

**SPRINGVILLE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2013**

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 4, 2013

Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah (City), as of and for the year ended June 30, 2013, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

In my 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 the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity 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 on pages 4-13 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville City, Utah's financial statements taken as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

In my opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated December 1, 2013, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Springville City, we offer readers of Springville City's financial statements this narrative overview and analysis of the financial activities of Springville City for the fiscal year ended June 30, 2013. 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 Springville City increased \$5,045,168 to \$161,860,518. The governmental net position increased by \$855,435 and the business-type net position increased by \$4,189,733.
- The total net position of \$161,860,518 is made up of \$131,404,934 in capital assets net of depreciation and related outstanding debt and \$30,455,584 in other net position.
- Total long-term liabilities of the City decreased by \$3,667,217.
- The General Fund (the primary operating fund) had its fund equity increase by \$664,829 to \$4,150,180. The increase was the primarily the result of higher than expected revenues and expenditure budget savings.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Springville City's basic financial statements. Springville 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 Springville City's finances, in a manner similar to a private-sector business.

- *The Statement of Net Position* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Springville 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 Springville 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 Page 14-16 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. Springville 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 funds (as determined by generally accepted accounting principles) are the General Fund and the Special Revenue Fund. The remaining governmental funds are determined to be non-major and are included in the combining statements within this report.

- *Proprietary funds* - Springville 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. Springville City uses enterprise funds to account for its Electric Utility, Water Utility, Sewer Utility, Storm Water Utility, Solid Waste Collection, and Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among Springville City's various functions. The City uses internal service funds for procurement and maintenance of its vehicles and equipment. Because these services primarily benefit governmental activities, they have been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.
- *Fiduciary funds* - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to

support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$161,860,518.

The largest portion of Springville City's net position (\$131,404,388) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) net of accumulated depreciation and 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.

STATEMENT OF NET POSITION (In thousands of dollars)

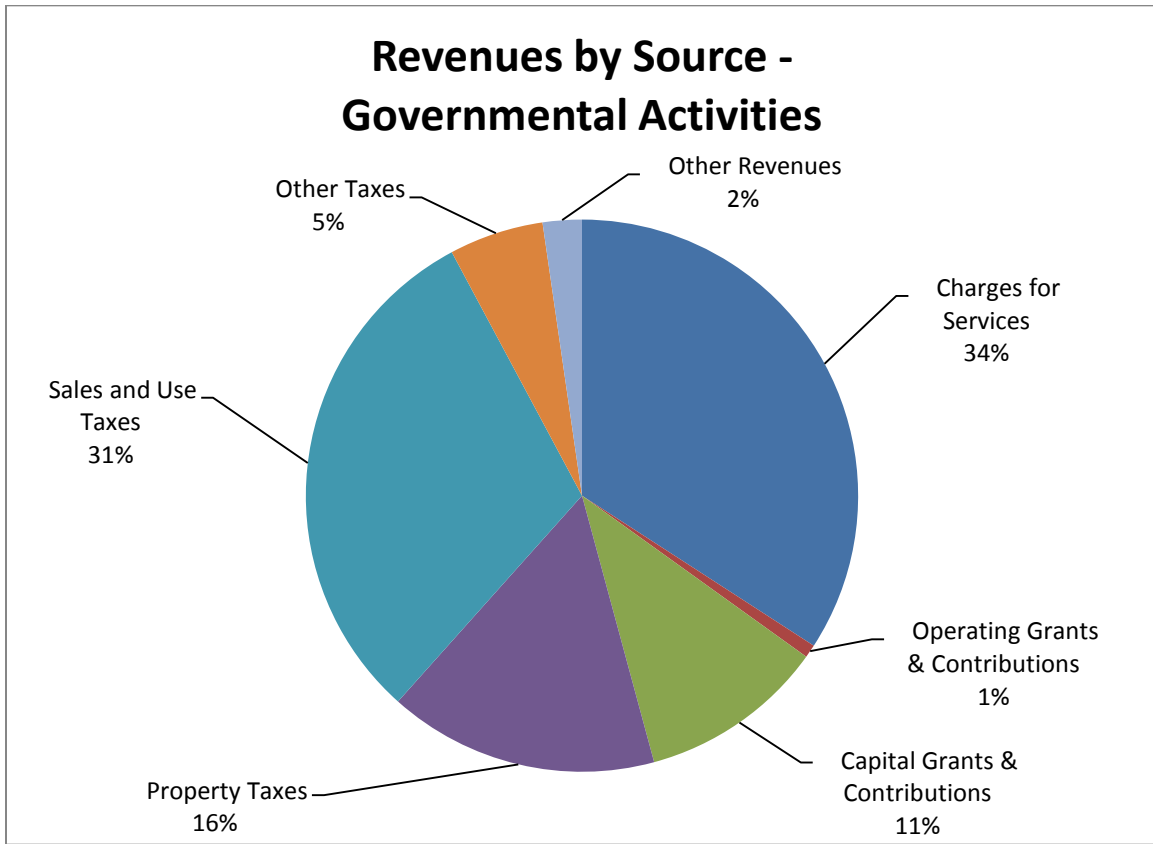
	Governmental Activities		Business-type Activities	
	<u>2012-2013</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2011-2012</u>
Current and Other Assets	10,164	12,262	21,246	15,903
Capital Assets	94,302	93,967	78,793	80,726
Total Assets	<u>104,466</u>	<u>106,229</u>	<u>100,039</u>	<u>96,629</u>
Long-term Debt Outstanding	21,082	24,024	13,716	14,442
Other Liabilities	3,293	3,049	1,485	1,539
Total Liabilities	<u>24,375</u>	<u>27,073</u>	<u>15,201</u>	<u>15,981</u>
Deferred Inflow of Resources	3,068	2,989	-	-
Total Liabilities and Deferred Inflow of Resources	<u>27,443</u>	<u>30,062</u>	<u>15,201</u>	<u>15,981</u>
Net Position:				
Net Investment in Capital				
Assets	67,458	64,716	63,947	63,368
Restricted	3,674	5,397	2,047	3,492
Unrestricted	5,891	6,054	18,844	13,788
Total Net Position	<u><u>77,023</u></u>	<u><u>76,167</u></u>	<u><u>84,838</u></u>	<u><u>80,648</u></u>

CHANGES IN NET POSITION (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2012-2013</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2011-2012</u>
Revenues				
Program Revenues:				
Charges for Services	6,657	5,934	35,377	33,905
Operating Grants and Contributions	150	147		
Capital Grants and Contributions	2,121	6,300	2,197	2,362
General Revenues:				
Property Taxes	3,084	2,884		
Sales and Use Taxes	5,961	5,697		
Change in Joint Venture	466	338	(102)	24
Other Taxes	1,078	1,102		
Other Revenues	446	6,392	45	49
Total Revenues	<u>19,963</u>	<u>28,794</u>	<u>37,517</u>	<u>36,340</u>
Expenses				
General Government	4,101	4,409		
Public Safety	4,737	4,816		
Streets	3,055	3,229		
Community Development	1,335	1,356		
Community Services	4,187	4,086		
Cemetery	278	269		
Interest on Long-Term Debt	1,035	1,078		
Electric			22,900	21,345
Water			2,888	2,744
Wastewater Collection & Treatment			3,317	3,136
Storm Water			650	713
Solid Waste Collections			1,162	1,104
Golf Course & Restaurant			819	870
Total Expenses	<u>18,728</u>	<u>19,243</u>	<u>31,736</u>	<u>29,912</u>
Increase in Net Position Before Transfers	1,235	9,551	5,781	6,428
Transfers	1,591	1,621	(1,591)	(1,621)
Change in Net Position	<u>2,826</u>	<u>11,172</u>	<u>4,190</u>	<u>4,807</u>
Net Position Beginning	76,167	64,995	80,648	75,841
Prior Period Adjustment	(1,970)			
Net Position Ending	<u><u>77,023</u></u>	<u><u>76,167</u></u>	<u><u>84,838</u></u>	<u><u>80,648</u></u>

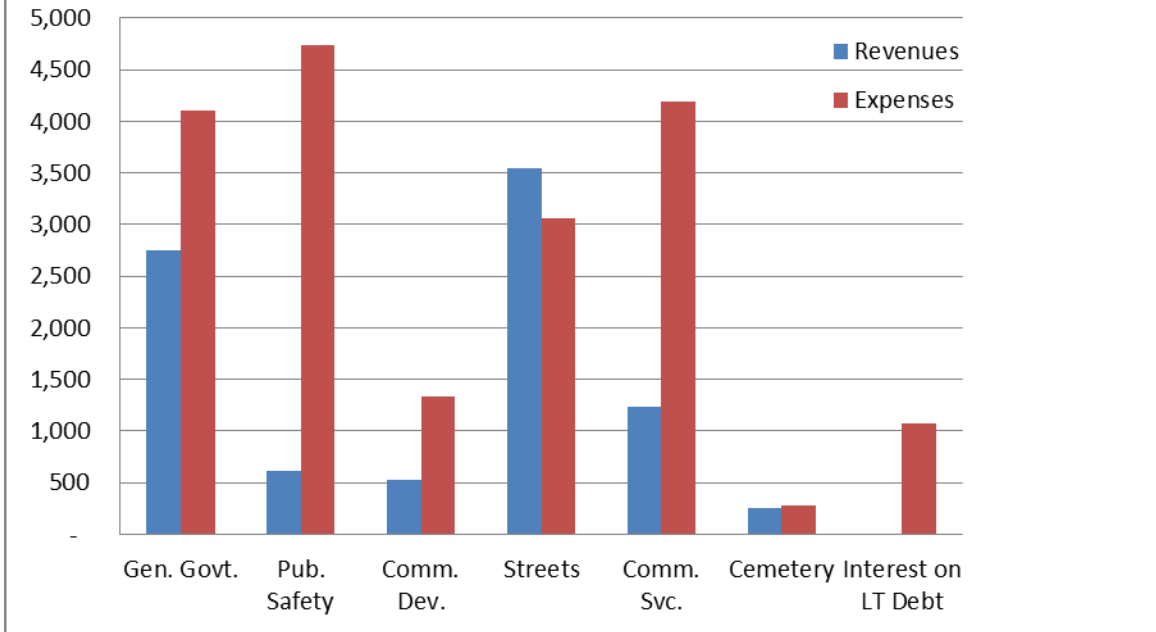
In the Governmental Funds, Charges for Services were up compared to last year primarily as a result of pre-paid assessments on properties in Special Improvement District #29. The Capital Grants and Contributions lines decreased significantly in a return to more normal levels after last year's recognition of the donation of the new Springville Museum of Art wing. Revenues from Property Taxes were up slightly reflecting moderate growth through the last tax year. Sales tax revenues were up slightly in 2013 as a reflection of the continued recovery in the economy. The General Government expenditures were down slightly compared to last year primarily because of loses on the disposal of fixed assets in the prior year and slightly lower depreciation expenses this year. In the business-type funds, revenue and expenditure increases are primarily a reflection of modest system growth and some inflationary increases.

