(55,074)	(7,638)	(62,712)
Transfers					278,725	(278,725)	-
Total general revenues and transfers					<u>20,458,257</u>	<u>643,404</u>	<u>21,101,661</u>
Change in Net Position					8,973,969	20,034,612	29,008,581
Net Position - beginning					115,680,587	213,089,007	328,769,594
Net Position - ending					<u>\$ 124,654,556</u>	<u>\$ 233,123,619</u>	<u>\$ 357,778,175</u>

**Spanish Fork City
Balance Sheet
Governmental Funds
As of June 30, 2020**

	General Fund	Parks Construction Fund	Fire Station Fund	Total Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,888,395	\$ 2,499,280	\$ 1,772,990	\$ 820,262	\$ 10,980,927
Receivables (net of allowance):					
Tax	6,005,352	-	-	-	6,005,352
Prepaid expense	82,682	-	-	-	82,682
Inventory	79,451	-	-	-	79,451
Restricted Assets:					
Cash and cash equivalents	5,685,202	-	-	3,644,091	9,329,293
Total assets	<u>\$ 17,741,082</u>	<u>\$ 2,499,280</u>	<u>\$ 1,772,990</u>	<u>\$ 4,464,353</u>	<u>\$ 26,477,705</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 521,489	\$ 33,745	\$ 925,004	\$ 32,740	\$ 1,512,978
Payroll payable	326,541	-	-	-	326,541
Developer escrow	4,341,871	-	-	-	4,341,871
Final inspection deposit	1,343,331	-	-	-	1,343,331
Deferred revenue	993,255	-	-	-	993,255
Total liabilities	<u>7,526,487</u>	<u>33,745</u>	<u>925,004</u>	<u>32,740</u>	<u>8,517,976</u>
DEFERRED INFLOWS					
Deferred property tax revenue	3,421,961	-	-	-	3,421,961
Total deferred inflows of resources	<u>3,421,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,421,961</u>
FUND BALANCES					
Nonspendable	82,682	-	-	-	82,682
Restricted for:					
RAP Programs	-	-	-	32,591	32,591
Redevelopment agency	-	-	-	3,093,643	3,093,643
Debt service	-	-	-	513,339	513,339
Committed for:					
Capital projects	-	2,465,535	847,986	792,040	4,105,561
Unassigned	6,709,952	-	-	-	6,709,952
Total fund balances	<u>6,792,634</u>	<u>2,465,535</u>	<u>847,986</u>	<u>4,431,613</u>	<u>14,537,768</u>
Total liabilities, deferred inflows, and fund	<u>\$ 17,741,082</u>	<u>\$ 2,499,280</u>	<u>\$ 1,772,990</u>	<u>\$ 4,464,353</u>	<u>\$ 26,477,705</u>

Spanish Fork City
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total fund balances - governmental fund types:		\$ 14,537,768
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost of capital assets	226,158,172	
Accumulated depreciation	(97,456,525)	
Deferred Outflow - Pension	<u>1,753,677</u>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		<u>130,455,324</u>
<p>Internal Service funds are used by management to charge the cost of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, but not in the Balance Sheet - Governmental Funds</p>		
		(699,895)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Accrued interest payable	(96,402)	
Long-term debt	(9,920,000)	
Compensated absences	(1,980,661)	
Net Pension - Liability	(3,776,432)	
Interfund Loan	(2,100,000)	
Deferred Inflow - Pension	<u>(1,765,146)</u>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities		<u>(19,638,641)</u>
Net position of government activities		<u>\$ 124,654,556</u>

Spanish Fork City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Parks Construction Fund	Fire Station Fund	Total Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,582,425	\$ -	\$ -	\$ 1,269,264	\$ 15,851,689
Licenses and permits	1,726,813	-	-	-	1,726,813
Intergovernmental revenues	2,322,548	-	-	882,638	3,205,186
Charges for services	3,676,373	-	-	-	3,676,373
Fines and forfeitures	117,608	-	-	-	117,608
Interest income	157,105	-	-	80,521	237,626
Sundry revenue	4,813,195	3,063,385	500	1,081,406	8,958,486
Total revenues	<u>27,396,067</u>	<u>3,063,385</u>	<u>500</u>	<u>3,313,829</u>	<u>33,773,781</u>
EXPENDITURES					
Current:					
General government	6,442,599	-	-	715,609	7,158,208
Public safety	8,479,061	-	-	-	8,479,061
Public works	6,032,671	-	-	395,725	6,428,396
Parks, recreation and public property	7,782,115	-	-	-	7,782,115
Debt Service:					
Principal retirement	-	-	-	1,170,000	1,170,000
Interest and fiscal charges	-	-	-	526,350	526,350
Capital outlay	-	4,357,999	4,111,767	2,692,452	11,162,218
Total expenditures	<u>28,736,446</u>	<u>4,357,999</u>	<u>4,111,767</u>	<u>5,500,136</u>	<u>42,706,348</u>
Excess revenues over (under) expenditures	<u>(1,340,379)</u>	<u>(1,294,614)</u>	<u>(4,111,267)</u>	<u>(2,186,307)</u>	<u>(8,932,567)</u>
Other financing sources (uses)					
Interfund loan proceeds	-	2,100,000	-	-	2,100,000
Impact fees	1,412,960	-	-	-	1,412,960
Indirect services	4,176,738	-	-	-	4,176,738
Transfers in	1,637,354	1,650,000	3,629,331	1,899,497	8,816,182
Transfers out	(3,672,500)	-	-	(4,864,957)	(8,537,457)
Total other financing sources and uses	<u>3,554,552</u>	<u>3,750,000</u>	<u>3,629,331</u>	<u>(2,965,460)</u>	<u>7,968,423</u>
Excess of revenues and other sources over (under) expenditures and other uses	2,214,173	2,455,386	(481,936)	(5,151,767)	(964,144)
Fund balances - beginning of year	4,578,461	10,149	1,329,922	9,583,380	15,501,912
Fund balances - end of year	<u>\$ 6,792,634</u>	<u>\$ 2,465,535</u>	<u>\$ 847,986</u>	<u>\$ 4,431,613</u>	<u>\$ 14,537,768</u>

Spanish Fork City
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net changes in fund balances - total governmental funds \$ (964,144)

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	15,597,660	
Depreciation Expense	<u>(5,105,447)</u>	
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in Net Position of governmental activities		<u>10,492,213</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. 1,010,096

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. (917,853)

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

Change in compensated Absences		(129,811)
Change in Pension Expenses		<u>(461,458)</u>

Change in Net Position of governmental activities \$ 8,973,969

Spanish Fork City
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 14,062,258	\$ 13,755,769	\$ 14,582,425	\$ 826,656
Licenses and permits	1,698,500	1,598,500	1,726,813	128,313
Intergovernmental revenues	348,081	324,881	2,322,548	1,997,667
Charges for services	3,371,340	3,440,154	3,676,373	236,219
Fines and forfeitures	156,200	141,200	117,608	(23,592)
Interest income	377,100	182,100	157,105	(24,995)
Sundry revenue	4,630,460	5,052,743	4,813,195	(239,548)
Total revenues	<u>24,643,939</u>	<u>24,495,347</u>	<u>27,396,067</u>	<u>2,900,720</u>
EXPENDITURES				
Current:				
General government	6,687,794	6,899,489	6,442,599	(456,890)
Public safety	8,731,333	9,132,137	8,479,061	(653,076)
Public works	6,886,048	6,378,665	6,032,671	(345,994)
Parks, recreation and public property	8,351,879	8,522,358	7,782,115	(740,243)
Total expenditures	<u>30,657,054</u>	<u>30,932,649</u>	<u>28,736,446</u>	<u>(2,196,203)</u>
Excess revenues over (under) expenditures	<u>(6,013,115)</u>	<u>(6,437,302)</u>	<u>(1,340,379)</u>	<u>5,096,923</u>
Other financing sources (uses)				
Impact fees	2,505,000	1,400,000	1,412,960	12,960
Indirect services	4,057,692	4,176,738	4,176,738	-
Transfers in	1,650,308	1,637,354	1,637,354	-
Transfers out	(4,495,000)	(3,672,500)	(3,672,500)	-
Total other financing sources and uses	<u>3,718,000</u>	<u>3,541,592</u>	<u>3,554,552</u>	<u>12,960</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(2,295,115)</u>	<u>(2,895,710)</u>	2,214,173	<u>5,109,883</u>
Fund balances - beginning of year			4,578,461	
Fund balances - end of year			<u>\$ 6,792,634</u>	

