

**SPRINGVILLE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2015**

SPRINGVILLE CITY
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
Springville City, Utah

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, 2014, 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 audit 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, 2015, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, and budgetary comparison information and pension information on pages 57-61 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 4, 2015, 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

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.

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is written in a cursive style.

Greg Ogden,
Certified Public Accountant
December 4, 2015

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, 2015. 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 \$10,344,164 to \$177,452,321. The governmental net position increased by \$2,520,436 and the business-type net position increased by \$7,823,728.
- The total net position of \$177,452,321 is made up of \$145,230,485 in capital assets net of depreciation and related outstanding debt and \$32,221,836 in other net position.
- Total long-term liabilities of the City increased by \$2,670,907.
- The General Fund (the primary operating fund) had its fund equity increase by \$658,338 to \$5,252,146. The increase was the primarily the result of 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Debt Service 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 \$177,452,321.

The largest portion of Springville City's net position (\$145,230,485) 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)

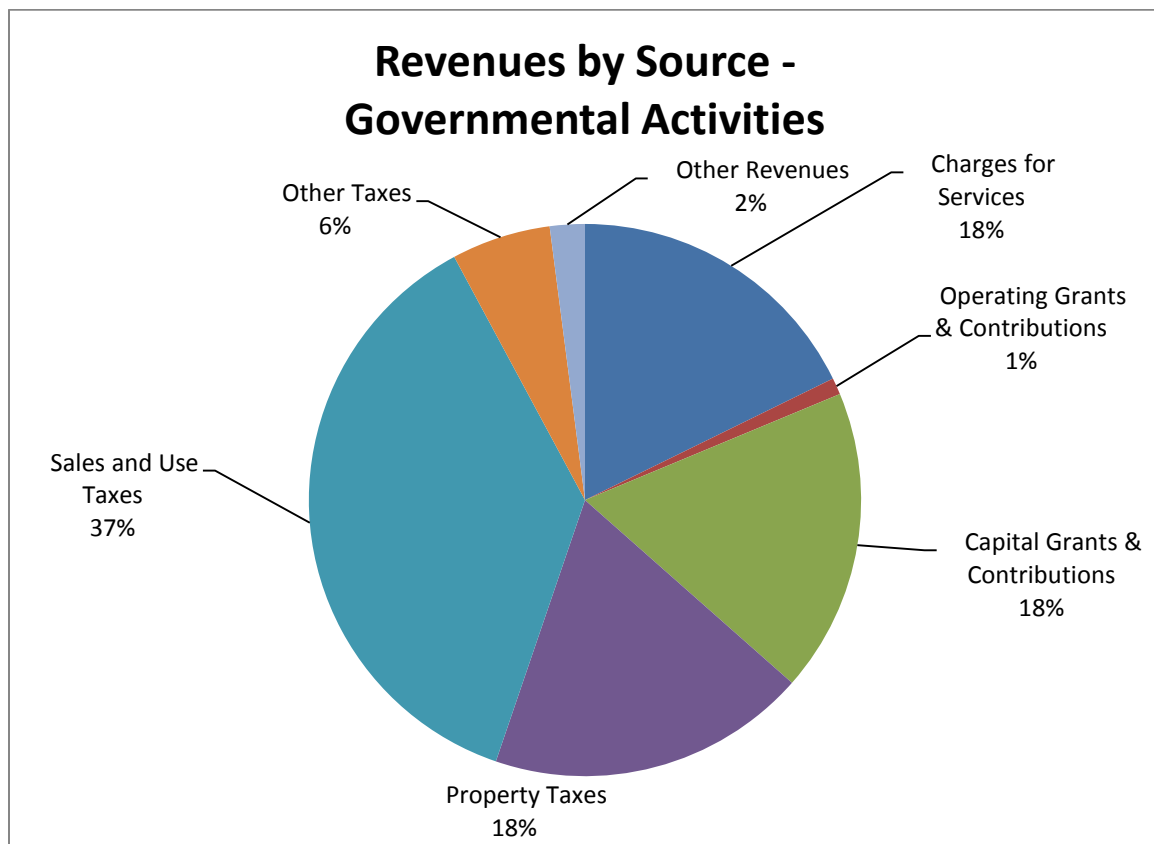
	Governmental Activities		Business-type Activities	
	2014-2015	2013-2014	2014-2015	2013-2014
Current and Other Assets	15,888	9,925	28,180	22,858
Capital Assets	90,218	94,355	88,708	84,670
Total Assets	106,106	104,280	116,888	107,528
Deferred Outflows of Resources	764	0	361	0
Total Assets and Deferred Outflows of Resources	106,870	104,280	117,249	107,528
Long-term Debt Outstanding	20,383	18,498	14,419	13,633
Other Liabilities	2,849	3,140	5,153	1,606
Total Liabilities	23,232	21,638	19,572	15,239
Deferred Inflow of Resources	3,603	3,051	260	-
Total Liabilities and Deferred Inflow of Resources	26,835	24,689	19,832	15,239
Net Position:				
Net Investment in Capital				
Assets	68,760	69,801	76,470	69,843
Restricted	3,000	4,118	1,685	2,268
Unrestricted	8,275	5,672	19,262	20,177
Total Net Position	80,035	79,591	97,417	92,288

CHANGES IN NET POSITION (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2014-2015</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014</u>
Revenues				
Program Revenues:				
Charges for Services	3,105	4,747	35,641	35,277
Operating Grants and Contributions	171	151		
Capital Grants and Contributions	3,112	2,874	6,531	4,707
General Revenues:				
Property Taxes	3,275	3,185		
Sales and Use Taxes	6,458	6,338		
Change in Joint Venture	286	1,024	(241)	(4)
Other Taxes	1,016	1,046		
Other Revenues	358	347	32	33
Total Revenues	<u>17,781</u>	<u>19,712</u>	<u>41,963</u>	<u>40,013</u>
Expenses				
General Government	3,331	4,452		
Public Safety	5,166	5,129		
Streets	2,737	2,299		
Community Development	877	1,390		
Community Services	4,394	4,451		
Cemetery	204	255		
Interest on Long-Term Debt	740	812		
Electric			22,927	22,163
Water			3,037	3,178
Wastewater Collection & Treatment			2,984	2,694
Storm Water			812	798
Solid Waste Collections			1,328	1,162
Golf Course & Restaurant			864	823
Total Expenses	<u>17,449</u>	<u>18,788</u>	<u>31,952</u>	<u>30,818</u>
Increase in Net Position Before Transfers	332	924	10,011	9,195
Transfers	2,188	1,645	(2,188)	(1,645)
Change in Net Position	<u>2,520</u>	<u>2,570</u>	<u>7,823</u>	<u>7,550</u>
Net Position Beginning	79,592	77,023	92,289	84,838
Prior Period Adjustment	(2,077)		(2,695)	(99)
Net Position Ending	<u>80,035</u>	<u>79,592</u>	<u>97,417</u>	<u>92,289</u>

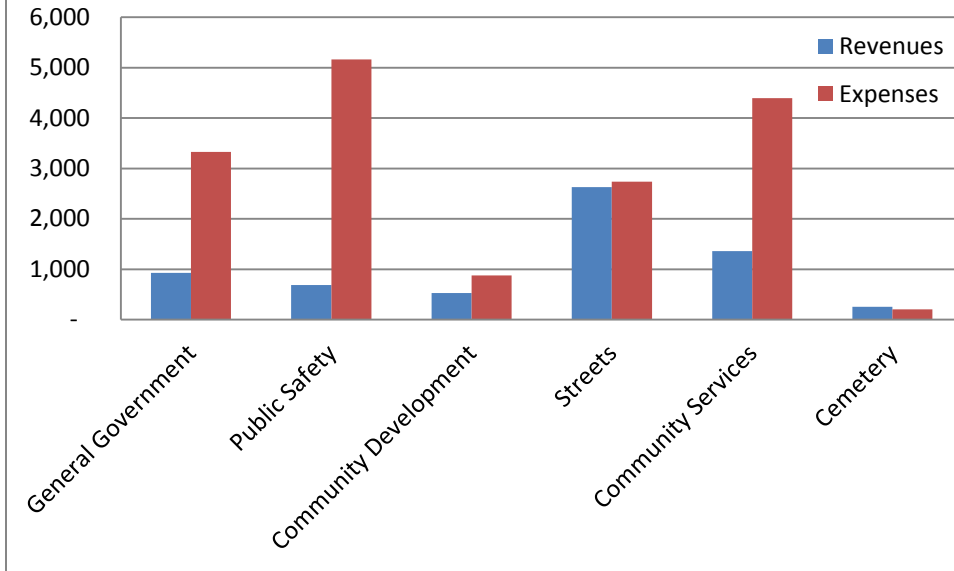
In the Governmental Funds, Charges for Services were down compared to last year primarily as a result of an accounting change required by the State Auditor. In prior years, administrative services provided by the General Fund departments to the Enterprise Funds were accounted for with a charge to the Enterprise Funds that was recognized as revenue in the General Fund. Following the implementation of the accounting guidance provided by the State Auditor, those services are recognized as a reduction in expense in the General Fund rather than as revenue. Revenues from Property Taxes were up slightly reflecting moderate growth through the last tax year. Sales tax revenues were up slightly in 2015 as a reflection of the continued recovery in the economy. The General Government expenditures were down compared to last year for the reason explained above regarding the handling of accounting for administrative services to the Enterprise Funds. In the business-type funds, revenue increases are primarily a reflection of modest system growth including new development. Expenses reflect inflationary increases and modest system growth.

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).