The graphs shown below display the government-wide activities reflected in the previous tables. Program revenues included in the second graph are fees charged for specific services performed by the various governmental functions (for purposes of this graph, general revenues such as property taxes, sales and uses taxes, etc. are not included).



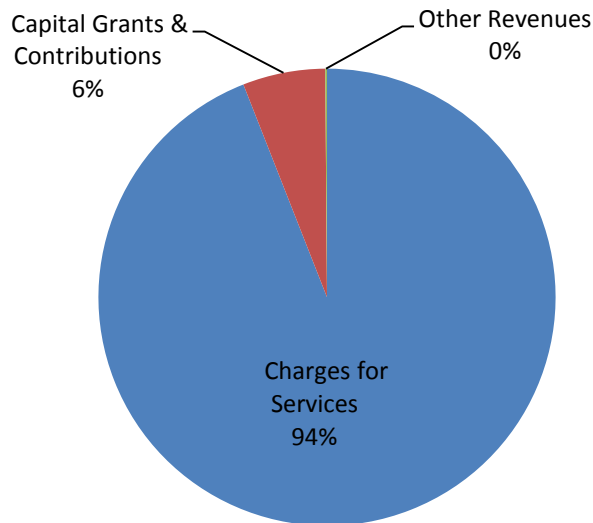
Program Revenues and Expenses - Governmental Activities

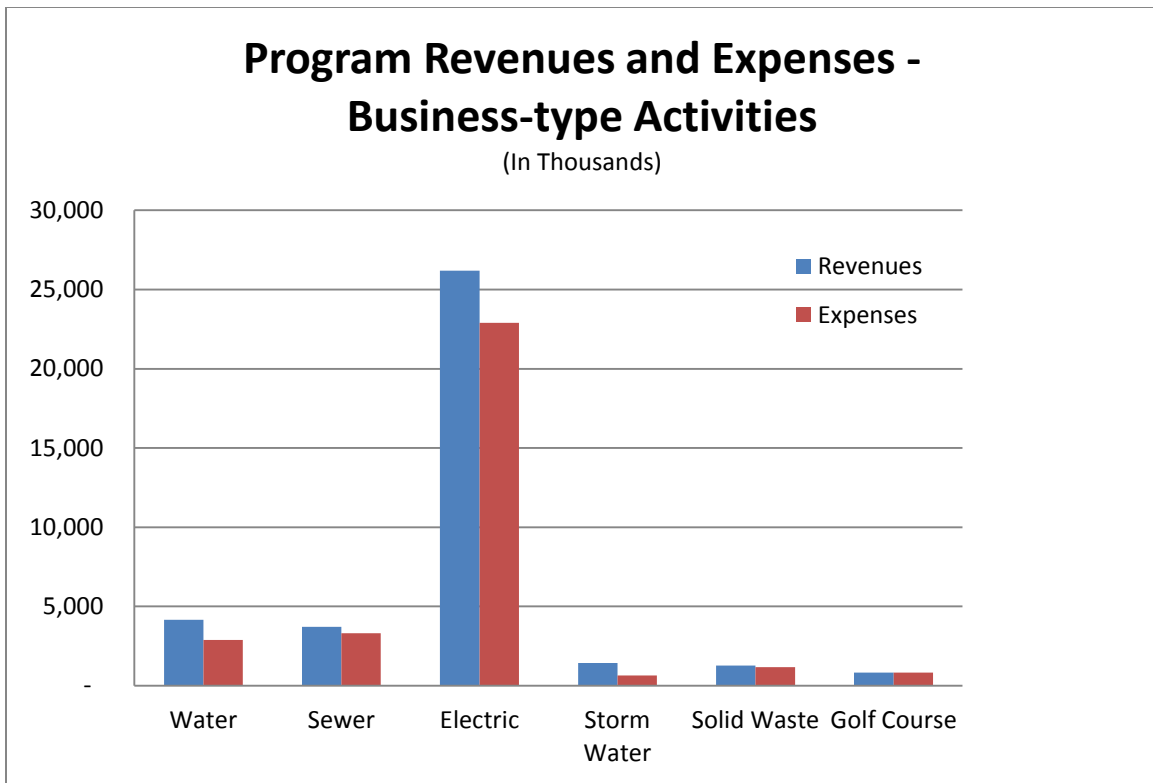
(In Thousands)



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 94% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions or other infrastructure being developed. Expenses for each fund only reflect direct operating costs. The expenses for capital projects, bond principal payments and inter-fund transfers are not included.

Revenues by Source - Business-type Activities





FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2013, the City's governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$10,502,158. This represents a decrease of \$1,564,750 from last year's ending balances. The primary reasons for the decrease were the planned expenditure of reserves in the Capital Projects fund and a prior period adjustment to fund equity in the Special Revenue fund to correct balances associated with Special Improvement District #29. Also related to SID #29, prepayment of assessments resulted in the reduction of the required debt service reserve fund, which further reduced equity in that fund.

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. Taxes continue to be the largest source of revenue in the General Fund. The largest element of taxes is sales and use tax as it has been for the last several years. Sales taxes represent approximately 59 percent of total tax revenues which is up compared to last year's 55 percent. Growth in sales tax revenue is a reflection of continued improvement, both locally and at the state level, of the economy.

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 provide 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 \$14,801,596 to a final budget of \$14,795,587. The budget decrease represented minor adjustment of unanticipated expenditures as well as the shift of budget dollars from the Streets operating budget to the capital budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$159,681,443 (net of accumulated depreciation). This investment in capital assets includes land, water shares, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in capital assets (minus depreciation) for the current year decreased by \$722,277. Governmental activities' capital assets decreased by \$655,385 while the business-type activities' capital assets decreased by \$66,892.

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

- Road Improvements and Reconstruction - \$685,212
- Community Park Projects - \$1,226,410
- Vehicle Acquisition and Replacement - \$1,163,992
- Hobble Creek Water Tank Interconnection - \$104,742
- 900 North Substation Transformer – 725,971
- Transmission and Distribution Circuit Upgrades - \$159,789
- Industrial Park Underground Upgrade - \$277,738
- Henson Subdivision Storm Drain – \$245,499
- 400 South Public Works Facility Improvements - \$378,897

SPRINGVILLE CITY'S CAPITAL ASSETS (In Thousands of Dollars)

	Governmental Activities		Business-type Activities	
	<u>2012-2013</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2011-2012</u>
Land	20,818	20,776	1,309	1,309
Water Shares			1,200	1,200
Buildings	36,585	36,578	4,611	1,845
System Improvements	67,556	65,805	120,763	121,052
Machinery & Equipment	9,293	8,424	3,282	3,682
Construction in Progress	22	22	1,734	979
Less Accumulated Depreciation	(49,966)	(46,642)	(57,525)	(54,626)
Total	<u>84,308</u>	<u>84,963</u>	<u>75,374</u>	<u>75,441</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, 2013, the City had total long-term bonded debt balances of \$1,915,000. Of the total, \$825,000 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment and \$13,035,000 is debt secured by specific revenue sources (i.e. revenue bonds within the Water and Sewer Utilities). The remainder is in a Municipal Building Authority Lease Revenue Bond of \$5,740,000, a sales tax revenue bond of \$3,585,000 and a general obligation bond of \$8,730,000. The City also has notes and leases payable totaling \$1,646,770 and accrued compensated absences of \$1,237,119 outstanding at June 30, 2013.

SPRINGVILLE CITY'S OUTSTANDING DEBT (In Thousands of Dollars)

	Governmental Activities		Business-type Activities	
	<u>2012-2013</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2011-2012</u>
General Obligation Bonds	8,730	9,090		
Revenue Bonds			13,035	13,910
MBA Bonds	5,740	5,950		
Special Assessment Bonds	825	3,037		
Sales Tax Revenue Bonds	3,585	3,955		
Notes Payable	1,512	1,562	135	135
Capital Leases				
Compensated Absences	690	701	547	524
Total	<u>21,082</u>	<u>24,295</u>	<u>13,717</u>	<u>14,569</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$58,667,000. The

City currently has \$8,730,000 outstanding in general obligation debt. State statute allows for an additional 8% to be used for water, sewer, storm water, or electrical projects. The current limitation for these water, sewer, storm water, and electrical projects is thus \$117,334,000. The City has issued significantly less bonds than this debt limit.

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 June, 2013 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 5.3 percent compared to a state unemployment rate of 4.7 percent and a national rate of 7.6 percent. (Source: U.S. Bureau of Labor Statistics)
- Expenditures in the General Fund budget for FY 2013-2014 reflect a decrease of \$336,810 compared to the final budget for FY 2012-2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Springville 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, Springville City, 110 S Main St, Springville, UT 84663.

