

**SPRINGVILLE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

December 4, 2009

Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 4, 2009 on my consideration of Springville City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville City's basic financial statements. The combining nonmajor fund statements and the schedule of impact fees described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Greg Ogden, CPA

**Greg Ogden,
Certified Public Accountant**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Springville City, we offer readers of Springville City's financial statements this narrative overview and analysis of the financial activities of Springville City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Springville City increased \$9,096,902 to \$133,731,562. The governmental net assets increased by \$4,389,812 and the business-type net assets increased by \$4,707,090.
- The total net assets of \$133,731,562 are made up of \$104,579,012 in capital assets net of related debt and \$29,152,550 in other net assets.
- Total long-term liabilities of the City increased by \$1,830,256. The primary reason for the increase was the issuance of a \$6,435,000 MBA Lease Revenue Bond used for the construction of the new Civic Center. The City also made payments of \$4,617,618 on debt.
- The General Fund (the primary operating fund) had its fund equity decrease by \$677,061 to \$3,343,772. The majority of the decrease was the result of transfers to the Capital Improvement Fund.

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 assets* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received

or paid. Both of the government-wide financial statements distinguish functions of Springville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on Page 13-15 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 Assets 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, the Special Revenue Fund, the one Capital Projects Fund and the Municipal Building Authority 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 and Restaurant. 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 assets may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$133,731,562.

The largest portion of Springville City's net assets (\$104,579,012) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

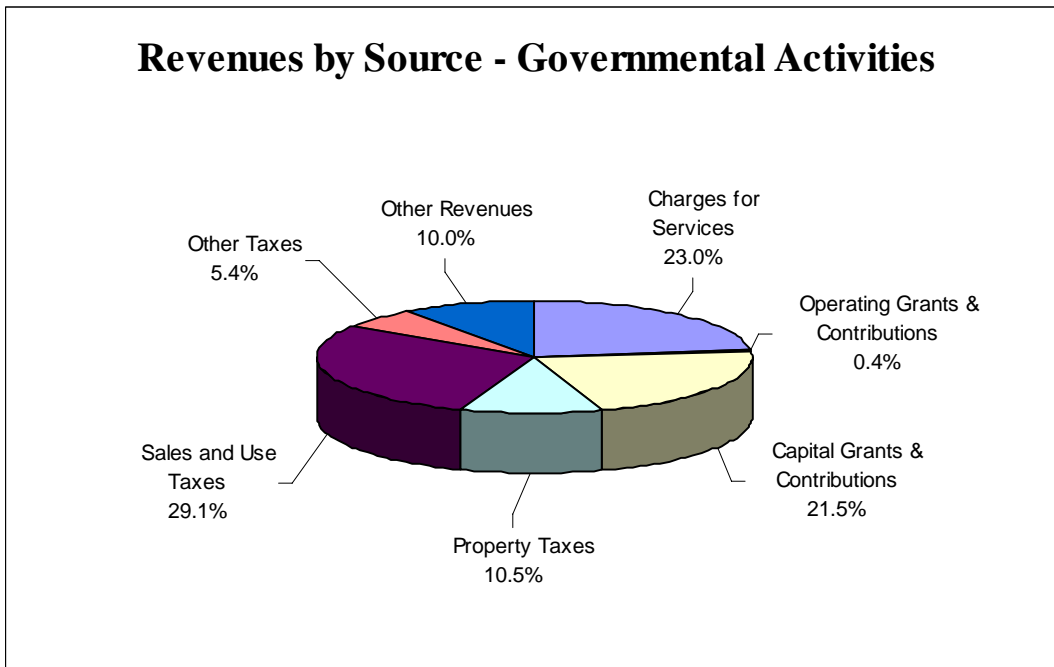
	Governmental Activities		Business-type Activities	
	<u>2008-2009</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2007-2008</u>
Current and Other Assets	22,293	27,179	10,229	9,166
Capital Assets	65,168	51,680	79,149	81,124
Total Assets	<u>87,461</u>	<u>78,859</u>	<u>89,378</u>	<u>90,290</u>
Long-term Debt Outstanding	17,487	12,449	16,913	20,120
Other Liabilities	6,587	7,412	2,121	4,533
Total Liabilities	<u>24,074</u>	<u>19,861</u>	<u>19,034</u>	<u>24,653</u>
Net Assets:				
Invested in Capital Assets, Net of Debt	46,906	36,739	57,673	48,859
Restricted	2,926	3,068	5,000	12,946
Unrestricted	13,555	19,191	7,671	3,831
Total Net Assets	<u>63,387</u>	<u>58,998</u>	<u>70,344</u>	<u>65,637</u>

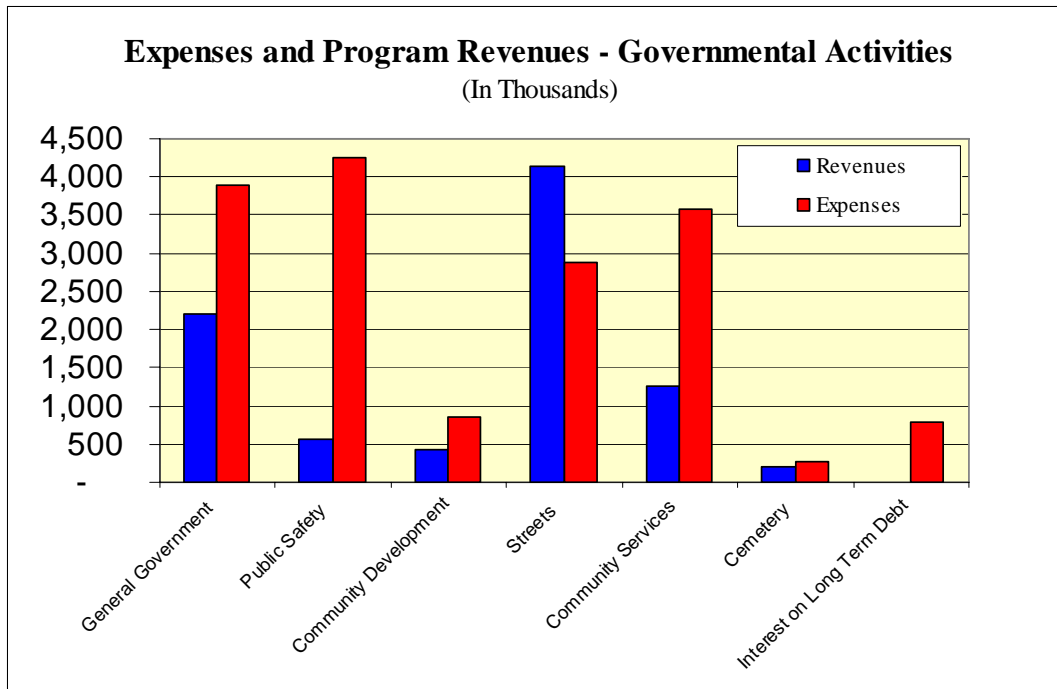
CHANGES IN NET ASSETS (In thousands of dollars)

	Governmental		Business-type	
	Activities		Activities	
	2008- <u>2009</u>	2007- <u>2008</u>	2008- <u>2009</u>	2007- <u>2008</u>
Revenues				
Program Revenues:				
Charges for Services	4,495	4,396	33,902	35,530
Operating Grants and Contributions	79	79		
Capital Grants and Contributions	4,204	2,778	2,190	1,932
General Revenues:				
Property Taxes	2,049	2,153		
Sales and Use Taxes	5,676	6,073		
Change in Joint Venture	720	88	(51)	30
Other Taxes	1,062	924		
Other Revenues	1,241	2,609	1,129	187
Total Revenues	19,526	19,100	37,170	37,679
Expenses				
General Government	3,886	3,755		
Public Safety	4,243	4,112		
Streets	2,875	3,094		
Community Development	854	779		
Community Services	3,576	3,593		
Cemetery	261	240		
Interest on Long-Term Debt	798	653		
Electric			23,365	23,679
Water			2,641	2,680
Wastewater Collection & Treatment			2,769	2,403
Storm Water			397	301
Solid Waste Collections			895	925
Golf Course & Restaurant			1,039	1,054
Total Expenses	16,493	16,226	31,106	31,041
Increase in Net Assets Before Transfers	3,033	2,874	6,064	6,638
Transfers	1,357	867	(1,357)	(867)
Change in Net Assets	4,390	3,742	4,707	5,770
Net Assets Beginning	58,998	55,256	65,637	59,867
Net Assets Ending	63,388	58,998	70,344	65,637