Spanish Fork City
Statement of Net Position – Proprietary Funds
As of June 30, 2020

	Business-Type Activities - Enterprise Funds					Total	Governmental
	Water	Sewer	Electric	Streets & Storm Drain	Non Major Enterprise Funds		Internal Service Fund
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 3,605,495	\$ 9,218,539	\$ 15,848,505	\$ 3,801,438	\$ 1,309,149	\$ 33,783,126	\$ 3,929,577
Accounts receivable	533,358	476,924	2,891,711	242,429	270,059	4,414,481	6,735
Interfund Loan	-	-	2,100,000	-	-	2,100,000	-
Allowance for doubtful accounts	(9,408)	(2,825)	(30,357)	(488)	(1,730)	(44,808)	-
Prepaid Expense	-	-	130	-	-	130	-
Inventory	4,500	3,500	1,779,723	-	14,833	1,802,556	-
Total current assets	4,133,945	9,696,138	22,589,712	4,043,379	1,592,311	42,055,485	3,936,312
Noncurrent assets:							
Restricted cash and equivalents	270,501	-	1,491,112	28,000	-	1,789,613	-
Capital Assets:							
Land	870,483	3,816,834	975,096	544,990	217,906	6,425,309	-
Water rights	6,197,677	-	-	-	-	6,197,677	-
Buildings	2,503,585	546,531	3,478,398	34,816	191,679	6,755,009	1,374,524
Improvements	90,706,248	46,243,650	68,180,146	57,603,640	132,851	262,866,535	-
Equipment	3,015,055	2,473,875	4,403,726	11,900	1,436,702	11,341,258	16,738,165
Less: accumulated depreciation	(42,640,232)	(23,803,737)	(27,161,208)	(7,293,749)	(1,404,728)	(102,303,654)	(10,495,656)
Other Assets:							
Equity in joint venture	-	-	-	-	1,681,483	1,681,483	-
Total noncurrent assets	60,923,317	29,277,153	51,367,270	50,929,597	2,255,893	194,753,230	7,617,033
Total assets	65,057,262	38,973,291	73,956,982	54,972,976	3,848,204	236,808,715	11,553,345
Deferred Outflows of Resources Due to Pensions	104,594	70,289	448,774	122,078	9,070	754,805	34,243
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 65,161,856	\$ 39,043,580	\$ 74,405,756	\$ 55,095,054	\$ 3,857,274	\$ 237,563,520	\$ 11,587,588
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 465,678	\$ 177,114	\$ 290,069	\$ 76,318	\$ 34,382	\$ 1,043,561	\$ 89,325
Accrued interest payable	44,788	-	-	-	-	44,788	-
Compensated absences payable	187,299	84,700	540,778	147,105	10,930	970,812	41,263
Customer deposits	31,436	-	410,612	28,000	-	470,048	-
Final inspection deposits	-	-	1,080,500	-	-	1,080,500	-
Bonds payable - current portion	876,000	-	-	-	-	876,000	-
Total current liabilities	1,605,201	261,814	2,321,959	251,423	45,312	4,485,709	130,588
Noncurrent liabilities:							
Deferred revenue	1,438	12,216	16,295	-	-	29,949	-
Net pension liability	225,236	151,362	966,406	262,886	19,532	1,625,422	73,739
Bonds payable	2,012,000	-	-	-	-	2,012,000	-
Total noncurrent liabilities	2,238,674	163,578	982,701	262,886	19,532	3,667,371	73,739
Total liabilities	3,843,875	425,392	3,304,660	514,309	64,844	8,153,080	204,327
Deferred Inflows of Resources Due to Pensions	105,278	70,748	451,709	122,876	9,129	759,740	34,467
Net Position							
Net investment in capital assets, net of related debt	58,003,881	29,277,153	49,876,158	50,901,597	574,410	188,633,199	7,617,033
Restricted for:							
Bond requirements	239,065	-	-	-	-	239,065	-
Unrestricted	2,969,757	9,270,287	20,773,229	3,556,272	3,208,891	39,778,436	3,731,761
Total Net Position	\$ 61,212,703	\$ 38,547,440	\$ 70,649,387	\$ 54,457,869	\$ 3,783,301	228,650,700	\$ 11,348,794
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:						4,472,919	
Net Position from business-type activities:						\$ 233,123,619	

Spanish Fork City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds						Governmental
	Water	Sewer	Electric	Streets & Storm Drain	Non Major Enterprise Funds	Total Enterprise Funds	Activities- Internal Service Fund
Operating Revenues:							
Charges for sales and services	\$ 6,144,381	\$ 4,762,944	\$ 35,628,254	\$ 2,411,478	\$ 2,633,959	\$ 51,581,016	\$ 4,759,644
Other income	225,057	298,390	-	5,310,337	-	5,833,784	10,264
Total operating revenues	6,369,438	5,061,334	35,628,254	7,721,815	2,633,959	57,414,800	4,769,908
Operating Expenses:							
Water assessment	156,499	-	-	-	-	156,499	-
Power purchases	-	-	17,179,967	-	-	17,179,967	-
Landfill fees	-	-	-	-	872,553	872,553	-
Employee salaries	1,294,216	830,020	5,176,029	1,423,567	182,244	8,906,076	420,926
Materials and supplies	496,025	199,327	1,470,707	359,113	206,855	2,732,027	353,236
Repairs and maintenance	101,659	160,560	111,265	10,317	12,855	396,656	284,532
Professional services	867,383	1,028,069	4,495,642	1,708,664	433,242	8,533,000	211,771
Motorpool charges	293,107	286,221	585,066	729,808	32,804	1,927,006	89,844
Utilities	336,557	240,648	242,088	38,311	14,405	872,009	39,672
Insurance	10,166	61,848	36,522	12,109	372	121,017	3,110
Depreciation	2,621,424	1,226,444	2,186,124	1,441,519	75,043	7,550,554	1,449,853
Indirect services	1,329,609	830,922	1,194,069	678,516	143,622	4,176,738	-
Sundry charges	7,228	3,288	46,729	3,177	565,536	625,958	5,033
Training	14,158	3,222	23,329	-	-	40,709	4,197
Total operating expenses	7,528,031	4,870,569	32,747,537	6,405,101	2,539,531	54,090,769	2,862,174
Operating income	(1,158,593)	190,765	2,880,717	1,316,714	94,428	3,324,031	1,907,734
Nonoperating revenues (expenses):							
Interest revenue	99,204	226,233	555,743	17,001	31,586	929,767	51,532
Impact fees and water right fees	1,196,723	1,158,301	876,534	398,492	-	3,630,050	-
Contributions from private contractors	2,421,637	1,276,570	842,549	7,146,957	-	11,687,713	-
Gain(loss) on sale of fixed assets	-	(7,638)	-	-	-	(7,638)	(155,080)
Pension benefit expense	129,935	93,764	584,573	167,699	11,869	987,840	43,951
Pension expense	(130,926)	(87,984)	(561,757)	(152,827)	(11,354)	(944,848)	(42,863)
Interest expense	(88,754)	-	-	-	-	(88,754)	-
Total nonoperating revenues (expenses)	3,627,819	2,659,246	2,297,642	7,577,322	32,101	16,194,130	(102,460)
Income (loss) before operating transfers	2,469,226	2,850,011	5,178,359	8,894,036	126,529	19,518,161	1,805,274
Operating Transfers from (to) Other Funds							
Operating transfers in	-	-	-	10,950,145	-	10,950,145	-
Operating transfers out	(198,496)	(151,566)	(10,792,558)	-	(86,250)	(11,228,870)	-
Total contributions and operating transfers	(198,496)	(151,566)	(10,792,558)	10,950,145	(86,250)	(278,725)	-
Change in Net Position	2,270,730	2,698,445	(5,614,199)	19,844,181	40,279	19,239,436	1,805,274
Total Net Position - beginning	58,941,973	35,848,995	76,263,586	34,613,688	3,743,022	209,411,264	9,543,520
Total Net Position - ending	\$ 61,212,703	\$ 38,547,440	\$ 70,649,387	\$ 54,457,869	\$ 3,783,301	228,650,700	\$ 11,348,794
						Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund:	795,176
						Change in Net Position of business-type activities:	\$ 20,034,612