BASIC FINANCIAL STATEMENTS

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 17,785,743	\$ 4,744,756	\$ 22,530,499
Accounts Receivable, Net of Allowance for Uncollectibles	5,537,383	2,805,603	8,342,986
Prepaid Expenses	30,982	-	30,982
Inventory	5,602	499,803	505,405
Internal Balances	<u>(13,195,903)</u>	<u>13,195,903</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>10,163,807</u>	<u>21,246,065</u>	<u>31,409,872</u>
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	6,451,930	1,676,400	8,128,330
Capital Assets			
Non Depreciable	20,840,288	4,243,114	25,083,402
Depreciable Assets (net of Depreciation)	63,467,444	71,130,597	134,598,041
Other Assets			
Investment in Joint Ventures	<u>3,542,014</u>	<u>1,743,247</u>	<u>5,285,261</u>
TOTAL NONCURRENT ASSETS	<u>94,301,676</u>	<u>78,793,358</u>	<u>173,095,034</u>
TOTAL ASSETS	<u>104,465,483</u>	<u>100,039,423</u>	<u>204,504,906</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	2,396,206	1,419,538	3,815,744
Contingent Liabilities	50,000	-	50,000
Unearned Revenues	<u>847,000</u>	<u>65,272</u>	<u>912,272</u>
TOTAL CURRENT LIABILITIES	<u>3,293,206</u>	<u>1,484,810</u>	<u>4,778,016</u>
NONCURRENT LIABILITIES			
Due Within One Year	1,440,578	770,664	2,211,242
Due in more than One Year	<u>19,641,647</u>	<u>12,946,000</u>	<u>32,587,647</u>
TOTAL NONCURRENT LIABILITIES	<u>21,082,225</u>	<u>13,716,664</u>	<u>34,798,889</u>
TOTAL LIABILITIES	<u>24,375,431</u>	<u>15,201,474</u>	<u>39,576,905</u>
DEFERRED INFLOW OF RESOURCES	<u>3,067,483</u>	<u>-</u>	<u>3,067,483</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>27,442,914</u>	<u>15,201,474</u>	<u>42,644,388</u>
NET POSITION			
Net Investment in Capital Assets Restricted for	67,457,976	63,946,958	131,404,934
Community Improvements	2,118,385	1,845,254	3,963,639
Debt Service	1,554,916	201,627	1,756,543
Unrestricted	<u>5,891,292</u>	<u>18,844,110</u>	<u>24,735,402</u>
TOTAL NET POSITION	<u>\$ 77,022,569</u>	<u>\$ 84,837,949</u>	<u>\$ 161,860,518</u>

SPRINGVILLE CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 4,101,200	\$ 2,745,666	\$ -	\$ -
Public Safety	4,737,008	430,329	107,379	82,929
Community Development	1,334,451	525,468	-	-
Streets	3,055,212	2,011,548	-	1,528,612
Community Services	4,186,944	686,972	43,066	509,775
Cemetery	277,892	256,538	-	-
Interest on Long-Term Debt	1,035,414	-	-	-
Total Governmental Activities	18,728,121	6,656,521	150,445	2,121,316
Business-type Activities				
Water	2,888,357	3,624,559	-	524,061
Sewer	3,316,997	3,387,336	-	325,238
Electric	22,900,232	25,393,296	-	796,620
Storm Water	650,051	877,582	-	550,882
Solid Waste	1,161,567	1,276,608	-	-
Golf/Restaurant	819,711	817,532	-	-
Total Business-type Activities	31,736,915	35,376,913	-	2,196,801
TOTAL PRIMARY GOVERNMENT	\$ 50,465,036	\$ 42,033,434	\$ 150,445	\$ 4,318,117

General Revenues
Property Taxes
Vehicle Taxes
Sales and Use Taxes
Other Taxes
Unrestricted Investment Earnings
Miscellaneous
Change in Joint Venture Equity
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Prior Period Adjustments
Net Position - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,355,534)	-	\$ (1,355,534)
(4,116,371)	-	(4,116,371)
(808,983)	-	(808,983)
484,948	-	484,948
(2,947,131)	-	(2,947,131)
(21,354)	-	(21,354)
<u>(1,035,414)</u>	<u>-</u>	<u>(1,035,414)</u>
<u>(9,799,839)</u>	<u>-</u>	<u>(9,799,839)</u>
-	1,260,263	1,260,263
-	395,577	395,577
-	3,289,684	3,289,684
-	778,413	778,413
-	115,041	115,041
-	<u>(2,179)</u>	<u>(2,179)</u>
<u>-</u>	<u>5,836,799</u>	<u>5,836,799</u>
<u>(9,799,839)</u>	<u>5,836,799</u>	<u>(3,963,040)</u>
3,084,015	-	3,084,015
256,317	-	256,317
5,961,044	-	5,961,044
821,927	-	821,927
316,532	45,586	362,118
129,635	-	129,635
465,487	(101,771)	363,716
<u>1,590,881</u>	<u>(1,590,881)</u>	<u>-</u>
<u>12,625,838</u>	<u>(1,647,066)</u>	<u>10,978,772</u>
2,825,999	4,189,733	7,015,732
76,167,134	80,648,216	156,815,350
<u>(1,970,564)</u>	<u>-</u>	<u>(1,970,564)</u>
<u>\$ 77,022,569</u>	<u>\$ 84,837,949</u>	<u>\$ 161,860,518</u>

SPRINGVILLE CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Governmental-type Activities			Total Governmental Funds
	General	Special Revenue	Nonmajor Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 14,014,572	\$ -	\$ 4,737	\$ 14,019,309
Accounts Receivable	178,071	-	-	178,071
Property Taxes Receivable	3,256,621	-	-	3,256,621
Special Assessments Receivable	-	888,341	-	888,341
Other Receivables	1,214,068	-	282	1,214,350
Due from Special Services Fund	199,118	-	-	199,118
Due from Other Fund	-	1,105,111	768,792	1,873,903
Prepaid Expenses	30,982	-	-	30,982
Inventory	5,602	-	-	5,602
Restricted Cash	-	131,648	9,294,994	9,426,642
Investment in Joint Venture	29,138	-	-	29,138
TOTAL ASSETS	\$ 18,928,172	\$ 2,125,100	\$ 10,068,805	\$ 31,122,077
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 1,194,974	\$ -	\$ 242,870	\$ 1,437,844
Due to General Fund	-	-	199,117	199,117
Due to Other Fund	9,702,671	-	4,552,940	14,255,611
Development and Other Bonds	762,864	-	-	762,864
Contingent Liabilities	50,000	-	-	50,000
Unearned Revenue	-	722,000	125,000	847,000
TOTAL LIABILITIES	11,710,509	722,000	5,119,927	17,552,436
DEFERRED INFLOW OF RESOURCES	3,067,483	-	-	3,067,483
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	14,777,992	722,000	5,119,927	20,619,919
FUND BALANCE				
Nonspendable				
Prepaid Expenses	30,982	-	-	30,982
Inventory	5,602	-	-	5,602
Endowments	-	-	910,976	910,976
Restricted for				
Impact Fees	-	-	1,489,268	1,489,268
Class C Roads	629,117	-	-	629,117
Joint Venture	29,138	-	-	29,138
Debt Service	-	1,403,100	14,157	1,417,257
Build America Bonds Subsidy	-	-	137,659	137,659
Assigned for				
Community Improvements	-	-	2,396,818	2,396,818
Unassigned	3,455,341	-	-	3,455,341
TOTAL FUND EQUITY	4,150,180	1,403,100	4,948,878	10,502,158
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	\$ 18,928,172	\$ 2,125,100	\$ 10,068,805	\$ 31,122,077

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 10,502,158

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 85,006,466

Two internal service funds are used by management to charge the costs of purchasing, operating and maintaining vehicles and equipment. The assets and liabilities of the internal services funds are included in the governmental activities section of the statement of net position. 2,756,868

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (21,242,923)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 77,022,569

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental-type Activities			Total Governmental Funds
	General	Special Revenue	Nonmajor Governmental Funds	
REVENUES				
Taxes	\$ 10,123,303	\$ -	\$ -	\$ 10,123,303
Licenses and Permits	616,091	-	-	616,091
Intergovernmental	1,155,106	-	-	1,155,106
Charges for Services	3,273,454	2,010,948	206,812	5,491,214
Fines and Forfeitures	549,214	-	-	549,214
Interest	66,971	185,189	59,195	311,355
Miscellaneous	84,629	-	-	84,629
TOTAL REVENUES	15,868,768	2,196,137	266,007	18,330,912
EXPENDITURES				
General Government	3,818,981	4,948	7,252	3,831,181
Public Safety	4,498,035	-	-	4,498,035
Community Development	1,325,920	-	-	1,325,920
Streets	908,221	-	329,044	1,237,265
Community Services	3,370,438	-	2,154	3,372,592
Cemetery	244,684	-	-	244,684
Debt Service				
Principal	-	2,212,000	990,000	3,202,000
Interest and Finance Charges	-	229,028	835,793	1,064,821
Capital Outlay	-	-	1,971,147	1,971,147
TOTAL EXPENDITURES	14,166,279	2,445,976	4,135,390	20,747,645
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,702,489	(249,839)	(3,869,383)	(2,416,733)
OTHER FINANCING SOURCES (USES)				
Impact Fees	-	-	977,724	977,724
Change in Joint Venture Equity	(16,630)	-	-	(16,630)
Transfers from Other Funds	1,624,881	355,000	3,238,818	5,218,699
Transfers to Other Funds	(2,645,911)	(350,000)	(631,906)	(3,627,817)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	664,829	(244,839)	(284,747)	135,243
BEGINNING FUND BALANCE	3,485,351	3,347,932	5,233,625	12,066,908
Prior Period Adjustment	-	(1,699,993)	-	(1,699,993)
ENDING FUND BALANCE	\$ 4,150,180	\$ 1,403,100	\$ 4,948,878	\$ 10,502,158

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

**EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES
OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ 135,243**

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

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. (1,237,945)

Issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. 3,202,000

The City's equity investment in the airport is reflected in the governmental
funds using the current financial resources measurement focus and the
modified accrual basis of accounting. It is reflected in the government-wide
statements using the economic resources measurement focus and the
accrual basis of accounting. This is the current year difference in the change
in equity. 482,117

The general revenues and net income or loss from the internal service funds is
allocated between governmental and business-type activities based on amounts
charged. This is the amount allocated to the governmental activities. 204,610

Some revenues and 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. 39,974

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS **\$ 2,825,999**

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 9,821,800	\$ 9,821,800	\$ 10,123,303	\$ 301,503
Licenses and Permits	358,400	495,900	616,091	120,191
Intergovernmental	1,159,000	1,176,684	1,155,106	(21,578)
Charges for Services	3,448,323	3,358,823	3,273,454	(85,369)
Fines and Forfeitures	515,750	500,750	549,214	48,464
Interest	32,000	32,000	66,971	34,971
Miscellaneous	50,000	50,000	84,629	34,629
TOTAL REVENUES	15,385,273	15,435,957	15,868,768	432,811
<u>EXPENDITURES</u>				
General Government	3,954,417	3,969,623	3,818,981	150,642
Public Safety	4,823,656	4,828,034	4,498,035	329,999
Community Development	1,371,562	1,371,562	1,325,920	45,642
Streets	1,031,614	973,665	908,221	65,444
Community Services	3,375,359	3,407,716	3,370,438	37,278
Cemetery	244,988	244,987	244,684	303
TOTAL EXPENDITURES	14,801,596	14,795,587	14,166,279	629,308
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	583,677	640,370	1,702,489	1,062,119
<u>OTHER FINANCING SOURCES (USES)</u>				
Change in Joint Venture Equity	-	-	(16,630)	(16,630)
Transfers from Other Funds	1,649,181	1,649,181	1,624,881	(24,300)
Transfers to Other Funds	(2,232,235)	(2,694,235)	(2,645,911)	48,324
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	623	(404,684)	664,829	1,069,513
FUND BALANCE ALLOCATION	(623)	404,684	-	(404,684)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 664,829	\$ 664,829