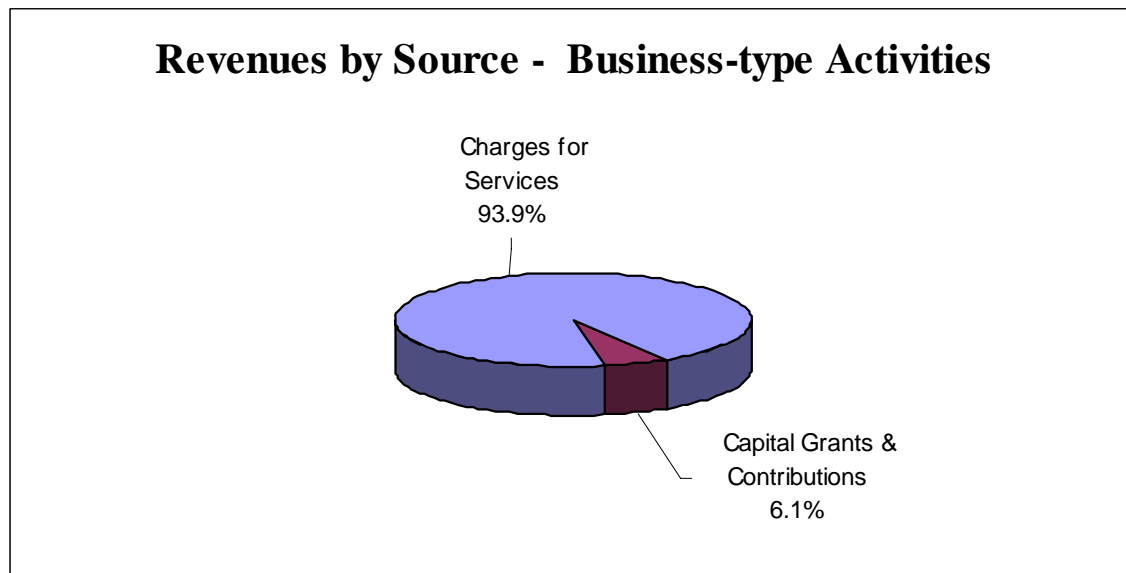
The revenues in the Charges for Services were stable compared to last year. The Capital Grants and Contributions lines increased significantly due to the increase in contributions from developers of subdivisions within the City. Other revenues were lower in 2009 due to the one-time revenue realized in 2008 for the sale of property. Most increases in expenses over the prior year reflect the higher costs for goods and services combined with modest increased in personnel costs.

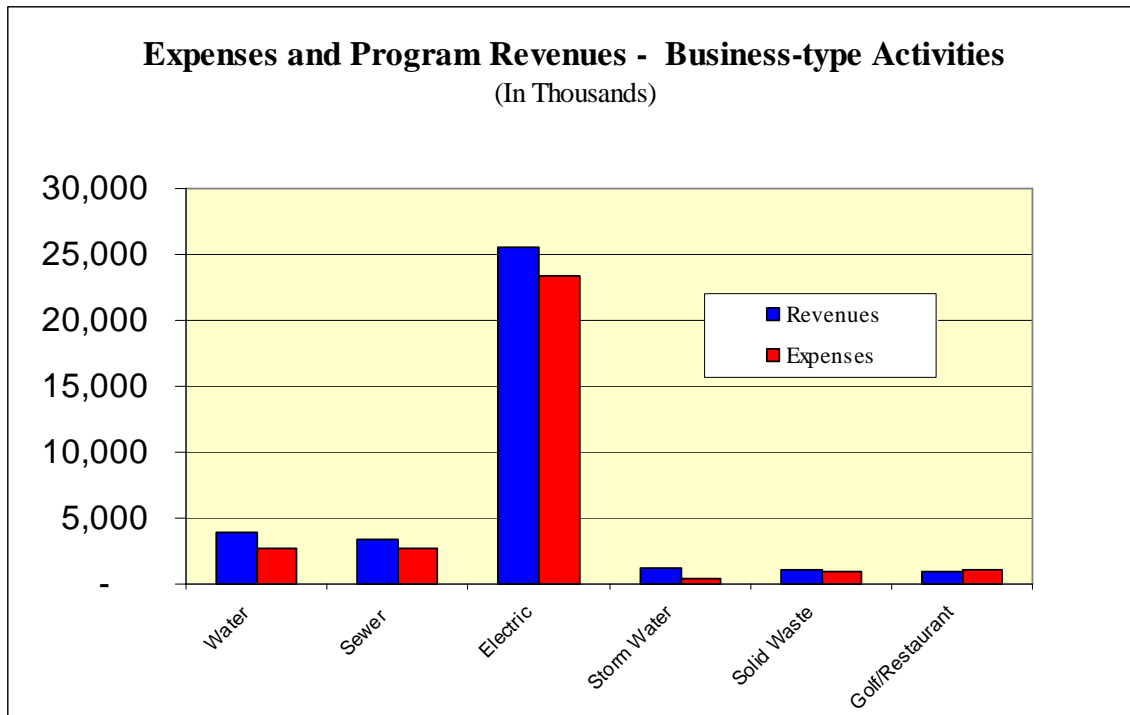
The graphs shown below display the government-wide activities reflected in the above tables. Program revenues included in the second graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not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





As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 94% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions 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.





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 the June 30, 2009, the City's governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$14,776,153. This represents a decrease of \$5,596,211 from last year's ending balances. The decrease is primarily due to lower capital project reserves resulting from the planned expenditure of funds associated with the major facilities construction projects. 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 taxes as it has been for the last several years. Sales taxes represent approximately two-thirds of total tax revenues which is nearly the same proportion as last year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$15,055,384 to a final budget of \$14,462,550. Budget reductions were made in most of the General Fund departments in anticipation of lower than expected taxes and other revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$132,928,204 (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 \$19,979,545. Governmental activities' capital assets increased by \$14,429,615 while the business-type activities' capital assets increased by \$5,549,930.

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

- Capital Improvements Contributed by Developers, \$2,462,489.
- Park Improvements, \$275,314.
- Property Purchases for Facilities Construction, \$200,125.
- Construction In Progress on New Civic Center, \$10,017,773.
- Construction in Progress on New Fire Station, \$2,488,224.
- Vehicle Acquisition and Replacement, \$890,815.
- Electric Substations Improvements, \$365,341.
- Install New Electric System Infrastructure, \$224,375.
- 400 South Culinary Water Pipeline, \$731,689.
- Electric Improvements to SR 77 \$250,699.
- Construction in Progress on Sewer Plant Expansion, \$5,973,039.

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

	Governmental Activities		Business-type Activities	
	<u>2008-2009</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2007-2008</u>
Land	17,798	16,529	1,222	1,309
Water Shares		-	1,200	1,200
Buildings	6,221	5,946	1,816	1,811
System Improvements	54,455	52,122	101,678	96,689
Machinery & Equipment	6,819	6,386	5,499	5,764
Construction in Progress	14,834	2,041	6,912	2,910
Less Accumulated Depreciation	(39,120)	(36,447)	(46,406)	(43,311)
Total	<u>61,007</u>	<u>46,577</u>	<u>71,921</u>	<u>66,372</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, 2009, the City had total bonded debt outstanding of \$33,128,000. Of the total, \$5,210,000 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment and \$16,308,000 is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Sewer Utilities). The remainder is in a Municipal Building Authority Lease of \$6,435,000, an excise tax bond of \$200,000, a sales tax revenue bond of \$4,975,000. The City also has notes and leases payable totaling \$518,858 and compensated absences of \$1,150,185 outstanding at June 30, 2009.

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

	Governmental Activities		Business-type Activities	
	<u>2008-2009</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2007-2008</u>
General Obligation Bonds				
Revenue Bonds			16,308	19,533
MBA Bonds	6,435	250		
Excise Tax Bonds	200	390		
Special Assessment Bonds	5,210	5,639		
Sales Tax Revenue Bonds	4,975	5,300		
Notes Payable	269	388	135	135
Capital Leases		39	115	156
Compensated Absences	632	575	518	499
Total	<u>17,721</u>	<u>12,581</u>	<u>17,076</u>	<u>20,323</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 \$59,061,899. The City currently has no outstanding 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 \$118,123,798. The City has issued significantly less bonds than this debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The June, 2009 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 5.6% compared to a state unemployment rate of 5.7% and a national rate of 9.5%. (Source: U.S. Bureau of Labor Statistics)
- The General Fund budget for FY 2009-2010 reflects a decrease of \$103,923 compared to the final budget for FY 2008-2009.