**Spanish Fork City
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020**

	Business-Type Activities - Enterprise Funds					
	Water Fund	Sewer Fund	Electric Fund	Streets & Storm Drain Fund	Non Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities						
Receipts from customers	\$ 6,035,119	\$ 4,621,335	\$ 35,561,725	\$ 2,371,264	\$ 2,563,896	\$ 51,153,339
Other cash receipts	225,057	298,390	-	5,310,337	-	5,833,784
Payments to suppliers	(3,258,300)	(3,151,603)	(25,644,443)	(3,619,080)	(2,455,755)	(38,129,181)
Payments to employees	(1,294,469)	(833,807)	(5,192,308)	(1,432,907)	(182,603)	(8,936,094)
Net cash provided (used) by operating activities	<u>1,707,407</u>	<u>934,315</u>	<u>4,724,974</u>	<u>2,629,614</u>	<u>(74,462)</u>	<u>9,921,848</u>
Cash Flows From Noncapital Financing Activities						
Decrease (increase) in due from other funds	145,707	411,066	1,227,763	-	61,877	1,846,413
Increase (decrease) in due to other funds	-	-	(140,758)	(2,602,750)	-	(2,743,508)
Advances to other funds	-	-	(2,100,000)	-	-	(2,100,000)
Transfers in (out)	(198,496)	(151,566)	(10,792,558)	10,950,145	(86,250)	(278,725)
Net cash provided (used) by noncapital activities	<u>(52,789)</u>	<u>259,500</u>	<u>(11,805,553)</u>	<u>8,347,395</u>	<u>(24,373)</u>	<u>(3,275,820)</u>
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(3,910,864)	(4,108,307)	(6,145,216)	(14,710,020)	(49,813)	(28,924,220)
Principal (paid) issued on capital debt	(854,000)	-	-	-	-	(854,000)
Interest paid on capital debt	(88,754)	-	-	-	-	(88,754)
Contributions from (reimbursements to) private contractors	2,421,637	1,276,570	842,549	7,146,957	-	11,687,713
Impact fees collected	1,196,723	1,158,301	876,534	398,492	-	3,630,050
Net cash provided (used) by capital and related financing activities	<u>(1,235,258)</u>	<u>(1,673,436)</u>	<u>(4,426,133)</u>	<u>(7,164,571)</u>	<u>(49,813)</u>	<u>(14,549,211)</u>
Cash Flows From Investing Activities						
Interest and dividends received	99,204	226,233	555,743	17,001	31,586	929,767
Net cash provided (used) by investing activities	<u>99,204</u>	<u>226,233</u>	<u>555,743</u>	<u>17,001</u>	<u>31,586</u>	<u>929,767</u>
Net increase (decrease) in cash and cash equivalents	518,564	(253,388)	(10,950,969)	3,829,439	(117,062)	(6,973,416)
Cash and cash equivalents, July 1	3,357,432	9,471,927	28,290,585	-	1,426,211	42,546,155
Cash and cash equivalents, June 30	<u>\$ 3,875,996</u>	<u>\$ 9,218,539</u>	<u>\$ 17,339,616</u>	<u>\$ 3,829,439</u>	<u>\$ 1,309,149</u>	<u>\$ 35,572,739</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	<u>\$ (1,158,593)</u>	<u>\$ 190,765</u>	<u>\$ 2,880,717</u>	<u>\$ 1,316,714</u>	<u>\$ 94,428</u>	<u>\$ 3,324,031</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,621,424	1,226,444	2,186,124	1,441,519	75,043	7,550,554
(Increase) decrease in accounts receivable	(84,817)	(141,609)	(66,864)	(40,214)	(70,063)	(403,567)
Decrease (increase) in inventory	-	-	7,073	-	(6,733)	340
Increase (decrease) in accrued liabilities	322,655	(337,498)	(170,897)	(99,065)	(166,778)	(451,583)
Increase (decrease) in compensated absences	(253)	(3,787)	(16,279)	(9,340)	(359)	(30,018)
Increase (decrease) in customer deposits	31,436	-	(95,235)	20,000	-	(43,799)
Increase (decrease) in deferred revenue	(24,445)	-	335	-	-	(24,110)
Total adjustments	<u>2,866,000</u>	<u>743,550</u>	<u>1,844,257</u>	<u>1,312,900</u>	<u>(168,890)</u>	<u>6,597,817</u>
Net cash provided (used) by operating activities	<u>\$ 1,707,407</u>	<u>\$ 934,315</u>	<u>\$ 4,724,974</u>	<u>\$ 2,629,614</u>	<u>\$ (74,462)</u>	<u>\$ 9,921,848</u>

**Spanish Fork City
Statement of Net Position
Fiduciary Fund
As of June 30, 2020**

	Custodial Funds
	Fire
	Retirement
	Capital Fund
ASSETS	
Cash and equivalents	\$ 106,352
Total assets	106,352
 LIABILITIES AND FUND BALANCES	
Net position:	
Deferred compensation	106,352
Total net position	106,352
Total liabilities and net position	\$ 106,352

Spanish Fork City
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended June 30, 2020

	Custodial Funds
	Fire
	Retirement
	Capital Fund
REVENUES:	
Employer contribution	\$ 36,612
Interest income	2,186
Total	38,798
EXPENDITURES:	
Retirement payments	36,697
Total	36,697
Excess of revenues over (under) expenditures	2,101
Net position - beginning of year	104,251
Net position - end of year	\$ 106,352

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

INDEX

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

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

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

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

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

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

Library: Library Administration and Public Services.

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

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

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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. The Golf Course and Swimming Pool are reported in the General Fund.

Debt Service Fund

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

Special Revenue Funds

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

Capital Project Fund

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Proprietary Fund

Enterprise Fund

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

Internal Service Fund

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

Major and Nonmajor Funds

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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. Custodial 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 custodial 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, 2020

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, 2020

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, 2020

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, 2020, 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	\$ 1,230,442	\$ 628,055	\$ 1,858,497
Sick Leave Liability	750,219	342,757	1,092,976
Total Compensated Absences	\$ 1,980,661	\$ 970,812	\$ 2,951,473

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, 2020

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, 2020

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.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

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, 2020, 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, 2020, 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, 2020, the City had \$14,881,812 of such indebtedness.

Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The schedule on the following page presents a brief summary of the most significant requirements and the Authority’s level of compliance thereon as of June 30, 2020.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, The City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2020
Depository Accounts	Insured	\$ 250,000
	Uninsured and uncollateralized	1,827,620
	Total Depository Accounts	\$ 2,077,620

Investments

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

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

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

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, Spanish Fork City had the following recurring fair value measurements:

Security Type Category	Level 1	Level 2	Level 3	Other	Total
CD	\$ -	\$ 7,710,435	\$ -	\$ -	\$ 7,710,435
Corporate	-	13,426,172	-	-	13,426,172
Currency	14	-	-	-	14
MM Fund	289,555	-	-	-	289,555
US Gov	764,025	-	-	-	764,025
PTIF*	-	31,457,223	-	-	31,457,223
Total Fair Value	<u>\$ 1,053,594</u>	<u>\$ 52,593,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,647,424</u>

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

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Spanish Fork City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, Spanish Fork City's investments had the following maturities:

	Investment Maturity in Years- Fair Value				
	Fair Value	Less			More
		Than 1	1-3	3-5	Than 5
Cash	\$ 14	\$ 14	\$ -	\$ -	\$ -
CD	7,740,729	242,081	3,955,607	3,543,041	-
Corp	12,873,474	3,603,825	9,269,649	-	-
MM Fund	289,555	289,555	-	-	-
US Gov	766,134	252,259	513,875	-	-
Yankee	584,351	84,819	499,532	-	-
Total Fair Value	\$ 22,254,257	\$ 4,472,553	\$ 14,238,663	\$ 3,543,041	\$ -

	Investment Maturity in Years- Book Value				
	Book Value	Less			More
		Than 1	1-3	3-5	Than 5
Cash	\$ 14	\$ 14	\$ -	\$ -	\$ -
CD	7,473,929	240,000	3,825,985	3,407,944	-
Corp	12,827,462	3,596,914	9,230,548	-	-
MM Fund	289,555	289,555	-	-	-
US Gov	751,011	250,255	500,756	-	-
Yankee	579,237	84,959	494,278	-	-
Total Book Value	\$ 21,921,208	\$ 4,461,697	\$ 14,051,567	\$ 3,407,944	\$ -

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, Spanish Fork City's investments had the following quality ratings:

		Investment Ratings	
Rating	Security Type	Book Value	Market Value Plus Accrued
AAA	MMFUND	\$ 289,555	\$ 289,555
AAA	US Gov	500,756	513,875
AAA	Corp	498,927	504,057
AAA	US Gov	250,255	252,259
AAA	Cash	14	14
AA+	CD	480,000	498,573
AA+	Corp	496,288	501,146
AA	CD	199,418	202,014
AA	Corp	747,837	756,143
AA	Yankee	494,278	499,532
AA-	CD	717,962	743,407
AA-	Corp	1,845,996	1,856,506
A+	CD	1,383,652	1,460,860
A+	Corp	5,961,524	5,988,683
A+	Yankee	84,959	84,819
A	Corp	3,242,798	3,232,759
A-	CD	239,631	243,910
BBB+	CD	439,440	454,040
BBB+	Corp	34,091	34,182
BBB-	CD	240,000	246,107
NA	CD	3,773,826	3,891,817
Total		\$ 21,921,207	\$ 22,254,258

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, 2020, Spanish Fork City does not hold more than 5 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies.

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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		\$	4,644,092
Investments			55,270,104
Cash on Hand			4,690
	Total		\$ 59,918,886

Government-Wide

Cash and Cash Equivalents		\$	48,693,630
Restricted Cash & Cash Equivalents			11,118,906
Fiduciary Restricted Cash			106,350
	Total		\$ 59,918,886

Net Cash on Statement of Net Position		\$	59,812,536
Fiduciary Restricted Cash			106,350
	Total		\$ 59,918,886

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, 2020 are as follows:

Type of Restricted Asset	Cash/Time Deposites	Investments	Accrued Int	Total
Business-Type Activities:				
Customer deposits	\$ 470,048	\$ -	\$ -	\$ 470,048
Water bond requirements	239,065	-	-	239,065
Final inspection deposits	1,080,500	-	-	1,080,500
Total	1,789,613	-	-	1,789,613
Governmental Activities:				
Developer escrows	4,341,871	-	-	4,341,871
Final inspection deposits	1,343,331	-	-	1,343,331
Debt services	513,339	-	-	513,339
RAP programs	37,109	-	-	37,109
RDA requirements	3,093,643	-	-	3,093,643
Total	9,329,293	-	-	9,329,293
Grand Total	\$ 11,118,906	\$ -	\$ -	\$ 11,118,906

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities and of the governmental activities at June 30, 2020, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivables	\$ -	\$ 4,414,481	\$ 4,414,481
Property tax	2,546,896	-	2,546,896
Other tax	3,421,961	-	3,421,961
Allowance for doubtful accounts	-	(44,808)	(44,808)
Net accounts receivable	<u>\$ 5,968,857</u>	<u>\$ 4,369,673</u>	<u>\$ 10,338,530</u>

Remaining part of page intentionally left blank

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
Governmental Activities:				
Land (not being depreciated)	\$ 22,025,178	\$ 3,633,454	\$ -	\$ 25,658,632
Buildings	35,380,500	4,433,117	(51,854)	39,761,763
Improvements	44,415,691	1,278,624	-	45,694,315
Machinery and equipment	19,248,370	1,962,160	(2,230,654)	18,979,876
Infrastructure	89,889,833	6,173,754	-	96,063,587
Totals at historical cost	<u>210,959,572</u>	<u>17,481,110</u>	<u>(2,282,508)</u>	<u>226,158,174</u>
Less accumulated depreciation				
Buildings	(14,417,640)	(1,033,366)	49,683	(15,401,323)
Improvements	(18,226,203)	(1,232,396)	-	(19,458,599)
Machinery and equipment	(12,267,513)	(1,529,965)	1,827,638	(11,969,840)
Infrastructure	(47,915,329)	(2,711,436)	-	(50,626,765)
Total accumulated depreciation	<u>(92,826,685)</u>	<u>(6,507,163)</u>	<u>1,877,321</u>	<u>(97,456,527)</u>
Governmental Activities: capital assets, net	<u>\$ 118,132,887</u>	<u>\$ 10,973,947</u>	<u>\$ (405,187)</u>	<u>\$ 128,701,647</u>
Business-Type Activities				
Land (not being depreciated)	\$ 4,023,902	\$ 2,401,407	\$ -	\$ 6,425,309
Water shares (not being depreciated)	6,067,361	130,315	-	6,197,676
Buildings and structures	6,697,028	57,983	-	6,755,011
Improvements	236,713,237	26,153,297	-	262,866,534
Machinery and equipment	11,169,436	181,218	(9,395)	11,341,259
Totals at historical cost	<u>264,670,964</u>	<u>28,924,220</u>	<u>(9,395)</u>	<u>293,585,789</u>
Less accumulated depreciation				
Buildings and structures	(3,258,002)	(177,424)	-	(3,435,426)
Improvements	(82,444,859)	(6,725,136)	-	(89,169,995)
Machinery and equipment	(9,051,995)	(646,821)	582	(9,698,234)
Total accumulated depreciation	<u>(94,754,856)</u>	<u>(7,549,381)</u>	<u>582</u>	<u>(102,303,655)</u>
Business-Type Activities: capital assets, net	<u>\$ 169,916,108</u>	<u>\$ 21,374,839</u>	<u>\$ (8,813)</u>	<u>\$ 191,282,134</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
General government	\$ 511,303
Public safety	737,356
Public works	2,570,806
Parks	1,245,816
Governmental portion of internal service fund	1,441,882
Total depreciation expense	<u><u>\$ 6,507,163</u></u>
Business-Type Activities	
Water	\$ 2,621,424
Electric	1,226,444
Sewer	2,186,124
Garbage	71,482
Streets and storm drainage	1,441,519
Gun club	3,561
Total depreciation expense	<u><u>\$ 7,550,554</u></u>