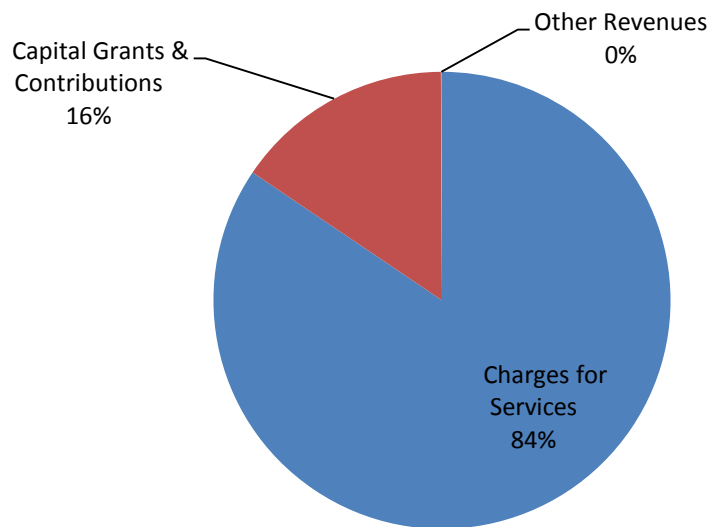
Program Revenues and Expenses - Governmental Activities

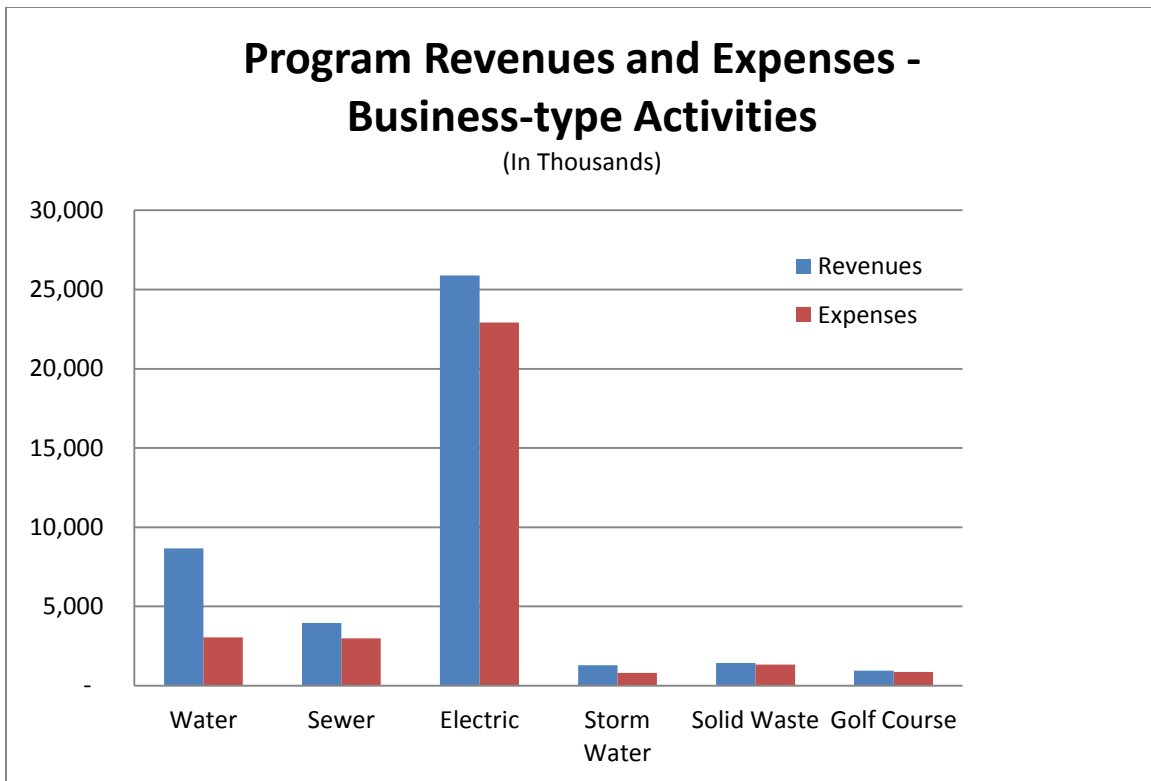
(In Thousands)



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 84% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of grants or 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, 2015, the City's governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$9,988,665. This represents a decrease of \$795,770 from last year's ending balances. The primary reason for the decrease was the utilization of fund balance in the Special Revenue Fund for construction of the Wayne Bartholomew Family Park.

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 60 percent of total tax revenues which is unchanged compared to last year's percentage. 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 budget was amended from an original budget expenditure total of \$16,989,018 to a final budget of \$17,133,518. The budget increase represented minor adjustments of unanticipated expenditures related to grants received from various sources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$174,075,484 (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 increased by \$9,878,608. Governmental activities' capital assets increased by \$2,355,945 while the business-type activities' capital assets increased by \$7,522,663.

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

- Road Improvements and Reconstruction - \$1,135,335
- Vehicle Acquisition and Replacement - \$795,892
- North Main St. Water Line - \$80,779
- Pressurized Irrigation System Phase II - \$3,253,191
- 900 South Sewer Replacement - \$796,127
- 46kV Line Expansion - \$1,226,207
- Transmission and Distribution Circuit Upgrades - \$230,736
- Industrial Park Underground Upgrade - \$278,808

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

	Governmental Activities		Business-type Activities	
	<u>2014-2015</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014</u>
Land	21,580	20,844	1,598	1,598
Water Shares			1,200	1,200
Buildings	36,741	36,742	5,436	5,423
System Improvements	70,710	68,280	134,417	128,035
Machinery & Equipment	10,393	9,959	2,871	2,963
Construction in Progress	1,895	141	7,022	2,743
Less Accumulated Depreciation	(55,952)	(52,955)	(63,836)	(60,776)
Total	<u>85,367</u>	<u>83,011</u>	<u>88,708</u>	<u>81,186</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, 2015, the City had total long-term bonded debt balances of \$28,720,000. Of the total, \$457,000 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment and \$12,113,000 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 \$5,290,000, a sales tax revenue bond of \$2,885,000 and a general obligation bond of \$7,975,000. The City also has notes payable totaling \$125,000; accrued compensated absences of \$1,284,061 and net pension liabilities of \$4,672,579 outstanding at June 30, 2015.

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

	Governmental Activities		Business-type Activities	
	<u>2014-2015</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014</u>
General Obligation Bonds	7,975	8,360		
Revenue Bonds			12,113	12,946
MBA Bonds	5,290	5,520		
Special Assessment Bonds	457	696		
Sales Tax Revenue Bonds	2,885	3,200		
Notes Payable			125	135
Net Pension Liability	3,036		1,636	
Compensated Absences	740	722	544	552
Total	<u>20,383</u>	<u>18,498</u>	<u>14,418</u>	<u>13,633</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 \$58,670,000. The City currently has \$7,975,000 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 \$117,340,000. The City has issued significantly fewer 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, 2015 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 3.6 percent compared to a state unemployment rate of 3.5 percent and a national rate of 5.3 percent. (Source: U.S. Bureau of Labor Statistics)
- While expenditures in the General Fund for FY 2014-2015 reflect a decrease of approximately eight percent compared to actual General Fund expenditures for FY 2013-2014, this is primarily due to the implementation of the State Auditor's guidance regarding accounting for administrative charges to the enterprise funds explained in an earlier section of this management discussion. Adjusting for these accounting procedures reveals an increase of expenditures in the General Fund over the prior year of approximately four percent, which reflects primarily inflationary increases and across all departments of the General Fund. Actual expenditures for FY 2014-2015 are approximately three percent less than budgeted General Fund expenditures for FY 2015-2016.

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, 2015

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 18,252,914	\$ 4,497,364	\$ 22,750,278
Accounts Receivable, Net of Allowance for Uncollectibles	5,371,027	4,361,029	9,732,056
Prepaid Expenses	109,270	-	109,270
Inventory	5,424	632,801	638,225
Internal Balances	(15,565,490)	15,565,490	-
TOTAL CURRENT ASSETS	8,173,145	25,056,684	33,229,829
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	7,686,608	1,610,863	9,297,471
Capital Assets			
Non Depreciable	23,475,231	9,819,483	33,294,714
Depreciable Assets (net of Depreciation)	61,892,038	78,888,733	140,780,771
Net Pension Asset	27,546	14,845	42,391
Other Assets			
Investment in Joint Ventures	4,851,007	1,497,608	6,348,615
TOTAL NONCURRENT ASSETS	97,932,430	91,831,532	189,763,962
TOTAL ASSETS	106,105,575	116,888,216	222,993,791
DEFERRED OUTFLOWS OF RESOURCES			
	764,068	361,303	1,125,371
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	106,869,643	117,249,519	224,119,162
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	2,328,863	5,088,356	7,417,219
Contingent Liabilities	50,000	-	50,000
Unearned Revenues	469,644	65,272	534,916
TOTAL CURRENT LIABILITIES	2,848,507	5,153,628	8,002,135
NONCURRENT LIABILITIES			
Due Within One Year	1,573,523	1,431,512	3,005,035
Due in more than One Year	18,809,518	12,987,087	31,796,605
TOTAL NONCURRENT LIABILITIES	20,383,041	14,418,599	34,801,640
TOTAL LIABILITIES	23,231,548	19,572,227	42,803,775
DEFERRED INFLOW OF RESOURCES			
	3,603,370	259,696	3,863,066
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	26,834,918	19,831,923	46,666,841
<u>NET POSITION</u>			
Net Investment in Capital Assets Restricted for	68,760,269	76,470,216	145,230,485
Community Improvements	2,722,099	1,109,252	3,831,351
Debt Service	278,074	576,058	854,132
Unrestricted	8,274,283	19,262,070	27,536,353
TOTAL NET POSITION	\$ 80,034,725	\$ 97,417,596	\$ 177,452,321