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 ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 16,869,701	\$ 3,848,110	\$ 20,717,811
Accounts Receivable, Net of Allowance for Uncollectibles	8,898,392	2,392,606	11,290,998
Prepaid Expenses	73,068	-	73,068
Inventory	5,572	434,410	439,982
Internal Balances	(3,553,555)	3,553,555	-
TOTAL CURRENT ASSETS	22,293,178	10,228,681	32,521,859
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	1,406,746	5,082,457	6,489,203
Capital Assets			
Non Depreciable	32,632,558	9,421,538	42,054,096
Depreciable Assets (net of Depreciation)	28,374,064	62,587,179	90,961,243
Other Assets			
Investment in Joint Ventures	2,754,495	2,058,436	4,812,931
TOTAL NONCURRENT ASSETS	65,167,863	79,149,610	144,317,473
TOTAL ASSETS	87,461,041	89,378,291	176,839,332
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	2,138,505	2,056,291	4,194,796
Contingent Liabilities	50,000	-	50,000
Deferred Revenues	4,398,259	65,272	4,463,531
TOTAL CURRENT LIABILITIES	6,586,764	2,121,563	8,708,327
NONCURRENT LIABILITIES			
Due Within One Year	1,428,359	1,460,840	2,889,199
Due in more than One Year	16,058,368	15,451,876	31,510,244
TOTAL NONCURRENT LIABILITIES	17,486,727	16,912,716	34,399,443
TOTAL LIABILITIES	24,073,491	19,034,279	43,107,770
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	46,906,025	57,672,987	104,579,012
Restricted for			
Community Improvements	2,746,735	2,718,073	5,464,808
Debt Service	179,354	2,242,877	2,422,231
Unrestricted	13,555,436	7,710,075	21,265,511
TOTAL NET ASSETS	\$ 63,387,550	\$ 70,344,012	\$ 133,731,562

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 3,886,690	\$ 2,196,152	\$ -	\$ -
Public Safety	4,243,031	474,715	61,268	28,514
Community Development	853,703	416,527	-	-
Streets	2,875,103	631,053	-	3,518,331
Community Services	3,575,529	575,286	17,571	657,251
Cemetery	261,303	201,246	-	-
Interest on Long-Term Debt	797,763	-	-	-
Total Governmental Activities	16,493,122	4,494,979	78,839	4,204,096
Business-type Activities				
Water	2,641,220	3,207,485	-	714,644
Sewer	2,768,787	3,024,275	-	411,190
Electric	23,364,662	24,956,993	-	527,151
Storm Water	397,326	683,094	-	536,945
Solid Waste	895,352	1,097,580	-	-
Golf/Restaurant	1,039,369	932,403	-	-
Total Business-type Activities	31,106,716	33,901,830	-	2,189,930
TOTAL PRIMARY GOVERNMENT	\$ 47,599,838	\$ 38,396,809	\$ 78,839	\$ 6,394,026

General Revenues
Property Taxes
Vehicle Taxes
Sales and Use Taxes
Other Taxes
Unrestricted Investment Earnings
Miscellaneous
Change in Joint Venture Equity
Gain (Loss) on Disposal of Capital Assets
Transfers
Special Item
Donation from Utah Department of Transportation
Sale of Engines
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,690,538)	-	\$ (1,690,538)
(3,678,534)	-	(3,678,534)
(437,176)	-	(437,176)
1,274,281	-	1,274,281
(2,325,421)	-	(2,325,421)
(60,057)	-	(60,057)
<u>(797,763)</u>	-	<u>(797,763)</u>
<u>(7,715,208)</u>	-	<u>(7,715,208)</u>
-	1,280,909	1,280,909
-	666,678	666,678
-	2,119,482	2,119,482
-	822,713	822,713
-	202,228	202,228
-	<u>(106,966)</u>	<u>(106,966)</u>
-	<u>4,985,044</u>	<u>4,985,044</u>
<u>(7,715,208)</u>	<u>4,985,044</u>	<u>(2,730,164)</u>
2,048,712	-	2,048,712
238,881	-	238,881
5,676,067	-	5,676,067
822,661	-	822,661
783,853	229,625	1,013,478
119,752	-	119,752
719,511	(50,949)	668,562
(161,744)	697	(161,047)
1,357,327	(1,357,327)	-
500,000	-	500,000
-	<u>900,000</u>	<u>900,000</u>
<u>12,105,020</u>	<u>(277,954)</u>	<u>11,827,066</u>
4,389,812	4,707,090	9,096,902
<u>58,997,738</u>	<u>65,636,922</u>	<u>124,634,660</u>
<u>\$ 63,387,550</u>	<u>\$ 70,344,012</u>	<u>\$ 133,731,562</u>

SPRINGVILLE CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Governmental-type Activities					Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service - Municipal Building Authority	Nonmajor Governmental Funds	
ASSETS						
Cash and Cash Equivalents	\$ 7,503,286	\$ -	\$ -	\$ -	\$ 133,150	\$ 7,636,436
Accounts Receivable	517,562	-	-	-	-	517,562
Property Taxes Receivable	2,213,982	-	-	-	-	2,213,982
Special Assessments Receivable	-	5,283,918	-	-	-	5,283,918
Other Receivables	881,788	-	-	-	1,142	882,930
Due from Other Fund	-	972,223	1,680,756	-	64,796	2,717,775
Prepaid Expenses	73,068	-	-	-	-	73,068
Inventory	5,572	-	-	-	-	5,572
Restricted Cash	1,065,053	593,218	5,407,996	172,191	2,629,802	9,868,260
Investment in Joint Venture	84,356	-	-	-	-	84,356
TOTAL ASSETS	\$ 12,344,667	\$ 6,849,359	\$ 7,088,752	\$ 172,191	\$ 2,828,890	\$ 29,283,859
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$ 523,922	\$ -	\$ 721,903	\$ 49	\$ 3,725	\$ 1,249,599
Compensated Absences	324,992	-	-	-	3,367	328,359
Due to Other Fund	5,197,623	-	-	105	379,403	5,577,131
Development and Other Bonds	690,376	-	-	-	-	690,376
Contingent Liabilities	50,000	-	-	-	-	50,000
Deferred Revenue	2,213,982	4,273,259	125,000	-	-	6,612,241
TOTAL LIABILITIES	9,000,895	4,273,259	846,903	154	386,495	14,507,706
FUND BALANCE						
Designated for						
Community Improvements	-	-	-	-	133,026	133,026
Reserved for						
Impact Fees	-	-	-	-	1,682,687	1,682,687
Class C Roads	1,064,048	-	-	-	-	1,064,048
Joint Venture	84,356	-	-	-	-	84,356
Debt Service	-	-	-	172,037	7,317	179,354
Capital Projects	1,005	1,565,441	6,241,849	-	-	7,808,295
Endowments	-	-	-	-	568,863	568,863
Unreserved	2,194,363	1,010,659	-	-	50,502	3,255,524
TOTAL FUND EQUITY	3,343,772	2,576,100	6,241,849	172,037	2,442,395	14,776,153
TOTAL LIABILITIES AND FUND EQUITY	\$ 12,344,667	\$ 6,849,359	\$ 7,088,752	\$ 172,191	\$ 2,828,890	\$ 29,283,859

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 14,776,153
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	62,461,837
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,213,982
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 assets.	1,289,862
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(17,354,284)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 63,387,550</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, 2009

	Governmental-type Activities					
	General	Special Revenue	Capital Projects	Debt Service - Municipal Building Authority	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,734,169	\$ -	\$ -	\$ -	\$ -	\$ 8,734,169
Licenses and Permits	432,703	-	-	-	-	432,703
Intergovernmental	1,150,343	-	-	-	-	1,150,343
Charges for Services	3,148,034	628,603	144,336	-	67,934	3,988,907
Fines and Forfeitures	573,369	-	-	-	-	573,369
Interest	167,108	324,019	196,028	27,262	53,649	768,066
Miscellaneous	94,980	-	-	-	-	94,980
TOTAL REVENUES	14,300,706	952,622	340,364	27,262	121,583	15,742,537
EXPENDITURES						
General Government	4,280,987	-	5,453	-	13,580	4,300,020
Public Safety	3,961,044	-	-	-	-	3,961,044
Community Development	848,550	-	-	-	-	848,550
Streets	1,389,507	-	-	-	-	1,389,507
Community Services	3,311,458	-	4,044	-	225,568	3,541,070
Cemetery	276,130	-	-	-	-	276,130
Debt Service						
Principal	-	429,000	-	250,000	672,574	1,351,574
Interest and Finance Charges	-	317,198	-	165,995	278,285	761,478
Capital Outlay	-	-	13,219,979	-	106,229	13,326,208
TOTAL EXPENDITURES	14,067,676	746,198	13,229,476	415,995	1,296,236	29,755,581
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	233,030	206,424	(12,889,112)	(388,733)	(1,174,653)	(14,013,044)
OTHER FINANCING SOURCES (USES)						
Proceeds from Bonds	-	-	-	6,435,000	-	6,435,000
Impact Fees	-	-	-	-	670,103	670,103
Change in Joint Venture Equity	(22,471)	-	-	-	-	(22,471)
Transfers from Other Funds	1,445,827	-	7,778,260	135,500	976,502	10,336,089
Costs of Bonds Issued	-	-	-	(111,626)	-	(111,626)
Transfers to Other Funds	(2,333,447)	-	(74,349)	(5,899,460)	(583,006)	(8,890,262)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(677,061)	206,424	(5,185,201)	170,681	(111,054)	(5,596,211)
BEGINNING FUND BALANCE	4,020,833	2,369,676	11,427,050	1,356	2,553,449	20,372,364
ENDING FUND BALANCE	\$ 3,343,772	\$ 2,576,100	\$ 6,241,849	\$ 172,037	\$ 2,442,395	\$ 14,776,153