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Charges for Services	\$ 327,183	\$ 2,807,183	\$ 2,010,948	\$ (796,235)
Interest	172,372	713,562	185,189	(528,373)
Miscellaneous	-	-	-	-
TOTAL REVENUES	499,555	3,520,745	2,196,137	(1,324,608)
<u>EXPENDITURES</u>				
Debt Service	493,884	3,870,074	2,445,976	1,424,098
TOTAL EXPENDITURES	493,884	3,870,074	2,445,976	1,424,098
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	5,671	(349,329)	(249,839)	99,490
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	-	355,000	355,000	-
Transfers to Other Funds	-	(350,000)	(350,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	5,671	(344,329)	(244,839)	99,490
FUND BALANCE ALLOCATION	(5,671)	344,329	-	(344,329)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ (244,839)	\$ (244,839)

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental
				Nonmajor	Total	Internal
	Water	Sewer	Electric	Enterprise	Enterprise	Service
			Funds	Funds	Fund	
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 25,049	\$ 87,628	\$ 4,157,713	\$ 474,366	4,744,756	\$ 791,722
Accounts Receivable, Net of Allowance for Uncollectibles	484,734	300,975	1,787,978	231,916	2,805,603	-
Due from Other Fund	2,726,357	1,560,123	5,099,114	1,749,556	11,135,150	1,246,556
Inventory	-	-	499,803	-	499,803	-
TOTAL CURRENT ASSETS	3,236,140	1,948,726	11,544,608	2,455,838	19,185,312	2,038,278
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	143,347	164,919	864,893	503,241	1,676,400	-
Capital Assets						
Land	201,267	20,700	258,498	828,953	1,309,418	-
Construction in Progress	654,691	-	1,030,801	48,285	1,733,777	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	51,218	-	2,626,812	1,932,936	4,610,966	-
Improvements	28,310,327	33,604,844	55,823,800	3,023,861	120,762,832	-
Machinery, Equipment and Vehicles	457,389	830,339	912,824	1,080,980	3,281,532	4,444,135
Less Accumulated Depreciation	(9,604,811)	(11,734,244)	(33,366,724)	(2,818,954)	(57,524,733)	(1,629,992)
Other Assets						
Investment in Joint Venture	-	-	-	1,743,247	1,743,247	-
TOTAL NONCURRENT ASSETS	21,413,347	22,886,558	28,150,904	6,342,549	78,793,358	2,814,143
TOTAL ASSETS	24,649,487	24,835,284	39,695,512	8,798,387	97,978,670	4,852,421
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	41,756	50,660	452,378	196,338	741,132	34,800
Accrued Interest Payable	37,385	160,698	-	-	198,083	-
Due to Other Fund	-	-	-	-	-	-
Unearned Revenue	-	-	65,272	-	65,272	-
Customer Deposits	13,200	-	467,123	-	480,323	-
Compensated Absences	47,668	91,059	275,233	132,704	546,664	-
Current Portion of Long-Term Debt	-	89,000	-	135,000	224,000	-
TOTAL CURRENT LIABILITIES	140,009	391,417	1,260,006	464,042	2,255,474	34,800
NONCURRENT LIABILITIES						
Bonds Payable	2,461,000	10,485,000	-	-	12,946,000	-
TOTAL NONCURRENT LIABILITIES	2,461,000	10,485,000	-	-	12,946,000	-
TOTAL LIABILITIES	2,601,009	10,876,417	1,260,006	464,042	15,201,474	34,800
NET POSITION						
Net Investment in Capital Assets	18,809,000	12,147,639	27,286,011	5,704,308	63,946,958	2,814,143
Restricted						
Community Improvements	106,639	-	864,893	873,722	1,845,254	-
Debt Service	36,708	164,919	-	-	201,627	-
Designated for Construction	-	-	-	77,998	77,998	-
Unrestricted	3,096,131	1,646,309	10,284,602	1,678,317	16,705,359	2,003,477
TOTAL NET POSITION	\$ 22,048,478	\$ 13,958,867	\$ 38,435,506	\$ 8,334,345	\$ 82,777,196	\$ 4,817,620

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<u>OPERATING REVENUES</u>						
Charges for Services	\$ 3,567,600	\$ 3,383,295	\$ 25,190,691	\$ 2,968,240	\$ 35,109,826	\$ 1,079,977
Connection Fees	41,470	-	50,487	-	91,957	-
Miscellaneous	15,489	4,041	152,118	3,482	175,130	-
TOTAL OPERATING REVENUES	3,624,559	3,387,336	25,393,296	2,971,722	35,376,913	1,079,977
<u>OPERATING EXPENSES</u>						
Salaries and Benefits	711,887	643,953	2,774,113	856,859	4,986,812	141,599
Operations	1,364,345	1,028,654	17,385,919	1,714,659	21,493,577	52,848
Depreciation	685,843	870,249	1,631,662	132,570	3,320,324	581,430
TOTAL OPERATING EXPENSES	2,762,075	2,542,856	21,791,694	2,704,088	29,800,713	775,877
OPERATING INCOME	862,484	844,480	3,601,602	267,634	5,576,200	304,100
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Impact Fees	453,122	296,487	796,620	525,918	2,072,147	-
Interest Income	2,112	4,421	32,659	6,394	45,586	5,177
UAMPS Repayment	-	-	(1,155,788)	-	(1,155,788)	-
Change in Joint Venture Equity	-	-	-	(101,771)	(101,771)	-
Gain (Loss) on Disposal of Equipment	-	-	-	-	-	45,006
Interest Expense	(139,319)	(790,769)	-	-	(930,088)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	315,915	(489,861)	(326,509)	430,541	(69,914)	50,183
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,178,399	354,619	3,275,093	698,175	5,506,286	354,283
Developer Contributions	70,939	28,751	-	24,964	124,654	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(173,960)	(169,486)	(1,141,634)	(105,801)	(1,590,881)	-
CHANGE IN NET POSITION	1,075,378	213,884	2,133,459	617,338	4,040,059	354,283
TOTAL NET POSITION AT BEGINNING OF YEAR	20,973,100	13,744,983	36,302,047	7,717,007	78,737,137	\$ 4,463,337
TOTAL NET POSITION AT END OF YEAR	\$ 22,048,478	\$ 13,958,867	\$ 38,435,506	\$ 8,334,345	82,777,196	\$ 4,817,620

Some amounts reported for business-type activities in the statements of net position are different because the net revenue (expense) of the internal service funds are reported with business-type activities.

2,060,753

Change in Net Position of Business-type Activities

\$ 84,837,949

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal
						Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 3,807,302	\$ 3,403,787	\$ 25,346,402	\$ 2,962,306	\$ 35,519,797	\$ 1,079,977
Payments to Suppliers	(1,394,585)	(1,010,495)	(17,528,788)	(1,646,209)	(21,580,077)	(48,061)
Payments to Employees	(710,211)	(640,330)	(2,761,613)	(851,989)	(4,964,143)	(141,599)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,702,506	1,752,962	5,056,001	464,108	8,975,577	890,317
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Due from Other Funds	(1,354,754)	(851,362)	(1,699,827)	(132,120)	(4,038,063)	228,670
Due to Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(173,960)	(169,486)	(1,141,634)	(105,801)	(1,590,881)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(1,528,714)	(1,020,848)	(2,841,461)	(237,921)	(5,628,944)	228,670
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	453,122	296,487	796,620	525,918	2,072,147	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	45,006
Acquisition of Capital Assets	(540,575)	(163,861)	(1,672,202)	(752,140)	(3,128,778)	(1,163,992)
UAMPS Repayment	-	-	(1,155,788)	-	(1,155,788)	-
Bond Payments	(241,608)	(506,282)	-	-	(747,890)	-
Interest Expense	(156,855)	(854,717)	-	-	(1,011,572)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(485,916)	(1,228,373)	(2,031,370)	(226,222)	(3,971,881)	(1,118,986)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	2,112	4,421	32,659	6,394	45,586	5,177
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,112	4,421	32,659	6,394	45,586	5,177
NET CHANGE IN CASH AND CASH EQUIVALENTS	(310,012)	(491,838)	215,829	6,359	(579,662)	5,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	478,408	744,385	4,806,777	971,248	7,000,818	786,544
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 168,396	\$ 252,547	\$ 5,022,606	\$ 977,607	\$ 6,421,156	\$ 791,722

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING						
INCOME TO NET CASH FLOWS FROM						
OPERATING ACTIVITIES						
Operating Income	\$ 862,484	\$ 844,480	\$ 3,601,602	\$ 267,634	\$ 5,576,200	\$ 304,100
Adjustments						
Depreciation	685,843	870,249	1,631,662	132,570	3,320,324	581,430
Changes in Assets and Liabilities						
Accounts Receivable, Net	179,843	16,451	(75,874)	(9,416)	111,004	-
Inventory	-	-	(82,188)	-	(82,188)	-
Accounts Payable	(30,240)	18,159	(60,681)	68,450	(4,312)	4,787
Compensated Absences	1,676	3,623	12,500	4,870	22,669	-
Customer Deposits	2,900	-	28,980	-	31,880	-
Unearned Revenue	-	-	-	-	-	-
NET CASH FLOWS FROM OPERATING						
ACTIVITIES	\$ 1,702,506	\$ 1,752,962	\$ 5,056,001	\$ 464,108	\$ 8,975,577	\$ 890,317
Noncash Financing and Investing						
Transaction						
Increase in Investment in Joint Venture	\$ -	\$ -	\$ -	\$ (101,771)	\$ (101,771)	\$ -
Developer Contributions of Fixed Assets	\$ 70,939	\$ 28,751	\$ -	\$ 24,964	\$ 124,654	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Springville, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

The City of Springville (the City) was incorporated in 1903 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, Computer Services, Personnel, and Economic Development.

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

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

Development Services: Planning and Zoning and Code Enforcement.

Public Safety: Police, Dispatch, Fire, Animal Control, and Emergency Medical Services.

Electric: Distribution, Generation and Street Lighting

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

Community Services: Swimming Pool Operations, City Celebrations, Parks, Outdoor Recreation Programs, Senior Citizen Programs, Library and Cemetery.

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 reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For Springville City, this entity includes component units as described in the following section.

NOTE 1 – (CONTINUED)

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board, and 1) the City is able to significantly influence the programs or services performed or provided by the organizations; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits or, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, levies taxes or issues their debt.