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 3,330,949	\$ 924,885	\$ -	\$ -
Public Safety	5,166,426	495,727	138,131	52,903
Community Development	876,992	528,582	-	-
Streets	2,736,814	208,205	-	2,425,198
Community Services	4,394,005	693,242	33,073	634,296
Cemetery	203,667	254,005	-	-
Interest on Long-Term Debt	740,411	-	-	-
Total Governmental Activities	17,449,264	3,104,646	171,204	3,112,397
Business-type Activities				
Water	3,037,237	3,443,083	-	5,221,474
Sewer	2,983,859	3,506,513	-	447,337
Electric	22,926,623	25,379,754	-	516,884
Storm Water	811,802	948,642	-	345,271
Solid Waste	1,327,825	1,427,579	-	-
Golf/Restaurant	864,292	935,807	-	-
Total Business-type Activities	31,951,638	35,641,378	-	6,530,966
TOTAL PRIMARY GOVERNMENT	\$ 49,400,902	\$ 38,746,024	\$ 171,204	\$ 9,643,363

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 Adjustment
 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
\$ (2,406,064)	-	\$ (2,406,064)
(4,479,665)	-	(4,479,665)
(348,410)	-	(348,410)
(103,411)	-	(103,411)
(3,033,394)	-	(3,033,394)
50,338	-	50,338
(740,411)	-	(740,411)
<u>(11,061,017)</u>	<u>-</u>	<u>(11,061,017)</u>
-	5,627,320	5,627,320
-	969,991	969,991
-	2,970,015	2,970,015
-	482,111	482,111
-	99,754	99,754
-	71,515	71,515
<u>-</u>	<u>10,220,706</u>	<u>10,220,706</u>
<u>(11,061,017)</u>	<u>10,220,706</u>	<u>(840,311)</u>
3,275,263	-	3,275,263
268,713	-	268,713
6,458,003	-	6,458,003
748,540	-	748,540
141,681	31,648	173,329
216,304	-	216,304
285,494	(241,171)	44,323
<u>2,187,455</u>	<u>(2,187,455)</u>	<u>-</u>
<u>13,581,453</u>	<u>(2,396,978)</u>	<u>11,184,475</u>
2,520,436	7,823,728	10,344,164
79,591,592	92,288,581	171,880,173
<u>(2,077,303)</u>	<u>(2,694,713)</u>	<u>(4,772,016)</u>
<u>\$ 80,034,725</u>	<u>\$ 97,417,596</u>	<u>\$ 177,452,321</u>

SPRINGVILLE CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental-type Activities			Total Governmental Funds
	General	Debt Service	Nonmajor Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 15,325,460	\$ -	\$ 4,949	\$ 15,330,409
Accounts Receivable	189,660	-	-	189,660
Property Taxes Receivable	3,185,337	-	-	3,185,337
Special Assessments Receivable	-	-	453,751	453,751
Other Receivables	1,542,279	-	-	1,542,279
Due from Special Services Fund	63,366	-	-	63,366
Due from Other Fund	-	151,319	860,425	1,011,744
Prepaid Expenses	109,270	-	-	109,270
Inventory	5,424	-	-	5,424
Restricted Cash	861,271	-	8,948,048	9,809,319
Investment in Joint Venture	119,962	-	-	119,962
TOTAL ASSETS	\$ 21,402,029	\$ 151,319	\$ 10,267,173	\$ 31,820,521
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 1,282,811	\$ 150	\$ 183,341	\$ 1,466,302
Due to General Fund	-	-	63,366	63,366
Due to Other Fund	10,959,277	-	4,971,049	15,930,326
Development and Other Bonds	730,716	-	-	730,716
Contingent Liabilities	50,000	-	-	50,000
Unearned Revenue	5,577	-	464,067	469,644
TOTAL LIABILITIES	13,028,381	150	5,681,823	18,710,354
DEFERRED INFLOW OF RESOURCES	3,121,502	-	-	3,121,502
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	16,149,883	150	5,681,823	21,831,856
FUND BALANCE				
Nonspendable				
Prepaid Expenses	109,270	-	-	109,270
Inventory	5,424	-	-	5,424
Endowments	-	-	1,050,612	1,050,612
Restricted for				
Impact Fees	-	-	1,860,828	1,860,828
Class C Roads	861,271	-	-	861,271
Joint Venture	119,962	-	-	119,962
Debt Service	-	13,510	126,905	140,415
Build America Bonds Subsidy	-	137,659	-	137,659
Assigned for				
Community Improvements	-	-	1,547,005	1,547,005
Unassigned	4,156,219	-	-	4,156,219
TOTAL FUND EQUITY	5,252,146	151,169	4,585,350	9,988,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	\$ 21,402,029	\$ 151,319	\$ 10,267,173	\$ 31,820,521

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, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 9,988,665
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Long-term receivables are not recognized as revenues in the current period and therefore, are not reported in the funds.	
Net Pension Asset	27,546
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	86,969,249
Deferred outflows of resources related to pensions and bond refundings represent a consumption of net position that applies to future periods and therefore, are not reported in the funds.	764,068
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.	3,262,012
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(20,494,944)
Deferred inflows of resources related to pensions represent a source of resources that applies to future periods and therefore, are not reported in the funds.	(481,868)
Rounding	<u>(3)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 80,034,725</u>

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, 2015

	Governmental-type Activities			Total Governmental Funds
	General	Debt Service	Nonmajor Governmental Funds	
REVENUES				
Taxes	\$ 10,642,193	\$ -	\$ 108,326	\$ 10,750,519
Licenses and Permits	622,708	-	-	622,708
Intergovernmental	1,181,874	-	-	1,181,874
Charges for Services	1,678,769	-	342,270	2,021,039
Fines and Forfeitures	460,896	-	-	460,896
Interest	68,743	-	68,862	137,605
Miscellaneous	117,931	-	5,328	123,259
TOTAL REVENUES	14,773,114	-	524,786	15,297,900
EXPENDITURES				
General Government	3,081,207	-	4,786	3,085,993
Public Safety	5,123,092	-	-	5,123,092
Community Development	945,419	-	-	945,419
Streets	1,058,384	-	450,803	1,509,187
Community Services	3,701,453	-	7,500	3,708,953
Cemetery	180,544	-	-	180,544
Debt Service				
Principal	-	3,585,000	469,000	4,054,000
Interest and Finance Charges	-	588,446	257,604	846,050
Capital Outlay	-	-	2,680,644	2,680,644
TOTAL EXPENDITURES	14,090,099	4,173,446	3,870,337	22,133,882
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	683,015	(4,173,446)	(3,345,551)	(6,835,982)
OTHER FINANCING SOURCES (USES)				
Impact Fees	-	-	950,040	950,040
Proceeds from Bonds	-	2,885,000	-	2,885,000
Change in Joint Venture Equity	17,717	-	-	17,717
Transfers from Other Funds	2,287,455	1,288,446	1,543,618	5,119,519
Transfers to Other Funds	(2,329,849)	-	(602,215)	(2,932,064)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	658,338	-	(1,454,108)	(795,770)
BEGINNING FUND BALANCE	4,593,808	151,169	6,039,458	10,784,435
ENDING FUND BALANCE	\$ 5,252,146	\$ 151,169	\$ 4,585,350	\$ 9,988,665

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, 2015

**EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES
OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ (795,770)**

*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. 1,161,686

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. 1,262,667

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. 267,777

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. 204,806

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. 419,274

Rounding (4)

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS **\$ 2,520,436**

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 74,385	\$ 112,284	\$ 3,831,292	\$ 479,403	4,497,364	\$ 799,794
Accounts Receivable, Net of Allowance for Uncollectibles	2,196,476	338,763	1,588,634	237,156	4,361,029	-
Due from Other Fund	1,703,049	1,278,992	9,116,939	1,197,057	13,296,037	1,622,548
Inventory	-	-	632,801	-	632,801	-
TOTAL CURRENT ASSETS	3,973,910	1,730,039	15,169,666	1,913,616	22,787,231	2,422,342
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	99,030	479,429	-	1,032,404	1,610,863	-
Capital Assets						
Land	201,267	20,700	258,498	1,117,169	1,597,634	-
Construction in Progress	6,940,470	-	65,907	15,553	7,021,930	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	399,906	-	2,626,812	2,409,353	5,436,071	-
Improvements	34,057,041	35,886,689	61,081,181	3,392,144	134,417,055	-
Machinery, Equipment and Vehicles	415,041	830,339	840,455	785,405	2,871,240	6,039,557
Less Accumulated Depreciation	(11,020,382)	(13,459,848)	(36,553,313)	(2,802,090)	(63,835,633)	(2,910,492)
Net Pension Asset	2,352	1,920	8,504	2,069	14,845	-
Other Assets						
Investment in Joint Venture	-	-	-	1,497,608	1,497,608	-
TOTAL NONCURRENT ASSETS	32,294,644	23,759,229	28,328,044	7,449,615	91,831,532	3,129,065
TOTAL ASSETS	36,268,554	25,489,268	43,497,710	9,363,231	114,618,763	5,551,407
DEFERRED OUTFLOWS OF RESOURCES	57,259	46,736	206,960	50,348	361,303	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	36,325,813	25,536,004	43,704,670	9,413,579	114,980,066	5,551,407
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
CURRENT LIABILITIES						
Accounts Payable	2,515,901	39,556	1,789,423	91,690	4,436,570	19,942
Accrued Interest Payable	27,300	101,456	-	-	128,756	-
Due to Other Fund	-	-	-	-	-	-
Unearned Revenue	-	-	65,272	-	65,272	-
Customer Deposits	22,900	-	500,130	-	523,030	-
Compensated Absences	48,758	90,955	304,538	100,011	544,262	-
Current Portion of Long-Term Debt	152,000	704,000	-	31,250	887,250	-
TOTAL CURRENT LIABILITIES	2,766,859	935,967	2,659,363	222,951	6,585,140	19,942
NONCURRENT LIABILITIES						
Net Pension Liability	259,328	211,668	937,319	228,022	1,636,337	-
Bonds Payable	2,161,000	9,096,000	-	-	11,257,000	-
Notes Payable	-	-	-	93,750	93,750	-
TOTAL NONCURRENT LIABILITIES	2,420,328	9,307,668	937,319	321,772	12,987,087	-
TOTAL LIABILITIES	5,187,187	10,243,635	3,596,682	544,723	19,572,227	19,942
DEFERRED INFLOWS OF RESOURCES	41,157	33,593	148,758	36,188	259,696	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,228,344	10,277,228	3,745,440	580,911	19,831,923	19,942
NET POSITION						
Net Investment in Capital Assets	29,880,262	13,477,880	28,319,540	4,792,534	76,470,216	3,129,065
Restricted						
Community Improvements	-	-	-	1,109,252	1,109,252	-
Debt Service	96,629	479,429	-	-	576,058	-
Designated for Construction	-	-	-	77,998	77,998	-
Unrestricted	1,120,578	1,301,467	11,639,690	2,852,884	16,914,619	2,402,400
TOTAL NET POSITION	\$ 31,097,469	\$ 15,258,776	\$ 39,959,230	\$ 8,832,668	\$ 95,148,143	\$ 5,531,465