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, 2009

EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES
OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ (5,596,211)

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

Property taxes will not be collected for several months after the City's fiscal year
end. They are not considered to be available revenues in the governmental
funds. Deferred property tax revenues increased by this amount this year. 52,152

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. 13,787,040

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. (4,981,763)

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. 741,982

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. 433,471

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. (46,859)

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 4,389,812

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,487,830	\$ 8,951,200	\$ 8,734,169	\$ (217,031)
Licenses and Permits	601,100	435,900	432,703	(3,197)
Intergovernmental	1,120,429	1,180,862	1,150,343	(30,519)
Charges for Services	2,611,334	3,190,534	3,148,034	(42,500)
Fines and Forfeitures	454,000	571,000	573,369	2,369
Interest	271,000	167,000	167,108	108
Miscellaneous	80,000	75,000	94,980	19,980
TOTAL REVENUES	14,625,693	14,571,496	14,300,706	(270,790)
EXPENDITURES				
General Government	4,317,891	4,427,244	4,280,987	146,257
Public Safety	4,286,442	4,067,685	3,961,044	106,641
Community Development	946,783	888,050	848,550	39,500
Streets	1,923,130	1,459,898	1,389,507	70,391
Community Services	3,257,383	3,361,413	3,311,458	49,955
Cemetery	273,755	258,260	276,130	(17,870)
TOTAL EXPENDITURES	15,005,384	14,462,550	14,067,676	394,874
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(379,691)	108,946	233,030	124,084
OTHER FINANCING SOURCES (USES)				
Change in Joint Venture Equity	-	-	(22,471)	(22,471)
Transfers from Other Funds	1,422,646	1,445,827	1,445,827	-
Transfers to Other Funds	(1,529,537)	(2,333,447)	(2,333,447)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(486,582)	(778,674)	(677,061)	101,613
FUND BALANCE ALLOCATION	486,582	778,674	-	(778,674)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ (677,061)	\$ (677,061)

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Charges for Services	\$ 518,000	\$ 429,000	\$ 628,603	\$ 199,603
Interest	316,686	312,000	324,019	12,019
TOTAL REVENUES	834,686	741,000	952,622	211,622
<u>EXPENDITURES</u>				
General Government	-	-	-	-
Debt Service				
Principal	518,000	429,000	429,000	-
Interest and Finance Charges	316,686	312,000	317,198	(5,198)
TOTAL EXPENDITURES	834,686	741,000	746,198	(5,198)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	-	206,424	206,424
FUND BALANCE ALLOCATION	-	-	-	-
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 206,424	\$ 206,424

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal
						Service Fund
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 217,003	\$ 116,178	\$ 3,052,335	\$ 462,594	3,848,110	\$ 771,751
Accounts Receivable, Net of Allowance for Uncollectibles	437,889	259,204	1,517,849	177,664	2,392,606	-
Due from Other Fund	119,893	1,196,336	286,108	1,085,843	2,688,180	171,176
Inventory	-	-	434,410	-	434,410	-
TOTAL CURRENT ASSETS	774,785	1,571,718	5,290,702	1,726,101	9,363,306	942,927
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	795,155	1,635,466	2,002,269	649,567	5,082,457	-
Capital Assets						
Land	201,267	20,700	258,498	828,953	1,309,418	-
Construction in Progress	-	6,912,201	-	-	6,912,201	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	51,218	-	38,077	1,726,763	1,816,058	-
Improvements	24,388,542	24,009,810	52,501,061	778,318	101,677,731	-
Machinery, Equipment and Vehicles	396,155	914,180	1,867,550	2,321,420	5,499,305	1,386,516
Less Accumulated Depreciation	(6,951,702)	(8,485,364)	(27,852,073)	(3,116,776)	(46,405,915)	(171,592)
Other Assets						
Investment in Joint Venture	-	-	-	2,058,436	2,058,436	-
TOTAL NONCURRENT ASSETS	20,080,554	25,006,993	28,815,382	5,246,681	79,149,610	1,214,924
TOTAL ASSETS	20,855,339	26,578,711	34,106,084	6,972,782	88,512,916	2,157,851
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	49,871	381,830	699,399	190,841	1,321,941	2,614
Accrued Interest Payable	67,234	258,430	-	4,021	329,685	-
Due to Other Fund	-	-	-	-	-	-
Deferred Revenue	-	-	65,272	-	65,272	-
Customer Deposits	7,242	-	397,423	-	404,665	-
Compensated Absences	51,325	75,750	244,494	146,981	518,550	-
Current Portion of Long-Term Debt	213,850	570,138	-	158,302	942,290	-
TOTAL CURRENT LIABILITIES	389,522	1,286,148	1,406,588	500,145	3,582,403	2,614
NONCURRENT LIABILITIES						
Lease Payable	-	21,087	-	50,482	71,569	-
Bonds Payable	3,151,098	12,229,209	-	-	15,380,307	-
TOTAL NONCURRENT LIABILITIES	3,151,098	12,250,296	-	50,482	15,451,876	-
TOTAL LIABILITIES	3,540,620	13,536,444	1,406,588	550,627	19,034,279	2,614
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	15,920,451	10,551,093	26,813,113	2,329,894	55,614,551	1,214,924
Restricted						
Community Improvements	187,744	-	1,879,162	651,167	2,718,073	-
Investment in Joint Venture	-	-	-	2,058,436	2,058,436	-
Debt Service	607,411	1,635,466	-	-	2,242,877	-
Designated for Construction	-	-	-	100,255	100,255	-
Unrestricted	599,113	855,708	4,007,221	1,282,403	6,744,445	940,313
TOTAL NET ASSETS	\$ 17,314,719	\$ 13,042,267	\$ 32,699,496	\$ 6,422,155	\$ 69,478,637	\$ 2,155,237

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 3,173,344	\$ 2,969,940	\$ 24,852,604	\$ 2,708,479	\$ 33,704,367	\$ 1,236,276
Connection Fees	33,030	-	39,854	-	72,884	-
Miscellaneous	1,111	54,335	64,535	4,598	124,579	-
TOTAL OPERATING REVENUES	3,207,485	3,024,275	24,956,993	2,713,077	33,901,830	1,236,276
OPERATING EXPENSES						
Salaries and Benefits	656,502	608,276	2,761,249	872,607	4,898,634	154,068
Operations	1,281,505	924,343	18,758,714	1,331,428	22,295,990	44,813
Depreciation	593,996	704,202	1,859,168	339,876	3,497,242	130,620
TOTAL OPERATING EXPENSES	2,532,003	2,236,821	23,379,131	2,543,911	30,691,866	329,501
OPERATING INCOME	675,482	787,454	1,577,862	169,166	3,209,964	906,775
NON-OPERATING REVENUES (EXPENSES)						
Impact Fees	324,744	217,662	527,151	413,076	1,482,633	-
Interest Income	37,455	129,638	44,192	18,340	229,625	15,787
Change in Joint Venture Equity	-	-	-	(50,949)	(50,949)	-
Sale of Engines	-	-	900,000	-	900,000	-
Gain on Sale of Equipment	-	-	-	697	697	24,772
Interest Expense	(150,831)	(579,077)	(106,284)	(4,021)	(840,213)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	211,368	(231,777)	1,365,059	377,143	1,721,793	40,559
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	886,850	555,677	2,942,921	546,309	4,931,757	947,334
Developer Contributions	389,900	193,528	-	123,869	707,297	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(145,746)	(118,298)	(980,646)	(112,637)	(1,357,327)	(88,500)
CHANGE IN NET ASSETS	1,131,004	630,907	1,962,275	557,541	4,281,727	858,834
TOTAL NET ASSETS AT BEGINNING OF YEAR	16,183,715	12,411,360	30,737,221	5,864,614	65,196,910	1,296,403
TOTAL NET ASSETS AT END OF YEAR	\$ 17,314,719	\$ 13,042,267	\$ 32,699,496	\$ 6,422,155	69,478,637	\$ 2,155,237