The City's component units are presented are "blended". As such, they are reported as if they were a fund of the City throughout the year. They are included at both the government-wide and fund financial reporting levels.

Included with the reporting entity as blended component units are the following organizations:

A five-member board of trustees composed of the City Council governs the Redevelopment Agency of the City of Springville (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Special Revenue Fund. Separate financial statements are not issued for the RDA.

A five-member board of trustees composed of the City Council governs the Municipal Building Authority of the City of Springville (MBA). Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The activities of the MBA are included in these financial statements as the Municipal Building Authority Debt Service Fund. Separate financial statements are not issued for the MBA.

The joint ventures with Spanish Fork/Springville Airport and South Utah Valley Solid Waste District are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. Complete financial statements of the joint ventures, which issued separate financial statements, can be obtained from their administrative offices.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed but the statements distinguish governmental activities, which normally are supported by taxes and general revenues, from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end.

NOTE 1 – (CONTINUED)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function or segment offset by program revenues directly connected to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity; 2) operating grants and contributions which finance annual operating activities, including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets.

For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Taxes, interest, and other revenue sources not properly included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two types of categories: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *special revenue fund* is used to account special improvement district collections and related debt service payments.

NOTE 1 – (CONTINUED)

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

Internal Service Funds – The internal service funds account for the costs of procurement and maintenance of vehicles and equipment owned by the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide 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.

Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels.

NOTE 1 – (CONTINUED)

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property tax, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by June 30, 2013 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: sales taxes, property taxes, special assessments, and federal and state grants.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures are generally recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Assets, Liabilities and Fund Equity

Cash, cash equivalents, and investments

Cash and cash equivalents include cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. The City’s investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer’s Investment Fund (Fund) and other investments allowed by the State of Utah’s Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City’s cash in the Fund is the same as the fair value of the Fund shares.

NOTE 1 – (CONTINUED)

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. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Inventories are recorded at the lower cost or market on a weighted average basis, which approximates the first-in, first out method.

Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds or contributions. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary fund’s statement of net position.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, if purchased, and at fair market value at the date of the gift, if donated. Improvements to capital assets are capitalized. Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

All reported capital assets are depreciated except for land, right-of-ways, water rights, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of improvements and replacements.

NOTE 1 – (CONTINUED)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-40 years
Improvements and infrastructure	7-40 years
Machinery, equipment and vehicles	5-15 years

Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end. Accumulated sick leave is earned at a rate of one day per month and employees have an option to sell back to the City 25% of current year accrual each November. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when it is due to for payment in the current fiscal year.

Long-term liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of these funds. Bonds are recognized as a liability in the governmental fund financial statements only when they are due for payment in the current fiscal year.

Fund equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are divided into five categories as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained. Fund balance amounts related to inventory, prepaid expenses and permanent endowments (such as cemetery perpetual care) are classified as non-spendable.

NOTE 1 – (CONTINUED)

Restricted – This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The City's remaining balances of Class C roads, impact fees, and debt service reserves are restricted.

Committed – This classification includes amounts that can only be used for specific purposes established by formal action of the City Council, which is the City's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has not committed any fund balance amounts.

Assigned – This classification includes amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. These are established by the City Council. This classification includes the remaining positive fund balances for governmental funds other than the general fund.

Unassigned – This classification holds the remainder of the fund equity and is the amount available for the City to spend.

Net Position Flow Assumptions – The City has established a flow assumption policy to use restricted net position first before using unrestricted net position.

Fund Balance Flow Assumptions – The City has established a flow assumption policy to use restricted fund balance before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use the fund balance in the following order: 1) Committed, 2) Assigned, and 3) Unassigned.

Net Position – The net position represents the difference between assets and liabilities. The net position component, net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. The net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of the net position is reported as unrestricted.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense, and the gain or loss on the disposition of capital assets.

Contributions of Capital

Contributions of capital reported in proprietary fund financial statements and the government-wide financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

NOTE 1 – (CONTINUED)

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. On the government-wide statement of activities, the exchange transactions between the internal service funds and the user funds are eliminated. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net position. The details of these differences are presented as follows:

NOTE 2 – (CONTINUED)

JOINT VENTURE CAPITAL ASSETS	
Airport Improvements	\$ 3,512,876
SPRINGVILLE CITY CAPITAL ASSETS	
Land	20,818,453
Construction in Progress	21,835
Buildings and Structures	36,584,674
Improvements	67,556,138
Machinery, Equipment and Vehicles	4,848,476
Less Accumulated Depreciation	<u>(48,335,987)</u>
Net Capital Asset Difference	<u>\$ 85,006,465</u>

Internal service funds are used by management to charge the costs of purchasing, operating and maintaining vehicles and equipment to individual funds. The assets and liabilities of these internal service funds are included in the governmental activities on the statement of net position.

Cash and Cash Equivalents	\$ 791,722
Machinery, Equipment and Vehicles	4,444,135
Accumulated Depreciation	(1,629,992)
Accounts Payable	(34,800)
Due from Other Fund	1,246,556
Internal Balances	<u>(2,060,753)</u>
Net Difference	<u>\$ 2,756,868</u>

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net position. The details of these differences are presented below:

Accrued Interest Payable	\$ (160,698)
Revenue and General Obligation Bonds Payable	(17,802,000)
Notes Payable	(1,511,770)
Current Portion of Long-Term Debt	(1,078,000)
Compensated Absences	<u>(690,455)</u>
Total Long-Term Liability Difference	<u>\$ (21,242,923)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net position in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported as follows:

NOTE 2 – (CONTINUED)

Loss on Disposal of Capital Assets	\$ (6,442)
Developer Contributions	138,931
Capital Outlay	1,971,150
Depreciation Expense	<u>(3,341,584)</u>
Net Difference	\$ <u>(1,237,945)</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments	
Bonds	\$ 3,152,000
Notes	<u>50,000</u>
Net Difference	\$ <u>3,202,000</u>

The general revenues and net income or loss from the internal service funds is allocated between governmental and business-type activities based on amounts charged. The detail of this allocation is presented below:

Interest	\$ 5,177
Miscellaneous Revenue	45,006
Allocation of Internal Service Fund Charges	<u>154,427</u>
Net Allocation	\$ <u>204,610</u>

Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Compensated Absences	\$ 29,407
Change in Accrued Interest Payable	<u>10,567</u>
Net Difference	\$ <u>39,974</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Administrator and the Finance Director, submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

NOTE 3 – (CONTINUED)

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution. A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting. Annual budgets for the proprietary funds were legally adopted by the City and prepared on the accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

NOTE 4 – (CONTINUED)

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined 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. As of June 30, 2013, \$2,691,990 of the City's bank balances of \$3,122,512 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; 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 & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 25,860,610
U.S. Treasuries	<u>1,638,811</u>
Total Investments	<u>\$ 27,499,421</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The 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 of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

NOTE 4 – (CONTINUED)

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

Deposits	\$ 3,155,656
Investments	27,499,421
Cash on Hand	<u>3,752</u>
Total	<u>\$ 30,658,829</u>
Cash and Cash Equivalents	\$ 22,530,499
Restricted Cash and Cash Equivalents	<u>8,128,330</u>
Total	<u>\$ 30,658,829</u>

NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2013 are presented in the schedule below.

Property taxes are levied on January 1 of 2013, are due in November of 2013, and are budgeted for the 2013 fiscal year. Even though they are not intended to fund the 2013 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current period is considered susceptible to accrual as revenue of the current period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 577,366	\$ 2,889,103	\$ 3,466,469
Allowance for Uncollectibles	(399,295)	(83,500)	(482,795)
Property Taxes Receivable	3,256,621	-	3,256,621
Special Assessments Receivable	888,341	-	888,341
Other Receivables	<u>1,214,350</u>	<u>-</u>	<u>1,214,350</u>
Total	<u>\$ 5,537,383</u>	<u>\$ 2,805,603</u>	<u>\$ 8,342,986</u>

The City constructed the East Fire Substation with public safety impact fees and with a loan from the general fund to the special services fund. The outstanding balance as of June 30, 2013 of this interfund loan is reported in the financial statements at follows:

<u>General Fund</u>	
Due from Special Services Fund	<u>\$ 199,118</u>
<u>Special Services Fund</u>	
Due to General Fund	<u>\$ 199,118</u>

NOTE 6 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities, including the internal service funds, for the year ended June 30, 2013:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 20,775,875	\$ 45,028	\$ (2,450)	\$ 20,818,453
Construction in Progress	21,835	-	-	21,835
Capital Assets being Depreciated				
Buildings and Structures	36,578,408	6,266	-	36,584,674
Improvements	65,805,347	2,010,820	(260,029)	67,556,138
Machinery, Equipment and Vehicles	<u>8,423,722</u>	<u>1,211,957</u>	<u>(343,068)</u>	<u>9,292,611</u>
Total	131,605,187	3,274,071	(605,547)	134,273,711
Less Accumulated Depreciation	(46,642,070)	(3,923,014)	599,105	(49,965,979)
Governmental Activities Capital Assets, Net	\$ <u>84,963,117</u>	\$ <u>(648,943)</u>	\$ <u>(6,442)</u>	\$ <u>84,307,732</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2013:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,309,418	\$ -	\$ -	\$ 1,309,418
Construction in Progress	979,096	1,409,554	(654,873)	1,733,777
Water Shares	1,199,919	-	-	1,199,919
Capital Assets being Depreciated				
Buildings and Structures	1,844,578	155,761	2,610,627	4,610,966
Improvements	121,052,365	1,680,115	(1,969,648)	120,762,832
Machinery, Equipment and Vehicles	<u>3,681,688</u>	<u>8,000</u>	<u>(408,156)</u>	<u>3,281,532</u>
Total	130,067,064	3,253,430	(422,050)	132,898,444
Less Accumulated Depreciation	(54,626,461)	(3,320,322)	422,050	(57,524,733)
Business-type Activities Capital Assets, Net	\$ <u>75,440,603</u>	\$ <u>(66,892)</u>	\$ <u>-</u>	\$ <u>75,373,711</u>

NOTE 6 – (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 433,837
Public Safety	236,523
Community Development	7,889
Streets	1,817,947
Community Services	812,180
Cemetery	33,208
Internal Service Funds	<u>581,430</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,923,014</u>
Business-type Activities	
Water	\$ 685,843
Sewer	870,249
Electric	1,631,662
Storm Water	83,953
Solid Waste	18,545
Golf Course	<u>30,072</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 3,320,324</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not currently have any deferred outflows of resources.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of deferred inflows of resources. Property taxes to be collected in November were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. These amounts are reported in the governmental funds balance sheet and in the government-wide statement of net position.