3.E. ACCOUNTS PAYABLE & DEFERRED INFLOW

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

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

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

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

	Unavailable
Deferred property tax	\$ 3,421,961
Deferred inflows - pension	1,799,613
Total deferred inflows of resources for governmental funds	<u><u>\$ 5,221,574</u></u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the governmental long-term debt of the financial reporting entity consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Sales Tax Revenue Bond Series 2014 (Original Amount \$13,305,000)	0.75% to 5.00%	2027	\$ 9,920,000
			<u>9,920,000</u>
			<u>(1,225,000)</u>
Total long term portion of bonds payable - government activities			<u>\$ 8,695,000</u>

Business-type Activities:

As of June 30, 2020, the long-term debt payable from proprietary fund resources consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Balance</u>
Water Revenue Bonds Series 2011 Dated October 26, 2011 (Original Amount \$2,040,000)	1.87%	2032	\$ 1,313,000
Water Revenue Bonds Series 2012 Dated July 2, 2012 (Original Amount \$4,041,000)	2.58%	2022	1,575,000
			<u>2,888,000</u>
			<u>(876,000)</u>
Total long term portion of bonds payable - government activities			<u>\$ 2,012,000</u>

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Changes in Long-term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

Type of Debt	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Governmental activities:				
Bonds:				
Bonds payable	\$ 11,090,000	\$ -	\$ (1,170,000)	\$ 9,920,000
Total bonds:	11,090,000	-	(1,170,000)	9,920,000
Direct borrowings:				
Capital leases payable	41,405	-	(41,405)	-
Total direct borrowings:	41,405	-	(41,405)	-
Compensated absences	1,851,725	128,936	-	1,980,661
Total - Governmental Activities	\$ 12,983,130	\$ 128,936	\$ (1,211,405)	\$ 11,900,661
Business-type Activities:				
Bonds:				
Bonds payable	\$ 3,742,000	\$ -	\$ (854,000)	\$ 2,888,000
Total bonds:	3,742,000	-	(854,000)	2,888,000
Compensated absences	1,000,800	-	(29,988)	970,812
Total - Business-type Activities	\$ 4,742,800	\$ -	\$ (883,988)	\$ 3,858,812
Due Within One Year	\$ 1,977,269	\$ (2,101,000)	\$ (1,977,269)	\$ (2,101,000)

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

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2020, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 1,225,000	\$ 464,250	\$ 876,000	\$ 65,188
2022	1,280,000	403,000	898,000	43,290
2023	1,335,000	339,000	102,000	20,832
2024	1,415,000	272,250	104,000	18,924
2025	1,490,000	201,500	106,000	16,980
2026-2030	3,175,000	191,200	562,000	54,380
2031-2035	-	-	240,000	6,751
Total	\$ 9,920,000	\$ 1,871,200	\$ 2,888,000	\$ 226,345

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.G. INTERNAL TRANSACTIONS

Operating Transfers:

	Transfers in	Transfers out
Governmental Activities:		
General fund	\$ 1,637,354	\$ (3,672,500)
RDA fund	416,413	(650,000)
Debt service fund	871,997	-
Airport projects fund	105,000	-
Golf course improvements fund	-	(44,331)
Spanish Fork parkway & canyon creek	-	(429,550)
Spanish Fork river reclamation fund	156,087	-
Fire Station fund	3,629,331	-
Street Cut Bridge fund	-	(3,741,076)
Parks Construction fund	1,650,000	-
New Library fund	350,000	-
Total Governmental Activities	<u>8,816,182</u>	<u>(8,537,457)</u>
Business-Type Activities:		
Major Funds:		
Water fund	-	(198,496)
Sewer fund	-	(151,566)
Electric fund	-	(10,583,934)
Broadband fund	-	(208,624)
Non-Major Funds:		
Garbage fund	-	(86,250)
Streets & Storm Drain	11,030,626	(80,481)
Total Business-Type Activities	<u>11,030,626</u>	<u>(11,309,351)</u>
Grand Totals	<u>\$ 19,846,808</u>	<u>\$ (19,846,808)</u>

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

Indirect Services:

	Indirect Service Expense	Indirect Service Revenue
Major business-type activities:		
Water fund	\$ 1,329,609	\$ -
Sewer fund	830,922	-
Electric fund	1,194,069	-
General fund	-	4,176,738
Total	<u>\$ 4,176,738</u>	<u>\$ 4,176,738</u>

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

3.H. INTERNAL BALANCES

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

Interfund Loan:

The Electric Fund loaned \$2,100,000 to general government towards the construction of an all-abilities park. The general government will pay this back over a 10-year period. The loan is subject to interest calculated at 2.50%. This amount is reflected in the internal balances on the Statement of Net Position. The payment schedule is as follows.

FY Year	Principal	Interest	Payment	Balance
2020				\$ 2,100,000.00
2021	(52,500)	52,500		2,152,500
2022	(53,813)	53,813		2,206,313
2023	(55,158)	55,158		2,261,471
2024	299,635	56,537	356,171	1,961,836
2025	307,125	49,046	356,171	1,654,711
2026	314,804	41,368	356,171	1,339,907
2027	322,674	33,498	356,171	1,017,234
2028	330,741	25,431	356,171	686,493
2029	339,009	17,162	356,171	347,484
2030	347,484	8,687	356,171	0

Internal Service Fund Activity:

The city has a Motor Pool Fund that purchases city fleet, which includes vehicles and equipment. The Motor Pool Fund provides fuel and maintenance for the city fleet. The Motor Pool fund balance is allocated between Governmental and Business-type activities based on the proportional share of operating expenses. The Motor Pool Fund has a fund balance of \$11,348,794 on June 30, 2020. The Business Type Activity Funds share of this fund balance is \$4,472,919. This amount is reflected in the internal balances on the Statement of Net Position.

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Internal Balances Reconciliation:

Interfund Loan	\$2,100,000
Internal Service Fund Balance	
Allocation	4,472,919
Total Internal Balances	\$6,572,919

3.I. 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.

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.

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Additional information is as follows:

- a. Participants and their percentage shares:

Spanish Fork City Corporation	21.3%
Provo City Corporation	66.7%
Nephi City Corporation	7.2%
Manti City Corporation	2.5%
Salem City Corporation	1.5%
Levan Town	<u>0.8%</u>
	100.00%

- b. UMPA is governed by a Board of Directors which is comprised of six directors. The Mayor and City Council of each member-City appoints one director. All decisions of the Board are made by majority vote, except in specific decisions as described in the Inter-local Cooperation Agreement which stipulates that votes shall be by number of kilowatt hours sold. For Provo to prevail in a tie vote, they would need one additional city to vote with them.
- c. The UMPA Board of Directors governs the operations of the Agency through management employed by the Board. Since UMPA is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.
- d. The UMPA 2020 financial information were not available prior to the issuance of these statements. June 30, 2018 audited statements are the most recent available. Audited summary financial information of UMPA at June 30, 2018 are as follows from UMPA:

	<u>UMPA</u>	<u>Spanish Fork City's Share</u>
Total assets & deferred outflows	<u>\$ 196,539,389</u>	<u>\$ 41,862,890</u>
Total liabilities & deferred inflows	<u>\$ 196,536,039</u>	<u>\$ 41,862,176</u>
Total net position	<u>\$ 3,350</u>	<u>\$ 714</u>
Total operating revenues	\$ 82,206,445	\$ 17,509,973
Total operating expenses	<u>(64,218,277)</u>	<u>(13,678,493)</u>
Net operating income	17,988,168	3,831,479.78
Total non-operating income (expenses)	<u>(2,744,573)</u>	<u>(584,594)</u>
Change in net assets	<u>\$ 15,243,595</u>	<u>\$ 3,246,886</u>
Transfer in of generation assets	-	-
Deferred inflow of resources adj	(15,243,595)	(3,246,886)
Change in net position	<u>\$ -</u>	<u>\$ -</u>

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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.
- d. Audited summary financial information of the District as June 30, 2020 is as follows from SUVSWD:

	<u>South Utah Valley Solid Waste District</u>	<u>Spanish Fork City's Share</u>
Total assets & deferred outflows	<u>\$ 16,628,620</u>	<u>\$ 1,953,863</u>
Total liabilities & deferred inflows	<u>\$ 1,293,591</u>	<u>\$ 151,997</u>
Total net position	<u>\$ 15,335,029</u>	<u>\$ 1,801,866</u>
Total operating revenues	\$ 8,452,429	\$ 993,160
Total operating expenses	<u>7,644,280</u>	<u>898,203</u>
Net operating income	808,149	94,958
Total non-operating income (expenses)	<u>216,388</u>	<u>25,426</u>
Change in net assets	<u>\$ 1,024,537</u>	<u>\$ 120,383</u>

The joint venture has the following long-term debt:

Closure and postclosure liability	\$ -	\$ -
Accrued compensated absences	209,703	24,640
Net pension liability	345,176	40,558
Notes payable	-	-
Total long-term liabilities	<u>\$ 554,879</u>	<u>\$ 65,198</u>

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 \$2,300,000 expiring April 21, 2021 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. 11,693 water connections at June 30, 2020
3. Total culinary water billings for the year were \$ 2,895,200.
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)	\$1,289.90

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	\$ -
B. Kirby Lane RDA	432,101
C. Wasatch Wind CDA	-
D. Sierra Bonita CDA	95,085
E. Krona CRA	416,413
Total Collected	\$ 943,599
2. The amount of tax increment paid to any taxing agency:

A. North Industrial RDA	\$ -
B. Kirby Lane RDA	-
C. Wasatch Wind CDA	-
D. Sierra Bonita CDA	25,952
Total Paid	\$ 25,952
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	531,380
D. Administrative & contracted costs	514,345
Total Expended	\$ 1,045,725

**SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

4.F. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

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

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

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

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

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

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 2.00% per year July 2020 to present	Up to 2.5%

*Actuarial reductions are applied

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

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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

<u>Utah Retirement Systems</u>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System				
111-Local Government Division Tier 2	N/A	N/A	15.66	1.03
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	23.13	0.70
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, 2020, the employer and employee contributions to the Systems were as follows:

System	Employer Contribution	Employee Contribution
Noncontributory System	\$ 1,400,290	N/A
Public Safety System	632,123	-
Tier 2 Public Employee System	531,875	-
Tier 2 Public Safety and Firefighter	156,014	-
Tier 2 DC Only System	45,442	N/A
Total	\$ 2,765,744	\$ -

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, 2020

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

At June 30, 2020, we reported a net pension asset of \$0 and a net pension liability of \$5,475,594.

	(Measurement Date): December 31, 2019				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2018	Change (Decrease)
Noncontributory System	\$ -	\$3,395,958	0.9010549%	0.8594345%	0.0416204%
Public Safety System	-	1,992,227	1.2407853%	1.2131674%	0.0276179%
Tier 2 Public Employees System	-	52,474	0.2333133%	0.2348667%	-0.0015534%
Tier 2 Public Safety and Fire Fighter System	-	34,935	0.3713927%	0.3575857%	0.0138070%
	\$ -	\$5,475,594			

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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, 2020. We recognized pension expense of \$3,182,878.

At June 30, 2020, 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	\$ 368,674	\$ 109,341
Changes in assumptions	458,350	1,823
Net difference between projected and actual earnings on pension plan investments	-	2,446,570
Changes in proportion and differences between contributions and proportionate share of contributions	315,323	1,619
Contributions subsequent to the measurement date	1,400,379	-
Total	\$ 2,542,726	\$ 2,559,353

\$1,400,379 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, 2019.

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
2020	\$ (169,625)
2021	(456,615)
2022	82,294
2023	(924,284)
2024	6,634
Thereafter	44,591

SPANISH FORK CITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Actuarial assumptions: The total pension liability in the December 31, 2019, 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, 2019, 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%	0.90%
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, 2020

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 10,606,758	\$ 3,395,958	\$(2,617,775)
Public Safety System	5,160,641	1,992,227	(582,720)
Tier 2 Public Employee System	452,506	52,474	(256,677)
Tier 2 Public Safety and Firefighter	123,411	34,935	(30,745)
Total	\$ 16,343,316	\$ 5,475,594	\$(3,487,917)

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

Defined Contribution Savings Plan

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

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

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

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

	2020	2019	2018
<i>401 (k) Plan</i>			
Employer Contributions	\$ 120,973	\$ 96,645	\$ 86,209
Employee Contributions	\$ 61,299	\$ 35,373	\$ 39,100
<i>457 Plan</i>			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 5,936	\$ 489	\$ -
<i>Roth IRA Plan</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 63,075	\$ 61,705	\$ 44,470
<i>Traditional IRA</i>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 50	\$ -	\$ 1,250

4. G. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the audit report, which is the date that the financial statements were available to be issued.

Intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

Intentionally left blank

SPANISH FORK CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Changes in Assumptions Related to Pensions

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unrecorded retirement prior to age 65.

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

		Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	2015	0.7580962%	1.0812842%	0.1617363%	0.2023030%
	2016	0.7778810%	1.1538440%	0.0171388%	0.2509637%
	2017	0.8043046%	1.1807616%	0.1880264%	0.2378124%
	2018	0.8335616%	1.1948197%	0.2198402%	0.3462816%
	2019	0.8594345%	1.2131674%	0.2348667%	0.3575857%
	2020	0.9010549%	1.2407853%	0.2333133%	0.3713927%
Proportionate share of the net pension liability (asset)	2015	\$ 3,291,832	\$ 1,359,805	\$ (4,901)	\$ (2,993)
	2016	4,401,629	2,066,825	(374)	(3,667)
	2017	5,164,320	2,396,091	20,974	(2,064)
	2018	3,652,083	1,874,264	19,383	(4,007)
	2019	6,328,638	3,120,976	100,588	8,960
	2020	3,395,958	1,992,227	52,474	34,935
Covered Employee Payroll	2015	\$ 6,433,835	\$ 1,579,886	\$ 794,624	\$ 83,973
	2016	6,571,249	1,692,697	1,107,243	149,361
	2017	6,903,588	1,743,639	1,541,963	196,486
	2018	6,977,545	1,739,944	2,151,729	365,405
	2019	7,117,204	1,738,220	2,740,105	478,878
	2020	7,529,229	1,786,492	3,242,984	612,125
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2015	51.2000000%	86.1000000%	-0.6000000%	-3.6000000%
	2016	66.9800000%	122.1000000%	-0.0300000%	-0.2460000%
	2017	74.8100000%	137.4000000%	1.3600000%	-1.0500000%
	2018	52.3400000%	107.7000000%	0.9000000%	-1.1000000%
	2019	88.9200000%	179.5500000%	3.6700000%	1.8700000%
	2020	45.1000000%	111.5200000%	1.6200000%	5.7100000%
Plan fiduciary net position as a percentage of the total pension liability.	2015	90.2000000%	90.5000000%	103.5000000%	120.5000000%
	2016	87.8000000%	87.1000000%	100.2000000%	110.7000000%
	2017	87.3000000%	86.5000000%	95.1000000%	103.6000000%
	2018	91.9000000%	90.2000000%	97.4000000%	103.0000000%
	2019	87.0000000%	84.7000000%	90.8000000%	95.6000000%
	2020	93.7000000%	90.9000000%	96.5000000%	89.6000000%