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

865,375

Change in Net Assets of Business-type Activities

\$ 70,344,012

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	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	\$ 3,210,502	\$ 3,070,771	\$ 25,063,785	\$ 2,709,350	\$ 34,054,408	\$ 1,236,276
Payments to Suppliers	(1,833,090)	(1,207,753)	(19,183,298)	(1,211,808)	(23,435,949)	(62,326)
Payments to Employees	(645,963)	(603,523)	(2,771,819)	(857,549)	(4,878,854)	(154,068)
NET CASH FLOWS FROM OPERATING ACTIVITIES	731,449	1,259,495	3,108,668	639,993	5,739,605	1,019,882
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Due from Other Funds	(119,893)	882,393	40,507	(143,068)	659,939	(171,176)
Due to Other Funds	(948,952)	-	-	-	(948,952)	(11,784)
Transfers to Other Funds	(145,746)	(118,298)	(980,646)	(112,637)	(1,357,327)	(88,500)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(1,214,591)	764,095	(940,139)	(255,705)	(1,646,340)	(271,460)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Sale of Engines	-	-	900,000	-	900,000	-
Gain on Sale of Equipment	-	-	-	697	697	24,772
Impact Fees	324,744	217,662	527,151	413,076	1,482,633	-
Acquisition of Capital Assets	(948,057)	(7,522,560)	(892,971)	(434,502)	(9,798,090)	(773,195)
Lease Payments	-	(18,946)	-	(22,097)	(41,043)	-
Bond Payments	(235,005)	(732,990)	(2,218,449)	-	(3,186,444)	-
Interest Expense	(141,094)	(538,933)	(144,891)	(5,226)	(830,144)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(999,412)	(8,595,767)	(1,829,160)	(48,052)	(11,472,391)	(748,423)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	37,455	129,638	44,192	18,340	229,625	15,787
NET CASH FLOWS FROM INVESTING ACTIVITIES	37,455	129,638	44,192	18,340	229,625	15,787
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,445,099)	(6,442,539)	383,561	354,576	(7,149,501)	15,786
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,457,257	8,194,183	4,671,043	757,585	16,080,068	755,965
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,012,158	\$ 1,751,644	\$ 5,054,604	\$ 1,112,161	\$ 8,930,567	\$ 771,751

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING						
INCOME TO NET CASH FLOWS FROM						
OPERATING ACTIVITIES						
Operating Income	\$ 675,482	\$ 787,454	\$ 1,577,862	\$ 169,166	\$ 3,209,964	\$ 906,775
Adjustments						
Depreciation	593,996	704,202	1,859,168	339,876	3,497,242	130,620
Changes in Assets and Liabilities						
Accounts Receivable, Net	6,030	46,496	95,948	(3,727)	144,747	-
Inventory	-	-	(82,107)	-	(82,107)	-
Accounts Payable	(551,585)	(283,410)	(342,477)	119,620	(1,057,852)	(17,513)
Compensated Absences	10,539	4,753	(10,570)	15,058	19,780	-
Customer Deposits	(3,013)	-	10,844	-	7,831	-
Deferred Revenue	-	-	-	-	-	-
NET CASH FLOWS FROM OPERATING						
ACTIVITIES	\$ 731,449	\$ 1,259,495	\$ 3,108,668	\$ 639,993	\$ 5,739,605	\$ 1,019,882
Noncash Financing and Investing						
Transaction						
Increase in Investment in Joint Venture	\$ -	\$ -	\$ -	\$ (50,949)	\$ (50,949)	\$ -
Developer Contributions of Fixed Assets	\$ 389,900	\$ 193,528	\$ -	\$ 123,869	\$ 707,297	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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 governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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.

NOTE 1 - (CONTINUED)

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.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - (CONTINUED)

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

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.

Activities of these three funds include administration, operations and maintenance of the water, sewer and electric systems and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all water, sewer and electric fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

Additionally, the City uses two *internal service funds* to 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.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes 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. City 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.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as **due to or due from other funds**. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as **internal balances**.

NOTE 1 - (CONTINUED)

C. 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. Proprietary fund inventories are recorded at the lower of cost or market on a weighted average basis, which approximates the first-in, first-out method.

D. 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 assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

E. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

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

F. 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.

NOTE 1 - (CONTINUED)

G. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

I. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2009 and unpaid from 2008, as well as special improvement district assessments receivable at June 30, 2009 are shown as deferred revenue.

NOTE 1 - (CONTINUED)

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could 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 Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets 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 assets. The details of these differences are presented below:

JOINT VENTURE CAPITAL ASSETS	
Airport Improvements	\$ 2,670,140
SPRINGVILLE CITY CAPITAL ASSETS	
Land	17,798,418
Construction in Progress	14,834,140
Buildings and Structures	6,221,241
Improvements	54,454,656
Machinery, Equipment and Vehicles	5,432,091
Less Accumulated Depreciation	<u>(38,948,848)</u>
Net Capital Asset Difference	<u>\$ 62,461,838</u>

Other Long-Term Asset Differences

Property taxes due in November 2009 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2009	<u>\$ 2,213,982</u>
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NOTE 2 - (CONTINUED)

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 assets.

Cash and Cash Equivalents	\$ 771,751
Machinery, Equipment and Vehicles	1,386,516
Accumulated Depreciation	(171,592)
Accounts Payable	(2,614)
Due from Other Fund	171,176
Internal Balances	<u>(865,375)</u>
Net Difference	\$ <u>1,289,862</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 assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (195,916)
Unamortized Issue Costs	255,195
Unamortized Premium	(21,287)
Revenue Bonds Payable	(15,514,000)
Notes Payable	(150,000)
Current Portion of Long-Term Debt	(1,425,000)
Long-Term Compensated Absences	<u>(303,276)</u>
Total Long-Term Liability Difference	\$ <u>(17,354,284)</u>

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

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets 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 below:

Loss on Disposal of Capital Assets	\$ (161,744)
Developer Contributions	2,462,489
Capital Outlay	14,723,239
Depreciation Expense	<u>(3,236,944)</u>
Net Difference	\$ <u>13,787,040</u>

NOTE 2 - (CONTINUED)

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:

New Bonds Issued	\$ (6,435,000)
Cost of Bonds Issued	111,626
Principal Repayments	
Bonds	1,194,000
Notes	119,000
Capital Leases	38,574
Amortization of Issue Costs and Premium	<u>(9,963)</u>
Net Difference	\$ <u>(4,981,763)</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	\$ 15,787
Miscellaneous Revenue	24,772
Transfers to Other Fund	(88,500)
Allocation of Internal Service Fund Charges	<u>481,412</u>
Net Allocation	\$ <u>433,471</u>

Other Revenue and Expense Differences

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

Change in Long-Term Compensated Absences	\$ (20,536)
Change in Accrued Interest Payable	<u>(26,323)</u>
Net Difference	\$ <u>(46,859)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 3 - (CONTINUED)

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

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

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

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

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

Tax Revenues

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

NOTE 4 - (CONTINUED)

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

Custodial Credit Risk

Deposits. 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, 2009, \$318,096 of the City's bank balances of \$568,096 were uninsured and uncollateralized.

Credit Risk

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

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

The following are the City's investments at June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 22,247,996	\$ 22,247,996	\$ -	\$ -	\$ -
U.S. Treasuries	<u>4,663,307</u>	<u>4,663,307</u>	-	-	-
Total Investments	<u>\$ 26,911,303</u>	<u>\$ 26,911,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - (CONTINUED)

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 assets as per the following reconciliation:

Deposits	\$ 292,345
Investments	26,911,303
Cash on Hand	<u>3,366</u>
Total	<u>\$ 27,207,014</u>
Cash and Cash Equivalents	\$ 20,717,811
Restricted Cash and Cash Equivalents	<u>6,489,203</u>
Total	<u>\$ 27,207,014</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2009 are presented in the schedule below.