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, 2015

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 3,404,654	\$ 3,498,978	\$ 25,193,876	\$ 3,286,488	\$ 35,383,996	\$ 1,172,895
Connection Fees	25,435	-	74,300	-	99,735	-
Miscellaneous	12,994	7,535	111,578	25,540	157,647	-
TOTAL OPERATING REVENUES	3,443,083	3,506,513	25,379,754	3,312,028	35,641,378	1,172,895
OPERATING EXPENSES						
Salaries and Benefits	751,816	624,084	2,885,046	1,044,913	5,305,859	153,403
Operations	1,454,720	1,216,206	18,386,887	1,859,101	22,916,914	63,336
Depreciation	776,271	873,769	1,677,400	133,398	3,460,838	769,623
TOTAL OPERATING EXPENSES	2,982,807	2,714,059	22,949,333	3,037,412	31,683,611	986,362
OPERATING INCOME	460,276	792,454	2,430,421	274,616	3,957,767	186,533
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	4,826,756	-	-	-	4,826,756	-
Impact Fees	218,268	197,557	516,884	75,855	1,008,564	-
Interest Income	617	2,797	21,261	6,973	31,648	4,076
Change in Joint Venture Equity	-	-	-	(241,171)	(241,171)	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	93,045
Interest Expense	(63,793)	(283,082)	-	-	(346,875)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,981,848	(82,728)	538,145	(158,343)	5,278,922	97,121
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	5,442,124	709,726	2,968,566	116,273	9,236,689	283,654
Developer Contributions	176,450	249,780	-	269,416	695,646	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(236,191)	(228,950)	(1,594,375)	(127,939)	(2,187,455)	-
CHANGE IN NET POSITION	5,382,383	730,556	1,374,191	257,750	7,744,880	283,654
TOTAL NET POSITION AT BEGINNING OF YEAR	25,682,878	14,754,468	40,841,983	8,818,647	90,097,976	5,247,811
PRIOR PERIOD ADJUSTMENT	32,208	(226,248)	(2,256,944)	(243,729)	(2,694,713)	-
TOTAL NET POSITION AT END OF YEAR	\$ 31,097,469	\$ 15,258,776	\$ 39,959,230	\$ 8,832,668	95,148,143	\$ 5,531,465

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.

2,269,453

Change in Net Position of Business-type Activities

\$ 97,417,596

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 4,051,886	\$ 3,473,036	\$ 25,608,625	\$ 3,296,957	\$ 36,430,504	\$ 1,172,895
Payments to Suppliers	(1,634,847)	(1,230,077)	(18,317,024)	(1,933,558)	(23,115,506)	(50,653)
Payments to Employees	(788,983)	(646,502)	(3,002,311)	(1,104,818)	(5,542,614)	(153,403)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,628,056	1,596,457	4,289,290	258,581	7,772,384	968,839
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Due from Other Funds	(485,893)	300,246	(1,777,014)	357,676	(1,604,985)	(265,992)
Due to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(236,191)	(228,950)	(1,594,375)	(127,939)	(2,187,455)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(722,084)	71,296	(3,371,389)	229,737	(3,792,440)	(265,992)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	218,268	197,557	516,884	75,855	1,008,564	-
Central Utah Project Water Grant	3,000,000	-	-	-	3,000,000	-
Proceeds from Sale of Capital Assets	44,011	-	-	-	44,011	93,045
Acquisition of Capital Assets	(4,010,914)	(876,887)	(2,672,712)	(32,081)	(7,592,594)	(795,892)
Bond Payments	(148,000)	(685,000)	-	-	(833,000)	-
Note Payments	-	-	-	(10,000)	(10,000)	-
Interest Expense	(65,520)	(307,220)	-	-	(372,740)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(962,155)	(1,671,550)	(2,155,828)	33,774	(4,755,759)	(702,847)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	617	2,797	21,261	6,973	31,648	4,076
NET CASH FLOWS FROM INVESTING ACTIVITIES	617	2,797	21,261	6,973	31,648	4,076
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,566)	(1,000)	(1,216,666)	529,065	(744,167)	4,076
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	228,981	592,713	5,047,958	982,742	6,852,394	795,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 173,415	\$ 591,713	\$ 3,831,292	\$ 1,511,807	\$ 6,108,227	\$ 799,794

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities
						Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income	\$ 460,276	\$ 792,454	\$ 2,430,421	\$ 274,616	\$ 3,957,767	\$ 186,533
Adjustments						
Depreciation	776,271	873,769	1,677,400	133,398	3,460,838	769,623
Changes in Assets and Liabilities						
Accounts Receivable, Net	608,803	(33,477)	228,871	(15,071)	789,126	-
Net Pension Asset	(2,103)	(1,717)	(7,604)	(1,849)	(13,273)	-
Deferred Outflows	(9,019)	(7,362)	(32,602)	(7,932)	(56,915)	-
Inventory	-	-	(86,718)	-	(86,718)	-
Accounts Payable	(189,177)	(13,871)	128,416	(74,457)	(149,089)	12,683
Compensated Absences	(850)	7,225	14,006	(27,971)	(7,590)	-
Customer Deposits	9,050	-	28,165	-	37,215	-
Unearned Revenue	-	-	-	-	-	-
Net Pension Liability	(66,352)	(54,157)	(239,823)	(58,341)	(418,673)	-
Deferred Inflows	41,157	33,593	148,758	36,188	259,696	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,628,056	\$ 1,596,457	\$ 4,289,290	\$ 258,581	\$ 7,772,384	\$ 968,839

**Noncash Financing and Investing
Transaction**

Change in Investment in Joint Venture	\$ -	\$ -	\$ -	\$ (241,171)	\$ (241,171)	\$ -
Developer Contributions of Fixed Assets	\$ 176,450	\$ 249,780	\$ -	\$ 269,416	\$ 695,646	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 *debt service fund* is used to account for the activity of long-term debt issued and being repaid by the City.

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, 2015 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 Revenues – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Special Improvement District principal receivable in future years, a State fire grant allotment received in advance, and various amounts for projects to be completed in the future have been recognized as unearned revenues.

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 in excess of \$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.

Pensions

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

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."

NOTE 1 – (CONTINUED)

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.

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.

NOTE 1 – (CONTINUED)

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.

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:

JOINT VENTURE CAPITAL ASSETS	
Airport Improvements	\$ 4,731,045
SPRINGVILLE CITY CAPITAL ASSETS	
Land	21,580,629
Construction in Progress	1,894,602
Buildings and Structures	36,741,418
Improvements	70,710,110
Machinery, Equipment and Vehicles	4,353,150
Less Accumulated Depreciation	<u>(53,041,705)</u>
Net Capital Asset Difference	<u>\$ 86,969,249</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	\$ 799,794
Machinery, Equipment and Vehicles	6,039,557
Accumulated Depreciation	(2,910,492)
Accounts Payable	(19,942)
Due from Other Fund	1,622,548
Internal Balances	<u>(2,269,453)</u>
Net Difference	<u>\$ 3,262,012</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	\$ (111,903)
Revenue and General Obligation Bonds Payable	(15,401,000)
Current Portion of Long-Term Debt	(1,206,000)
Compensated Absences	(739,799)
Net Pension Liability	<u>(3,036,242)</u>
Total Long-Term Liability Difference	<u>\$ (20,494,944)</u>

NOTE 2 – (CONTINUED)

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:

Disposal of Capital Assets	\$ (2,083)
Developer Contributions	1,135,225
Capital Outlay	2,680,644
Depreciation Expense	<u>(2,652,100)</u>
Net Difference	<u>\$ 1,161,686</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:

Issuance of Refunding Bonds	\$ (2,885,000)
Bonds Refunded	2,800,000
Deferred Amount on Refunding	93,667
Principal Repayments	
Bonds	<u>1,254,000</u>
Net Difference	<u>\$ 1,262,667</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	\$ 4,076
Miscellaneous Revenue	93,045
Allocation of Internal Service Fund Charges	<u>107,685</u>
Net Allocation	<u>\$ 204,806</u>

NOTE 2 – (CONTINUED)

Other Revenue and Expense Differences

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

Change in Pension Benefits	\$ 425,220
Change in Compensated Absences	(17,918)
Change in Accrued Interest Payable	<u>11,972</u>
Net Difference	<u>\$ 419,274</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.