* In accordance with paragraph 81 of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10 year schedule will need to be built prospectively. The Schedule is only for the last six 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%
	2019	1,327,797	1,327,797	-	7,287,792	18.22%
	2020	1,400,290	1,400,290	-	7,685,572	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	588,532	-	1,729,410	34.03%
	2019	594,209	594,209	-	1,745,620	34.04%
	2020	632,123	632,123	-	1,857,002	34.04%
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%
	2019	477,206	477,206	-	3,070,823	15.54%
	2020	531,875	531,875	-	3,396,388	15.66%
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%
	2019	121,965	121,965	-	528,216	23.09%
	2020	156,014	156,014	-	674,507	23.13%
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%
	2019	30,671	30,671	-	458,457	6.69%
	2020	45,442	45,442	-	679,245	6.69%

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

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

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

Intentionally left blank

SUPPLEMENTARY INFORMATION

Intentionally Left Blank

**Spanish Fork City
Combining Balance Sheet
Non-Major Governmental Funds
As of June 30, 2020**

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Capital Projects</u>				Total Non-major Governmental Funds	
	<u>RAP Tax Fund</u>	<u>RDA Fund</u>	<u>Debt Service Fund</u>	<u>Special Fund</u>	<u>Land Acquisition Fund</u>	<u>Airport Projects Fund</u>	<u>River Recla- mation Fund</u>	<u>New Library Fund</u>		<u>Street Cut Bridge Fund</u>
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 242,592	\$ 325,285	\$ 166,759	\$ 85,626	\$ -	\$ 820,262
Restricted Assets:										
Cash and cash equivalents	37,109	3,093,643	474,035	39,304	-	-	-	-	-	3,644,091
Total assets	<u>37,109</u>	<u>3,093,643</u>	<u>474,035</u>	<u>39,304</u>	<u>242,592</u>	<u>325,285</u>	<u>166,759</u>	<u>85,626</u>	<u>-</u>	<u>4,464,353</u>
LIABILITIES										
Accounts payable	4,518	-	-	-	-	24,716	3,029	477	-	32,740
Total liabilities	<u>4,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,716</u>	<u>3,029</u>	<u>477</u>	<u>-</u>	<u>32,740</u>
FUND BALANCES										
Restricted for:										
RAP Programs	32,591	-	-	-	-	-	-	-	-	32,591
Redevelopment	-	3,093,643	-	-	-	-	-	-	-	3,093,643
Debt service	-	-	474,035	39,304	-	-	-	-	-	513,339
Committed for:										
Capital projects	-	-	-	-	242,592	300,569	163,730	85,149	-	792,040
Total fund balances	<u>32,591</u>	<u>3,093,643</u>	<u>474,035</u>	<u>39,304</u>	<u>242,592</u>	<u>300,569</u>	<u>163,730</u>	<u>85,149</u>	<u>-</u>	<u>4,431,613</u>
Total liabilities and fund balance	<u>\$ 37,109</u>	<u>\$ 3,093,643</u>	<u>\$ 474,035</u>	<u>\$ 39,304</u>	<u>\$ 242,592</u>	<u>\$ 325,285</u>	<u>\$ 166,759</u>	<u>\$ 85,626</u>	<u>\$ -</u>	<u>\$ 4,464,353</u>

Spanish Fork City
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Capital Projects</u>				Total Non-major Governmental Funds	
	RAP TAX Fund	RDA Fund	Debt Service Fund	Special Fund	Land Acquisition Fund	Airport Projects Fund	River Reclamation Fund	New Library Fund		Street Cut Bridge Fund
REVENUES:										
Taxes	\$ 742,078	\$ 527,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,269,264
Sundry revenues	-	278,974	797,497	-	-	4,935	-	-	-	1,081,406
Intergovernmental	-	-	-	-	-	38,708	843,930	-	-	882,638
Interest income	6,122	57,646	16,753	-	-	-	-	-	-	80,521
Total revenues	<u>748,200</u>	<u>863,806</u>	<u>814,250</u>	<u>-</u>	<u>-</u>	<u>43,643</u>	<u>843,930</u>	<u>-</u>	<u>-</u>	<u>3,313,829</u>
EXPENDITURES:										
Current Expenditures:										
RAP Programs	715,609	-	-	-	-	-	-	-	-	715,609
RDA	-	395,725	-	-	-	-	-	-	-	395,725
Debt service:										
Principal retirement	-	-	1,170,000	-	-	-	-	-	-	1,170,000
Interest and fiscal charges	-	-	526,350	-	-	-	-	-	-	526,350
Capital outlay	-	-	-	-	1,336,483	82,787	890,200	281,407	-	2,692,452
Total expenditures	<u>715,609</u>	<u>395,725</u>	<u>1,696,350</u>	<u>-</u>	<u>1,336,483</u>	<u>82,787</u>	<u>890,200</u>	<u>281,407</u>	<u>-</u>	<u>5,500,136</u>
Excess of revenues over (under) expenditures	<u>32,591</u>	<u>468,081</u>	<u>(882,100)</u>	<u>-</u>	<u>(1,336,483)</u>	<u>(39,144)</u>	<u>(46,270)</u>	<u>(281,407)</u>	<u>-</u>	<u>(2,186,307)</u>
Other financing sources (uses):										
Transfers In	-	416,413	871,997	-	-	105,000	156,087	350,000	-	1,899,497
Transfers (Out)	-	(650,000)	-	-	-	-	-	-	(3,741,076)	(4,864,957)
Total other financing sources (uses)	<u>-</u>	<u>(233,587)</u>	<u>871,997</u>	<u>-</u>	<u>-</u>	<u>105,000</u>	<u>156,087</u>	<u>350,000</u>	<u>(3,741,076)</u>	<u>(2,965,460)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>32,591</u>	<u>234,494</u>	<u>(10,103)</u>	<u>-</u>	<u>(1,336,483)</u>	<u>65,856</u>	<u>109,817</u>	<u>68,593</u>	<u>(3,741,076)</u>	<u>(5,151,767)</u>
Fund balances - beginning of year	-	2,859,149	484,138	39,304	1,579,075	234,713	53,913	16,556	3,741,076	9,583,380
Fund balances - end of year	<u>\$ 32,591</u>	<u>\$ 3,093,643</u>	<u>\$ 474,035</u>	<u>\$ 39,304</u>	<u>\$ 242,592</u>	<u>\$ 300,569</u>	<u>\$ 163,730</u>	<u>\$ 85,149</u>	<u>\$ -</u>	<u>\$ 4,431,613</u>