Property taxes are levied on January 1 of 2009, are due in November of 2009, and are budgeted for the 2009 fiscal year. Even though they are not intended to fund the 2009 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

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

The following is a summary of receivables at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 568,762	\$ 2,476,106	\$ 3,044,868
Allowance for Uncollectible	(51,200)	(83,500)	(134,700)
Property Taxes Receivable	2,213,982	-	2,213,982
Special Assessments Receivable	5,283,918	-	5,283,918
Other Receivables	<u>882,930</u>	<u>-</u>	<u>882,930</u>
Total	<u>\$ 8,898,392</u>	<u>\$ 2,392,606</u>	<u>\$ 11,290,998</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, 2009:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 16,528,973	\$ 1,269,445	\$ -	\$ 17,798,418
Construction in Progress	2,041,053	12,793,087	-	14,834,140
Capital Assets being Depreciated				
Buildings and Structures	5,945,862	275,379	-	6,221,241
Improvements	52,122,247	2,458,325	(125,916)	54,454,656
Machinery, Equipment and Vehicles	<u>6,385,947</u>	<u>1,280,198</u>	<u>(847,538)</u>	<u>6,818,607</u>
Total	83,024,082	18,076,434	(973,454)	100,127,062
Less Accumulated Depreciation	<u>(36,447,075)</u>	<u>(3,367,564)</u>	<u>694,199</u>	<u>(39,120,440)</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,577,007</u>	<u>\$ 14,708,870</u>	<u>\$ (279,255)</u>	<u>\$ 61,006,622</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2009:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,309,418	\$ -	\$ (87,134)	\$ 1,222,284
Construction in Progress	2,909,860	4,002,341	-	6,912,201
Water Shares	1,199,919	-	-	1,199,919
Capital Assets being Depreciated				
Buildings and Structures	1,810,547	5,511	-	1,816,058
Improvements	96,689,057	4,988,674	-	101,677,731
Machinery, Equipment and Vehicles	<u>5,763,708</u>	<u>243,093</u>	<u>(507,497)</u>	<u>5,499,304</u>
Total	109,682,509	9,239,619	(594,631)	118,327,497
Less Accumulated Depreciation	<u>(43,310,857)</u>	<u>(3,497,242)</u>	<u>402,184</u>	<u>(46,405,915)</u>
Business-type Activities Capital Assets, Net	<u>\$ 66,371,652</u>	<u>\$ 5,742,377</u>	<u>\$ (192,447)</u>	<u>\$ 71,921,582</u>

NOTE 6 - (CONTINUED)

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

Government Activities	
General Government	\$ 233,038
Public Safety	312,237
Community Development	31,636
Streets	2,135,325
Community Services	472,035
Cemetery	52,673
Internal Service Funds	<u>130,620</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,367,564</u>
Business-type Activities	
Water	\$ 593,996
Sewer	704,202
Electric	1,859,168
Storm Water	50,031
Solid Waste	102,747
Golf Course/Restaurant	<u>187,098</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 3,497,242</u>

NOTE 7 - 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.

NOTE 7 - (CONTINUED)

- d. Summary financial information, as of the joint venture's last year end of June 30, 2009, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$ 5,665,166	\$ 2,832,583
Total Liabilities	<u>(156,176)</u>	<u>(78,088)</u>
Net Assets	<u>\$ 5,508,990</u>	<u>\$ 2,754,495</u>
Program Revenues	\$ 1,690,092	\$ 845,046
General Revenues	8,770	4,385
Program Expenses	<u>(259,842)</u>	<u>(129,921)</u>
Change in Net Assets	<u>\$ 1,439,020</u>	<u>\$ 719,510</u>

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

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. Additional information is as follows:

- a. Participants and their percentage shares:

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

- 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.

NOTE 7 - (CONTINUED)

- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2008, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 17,315,731	\$ 2,597,360
Total Liabilities	<u>(3,592,825)</u>	<u>(538,924)</u>
Net Assets	<u>\$ 13,722,906</u>	<u>\$ 2,058,436</u>
Operating Revenues	\$ 4,888,577	\$ 733,287
Operating Expenses	<u>5,485,732</u>	<u>822,860</u>
Net Operating Income (Loss)	(597,155)	(89,573)
Total Non-Operating Income (Expense)	<u>257,492</u>	<u>38,624</u>
Change in Net Assets	<u>\$ (339,663)</u>	<u>\$ (50,949)</u>

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

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Closure and Postclosure Liability	\$ 2,816,922	\$ 422,538
Capital Leases	226,258	33,939
Accrued Compensated Absences	<u>201,507</u>	<u>30,226</u>
Total Long-Term Liabilities	<u>\$ 3,244,687</u>	<u>\$ 486,703</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 8 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

NOTE 8 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2009:

	Year Ending June 30,
2010	\$ 49,569
2011	49,569
2012	<u>27,323</u>
Total Minimum Lease Payments	126,461
Interest Portion	<u>(11,604)</u>
Present Value of Net Minimum Lease Payments	114,857
Amount Due Within One Year	<u>(43,289)</u>
Amount Due After One Year	<u>\$ 71,568</u>

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, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue Bonds					
2000 Municipal Building Authority Lease	\$ 250,000	\$ -	\$ (250,000)	\$ -	\$ -
2000 Excise Tax	390,000	-	(190,000)	200,000	200,000
2000 Special Assessment	448,000	-	(141,000)	307,000	149,000
2005 Special Assessment	4,803,000	-	(267,000)	4,536,000	280,000
2006 Sales Tax	5,300,000	-	(325,000)	4,975,000	330,000
2007 Special Assessment	388,000	-	(21,000)	367,000	22,000
2008 Municipal Building Authority Lease	-	6,435,000	-	6,435,000	-
Notes Payable					
2006 Childs Property	250,000	-	(50,000)	200,000	50,000
2008 Mr. Tubbs Property	138,000	-	(69,000)	69,000	69,000
Capital Leases					
2005 Grader	38,575	-	(38,575)	-	-
Compensated Absences	<u>575,433</u>	<u>56,202</u>	<u>-</u>	<u>631,635</u>	<u>328,359</u>
	<u>\$12,581,008</u>	<u>\$ 6,491,202</u>	<u>\$ (1,351,575)</u>	17,720,635	<u>\$ 1,428,359</u>
Unamortized Bond Issuance Costs and Premium				<u>(233,908)</u>	
				<u>\$ 17,486,727</u>	

NOTE 9 - (CONTINUED)

Long-term debt and obligations for governmental activities payable at June 30, 2009 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				
Excise Tax Revenue Bonds, dated December 22, 2000, (original amount--\$1,250,000)	5.30% to 5.75%	2010	\$ 200,000	\$ -
Special Assessment Bonds, dated December 22, 2000 (original amount--\$1,234,000)	5.97%	2011	149,000	158,000
Special Assessment Bonds, dated December 8, 2005 (original amount--\$5,269,604)	5.05% to 6.00%	2021	280,000	4,256,000
Sales Tax Revenue Bonds, dated January 5, 2006 (original amount--\$900,000)	4.00% to 5.00%	2021	330,000	4,645,000
Special Assessment Bonds, dated February 20, 2007 (original amount--\$413,224)	5.20% to 6.00%	2021	22,000	345,000
Municipal Building Authority Lease Revenue Bonds, Series 2008, (original amount--\$6,435,000)	5.25%	2019	-	6,435,000
Child's Property Note Payable (original amount--\$397,150)	6.00%	2013	50,000	150,000
Mr. Tubbs Property Note Payable (original amount--\$275,000)	5.00%	2010	69,000	-
Compensated Absences			328,359	303,276
Unamortized Bond Issuance Cost and Premium			_____	(233,908)
Total Governmental Activities Long-term Debt			<u>\$ 1,428,359</u>	<u>\$ 16,058,368</u>

The proceeds of the 2000 excise tax revenue bonds were issued for general road project construction and Class C road revenues were pledged to repay them. The proceeds of the 2000, 2005 and 2007 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. The 2006 sales tax revenue bonds were issued to purchase land for parks and sales tax revenues were pledged to repay them. The 2008 Municipal Building Authority lease revenue bonds were issued for the construction of the new civic center. The 2006 property note was used to purchase land at 1300 east to be used for the east fire substation. The 2008 property note was used to purchase land on which the new civic center is located. The City pledges general revenues of the City to repay these notes.

NOTE 9 - (CONTINUED)

Long-term debt and obligations for business-type activities payable at June 30, 2009 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					
1996 Electric	\$ 1,650,000	\$ -	\$ (1,650,000)	\$ -	\$ -
1998 Sewer	984,000	-	(71,000)	913,000	74,000
1998 Special Assessment	89,000	-	(89,000)	-	-
1998 Water and Sewer	1,080,000	-	(200,000)	880,000	205,000
2000 Electric	595,000	-	(595,000)	-	-
2008 Water and Sewer	15,135,000	-	(620,000)	14,515,000	485,000
Notes Payable					
2006 Golf Carts	135,000	-	-	135,000	135,000
Leases Payable					
2007 Case Wheel Loader	60,020	-	(18,946)	41,074	19,988
2007 Tymco Street Sweeper	95,881	-	(22,097)	73,784	23,302
Compensated Absences	<u>498,770</u>	<u>19,780</u>	<u>-</u>	<u>518,550</u>	<u>518,550</u>
	<u>\$ 20,322,671</u>	<u>\$ 19,780</u>	<u>\$ (3,266,043)</u>	17,076,408	<u>\$ 1,460,840</u>
Unamortized Bond Issuance Costs and Discounts				<u>(163,692)</u>	
				<u>\$ 16,912,716</u>	

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2009:

<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	\$ 74,000	\$ 839,000
Water and Sewer Revenue Bonds, dated October 6, 1998, (original amount--\$2,625,000)	3.40% to 4.30%	2013	205,000	675,000
Water and Sewer General Obligation Refunding Bonds, Dated April 22, 2008, (original amount--\$15,135,000)	4.85%	2028	485,000	14,030,000
Golf Cart Note Payable (original amount--\$130,000)	0.00%	2009	135,000	-
Leases Payable				
Case Wheel Loader (original amount-- \$100,225)	5.34%	2011	19,988	21,086
Tymco Street Sweeper (original amount--\$121,000)	5.45%	2012	23,302	50,482
Compensated Absences			518,550	-
Unamortized Bond Issuance Costs and Discounts			<u>-</u>	<u>(163,692)</u>
			<u>\$ 1,460,840</u>	<u>\$ 15,451,876</u>

NOTE 9 - (CONTINUED)

The proceeds of the 1998A water and sewer revenue bonds and the 1988B sewer revenue bonds were used to complete general water and sewer improvements. The proceeds of the 2008 water and sewer revenue bonds were used to upgrade the sewer treatment plant, install the water main along 400 South and sewer lines along 1500 West. The City pledges the revenues of the water and sewer funds to repay these bonds.