NOTE 8 – INVESTMENT IN JOINT VENTURES

Spanish Fork/Springville Airport

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

NOTE 8 – (CONTINUED)

- a. Participants and their percentage shares:

Springville City	50.0%
Spanish Fork City	50.0%

- b. The Airport is governed by the City Councils of the two participating cities. It also has an Oversight Board, which is selected from members of the participants' City Councils and other citizens of the two communities.
- c. The Airport Oversight Board oversees the operations of the airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.
- d. Summary financial information from the government-wide statements, as of the joint venture's last year end of June 30, 2013, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$ 7,374,768	\$ 3,687,384
Total Liabilities	<u>(290,739)</u>	<u>(145,370)</u>
Net Position	<u>\$ 7,084,029</u>	<u>\$ 3,542,014</u>
Program Revenues	\$ 1,274,438	\$ 637,219
General Revenues	887	444
Program Expenses	<u>(344,350)</u>	<u>(172,175)</u>
Change in Net Position	<u>\$ 930,975</u>	<u>\$ 465,488</u>

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

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in 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 solid waste revenue comes from these governmental entities. Additional information is as follows:

- a. Participants and their percentage shares:

Springville City	15.00%
Provo City	69.75%
Spanish Fork City	11.75%
Mapleton City	2.00%
Salem City	1.50%
Goshen Town	<u>0.00%</u>
	<u>100.00%</u>

NOTE 8 – (CONTINUED)

- b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city 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 City 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. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.
- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2012, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 17,494,582	\$ 2,624,187
Total Liabilities	<u>(5,872,934)</u>	<u>(880,940)</u>
Net Position	<u>\$ 11,621,648</u>	<u>\$ 1,743,247</u>
Operating Revenues	\$ 5,295,605	\$ 794,341
Operating Expenses	<u>5,980,683</u>	<u>897,103</u>
Net Operating Income (Loss)	(685,078)	(102,762)
Net Non-Operating Income (Expense)	<u>6,606</u>	<u>991</u>
Change in Net Position	<u>\$ (678,472)</u>	<u>\$ 101,771</u>

- e. The joint venture has the following long-term debt:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Closure and Postclosure Liability	\$ 2,963,891	\$ 444,584
Capital Leases	109,522	16,428
Notes Payable	2,359,875	353,981
Accrued Compensated Absences	<u>249,619</u>	<u>37,443</u>
Total Long-Term Liabilities	<u>\$ 5,682,907</u>	<u>\$ 852,436</u>

- f. Audited financial statement for the south Utah Valley Solid Waste district are available at the District offices, 2450 West 400 South, Springville, Utah.

NOTE 9 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue Bonds					
2005 Special Assessment	\$ 3,037,000	\$ -	\$ (2,212,000)	\$ 825,000	\$ 103,000
2006 Sales Tax	3,955,000	-	(370,000)	3,585,000	385,000
2008 Municipal Building Authority Lease	5,950,000	-	(210,000)	5,740,000	220,000
General Obligation Bonds					
2010 Build America Bonds	9,090,000	-	(360,000)	8,730,000	370,000
Notes Payable					
2006 Childs Property	50,000	-	(50,000)	-	-
CUWCD Note Payable	1,511,770	-	-	1,511,770	-
Compensated Absences	<u>701,022</u>	<u>2,026</u>	<u>(12,593)</u>	<u>690,455</u>	<u>362,578</u>
	<u>\$24,294,792</u>	<u>\$ 2,026</u>	<u>\$ (3,214,593)</u>	<u>\$21,082,225</u>	<u>\$ 1,440,578</u>

Long-term debt and obligations for governmental activities payable at June 30, 2013 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Special Assessment Bonds, dated December 8, 2005 (original amount--\$5,269,604)	5.05% to 6.00%	2021	\$ 103,000	\$ 722,000
Sales Tax Revenue Bonds, dated January 5, 2006 (original amount--\$900,000)	4.00% to 5.00%	2021	385,000	3,200,000
Municipal Building Authority Lease Revenue Bonds, Series 2008, (original amount--\$6,435,000)	5.25%	2019	220,000	5,520,000
Taxable General Obligation Build America Bonds, series 2010 (original amount--\$9,800,000)	1.00% to 5.30%	2031	370,000	8,360,000
CUWCD Note (original amount--\$1,511,770)	0%	2013	-	1,511,770
Compensated Absences			<u>362,578</u>	<u>327,877</u>
Total Governmental Activities Long-term Debt			<u>\$ 1,440,578</u>	<u>\$ 19,641,647</u>

The proceeds of the 2005 special assessment bonds were used to make water, sewer, road, curb and gutter improvements in the west fields. The City pledges income derived from special assessment collections from landowners in the improved areas to repay them through the maturity dates listed above. Annual principal and interest payments are expected to approximate the special assessment collections each year.

The 2006 sales tax revenue bonds were issued to purchase land for parks and sales tax revenues were pledged to repay them through the maturity date listed above. Annual principal and interest payments are expected to require less than twenty percent of the total sales tax revenues.

NOTE 9 – (CONTINUED)

The 2008 Municipal Building Authority lease revenue bonds were issued for the construction of the new civic center. The property note was used to purchase land at 1300 east to be used for the east fire substation. The City pledges general revenues of the City to repay this note through the maturity date listed above.

The 2010 General Obligation Build America Bonds were used for the construction of the library. The bonds have no specific pledged revenue stream, but debt service requirements will be met principally by the general fund.

The Central Utah Water Conservancy District (CUWCD) note payable was part of the agreement between the City and CUWCD for the installation of water pipelines under 400 East and the subsequent reconstruction of that road.

Long-term debt and obligations for business-type activities payable at June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Revenue Bonds					
1998 Sewer	\$ 680,000	\$ -	\$ (85,000)	\$ 595,000	\$ 89,000
1998 Water and Sewer	235,000	-	(235,000)	-	-
2008 Water and Sewer	12,995,000	-	(555,000)	12,440,000	-
Notes Payable					
2006 Golf Carts	135,000	-	-	135,000	135,000
Compensated Absences	<u>523,995</u>	<u>36,178</u>	<u>(13,509)</u>	<u>546,664</u>	<u>546,664</u>
	<u>\$ 14,568,995</u>	<u>\$ 36,178</u>	<u>\$ (888,509)</u>	<u>\$ 13,716,664</u>	<u>\$ 770,664</u>

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2013:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Sewer Revenue Bonds, dated February 1, 1998, (original amount-- \$1,500,000)				
	4.50%	2019	\$ 89,000	\$ 506,000
Water and Sewer Revenue Refunding Bonds, Dated April 22, 2008, (original amount--\$15,135,000)				
	4.85%	2028	-	12,440,000
Golf Cart Note Payable (original amount--\$130,000)				
	0.00%	Unknown	135,000	-
Compensated Absences				
			<u>546,664</u>	<u>-</u>
			<u>\$ 770,664</u>	<u>\$ 12,946,000</u>

NOTE 9 – (CONTINUED)

The proceeds of the 1998A water and sewer revenue bonds and the 1988B sewer revenue bonds were used to complete general water and sewer improvements. The proceeds of the 2008 water and sewer revenue bonds were used to upgrade the sewer treatment plant, install the water main along 400 South and sewer lines along 1500 West. The City pledges the revenues of the water and sewer funds to repay these bonds through the maturity dates listed above. Annual principal and interest payments are expected to require less than fifteen percent of the total water revenues. Annual principal and interest payments are expected to require less than forty percent of the total sewer revenues.

Principal and interest requirements to retire the City’s long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,589,770	\$ 839,462	\$ 224,000	\$ 475,400	\$ 2,813,770	\$ 1,314,862
2015	1,123,000	797,514	833,000	371,090	1,956,000	1,168,604
2016	1,166,000	751,220	856,000	346,185	2,022,000	1,097,405
2017	1,205,000	702,322	881,000	320,585	2,086,000	1,022,907
2018	1,257,000	652,524	906,000	294,200	2,163,000	946,724
2019-2023	5,466,000	2,433,505	4,465,000	1,078,190	9,931,000	3,511,695
2024-2028	4,470,000	1,357,001	5,005,000	428,120	9,475,000	1,785,121
2029-2031	3,115,000	277,761	-	-	3,115,000	277,761
	<u>\$20,391,770</u>	<u>\$ 7,811,309</u>	<u>\$ 13,170,000</u>	<u>\$ 3,313,770</u>	<u>\$33,561,770</u>	<u>\$ 11,125,079</u>

All outstanding revenue bonds are secured by a first lien on net revenues earned by the City. Net revenues are defined in the revenue bond agreements. The City is required to establish rates (including connection fees) sufficient to pay the operation and maintenance expenses and to provide net revenues in an amount not less than 130% of the aggregated annual debt service requirement for the forthcoming fiscal year. The following summarizes the debt service coverage calculations for the various revenue bonds:

	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>
Net Revenues		
Operating Revenues	\$ 3,624,559	\$ 3,387,336
Operating Expenses (excluding depreciation and amortization)	(2,073,489)	(1,670,055)
Impact Fees	453,122	296,487
Interest Income	<u>2,112</u>	<u>4,421</u>
Net revenues	<u>\$ 2,006,304</u>	<u>\$ 2,018,189</u>
Maximum Aggregate Debt Service	<u>\$ 211,000</u>	<u>\$ 844,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>951%</u>	<u>239%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>

NOTE 10 – CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$1,357,176.

NOTE 11 – FUND EQUITY

Net Investment in Capital Assets – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2013 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$ 137,815,725	\$ 134,641,691
Less accumulated depreciation	<u>(49,965,979)</u>	<u>(57,524,733)</u>
Book value	87,849,746	77,116,958
Less capital related debt	<u>(20,391,770)</u>	<u>(13,170,000)</u>
Net investment in capital assets	<u>\$ 67,457,976</u>	<u>\$ 63,946,958</u>

Restricted Fund Equity – The Class “C” Roads allotment from the state excise tax is restricted for construction and maintenance of City streets and roads. The City’s bond covenants require certain restrictions of retained earnings in the pressure irrigation fund. Utah State statute requires unexpended impact fees held at year-end to be restricted for future expansion in the charging department or fund. In addition, in the funds statements amounts have been assigned for various capital projects.