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.

NOTE 3 – (CONTINUED)

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.

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, 2015, none of the City's bank balances of \$5,003,869 was 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.

NOTE 4 – (CONTINUED)

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, 2015:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 25,987,284
U.S. Treasuries	<u>923,917</u>
Total Investments	<u>\$ 26,911,201</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.

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

Deposits	\$ 5,132,248
Investments	26,911,201
Cash on Hand	<u>4,300</u>
Total	<u>\$ 32,047,749</u>
Cash and Cash Equivalents	\$ 22,750,278
Restricted Cash and Cash Equivalents	<u>9,297,471</u>
Total	<u>\$ 32,047,749</u>

NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2015 are presented in the schedule below.

Property taxes are levied on January 1 of 2015, are due in November of 2015, and are budgeted for the 2015 fiscal year. Even though they are not intended to fund the 2015 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.

NOTE 5 – (CONTINUED)

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, 2015:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 573,955	\$ 2,617,773	\$ 3,191,728
Allowance for Uncollectibles	(384,295)	(83,500)	(467,795)
Grants Receivable	-	1,826,756	1,826,756
Property Taxes Receivable	3,185,337	-	3,185,337
Special Assessments Receivable	453,751	-	453,751
Other Receivables	<u>1,542,279</u>	<u>-</u>	<u>1,542,279</u>
Total	<u>\$ 5,371,027</u>	<u>\$ 4,361,029</u>	<u>\$ 9,732,056</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, 2015 of this interfund loan is reported in the financial statements at follows:

<u>General Fund</u>		
Due from Special Services Fund		<u>\$ 63,366</u>
<u>Special Services Fund</u>		
Due to General Fund		<u>\$ 63,366</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, 2015:

<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	\$ 20,844,165	\$ 736,464	\$ -	\$ 21,580,629
Construction in Progress	140,755	1,864,743	(110,896)	1,894,602
Capital Assets being Depreciated				
Buildings and Structures	36,741,418	-	-	36,741,418
Improvements	68,280,280	1,131,252	1,298,577	70,710,109
Machinery, Equipment and Vehicles	<u>9,959,445</u>	<u>879,303</u>	<u>(446,041)</u>	<u>10,392,707</u>
Total	135,966,063	4,611,762	741,640	141,319,465
Less Accumulated Depreciation	<u>(52,954,829)</u>	<u>(3,421,723)</u>	<u>424,356</u>	<u>(55,952,196)</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,011,234</u>	<u>\$ 1,190,039</u>	<u>\$ 1,165,996</u>	<u>\$ 85,367,269</u>

NOTE 6 – (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2015:

<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	\$ 1,597,634	\$ -	\$ -	\$ 1,597,634
Construction in Progress	2,743,035	6,353,086	(2,074,191)	7,021,930
Water Shares	1,199,919	-	-	1,199,919
Capital Assets being Depreciated				
Buildings and Structures	5,423,326	12,745	-	5,436,071
Improvements	128,034,592	4,352,285	2,030,178	134,417,055
Machinery, Equipment and Vehicles	<u>2,962,720</u>	<u>-</u>	<u>(91,480)</u>	<u>2,871,240</u>
Total	141,961,226	10,718,116	(135,493)	152,543,849
Less Accumulated Depreciation	<u>(60,775,674)</u>	<u>(3,460,840)</u>	<u>400,880</u>	<u>(63,835,634)</u>
Business-type Activities Capital Assets, Net	<u>\$ 81,185,552</u>	<u>\$ 7,257,276</u>	<u>\$ 265,387</u>	<u>\$ 88,708,215</u>

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

Government Activities	
General Government	\$ 413,309
Public Safety	171,305
Community Development	15,858
Streets	1,251,905
Community Services	771,365
Cemetery	28,358
Internal Service Funds	<u>769,623</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,421,723</u>
Business-type Activities	
Water	\$ 776,272
Sewer	873,769
Electric	1,677,400
Storm Water	78,145
Solid Waste	28,675
Golf Course	<u>26,579</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 3,460,840</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City reports a deferred amount on refunding of \$93,667 related to the refunding of two bond series in 2015. The deferred amount on refunding resulted from the difference in the carrying value of refunded debt and their acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to pensions of \$361,303 in the business-type funds and activities as well as \$670,401 in the governmental activities.

NOTE 7 – (CONTINUED)

Property taxes of \$3,121,502, 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. Also, the City reported deferred inflows of resources related to pensions of \$259,696 in the business-type funds and activities as well as \$481,868 in the governmental activities.

These amounts are reported in the government-wide statement of net position as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Deferred Outflows of Resources	\$ 764,068	\$361,303
Deferred Inflows of Resources	\$3,603,370	\$259,696

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:

- 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, 2015, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$10,397,471	\$ 5,198,736
Total Liabilities	<u>(695,457)</u>	<u>(347,729)</u>
Net Position	<u>\$ 9,702,014</u>	<u>\$ 4,851,007</u>
Program Revenues	\$ 906,580	\$ 453,290
General Revenues	1,315	658
Program Expenses	<u>(336,908)</u>	<u>(168,454)</u>
Change in Net Position	<u>\$ 570,987</u>	<u>\$ 285,494</u>

NOTE 8 – (CONTINUED)

- 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>

- 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, 2015, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 16,588,583	\$ 2,488,287
Deferred Outflows of Resources	112,897	16,935
Total Liabilities	(6,648,401)	(997,260)
Deferred Inflows of Resources	<u>(69,025)</u>	<u>(10,354)</u>
Net Position	<u>\$ 9,984,054</u>	<u>\$ 1,497,608</u>
Operating Revenues	\$ 6,300,827	\$ 945,124
Operating Expenses	<u>(6,585,327)</u>	<u>(987,799)</u>
Net Operating Income (Loss)	(284,500)	(42,675)
Net Non-Operating Income (Expense)	<u>(418,854)</u>	<u>(62,828)</u>
Change in Net Position	<u>\$ (703,354)</u>	<u>\$ (105,503)</u>

NOTE 8 – (CONTINUED)

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	\$ 2,549,524	\$ 382,429
Capital Leases	148,771	22,316
Notes Payable	3,015,335	452,300
Net Pension Liability	542,595	81,389
Accrued Compensated Absences	<u>215,408</u>	<u>32,311</u>
Total Long-Term Liabilities	<u>\$ 6,471,633</u>	<u>\$ 970,745</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, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Revenue Bonds					
2005 Special Assessment	\$ 696,000	\$ -	\$ (239,000)	\$ 457,000	\$ 116,000
2006 Sales Tax	3,200,000	-	(3,200,000)	-	-
2008 Municipal Building Authority Lease	5,520,000	-	(230,000)	5,290,000	240,000
2014 Sales Tax Refunding	-	2,885,000	-	2,885,000	460,000
General Obligation Bonds					
2010 Build America Bonds	8,360,000	-	(385,000)	7,975,000	390,000
Other Liabilities					
Net Pension Liability	3,813,095	70,148	(847,001)	3,036,242	-
Compensated Absences	<u>721,881</u>	<u>39,721</u>	<u>(21,803)</u>	<u>739,799</u>	<u>367,523</u>
	<u>\$22,310,976</u>	<u>\$ 2,994,869</u>	<u>\$ (4,922,804)</u>	<u>\$20,383,041</u>	<u>\$ 1,573,523</u>

NOTE 9 – (CONTINUED)

Long-term debt and obligations for governmental activities payable at June 30, 2015 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%	2020	\$ 116,000	\$ 341,000
Municipal Building Authority Lease Revenue Bonds, Series 2008, (original amount--\$6,435,000)	2.55%	2031	240,000	5,050,000
Sales Tax Revenue Refunding Bonds, Dated December 30, 2014 (original amount--\$2,885,000)	1.85%	2021	460,000	2,425,000
Taxable General Obligation Build America Bonds, series 2010 (original amount--\$9,800,000)	1.00% to 5.30%	2031	390,000	7,585,000
Net Pension Liability				3,036,242
Compensated Absences			<u>367,523</u>	<u>372,276</u>
Total Governmental Activities Long-term Debt			<u>\$ 1,573,523</u>	<u>\$ 18,809,518</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.

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.

On December 11, 2014, the City transacted a current refund of their 2008 lease revenue bonds with interest rates ranging between 4.10% and 5.25%. The new interest rate resulting from the current refunding is 2.55%.

The current refunding reduced the total debt service payments over the next sixteen years by \$788,234. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$732,742.

NOTE 9 – (CONTINUED)

On December 30, 2014, the City issued \$2,885,000 in sales tax revenue refunding bonds with an interest rate of 1.85%. The City issued the bonds to advance refund \$2,800,000 of the remaining 2006 sales tax revenue bonds with interest rates ranging between 4.0% and 5.0%. The City used the net proceeds of the 2014 bonds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2006 series bonds. As a result, the refunded portion mentioned above is considered defeased and the City has removed the liabilities from its accounts.

The advance refunding reduced the total debt service payments over the next seven years by \$194,299. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$189,008.