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>
2010	\$ 1,100,000	\$ 864,742	\$ 852,289	\$ 787,423	\$ 1,952,289	\$ 1,652,165
2011	1,192,000	802,138	888,659	750,471	2,080,659	1,552,609
2012	1,075,000	742,062	906,911	710,940	1,981,911	1,453,002
2013	1,132,000	689,267	875,000	670,962	2,007,000	1,360,229
2014	1,136,000	632,593	674,000	630,115	1,810,000	1,262,708
2015-2019	9,389,000	1,886,179	3,871,000	2,634,485	13,260,000	4,520,664
2020-2024	2,065,000	160,095	4,270,000	1,664,035	6,335,000	1,824,130
2025-2028	-	-	4,220,000	523,800	4,220,000	523,800
	<u>\$17,089,000</u>	<u>\$ 5,777,076</u>	<u>\$ 16,557,859</u>	<u>\$ 8,372,231</u>	<u>\$ 33,646,859</u>	<u>\$ 14,149,307</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	\$ 3,207,485	\$ 2,969,940
Operating Expenses (excluding depreciation and amortization)	(1,938,007)	(1,532,619)
Impact Fees	324,744	217,662
Interest Income	<u>37,455</u>	<u>129,638</u>
Net revenues	<u>\$ 1,631,677</u>	<u>\$ 1,784,621</u>
Maximum Aggregate Debt Service	<u>\$ 244,000</u>	<u>\$ 904,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>669%</u>	<u>197%</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. Neither the City, the State or 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, 2009 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$621,509.

NOTE 11 - RETIREMENT PLANS

Plan Description

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

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

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, and 13.14% to the Firefighters Retirement Systems, respectively. Springville City is required to contribute a percent of covered salary to the respective systems, 7.61% to the Contributory, 11.62% to the Noncontributory, and 22.61% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Springville City's contributions to the various systems for the years ending June 30, 2009, 2008 and 2007 respectively were; for the Contributory System, \$16,105, \$17,938 and \$28,726; for the Noncontributory System, \$858,645, \$810,755, and \$707,605; for the Public Safety Noncontributory, \$298,744, \$268,675, and \$238,123; for the Firefighters System, \$16,423, \$16,511, and \$12,753, respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2009, was \$10,133,832. Of that amount, \$8,110,858 was eligible to participate in the plan. The City participates at rates between 0% and 2.25%, plus \$750 per employee depending on the employee's contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2009, contributions totaling \$272,453 were made to the plan by employees and \$280,072 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, 2009, was \$10,133,832. Of that amount, \$738,490 was eligible to participate in the plan. During the year ended June 30, 2009, contributions totaling \$36,624 were made to the plan by employees.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Southern Utah Valley Power Systems (SUVPS)

In 2002, the City entered into the Dry Creek Substation Agreement with SUVPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the SUVPS bonds have been paid or (2) the final shut down date of SUVPS. The agreement entitles the City to approximately 35.25 percent of the capacity of the Dry Creek Substation. The City is obligated for 57.32 percent of the debt service on approximately \$3,275,000 in electric revenue bonds outstanding at June 30, 2009, issued to finance construction of the Dry Creek Substation.

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, 2009, the City purchased power totaling approximately \$11.4 million.

The City is obligated through power service contracts with UAMPS for the consequences of "take or pay" contracts with UAMPS customers. The City is also obligated through power service contracts to pay its proportionate share of bonded indebtedness. UAMPS service charges to the City include the City's proportionate obligation for the following items:

NOTE 13 - (CONTINUED)

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 \$88,680,000 in revenue bonds outstanding at June 30, 2009, issued to finance construction of the plant.

Future Commitments and Contingencies

San Juan – An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2008. 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 1998 bonded debt and 16.39% of the 2008 bonded debt. The total outstanding 1998 and 2008 bond principal amounts as of June 30, 2009 were \$25,295,000 and \$2,220,000 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 \$0.05704 for FY2009. Springville City expects to receive approximately 30.0 million kilowatt hours of energy over the course of an average year.

Deseret Generation and Transmission Contract – This is a flexible wholesale power contract. Springville will receive 10 megawatts of power from Deseret Generation and Transmission from October 1, 2008 until December 31, 2012. Springville City has the option to take power as a base, intermediate or peaking load subject to restrictions in the agreement. The price for each option is set by formula and is tied to a rolling twelve months of market prices with a floor and ceiling. The contract ensures that Springville will generally be purchasing power at costs less than market averages.

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 14 - RELATED PARTY TRANSACTIONS

The City uses Central Bank for the majority of their banking needs. A City Council member is a Senior Executive Vice President with Central Bank. A City Council member audits the Springville Museum of Art and is paid by Springville City for this service.

NOTE 15 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>Out</u>	<u>In</u>
General Fund	\$ 2,333,447	\$ 1,445,827
Debt Service Fund	-	949,502
Municipal Building Authority Fund	5,899,460	135,500
Capital Projects Fund	74,349	7,778,260
Special Services Fund	583,006	-
Vehicle and Equipment Fund	88,500	-
Enterprise Funds		
Water	145,746	-
Sewer	118,298	-
Electrical	980,646	-
Storm Water	26,986	-
Solid Waste	43,631	-
Golf Course	42,020	-
Permanent Fund	-	27,000
	<u>\$ 10,336,089</u>	<u>\$ 10,336,089</u>

NOTE 16 - SPRINGVILLE REDEVELOPMENT AGENCY

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

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

NOTE 17 - RISK MANAGEMENT

The City is a member of a combined risk management pool consisting of twenty-three (23) member Cities in the State of Utah. Utah Risk Management Mutual Association (URMMA) is a not-for-profit entity created to pool the resources of local governments together to provide low- cost liability and risk insurance. URMMA provides its members with training and legal and technical support in operating the City's risks. Springville has a representative as a member of the board that meets annually to discuss policies and procedures. An executive board is elected from the members to meet regularly to discuss risk issues and to make recommendations to the rest of the members at the annual meeting. The City is involved with all aspects of controlling and reducing risk with the help of the association. The association provides annual and semi-annual audits on the City's policies and practices as they relate to risk in the work place and other liability risks that arise.

NOTE 18 - SUBSEQUENT EVENTS

Springville City

The City began the first phase of a major facilities construction plan during the 2008 fiscal year. Contracts were let in early 2008 for construction of a new central fire station and a civic center located on the same block as the current civic center. The two construction contracts total \$13.8 million. In addition to cash reserves held by the City for the projects, \$6.435 million in municipal building authority lease bonds were issued. Work on the fire and station and civic center continued through the 2009 fiscal year with completion and occupancy scheduled for early in the 2010 fiscal year. Two small fire substations were also planned for the east and west sides of the City with construction budgets estimated at \$450,000 each. Construction on the East side fire substation was in progress during fiscal 2009 with completion scheduled for early fiscal 2010.

The next phase of the facilities construction plan will be to construct a new library on the site of the vacated fire and police stations. Springville residents voted in the affirmative on a \$9.8 million general obligation bond in November, 2008 which will be the primary funding source for the library. Contract bids and construction are anticipated to commence in early 2010.

UDOT began a major expansion for 400 South from Main Street to the freeway. The project included the replacement of the bridge over the freeway with a much more efficient design. A new bridge is to be erected over the railroad tracks at 1600 West and the bridge at 400 West will be enlarged. The plan called for the widening of the road to five lanes, two lanes in each direction plus a center turn lane. The City agreed to a full closure of the road by UDOT that will significantly shorten the construction time. Construction began in January 2009 with construction continuing through fiscal 2009. Project completion and reopening of the road is scheduled for November, 2009.