NOTE 12 – RETIREMENT PLANS

Plan Description

Springville City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Division A Noncontributory Retirement System, and the Firefighters Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

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

NOTE 12 – (CONTINUED)

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, and 15.05% to the Firefighters Retirement Systems, respectively. Springville City is required to contribute the following percentages of covered salaries to the respective systems:

Contributory System:	
Local Governmental Division Tier 1	12.03%
Local Governmental Division Tier 2	12.74%
Noncontributory System:	
Local Governmental Division Tier 1	16.04%
Public Safety System:	
Other Division A Contributory Tier 2	19.25%
Other Division A Noncontributory Tier 1	30.45%
Firefighter System:	
Division A Tier 1	2.66%
Division B Tier 2	11.10%

The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Springville City's contributions to the various systems for the years ending June 30, 2013, 2012 and 2011 were as follows:

	<u>Employer Paid For Employee</u>	<u>Employer Paid</u>
Contributory System:		
Local Governmental Division Tier 1 and Tier 2		
2013	\$ 6,759	\$ 28,989
2012	6,857	20,089
2011	7,077	11,041
Noncontributory System:		
Local Governmental Division Tier 1		
2013	\$ 0	\$ 1,166,070
2012	0	1,085,760
2011	0	977,624
Public Safety System:		
Other Division A Contributory		
2013	\$ 0	\$ 9,622
2012	0	5,451
Public Safety System:		
Other Division A Noncontributory Tier 1		
2013	\$ 0	\$ 391,912
2012	0	378,828
2011	0	348,969
Firefighters System:		
Division A Tier 1		
2013	\$ 18,130	\$ 3,204
2012	17,714	1,898
2011	16,797	1,920

NOTE 12 – (CONTINUED)

	<u>Employer Paid For Employee</u>	<u>Employer Paid</u>
Firefighters System:		
Division B		
2013	\$ 0	\$ 4,163
2012	0	3,078
Defined Contribution 401(k) Plan		
2013	\$ 4,221	\$ 0
2012	2,665	0

The contributions paid by the City were equal to the required contributions for each year.

NOTE 13 – DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State’s contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City’s contributions for each employee (and interest allocated to the employee’s account) are fully vested in the employee’s account from the date of employment. The City’s total payroll in the fiscal year ended June 30, 2013, was \$10,650,692. Of that amount, \$7,066,681 was eligible to participate in the plan. The City participates at rates between 0% and 2.25%, depending on the employees’ contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2013, contributions totaling \$247,878 were made to the plan by employees and \$187,009 by the City.

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 457 for City employees covered by the State’s contributory and noncontributory retirement plans. The plan, available to certain permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City’s total payroll in the fiscal year ended June 30, 2013, was \$10,650,692. Of that amount, \$779,378 was eligible to participate in the plan. During the year ended June 30, 2013, contributions totaling \$35,021 were made to the plan by employees.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Utah Associated Municipal Power System (UAMPS)

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements and contracts with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable. During the year ended June 30, 2013, the City purchased power totaling approximately \$12.3 million.

NOTE 14 – (CONTINUED)

The City is obligated through power sales contracts with UAMPS for the consequences of “take or pay” contracts with UAMPS projects. The City is also obligated through power sales contracts to pay its proportionate share of bonded indebtedness. UAMPS monthly service charges to the City include the City’s proportionate obligation for the following items:

UAMPS Payson Nebo Generation Plant

In June 2002, the City entered into a power service contract with UAMPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the UAMPS Payson Nebo Generation Plant revenue bonds have been paid or (2) the final shutdown date of the Payson Nebo Generation Plant. The contract entitles the City to approximately 18.07 percent of the output of the Payson Nebo Generation Plant. The City is obligated for 19.12 percent of the total project debt service of approximately \$68,930,000 in revenue bonds outstanding at June 30, 2013, issued to finance construction of the plant.

UAMPS - Horse Butte Wind Project

In August of 2010 the City entered into Power Sales Contract with UAMPS to take delivery of energy from a 57.6 MW nameplate capacity wind farm located 16 miles east of the City of Idaho Falls in Bonneville County, Idaho. The PSC entitles the City to approximately 5.26% of the daily output associated with the 32 Vestas V-100 1.8 MW wind turbines installed on the project site. Construction of the Facility was completed in August of 2012 and commenced commercial operation. The City is obligated for 5.18% of the total project debt service of approximately \$91,830,000 outstanding at June 30, 2013, issued to finance a prepayment for a specified supply of electricity to be delivered over a 20-year term.

Future Commitments and Contingencies

San Juan – An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2005. The four megawatts represents approximately 11.43% of the UAMPS entitlement to the plant’s capacity and Springville City is obligated for 14.87% of the 2011 (1998 refunding) bonded debt and 16.39% of the 2008 bonded debt. The total outstanding 2011 (1998 refunding) and 2008 bond principal amounts as of June 30, 2013 were \$18,865,000 and \$1,660,000 respectively. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. The average cost of a delivered kilowatt hour of power from the San Juan project was \$0.07191 for FY2013. Springville City expects to receive approximately 30.0 million kilowatt hours of energy over the course of an average year.

Blue Mountain Biogas PPA – This is a Renewable Power Purchase and Sale Agreement between the City of Springville and Blue Mountain Biogas, LLC, a special purpose subsidiary of Alpentel Energy Partners, LLC (Seller). The Seller has developed a nominal 3.2 MW biogas fueled renewable energy project in Beaver County, Utah (Project). The City is purchasing all of the unit contingent capacity and electric energy that can be delivered from the Project. The Seller retains all of the Green attributes associated with the Project. The City began receiving capacity and energy from the Project in November 2012. From that effective date the City is obligated to buy the seller’s output for 12 term years. The City accepted a fixed price for the first term year with an escalation of 1% on the first day of the remaining 11 term years.

South Utah Valley Municipal Water Association Land Purchase

The City is a member of the South Utah Valley Municipal Water Association (SUVMWA). The group works together to address water and sewer issues that impact cities in southern Utah County. In anticipation of ultimately have a central sewer treatment plant that could service all cities from

NOTE 14 – (CONTINUED)

Springville to Payson, SUVMWA purchased approximately 240 acres southwest of Springville near Utah Lake. \$5,000,000 in taxable lease revenue bonds was issued in 2008 to fund the land purchase. Springville is obligated for 21.43 percent of the bond debt service over the ten year life of the bonds.

NOTE 15 – RELATED PARTY TRANSACTIONS

The City uses Central Bank for the majority of their banking needs. A City Council member is a Senior Executive Vice President with Central Bank. The City's Mayor is the President and CEO of Clyde Companies, Inc., the parent company of W.W. Clyde & Co., Geneva Rock Products, Sunroc, Gorge Rock and Beehive Insurance. Clyde Companies, Inc. and its subsidiaries are periodically awarded bids to act as a City contractor and/or subcontractor to the City's contractor, and regularly provides materials for contractors and subcontractors in Springville. W.W. Clyde & Co. and Sunroc have places of business in Springville that are often used to purchase supplies for the City.

NOTE 16 – OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>Out</u>	<u>In</u>
Governmental Funds		
General Fund	\$ 2,645,911	\$ 1,624,881
Special Revenue Fund	350,000	355,000
Debt Service Fund	-	1,374,697
Municipal Building Authority Fund	-	451,095
Capital Projects Fund	-	1,342,949
Special Services Fund	631,906	-
Permanent Fund	-	70,076
Business-Type Funds		
Water	173,960	-
Sewer	169,486	-
Electrical	1,141,634	-
Storm Water	42,928	-
Solid Waste	62,873	-
	<u>\$ 5,218,698</u>	<u>\$ 5,218,698</u>

Operating transfers are interfund transactions that are not loans, reimbursements, quasi-external transactions or transfers of residual equity. Many of the operating transfers reflect the movement of funds from the fund established to account for the proceeds of certain revenues to an operating fund where the proceeds are actually expended. For example, a portion of General Fund revenues are transferred to the Debt Service Fund to make certain debt service payments. Other operating transfers reflect ongoing operating subsidies between funds. For example, a percentage of operating revenues from each of the City's utility enterprise funds is transferred to the General Fund. In the event of operating transfers from the enterprise funds, the transfers were proposed as part of the tentative budget, notice was provided to utility customers in their utility bill and a public hearing was held as required by Utah State Code.

NOTE 17 – SPRINGVILLE REDEVELOPMENT AGENCY

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

1.	The tax increment collected by the agency	\$ -
2.	The amount of tax increment paid to Springville City	\$ -
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ -
4.	The actual amount expended for:	
	Acquisition of property	\$ -
	Site Improvements	-
	Installation of public utilities and roads	-
	Administration costs	<u>-</u>
	TOTAL EXPENDED	\$ <u>-</u>

NOTE 18 – RISK MANAGEMENT

In FY 2013, the City ended its membership in the Utah Risk Management Mutual Association (URMMA) and joined the Utah Local Governments Trust (Trust). Founded in 1974, the Utah Local Governments Trust is licensed in Utah as a public agency insurance mutual. Trust policies are designed specifically for government agencies, including cities, towns, counties, special service districts, and school districts.

Utah Local Governments Trust is reinsured through Munich America RE & Clarendon, two national insurance companies with members from municipal leagues across the US.

The Trust provides low-cost liability and property coverage for local governments, claims adjustment services, loss prevention and safety training to its members.

NOTE 19 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 1, 2013, the date the financial statements were available to be issued.

NOTE 20 – ADOPTION OF NEW ACCOUNTING PRINCIPLES

Implementation of GASB Statements No. 63 and No. 65 – In fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide financial reporting guidelines to standardize the presentation of deferred outflows of resources and deferred inflow of resources and their effects on a government's net position, and the establishment of accounting and financial reporting standards that reclassify, as deferred inflows and outflows of resources, items that were previously reported as assets and liabilities. In addition, there are numerous terminology changes throughout the financial section of this report.

NOTE 20 – (CONTINUED)

Adoption of these accounting principles resulted in a prior period adjustment of \$270,571 in the government-wide financial statements in order to expense the remaining unamortized balances of bond issue costs. Additionally, a prior period adjustment of \$1,699,993 was recorded in the special improvement district, special revenue fund to reflect the proper balance of outstanding debt and unearned revenues. The total of these two prior period adjustments, \$1,970,564, is shown on the Statement of Activities.

SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2013

	Special Revenue	Capital Projects			Debt Service			Total Nonmajor Governmental Funds
	Redevelopment Agency	Community Theater	Capital Projects	Special Services	Debt Service	Municipal Building Authority	Permanent Fund	
ASSETS								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,737	\$ 4,737
Interest Receivable	-	-	-	-	-	-	282	282
Due from Other Fund	1,865	18,484	-	216,751	148,970	2,996	379,726	768,792
Restricted Cash	-	-	7,245,466	1,471,634	-	-	577,894	9,294,994
TOTAL ASSETS	\$ 1,865	\$ 18,484	\$ 7,245,466	\$ 1,688,385	\$ 148,970	\$ 2,996	\$ 962,639	\$ 10,068,805
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ 242,720	\$ -	\$ 150	\$ -	\$ -	\$ 242,870
Due to General Fund	-	-	-	199,117	-	-	-	199,117
Due to Other Fund	-	-	4,552,940	-	-	-	-	4,552,940
Unearned Revenue	-	-	125,000	-	-	-	-	125,000
TOTAL LIABILITIES	-	-	4,920,660	199,117	150	-	-	5,119,927
FUND BALANCE								
Nonspendable Endowments	-	-	-	-	-	-	910,976	910,976
Restricted for								
Impact Fees	-	-	-	1,489,268	-	-	-	1,489,268
Debt Service	-	-	-	-	11,161	2,996	-	14,157
Build America Bonds Subsidy	-	-	-	-	137,659	-	-	137,659
Assigned for								
Community Improvements	1,865	18,484	2,324,806	-	-	-	51,663	2,396,818
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND EQUITY	1,865	18,484	2,324,806	1,489,268	148,820	2,996	962,639	4,948,878
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,865	\$ 18,484	\$ 7,245,466	\$ 1,688,385	\$ 148,970	\$ 2,996	\$ 962,639	\$ 10,068,805

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special	Capital Projects			Debt Service			Total Nonmajor Governmental Funds
	Revenue	Redevelop- ment Agency	Community Theater	Capital Projects	Special Services	Debt Service	Municipal Building Authority	
REVENUES								
Charges for Services	\$ -	\$ 7,078	\$ 128,508	\$ -	\$ -	\$ -	\$ 71,226	\$ 206,812
Interest	-	-	47,991	9,702	-	-	1,502	59,195
TOTAL REVENUES	-	7,078	176,499	9,702	-	-	72,728	266,007
EXPENDITURES								
General Government	-	-	4,252	-	-	-	3,000	7,252
Streets	-	-	-	329,044	-	-	-	329,044
Community Services	-	2,154	-	-	-	-	-	2,154
Debt Service	-	-	-	-	780,000	210,000	-	990,000
Principal	-	-	-	-	594,698	241,095	-	835,793
Interest and Finance Charges	-	-	-	-	-	-	-	-
Capital Outlay	-	-	1,971,147	-	-	-	-	1,971,147
TOTAL EXPENDITURES	-	2,154	1,975,399	329,044	1,374,698	451,095	3,000	4,135,390
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	4,924	(1,798,900)	(319,342)	(1,374,698)	(451,095)	69,728	(3,869,383)
OTHER FINANCING SOURCES								
Impact Fees	-	-	-	977,724	-	-	-	977,724
Transfers From Other Funds	-	-	1,342,949	-	1,374,698	451,095	70,076	3,238,818
Transfers to Other Funds	-	-	-	(631,906)	-	-	-	(631,906)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	4,924	(455,951)	26,476	-	-	139,804	(284,747)
BEGINNING FUND BALANCE	1,865	13,560	2,780,757	1,462,792	148,820	2,996	822,835	5,233,625
ENDING FUND BALANCE	\$ 1,865	\$ 18,484	\$ 2,324,806	\$ 1,489,268	\$ 148,820	\$ 2,996	\$ 962,639	\$ 4,948,878

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2013

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 474,366	\$ -	\$ 474,366
Accounts Receivable, Net of Allowance for Uncollectibles	92,831	139,085	-	231,916
Due from Other Fund	981,177	633,963	134,416	1,749,556
TOTAL CURRENT ASSETS	1,074,008	1,247,414	134,416	2,455,838
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	503,241	-	-	503,241
Capital Assets				
Land	-	487,433	341,520	828,953
Construction in Progress	-	-	48,285	48,285
Buildings and Structures	-	432,288	1,500,648	1,932,936
Improvements	3,023,861	-	-	3,023,861
Machinery, Equipment and Vehicles	205,497	444,689	430,794	1,080,980
Less Accumulated Depreciation	(428,099)	(661,650)	(1,729,205)	(2,818,954)
Other Assets				
Investment In Joint Venture	-	1,743,247	-	1,743,247
TOTAL NONCURRENT ASSETS	3,304,500	2,446,007	592,042	6,342,549
TOTAL ASSETS	4,378,508	3,693,421	726,458	8,798,387
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	141,488	41,680	13,170	196,338
Compensated Absences	8,155	21,702	102,847	132,704
Current Portion of Long-Term Debt	-	-	135,000	135,000
TOTAL CURRENT LIABILITIES	149,643	63,382	251,017	464,042
TOTAL LIABILITIES	149,643	63,382	251,017	464,042
NET POSITION				
Net Investment in Capital Assets	2,801,259	2,446,007	457,042	5,704,308
Restricted				
Community Improvements	873,722	-	-	873,722
Designated for Construction	-	-	77,998	77,998
Unrestricted	553,884	1,184,032	(59,599)	1,678,317
TOTAL NET POSITION	\$ 4,228,865	\$ 3,630,039	\$ 475,441	\$ 8,334,345

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 877,582	\$ 1,273,655	\$ 817,003	\$ 2,968,240
Miscellaneous	-	2,953	529	3,482
TOTAL OPERATING REVENUES	877,582	1,276,608	817,532	2,971,722
<u>OPERATING EXPENSES</u>				
Salaries and Benefits	116,038	224,663	516,158	856,859
Operations	466,196	974,982	273,481	1,714,659
Depreciation	83,953	18,545	30,072	132,570
TOTAL OPERATING EXPENSES	666,187	1,218,190	819,711	2,704,088
OPERATING INCOME (LOSS)	211,395	58,418	(2,179)	267,634
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Impact Fees	525,918	-	-	525,918
Interest Income	3,291	3,103	-	6,394
Change in Joint Venture Equity	-	(101,771)	-	(101,771)
TOTAL NON-OPERATING REVENUES	529,209	(98,668)	-	430,541
INCOME (LOSS) BEFORE CONTRIBUTIONS				
AND TRANSFERS	740,604	(40,250)	(2,179)	698,175
Developer Contributions	24,964	-	-	24,964
Transfers to Other Funds	(42,928)	(62,873)	-	(105,801)
CHANGE IN NET POSITION	722,640	(103,123)	(2,179)	617,338
TOTAL NET POSITION AT BEGINNING				
OF YEAR	\$ 3,506,225	\$ 3,733,162	\$ 477,620	7,717,007
TOTAL NET POSITION AT END OF YEAR	\$ 4,228,865	\$ 3,630,039	\$ 475,441	\$ 8,334,345

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers	\$ 878,240	\$ 1,266,534	\$ 817,532	\$ 2,962,306
Payments to Suppliers	(380,898)	(971,128)	(294,183)	(1,646,209)
Payments to Employees	(116,467)	(225,243)	(510,279)	(851,989)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>380,875</u>	<u>70,163</u>	<u>13,070</u>	<u>464,108</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Due from Other Funds	(323,772)	148,437	43,215	(132,120)
Transfers to Other Funds	(42,928)	(62,873)	-	(105,801)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(366,700)</u>	<u>85,564</u>	<u>43,215</u>	<u>(237,921)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Impact Fees	525,918	-	-	525,918
Acquisition of Capital Assets	(540,093)	(155,762)	(56,285)	(752,140)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,175)</u>	<u>(155,762)</u>	<u>(56,285)</u>	<u>(226,222)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	3,291	3,103	-	6,394
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>3,291</u>	<u>3,103</u>	<u>-</u>	<u>6,394</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,291	3,068	-	6,359
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>\$ 499,950</u>	<u>\$ 471,298</u>	<u>\$ -</u>	<u>\$ 971,248</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 503,241</u>	<u>\$ 474,366</u>	<u>\$ -</u>	<u>\$ 977,607</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING</u>				
<u>INCOME TO NET CASH FLOWS</u>				
<u>FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 211,395	\$ 58,418	\$ (2,179)	\$ 267,634
Adjustments				
Depreciation	83,953	18,545	30,072	132,570
Changes in Assets and Liabilities				
Accounts Receivable, Net	658	(10,074)	-	(9,416)
Accounts Payable	85,298	3,854	(20,702)	68,450
Compensated Absences	(429)	(580)	5,879	4,870
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 380,875</u>	<u>\$ 70,163</u>	<u>\$ 13,070</u>	<u>\$ 464,108</u>
Noncash Financing and Investing Transaction				
Change in Investment in Joint Venture	\$ -	\$ (101,771)	\$ -	\$ (101,771)
Developer Contributions of Fixed Assets	\$ 24,964	\$ -	\$ -	\$ 24,964

STATE LEGAL COMPLIANCE REPORT

GREG OGDEN, CPA
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(801) 489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

December 4, 2013

The Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

REPORT ON COMPLIANCE

I have audited Springville City, Utah's (City) compliance with general and major state compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

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

Cash Management	Government Records Access
Budgetary Compliance	Management Act
Fund Balance	Conflicts of Interest
Justice Court	Nepotism
Impact Fees	Utah Public Finance Website
Utah State Retirement Systems	Open and Public Meetings Act
Transfers from Utility Enterprise Funds	

The City received the following major assistance program from the State of Utah:

Class C Road Funds (Department of Transportation)

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit 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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In my opinion, Springville City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major State assistance programs for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Compliance Audit Guide* and which are described in my management letter dated December 1, 2013 as items 2013-1 and 2013-2 under the heading, State Compliance Findings.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing my audit, I considered the City's internal control over compliance to determine the auditing procedures for the purpose expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

City's Response to Findings

The City's response to the findings identified in my audit is described in the accompanying letter to management. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of 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

City's internal control 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.

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is written in a cursive style with a large, stylized "G" and "O".

Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**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**

December 4, 2013

Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

I 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 and each major fund, and the aggregate remaining fund information of Springville City, Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the schedule of findings and questioned costs in the management letter that I consider to be a significant deficiency. It is listed under the heading of Internal Control Deficiency as finding #2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville, Utah's financial statements are free of material misstatements, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Springville, Utah's Response to Findings

Springville City, Utah's response to the findings identified in my audit is described in the accompanying management letter. I did not audit Springville City, Utah's response and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.


Greg Ogden
Certified Public Accountant