Long-term debt and obligations for business-type activities payable at June 30, 2015 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	\$ 506,000	\$ -	\$ (93,000)	\$ 413,000	\$ 96,000
2008 Water and Sewer	12,440,000	-	(740,000)	11,700,000	760,000
Notes Payable					
2006 Golf Carts	135,000	-	(10,000)	125,000	31,250
Other Liabilities					
Net Pension Liability	2,055,011	37,805	(456,479)	1,636,337	-
Compensated Absences	<u>551,852</u>	<u>22,743</u>	<u>(30,333)</u>	<u>544,262</u>	<u>544,262</u>
	<u>\$ 15,687,863</u>	<u>\$ 60,548</u>	<u>\$ (1,329,812)</u>	<u>\$ 14,418,599</u>	<u>\$ 1,431,512</u>

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2015:

<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	\$ 96,000	\$ 317,000
Water and Sewer Revenue				
Refunding Bonds, Dated April 22,				
2008, (original amount--\$15,135,000)	2.80%	2028	760,000	10,940,000
Golf Cart Note Payable (original				
amount--\$135,000)				
	0.00%	Unknown	31,250	93,750
Net Pension Liability				
				1,636,337
Compensated Absences				
			<u>544,262</u>	<u>-</u>
			<u>\$ 1,431,512</u>	<u>\$ 12,987,087</u>

NOTE 9 – (CONTINUED)

The proceeds of 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>
2016	\$ 1,206,000	\$ 551,229	\$ 887,250	\$ 346,185	\$ 2,093,250	\$ 897,414
2017	1,235,000	525,378	912,250	320,585	2,147,250	845,963
2018	1,277,000	497,476	937,250	294,200	2,214,250	791,676
2019	1,274,000	457,306	966,250	267,030	2,240,250	724,336
2020	1,215,000	426,141	845,000	238,980	2,060,000	665,121
2021-2025	4,505,000	1,689,544	4,605,000	826,000	9,110,000	2,515,544
2026-2030	4,815,000	813,931	3,085,000	174,300	7,900,000	988,231
2031	<u>1,080,000</u>	<u>39,530</u>	<u>-</u>	<u>-</u>	<u>1,080,000</u>	<u>39,530</u>
	<u>\$16,607,000</u>	<u>\$ 5,000,535</u>	<u>\$ 12,238,000</u>	<u>\$ 2,467,280</u>	<u>\$ 28,845,000</u>	<u>\$ 7,467,815</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	\$ 3,443,083	\$ 3,506,513
Operating Expenses (excluding depreciation and amortization)	(2,206,536)	(1,840,290)
Impact Fees	218,268	197,557
Interest Income	<u>617</u>	<u>2,797</u>
Net revenues	<u>\$ 1,455,432</u>	<u>\$ 1,866,577</u>
Maximum Aggregate Debt Service	<u>\$ 211,000</u>	<u>\$ 844,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>690%</u>	<u>221%</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, 2015 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$814,306.

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, 2015 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$ 141,319,465	\$ 152,543,849
Less accumulated depreciation	<u>(55,952,196)</u>	<u>(63,835,634)</u>
Book value	85,367,269	88,708,215
Less capital-related debt	<u>(16,607,000)</u>	<u>(12,238,000)</u>
Net investment in capital assets	<u>\$ 68,760,269</u>	<u>\$ 76,470,215</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

General Information about the Pension Plan

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

- Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System); Firefighters Retirement System (Firefighters System); are multiple employer, cost sharing, public employee retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing multiple-employer retirement system;

NOTE 12 – (CONTINUED)

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) are multiple employer, cost sharing, public employee retirement systems.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits Provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service Required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years any age 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

*with actuarial reductions

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

NOTE 12 – (CONTINUED)

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

Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System			
111 - Local Governmental Division Tier 1	N/A	6.000%	14.460%
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%
Firefighters System			
31 - Division A Tier 1	N/A	15.050%	3.820%
132 - Division B Tier 2	N/A	N/A	10.800%

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

At December 31, 2014, we reported a net pension asset of \$42,392 and a net pension liability of \$4,672,580.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.8173763%	\$ -	\$3,549,240
Contributory System	0.2162152%	-	62,366
Public Safety System	0.8436610%	-	1,060,974
Firefighters System	0.4844785%	27,646	-
Tier 2 Public Employees System	0.1155009%	3,500	-
Tier 2 Public Safety and Firefighter System	0.7602135%	11,246	-
Total Net Pension Asset/Liability		<u>\$42,392</u>	<u>\$4,672,580</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

NOTE 12 – (CONTINUED)

For the year ended December 31, 2014, we recognized pension expense of \$1,215,067. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 367	\$ 230,856
Change in assumptions	-	510,708
Net difference between projected and actual earnings on pension plan investments	111,360	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>919,977</u>	<u>-</u>
Total	<u>\$1,031,704</u>	<u>\$ 741,564</u>

\$919,977 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$(72,537)
2016	\$(164,911)
2017	\$(161,796)
2018	\$(116,863)
2019	\$(3,817)
Thereafter	\$(9,914)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

NOTE 12 – (CONTINUED)

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

Retired Member Mortality

Class of Member

Public Safely and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUF = Constructed mortality table based on actual experience of male educators multiplied by a given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term portfolio real Rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

NOTE 12 – (CONTINUED)

Discount rate: the discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage –point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of			
Net pension (asset)/liability	\$11,509,144	\$4,630,188	(\$1,063,427)

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

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 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, 2015, contributions totaling \$222,178 were made to the plan by employees and \$163,662 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, 2015, was \$11,242,538. Of that amount, \$715,953 was eligible to participate in the plan. During the year ended June 30, 2015, contributions totaling \$44,599 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, 2015, the City purchased power totaling approximately \$14.5 million.

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 \$60,675,000 in revenue bonds outstanding at June 30, 2015, 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 2013 and commenced commercial operation. The City is obligated for 5.18% of the total project debt service of approximately \$87,555,000 outstanding at June 30, 2015, 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, 2015 were \$15,600,000 and \$1,345,000 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 \$0.0690 for FY2015. 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 2013. 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.

NOTE 14 – (CONTINUED)

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 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

In all cases where a conflict-of-interest could result from a related party transaction the person involved recuses themselves from votes awarding bids. Businesses owned by members of the City Council are disclosed formally in writing.

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. The total that Springville City paid to these businesses in the 2015 fiscal year was \$119,446.

A City Councilman owns Audio Visions which occasionally provides sound services to the City. The total paid to this business in the 2015 fiscal year was \$5,850.

A City Councilman owns Child Enterprises which is periodically awarded bids small construction projects for the City. The total paid to this business in the 2015 fiscal year was \$29,975.

NOTE 16 – OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>Out</u>	<u>In</u>
Governmental Funds		
General Fund	\$ 2,329,849	\$ 2,287,455
Special Revenue Fund	750,000	-
Debt Service Fund	-	1,288,446
Municipal Building Authority Fund	-	443,124
Capital Projects Fund	-	1,100,494
Special Services Fund	602,215	750,000
Business-Type Funds		
Water	236,191	-
Sewer	228,950	-
Electrical	1,594,375	-
Storm Water	60,424	-
Solid Waste	67,515	-
	<u>\$ 5,869,519</u>	<u>\$ 5,869,519</u>

NOTE 16 – (CONTINUED)

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 and a public hearing was held as required by Utah State Code.

NOTE 17 – SPRINGVILLE REDEVELOPMENT AGENCY

Project Area Summary

Springville's Redevelopment Agency's "Frontage Road Neighborhood Development Plan" was adopted in late 1999. This is the only active project area within the Agency's boundaries and consists of approximately 96.65 acres. To date, all blighted structures within the project area have been demolished, approximately 1.6 miles of fully improved streets and sidewalks have been installed, utilities have been installed, and a drainage ditch has been enhanced. In 2012, an approximate 32,500 square foot commercial building was built on the north end of the project area, and in 2015, an approximate 5,376 square foot commercial building was built on the south end of the project area.

The streets, sidewalks and utilities were installed as part of a special improvement district or subdivision process. All public improvements have been paid for in full.

The project area was originally owned by Spring Pointe Development LLC. Spring Pointe Development LLC had a number of approved development projects but backed out before pulling permits for the projects. The ownership of the property has since changed hands.

In 2010, Sam Dexy Properties LLC became owner of the northern approximate 20.5 acres of the project area. The owners of Sam Dexy Properties LLC subdivided the 20.5 acres and built a 32,500 square foot building for Infomercial, Inc. on a 9.12 acre lot. The owner has talked about asking the Agency to enter into a participation agreement for future development but has not yet done so.

In 2013, The Olds 2002 Family Trust became the owner of the remaining approximate 76.15 acres of the project area. The Olds 2002 Family Trust is working towards putting together a proposal for the Agency to consider in the near future that would possibly include a large industrial manufacturing building.

In 2015, The Olds 2002 Family Trust sold 1.47 acres to HWP Properties, LLC. HWP Properties, LLC has constructed a 5,376 square foot Tracker Boat dealership on the property. The Agency and HWP Properties, LLC entered into a participation agreement whereby the Agency agreed to pay to HWP Properties, LLC 100% of the tax increment generated by HWP Properties, LLC's increased property values and actually collected by the Agency for five years. After the first five years, HWP Properties, LLC will receive tax increment over five more years at a ten percent (10%) reduction over the previous year. Tax increment will first be paid to HWP Properties, LLC for tax year 2016.

HWP Properties, LLC is in the process of purchasing 2.45 more acres of property from The Olds 2002 Family Trust to develop an automobile dealership.

NOTE 17 – (CONTINUED)

The tax rate within the project area is 0.012725. The Agency received \$108,326.14 in tax increment from the project area for tax year 2014. Tax increment received by the Agency is being used and/or held in reserve for project area improvements and low income housing as required by the project area plan.

Economic Update

The total project encompasses 96.65 acres of which approximately 10.59 acres (10.96%) have been developed. The businesses in the project area include Infomercial, Inc. and Tracker Boats. An automobile dealership is planned to locate within the project area in the near future.