Spanish Fork City
Combining Statement of Net Position
Non-Major Proprietary Funds
As of June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Other Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,109,034	\$ 200,115	\$ 1,309,149
Accounts receivable	270,059	-	270,059
Allowance for doubtful accounts	(1,730)	-	(1,730)
Inventory	-	14,833	14,833
Total current assets	<u>1,377,363</u>	<u>214,948</u>	<u>1,592,311</u>
Noncurrent assets:			
Capital Assets:			
Land	217,906	-	217,906
Buildings	163,563	28,116	191,679
Improvements	37,378	95,473	132,851
Equipment	1,352,582	84,120	1,436,702
Less: accumulated depreciation	(1,249,774)	(154,954)	(1,404,728)
Other Assets:			
Equity in joint venture	1,681,483	-	1,681,483
Total noncurrent assets	<u>2,203,138</u>	<u>52,755</u>	<u>2,255,893</u>
Total assets	<u>3,580,501</u>	<u>267,703</u>	<u>3,848,204</u>
Deferred outflows of resources due to pensions			
	<u>8,517</u>	<u>553</u>	<u>9,070</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,589,018</u>	<u>\$ 268,256</u>	<u>\$ 3,857,274</u>
LIABILITIES			
Current liabilities:			
Accrued Liabilities	\$ -	\$ 1,552	\$ 1,552
Accounts payable	1,092	31,738	32,830
Compensated absences	10,263	667	10,930
Total current liabilities	<u>11,355</u>	<u>33,957</u>	<u>45,312</u>
Noncurrent liabilities:			
Net pension liability	<u>18,340</u>	<u>1,192</u>	<u>19,532</u>
Total noncurrent liabilities	<u>18,340</u>	<u>1,192</u>	<u>19,532</u>
Total liabilities	<u>29,695</u>	<u>35,149</u>	<u>64,844</u>
Deferred inflows of resources due to pensions			
	<u>8,572</u>	<u>557</u>	<u>9,129</u>
Net Position			
Net investment in capital assets	521,655	52,755	574,410
Restricted for:			
Unrestricted	<u>3,029,096</u>	<u>179,795</u>	<u>3,208,891</u>
Total Net Position	<u>\$ 3,550,751</u>	<u>\$ 232,550</u>	<u>\$ 3,783,301</u>

Spanish Fork City
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Garbage Fund	Gun Club Fund	Total Other Funds
Operating revenues:			
Charges for sales and services	\$ 2,430,584	\$ 203,375	\$ 2,633,959
Total operating revenues	2,430,584	203,375	2,633,959
Operating expenses:			
Landfill fees	872,553	-	872,553
Employee salaries	132,345	49,899	182,244
Materials and supplies	107,717	99,138	206,855
Repairs and maintenance	745	12,110	12,855
Professional services	410,600	22,642	433,242
Motorpool charges	13,355	19,449	32,804
Utilities	1,855	12,550	14,405
Insurance	266	106	372
Depreciation	71,482	3,561	75,043
Indirect services	143,622	-	143,622
Sundry charges	565,536	-	565,536
Total operating expenses	2,320,076	219,455	2,539,531
Operating income	110,508	(16,080)	94,428
Nonoperating revenues (expenses):			
Interest revenue	27,878	3,708	31,586
Pension benefit expense	11,153	716	11,869
Pension expense	(10,661)	(693)	(11,354)
Total nonoperating revenues (expenses)	28,370	3,731	32,101
Income (loss) before operating transfers	138,878	(12,349)	126,529
Operating transfers:			
Operating transfers in/(out)	(86,250)	-	(86,250)
Total operating transfers	(86,250)	-	(86,250)
Change in Net Position	52,628	(12,349)	40,279
Total Net Position - beginning	3,498,123	244,899	3,743,022
Total Net Position - ending	\$ 3,550,751	\$ 232,550	\$ 3,783,301

Spanish Fork City
Combining Statement Cash Flows
Non-Major Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Garbage	Gun Club	Total
	Fund	Fund	Non-Major Funds
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,360,521	\$ 203,375	\$ 2,563,896
Other cash receipts	-	-	-
Payments to suppliers	(2,309,945)	(145,810)	(2,455,755)
Payments to employees	(132,687)	(49,916)	(182,603)
Net cash provided (used) by operating activities	(82,111)	7,649	(74,462)
Cash Flows From Noncapital Financing Activities			
Increase (decrease) in due from other funds	54,043	7,834	61,877
Increase (decrease) in due to other funds	-	-	-
Transfers in (out)	(86,250)	-	(86,250)
Net cash provided (used) by noncapital activities	(32,207)	7,834	(24,373)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(49,813)	-	(49,813)
Contributions from private contractors	-	-	-
Impact fees collected	-	-	-
Net cash provided (used) by capital and related financing activities	(49,813)	-	(49,813)
Cash Flows From Investing Activities			
Interest and dividends received	27,878	3,708	31,586
Net cash provided (used) by investing activities	27,878	3,708	31,586
Net increase (decrease) in cash and cash equivalents	(136,253)	19,191	(117,062)
Cash balance, beginning	1,245,287	180,924	1,426,211
Cash balance, ending	1,109,034	200,115	1,309,149
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	110,508	(16,080)	94,428
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	71,482	3,561	75,043
(Increase) decrease in accounts receivable	(70,063)	-	(70,063)
(Increase) decrease in inventory	-	(6,733)	(6,733)
Increase (decrease) in customer deposits	-	-	-
Increase (decrease) in accrued liabilities	(193,696)	26,918	(166,778)
(Increase) decrease in compensated absences	(342)	(17)	(359)
Total adjustments	(192,619)	23,729	(168,890)
Net cash provided (used) by operating activities	\$ (82,111)	\$ 7,649	\$ (74,462)

Intentionally Left Blank

OTHER REPORTS

Intentionally Left Blank



**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, 2020, 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 30, 2020.

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

Larson & Company, PC

Spanish Fork, Utah

December 30, 2020



**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

We have audited Spanish Fork City’s (herein referred to as the “City”) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2020

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

- | | |
|----------------------|---------------------------------------|
| Budgetary Compliance | Restricted Taxes and Related Revenues |
| Fund Balance | Open and Public Meetings Act |
| Justice Courts | Fraud Risk Assessment |

Management’s Responsibility

Management is responsible for compliance with the 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 state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the City’s compliance with those requirements.

Opinion

In our opinion, Spanish Fork City, complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in our letter to management dated December 30, 2020 as item SC-2020.1. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of Report

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 30, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited the Spanish Fork City, Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Spanish Fork City's major federal programs for the year ended June 30, 2020. Spanish Fork City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Spanish Fork City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 30, 2019

Spanish Fork City
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SUMMARY OF AUDIT RESULTS

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

Coronavirus Relief Fund	21.019
-------------------------	--------
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Spanish Fork City was determined not to be a low-risk auditee.

Spanish Fork City
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS

No findings noted during current audit

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

No findings noted during prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit

Spanish Fork City
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Thru/ Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Contract</u>	<u>Amount of Expenditures</u>
Direct Assistance:			
U.S. Department of Transportation:			
Airport Improvement Program - FAA	20.600	N/A	5,364
State and Community Highway Safety	20.106	N/A	<u>38,708</u>
Total Department of Transportation			<u>\$ 44,072</u>
Total Direct Assistance:			\$ 44,072
Indirect Assistance:			
U.S. Department of Housing and Urban Development			
Mountainland Association of Governments (pass-through entity)			
Community Development Block Grant	14.218	None	<u>843,930</u>
Total US Department of Housing and Urban Dev.			<u>\$ 843,930</u>
U.S. Department of Treasury			
Utah County (pass-through entity)			
* Coronavirus Aid, Relief, and Economic Security Act or the CARES Act	21.019	None	<u>2,100,369</u>
Total US Department of Treasury			<u>\$ 2,100,369</u>
Total Indirect Assistance			\$ 2,944,299
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,988,371</u></u>

* Major Program

Spanish Fork City
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

1. GENERAL

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of Spanish Fork City (the City) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of Spanish Fork City, it is not intended to and does not present the financial position, changes in net position, or cash flows of Spanish Fork City.

2. BASIS OF ACCOUNTING

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

Pass-through entity identifying numbers are presented where available.

3. NON-CASH ASSISTANCE

The City did not receive any non-cash assistance

4. LOANS OUTSTANDING

The City has no federal loans outstanding through as of June 30, 2020.

5. DE MINIMIS INDIRECT COST RATE

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