Taxable values within the project area have increased from \$389,535 in its base year to approximately \$8,864,903 after the 2014 valuation; a 2275% increase. The estimated assessed value for 2015 is approximately \$9,998,400.

The Agency has not passed any tax increment associated with the project area through to other taxing entities.

- (a) **Estimate of Tax Increment for Current Calendar Year Ending December 31, 2015:** The Agency estimates that the tax increment to be paid to the Agency for this calendar year ending December 31 is approximately \$129,952.
- (b) **Estimate of Tax Increment for Year Beginning January 1, 2016:** The Agency estimates that the tax increment to be paid to the agency for the calendar year beginning this next January 1 will be more than \$138,752.65

Project Timeline

Base Year 1999	Trigger Year 2013	Term 15 years	Remaining Term 13 years
---------------------------	------------------------------	--------------------------	------------------------------------

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	\$ 108,326
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	-
	TOTAL EXPENDED	\$ _____

NOTE 18 – RISK MANAGEMENT

In fiscal year 2014 the City 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 December 8, 2015, the date the financial statements were available to be issued.

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

The City adopted Governmental Accounting Standards Board Statement No. 68 during the 2015 fiscal year which resulted in adjustments to prior period net positions in various funds. These adjustments resulted from the requirement to recognize the opening balances of a Net Pension Asset, a Net Pension Liability, and Deferred Inflows and Outflows of Resources Related to Pensions.

Additionally, in the Water Fund \$309,400 of depreciation expense on construction in progress which was mistakenly recorded in the 2014 fiscal year depreciation schedule was removed in the 2015 fiscal year. A one-time adjustment of \$1,255,061 was made in the Electric Fund beginning net position to accurately reflect payment of the Utah Associated Municipal Power Systems bills in the months in which service was provided to the City.

The adjustments to beginning net positions are as follows:

	<u>Net Position Beginning</u>	<u>Prior Period Adjustments</u>	<u>Net Position Restated</u>
Governmental Activities	\$79,591,592	\$(2,077,303)	\$77,514,289
Water Fund	25,682,878	32,208	25,715,086
Sewer Fund	14,754,468	(226,248)	14,528,220
Electric Fund	40,841,983	(2,256,944)	38,585,039
Storm Water Fund	4,613,437	(46,448)	4,566,989
Solid Waste Fund	3,726,403	(87,403)	3,639,000
Golf Course Fund	478,807	(109,878)	368,929

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 10,774,880	\$ 10,774,880	\$ 10,642,193	\$ (132,687)
Licenses and Permits	695,000	695,000	622,708	(72,292)
Intergovernmental	1,268,700	1,317,700	1,181,874	(135,826)
Charges for Services	3,488,720	3,486,220	1,678,769	(1,807,451)
Fines and Forfeitures	515,000	515,000	460,896	(54,104)
Interest	69,000	69,000	68,743	(257)
Miscellaneous	60,000	60,000	117,931	57,931
TOTAL REVENUES	16,871,300	16,917,800	14,773,114	(2,144,686)
<u>EXPENDITURES</u>				
General Government	4,951,391	4,955,391	3,081,207	1,874,184
Public Safety	5,229,443	5,290,443	5,123,092	167,351
Community Development	1,411,938	1,461,938	945,419	516,519
Streets	1,156,259	1,156,259	1,058,384	97,875
Community Services	3,983,584	4,013,084	3,701,453	311,631
Cemetery	256,403	256,403	180,544	75,859
TOTAL EXPENDITURES	16,989,018	17,133,518	14,090,099	3,043,419
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(117,718)	(215,718)	683,015	898,733
<u>OTHER FINANCING SOURCES (USES)</u>				
Change in Joint Venture Equity	-	-	17,717	17,717
Transfers from Other Funds	2,238,655	2,248,655	2,287,455	38,800
Transfers to Other Funds	(2,339,830)	(2,339,830)	(2,329,849)	9,981
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(218,893)	(306,893)	658,338	965,231
FUND BALANCE ALLOCATION	218,893	306,893	-	(306,893)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 658,338	\$ 658,338

SPRINGVILLE CITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

Budgetary Comparison Schedule

The Budgetary Comparison Schedule presented in this section of the report is for the General Fund.

Budgeting and Budgetary Control

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

No General Fund departmental budgets exceeded appropriations during the fiscal year.

SPRINGVILLE CITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY UTAH RETIREMENT SYSTEMS DECEMBER 31, 2014

Last 10 Fiscal Years *

	<u>Non- contributory System</u>	<u>Contributory System</u>	<u>Public Safety System</u>
Proportion of the net pension liability (asset)	0.8173763%	0.2162152%	0.8436610%
Proportionate share of the net pension liability (asset)	\$ 3,549,240	\$ 62,366	\$ 1,060,974
Covered employee payroll	\$ 7,022,000	\$ 115,606	\$ 1,277,517
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	50.5%	53.9%	83.0%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	94.0%	90.5%
		<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Proportion of the net pension liability (asset)	0.4844785%	0.1155009%	0.7602135%
Proportionate share of the net pension liability (asset)	\$ (27,646)	\$ (3,500)	\$ (11,246)
Covered employee payroll	\$ 127,036	\$ 566,929	\$ 314,072
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	21.8%	0.6%	3.6%
Plan fiduciary net position as a percentage of the total pension liability	103.5%	103.5%	120.5%

* In accordance with paragraph 80.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in the required supplementary information. The 10-year schedule will be built prospectively. The schedule above is only for the current year.

SPRINGVILLE CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014

Last 10 Fiscal Years *

	<u>Non- contributory System</u>	<u>Contributory System</u>	<u>Public Safety System</u>
Contractually required contribution	\$ 1,284,687	\$ 16,044	\$ 415,549
Contributions in relation to the contractually required contribution	<u>(1,284,687)</u>	<u>(16,044)</u>	<u>(415,549)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,022,000	\$ 115,606	\$ 1,277,517
Contributions as a percentage of covered-employee payroll **	18.30%	13.88%	32.53%

	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Contractually required contribution	\$ 4,319	\$ 47,653	\$ 34,255
Contributions in relation to the contractually required contribution	<u>(4,319)</u>	<u>(47,653)</u>	<u>(34,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 127,036	\$ 566,929	\$ 314,072
Contributions as a percentage of covered-employee payroll **	3.40%	8.41%	10.91%

* Amounts presented were determined as of calendar year January 1 - December 31. The City will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the current year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2015

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
<u>OF RESOURCES</u>				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 479,403	\$ -	\$ 479,403
Accounts Receivable, Net of Allowance for Uncollectibles	92,992	144,164	-	237,156
Due from Other Fund	639,211	371,543	186,303	1,197,057
TOTAL CURRENT ASSETS	732,203	995,110	186,303	1,913,616
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	1,032,404	-	-	1,032,404
Capital Assets				
Land	288,216	487,433	341,520	1,117,169
Construction in Progress	-	-	15,553	15,553
Buildings and Structures	-	850,266	1,559,087	2,409,353
Improvements	3,392,144	-	-	3,392,144
Machinery, Equipment and Vehicles	84,497	285,114	415,794	785,405
Less Accumulated Depreciation	(486,482)	(549,295)	(1,766,313)	(2,802,090)
Net Pension Asset	394	742	933	2,069
Other Assets				
Investment In Joint Venture	-	1,497,608	-	1,497,608
TOTAL NONCURRENT ASSETS	4,311,173	2,571,868	566,574	7,449,615
TOTAL ASSETS	5,043,376	3,566,978	752,877	9,363,231
DEFERRED OUTFLOWS OF RESOURCES	9,595	18,055	22,698	50,348
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,052,971	3,585,033	775,575	9,413,579
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
<u>OF RESOURCES</u>				
CURRENT LIABILITIES				
Accounts Payable	7,016	56,681	27,993	91,690
Compensated Absences	8,481	20,182	71,348	100,011
Current Portion of Long-Term Debt	-	-	31,250	31,250
TOTAL CURRENT LIABILITIES	15,497	76,863	130,591	222,951
NONCURRENT LIABILITIES				
Net Pension Liability	43,455	81,770	102,797	228,022
Notes Payable	-	-	93,750	93,750
TOTAL NONCURRENT LIABILITIES	43,455	81,770	196,547	321,772
TOTAL LIABILITIES	58,952	158,633	327,138	544,723
DEFERRED INFLOWS OF RESOURCES	6,897	12,977	16,314	36,188
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,849	171,610	343,452	580,911
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,278,769	2,571,868	441,574	6,292,211
Restricted				
Community Improvements	1,109,252	-	-	1,109,252
Designated for Construction	-	-	77,998	77,998
Unrestricted	599,101	841,555	(87,449)	1,353,207
TOTAL NET POSITION	\$ 4,987,122	\$ 3,413,423	\$ 432,123	\$ 8,832,668

SPRINGVILLE CITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

UTAH RETIREMENT SYSTEMS

DECEMBER 31, 2014

Changes of Assumptions

There were no reported changes to actuarial assumptions at December 31, 2014.

SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2015

	Special Revenue		Capital Projects			Debt Service		Total Nonmajor Governmental Funds
	Special Improvement District	Redevelop- ment Agency	Community Theater	Capital Projects	Special Services	Municipal Building Authority	Permanent Fund	
ASSETS								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,949	\$ 4,949
Special Assessment Receivable	453,751	-	-	-	-	-	-	453,751
Due from Other Fund	-	219,287	14,933	-	100,985	2,996	522,224	860,425
Restricted Cash	93,888	-	-	6,287,003	1,991,451	-	575,706	8,948,048
TOTAL ASSETS	\$ 547,639	\$ 219,287	\$ 14,933	\$ 6,287,003	\$ 2,092,436	\$ 2,996	\$ 1,102,879	\$ 10,267,173
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ -	\$ 15,099	\$ 168,242	\$ -	\$ -	\$ 183,341
Due to General Fund	-	-	-	-	63,366	-	-	63,366
Due to Other Fund	84,663	-	-	4,886,386	-	-	-	4,971,049
Unearned Revenue	339,067	-	-	125,000	-	-	-	464,067
TOTAL LIABILITIES	423,730	-	-	5,026,485	231,608	-	-	5,681,823
FUND BALANCE								
Nonspendable Endowments	-	-	-	-	-	-	1,050,612	1,050,612
Restricted for								
Impact Fees	-	-	-	-	1,860,828	-	-	1,860,828
Debt Service	123,909	-	-	-	-	2,996	-	126,905
Assigned for								
Community Improvements	-	219,287	14,933	1,260,518	-	-	52,267	1,547,005
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND EQUITY	123,909	219,287	14,933	1,260,518	1,860,828	2,996	1,102,879	4,585,350
TOTAL LIABILITIES AND FUND EQUITY	\$ 547,639	\$ 219,287	\$ 14,933	\$ 6,287,003	\$ 2,092,436	\$ 2,996	\$ 1,102,879	\$ 10,267,173

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		Capital Projects			Debt Service		Total Nonmajor Governmental Funds
	Special Improvement District	Redevelop- ment Agency	Community Theater	Capital Projects	Special Services	Municipal Building Authority	Permanent Fund	
REVENUES								
Taxes	\$ -	\$ 108,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,326
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	184,055	-	-	85,050	-	-	73,165	342,270
Interest	25,742	-	-	32,546	9,560	-	1,014	68,862
Miscellaneous	-	-	-	-	5,328	-	-	5,328
TOTAL REVENUES	209,797	108,326	-	117,596	14,888	-	74,179	524,786
EXPENDITURES								
General Government	-	-	-	4,786	-	-	-	4,786
Streets	-	-	-	-	450,803	-	-	450,803
Community Services	-	-	-	-	-	-	7,500	7,500
Debt Service								
Principal	239,000	-	-	-	-	230,000	-	469,000
Interest and Finance Charges	44,480	-	-	-	-	213,124	-	257,604
Capital Outlay	-	-	-	1,540,072	1,140,572	-	-	2,680,644
TOTAL EXPENDITURES	283,480	-	-	1,544,858	1,591,375	443,124	7,500	3,870,337
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(73,683)	108,326	-	(1,427,262)	(1,576,487)	(443,124)	66,679	(3,345,551)
OTHER FINANCING SOURCES								
Impact Fees	-	-	-	-	950,040	-	-	950,040
Transfers From Other Funds	(750,000)	-	-	1,100,494	750,000	443,124	-	1,543,618
Transfers to Other Funds	-	-	-	-	(602,215)	-	-	(602,215)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(823,683)	108,326	-	(326,768)	(478,662)	-	66,679	(1,454,108)
BEGINNING FUND BALANCE	947,592	110,961	14,933	1,587,286	2,339,490	2,996	1,036,200	6,039,458
ENDING FUND BALANCE	\$ 123,909	\$ 219,287	\$ 14,933	\$ 1,260,518	\$ 1,860,828	\$ 2,996	\$ 1,102,879	\$ 4,585,350

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 933,690	\$ 1,427,579	\$ 925,219	\$ 3,286,488
Miscellaneous	14,952	-	10,588	25,540
TOTAL OPERATING REVENUES	948,642	1,427,579	935,807	3,312,028
<u>OPERATING EXPENSES</u>				
Salaries and Benefits	205,004	332,546	507,363	1,044,913
Operations	534,738	985,692	338,671	1,859,101
Depreciation	78,144	28,675	26,579	133,398
TOTAL OPERATING EXPENSES	817,886	1,346,913	872,613	3,037,412
OPERATING INCOME (LOSS)	130,756	80,666	63,194	274,616
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Impact Fees	75,855	-	-	75,855
Interest Income	4,530	2,443	-	6,973
Change in Joint Venture Equity	-	(241,171)	-	(241,171)
TOTAL NON-OPERATING REVENUES	80,385	(238,728)	-	(158,343)
INCOME (LOSS) BEFORE CONTRIBUTIONS				
AND TRANSFERS	211,141	(158,062)	63,194	116,273
Developer Contributions	269,416	-	-	269,416
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(60,424)	(67,515)	-	(127,939)
CHANGE IN NET POSITION	420,133	(225,577)	63,194	257,750
TOTAL NET POSITION AT BEGINNING				
OF YEAR	4,613,437	3,726,403	478,807	8,818,647
PRIOR PERIOD ADJUSTMENT	(46,448)	(87,403)	(109,878)	(243,729)
TOTAL NET POSITION AT END OF YEAR	\$ 4,987,122	\$ 3,413,423	\$ 432,123	\$ 8,832,668

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 945,495	\$ 1,415,655	\$ 935,807	\$ 3,296,957
Payments to Suppliers	(631,473)	(973,696)	(328,389)	(1,933,558)
Payments to Employees	(210,299)	(343,903)	(550,616)	(1,104,818)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>103,723</u>	<u>98,056</u>	<u>56,802</u>	<u>258,581</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Due from Other Funds	406,720	(17,795)	(31,249)	357,676
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(60,424)	(67,515)	-	(127,939)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>346,296</u>	<u>(85,310)</u>	<u>(31,249)</u>	<u>229,737</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Impact Fees	75,855	-	-	75,855
Note Payment	-	-	(10,000)	(10,000)
Acquisition of Capital Assets	(3,782)	(12,746)	(15,553)	(32,081)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>72,073</u>	<u>(12,746)</u>	<u>(25,553)</u>	<u>33,774</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	4,530	2,443	-	6,973
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>4,530</u>	<u>2,443</u>	<u>-</u>	<u>6,973</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	526,622	2,443	-	529,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>505,782</u>	<u>476,960</u>	<u>-</u>	<u>982,742</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,032,404</u>	<u>\$ 479,403</u>	<u>\$ -</u>	<u>\$ 1,511,807</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING				
<u>INCOME TO NET CASH FLOWS</u>				
<u>FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 130,756	\$ 80,666	\$ 63,194	\$ 274,616
Adjustments				
Depreciation	78,144	28,675	26,579	133,398
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows				
Accounts Receivable, Net	(3,147)	(11,924)	-	(15,071)
Net Pension Asset	(352)	(663)	(834)	(1,849)
Deferred Outflows	(1,512)	(2,844)	(3,576)	(7,932)
Accounts Payable	(96,735)	11,996	10,282	(74,457)
Compensated Absences	790	95	(28,856)	(27,971)
Net Pension Liability	(11,118)	(20,922)	(26,301)	(58,341)
Deferred Inflows	6,897	12,977	16,314	36,188
	<u>\$ 103,723</u>	<u>\$ 98,056</u>	<u>\$ 56,802</u>	<u>\$ 258,581</u>
NET CASH FLOWS FROM OPERATING				
ACTIVITIES				
Noncash Financing and Investing				
Transaction				
Change in Investment in Joint Venture	\$ -	\$ (241,171)	\$ -	\$ (241,171)
Developer Contributions of Fixed Assets	\$ 269,416	\$ -	\$ -	\$ 269,416

STATE COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE
STATE COMPLIANCE AUDIT GUIDE ON:**

- COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS
- COMPLIANCE FOR EACH MAJOR STATE PROGRAM
- INTERNAL CONTROL OVER COMPLIANCE
- SCHEDULE OF EXPENDITURES OF STATE AWARDS

Honorable Mayor
Members of the City Council
Springville City, Utah

**REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND FOR
EACH MAJOR STATE PROGRAM**

I have audited Springville City, Utah's (City) compliance with the applicable general and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, which could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2015.

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

Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Restricted Taxes
Open and Public Meetings Act

The City received state funding from the following program classified as a major program for the year ended June 30, 2015:

Class C Road Funds (Department of Transportation)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those standards and the *State 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 direct and material effect on the City or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with general state compliance requirements and for each major state program. However, my audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, Springville City, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the schedule of findings and questioned costs in the management letter as items 2015-1, 2015-2, and 2015-3. My opinion on compliance is not modified with respect to these matters.

Springville, Utah's Response to Findings

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

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 of compliance, I considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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


I noted no matters involving internal control over compliance which are required to be reported.

Purpose of Report

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

Report on Schedule of Expenditures of State Awards as required by the *State Compliance Audit Guide*

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. I issued my report thereon dated December 4, 2015, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.


Greg Ogden,
Certified Public Accountant
December 4, 2015

SPRINGVILLE CITY CORPORATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>State Grantor/Program Title</u>	<u>Award/ Contract Number</u>	<u>Year of Last Audit</u>	<u>Expenditures</u>
<u>Utah Department of Transportation</u>			
Class C Road	N/A	2014	\$ <u>992,541</u>
Subtotal - Utah Department of Transportation			<u>992,541</u>
<u>Various State Agencies</u>			
Miscellaneous Non-Major Grants	N/A	N/A	<u>131,160</u>
Subtotal – Various State Agencies			<u>131,160</u>
 Total Grant, Contract and Loan Fund Expenditures			 <u>\$1,123,701</u>

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408

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

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, 2015, 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, 2015.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances 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. I did identify certain deficiencies in internal control, described in the schedule of findings and questioned costs in the management letter that I consider to be significant deficiencies. They are listed under the heading of Internal Control Deficiencies as findings #2015-1 and #2015-2.

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 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
December 4, 2015