A \$10 million expansion of the sewer treatment plant continued through fiscal 2009 with completion anticipated for early fiscal 2010.

The Central Utah Water Conservancy District announced plans to begin construction of a 30" water pipeline running from north to south through the entire city at 400 East. The City completed the negotiation of a utility easement with the District and construction is anticipated to begin in November 2009.

Spanish Fork/Springville Airport

The rehabilitation of the runway at the airport continued through fiscal 2009. The project included overlaying the entire runway and some taxi ways with new asphalt and replacing all of the runway lighting systems. The \$1.9 million project is receiving an FAA grant for 95% of the costs. The remaining 5% will be split equally between UDOT and the airport. Completion of the project is scheduled for early fiscal 2010.

SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2009

	Special Revenue	Capital Projects	Debt Service		
	Redevelop- ment Agency	Special Services	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 133,150	\$ -	\$ -	\$ 133,150
Interest Receivable	-	-	-	1,142	1,142
Due from Other Fund	1,914	-	7,317	55,565	64,796
Restricted Cash	-	2,066,582	-	563,220	2,629,802
TOTAL ASSETS	\$ 1,914	\$ 2,199,732	\$ 7,317	\$ 619,927	\$ 2,828,890
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ -	\$ 1,249	\$ -	\$ 2,476	\$ 3,725
Compensated Absences	-	3,367	-	-	3,367
Due to Other Fund	-	379,403	-	-	379,403
TOTAL LIABILITIES	-	384,019	-	2,476	386,495
FUND BALANCE					
Designated for					
Community Improvements	-	133,026	-	-	133,026
Reserved for					
Impact Fees	-	1,682,687	-	-	1,682,687
Debt Service	-	-	7,317	-	7,317
Endowments	-	-	-	568,863	568,863
Unreserved	1,914	-	-	48,588	50,502
TOTAL FUND EQUITY	1,914	1,815,713	7,317	617,451	2,442,395
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,914	\$ 2,199,732	\$ 7,317	\$ 619,927	\$ 2,828,890

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue	Capital Projects	Debt Service		Total Nonmajor Governmental Funds
	Redevelop- ment Agency	Special Services	Debt Service	Permanent Fund	
REVENUES					
Charges for Services	\$ -	\$ 66,930	\$ -	\$ 1,004	\$ 67,934
Interest	-	51,257	-	2,392	53,649
TOTAL REVENUES	-	118,187	-	3,396	121,583
EXPENDITURES					
General Government	-	-	-	13,580	13,580
Community Services	-	225,568	-	-	225,568
Debt Service					
Principal	-	-	672,574	-	672,574
Interest and Finance Charges	-	-	278,285	-	278,285
Capital Outlay	-	106,229	-	-	106,229
TOTAL EXPENDITURES	-	331,797	950,859	13,580	1,296,236
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(213,610)	(950,859)	(10,184)	(1,174,653)
OTHER FINANCING SOURCES					
Impact Fees	-	670,103	-	-	670,103
Transfers From Other Funds	-	-	949,502	27,000	976,502
Transfers to Other Funds	-	(583,006)	-	-	(583,006)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	(126,513)	(1,357)	16,816	(111,054)
BEGINNING FUND BALANCE	1,914	1,942,226	8,674	600,635	2,553,449
ENDING FUND BALANCE	\$ 1,914	\$ 1,815,713	\$ 7,317	\$ 617,451	\$ 2,442,395

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2009

	Storm Water	Solid Waste	Golf Course/ Restaurant	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 462,594	\$ -	\$ 462,594
Accounts Receivable, Net of Allowance for Uncollectibles	64,297	113,367	-	177,664
Due from Other Fund	266,685	607,358	211,800	1,085,843
TOTAL CURRENT ASSETS	330,982	1,183,319	211,800	1,726,101
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	649,567	-	-	649,567
Capital Assets				
Land	-	487,433	341,520	828,953
Buildings and Structures	-	254,635	1,472,128	1,726,763
Improvements	778,318	-	-	778,318
Machinery, Equipment and Vehicles	294,498	1,218,685	808,237	2,321,420
Less Accumulated Depreciation	(163,986)	(1,197,971)	(1,754,819)	(3,116,776)
Other Assets				
Investment In Joint Venture	-	2,058,436	-	2,058,436
TOTAL NONCURRENT ASSETS	1,558,397	2,821,218	867,066	5,246,681
TOTAL ASSETS	1,889,379	4,004,537	1,078,866	6,972,782
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	84,801	57,344	48,696	190,841
Accrued Interest	4,021	-	-	4,021
Compensated Absences	4,936	22,971	119,074	146,981
Current Portion of Long-Term Debt	23,302	-	135,000	158,302
TOTAL CURRENT LIABILITIES	117,060	80,315	302,770	500,145
NONCURRENT LIABILITIES				
Lease Payable	50,482	-	-	50,482
TOTAL NONCURRENT LIABILITIES	50,482	-	-	50,482
TOTAL LIABILITIES	167,542	80,315	302,770	550,627
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	835,046	762,782	732,066	2,329,894
Restricted				
Community Improvements	651,167	-	-	651,167
Investment In Joint Venture	-	2,058,436	-	2,058,436
Designated for Construction	-	-	100,255	100,255
Unrestricted	235,624	1,103,004	(56,225)	1,282,403
TOTAL NET ASSETS	\$ 1,721,837	\$ 3,924,222	\$ 776,096	\$ 6,422,155

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Storm Water	Solid Waste	Golf Course/ Restaurant	Total Nonmajor Enterprise Funds
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 683,094	\$ 1,095,658	\$ 929,727	\$ 2,708,479
Miscellaneous	-	1,922	2,676	4,598
TOTAL OPERATING REVENUES	683,094	1,097,580	932,403	2,713,077
<u>OPERATING EXPENSES</u>				
Salaries and Benefits	107,493	266,772	498,342	872,607
Operations	267,811	703,858	359,759	1,331,428
Depreciation	50,031	102,747	187,098	339,876
TOTAL OPERATING EXPENSES	425,335	1,073,377	1,045,199	2,543,911
OPERATING INCOME (LOSS)	257,759	24,203	(112,796)	169,166
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Impact Fees	413,076	-	-	413,076
Interest Income	8,877	9,463	-	18,340
Change in Joint Venture Equity	-	(50,949)	-	(50,949)
Gain on Sale of Equipment	-	697	-	697
Interest Expense	(4,021)	-	-	(4,021)
TOTAL NON-OPERATING REVENUES	417,932	(40,789)	-	377,143
(EXPENSES)	417,932	(40,789)	-	377,143
INCOME (LOSS) BEFORE CONTRIBUTIONS				
AND TRANSFERS	675,691	(16,586)	(112,796)	546,309
Developer Contributions	123,869	-	-	123,869
Transfers to Other Funds	(26,986)	(43,631)	(42,020)	(112,637)
CHANGE IN NET ASSETS	772,574	(60,217)	(154,816)	557,541
TOTAL NET ASSETS AT BEGINNING				
OF YEAR	949,263	3,984,439	930,912	5,864,614
TOTAL NET ASSETS AT END OF YEAR	\$ 1,721,837	\$ 3,924,222	\$ 776,096	\$ 6,422,155

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Storm Water	Solid Waste	Golf Course/ Restaurant	Total Nonmajor Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers	\$ 675,780	\$ 1,101,167	\$ 932,403	\$ 2,709,350
Payments to Suppliers	(184,244)	(674,015)	(353,549)	(1,211,808)
Payments to Employees	(105,557)	(265,905)	(486,087)	(857,549)
NET CASH FLOWS FROM OPERATING ACTIVITIES	385,979	161,247	92,767	639,993
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Due from Other Funds	(49,115)	(118,313)	24,360	(143,068)
Transfers to Other Funds	(26,986)	(43,631)	(42,020)	(112,637)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(76,101)	(161,944)	(17,660)	(255,705)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Gain on Sale of Equipment	-	697	-	697
Impact Fees	413,076	-	-	413,076
Acquisition of Capital Assets	(359,395)	-	(75,107)	(434,502)
Lease Payments	(22,097)	-	-	(22,097)
Interest Expense	(5,226)	-	-	(5,226)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	26,358	697	(75,107)	(48,052)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	8,877	9,463	-	18,340
NET CASH FLOWS FROM INVESTING ACTIVITIES	8,877	9,463	-	18,340
NET CHANGE IN CASH AND CASH EQUIVALENTS	345,113	9,463	-	354,576
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	304,454	453,131	-	757,585
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 649,567	\$ 462,594	\$ -	\$ 1,112,161

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course/ Restaurant</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 257,759	\$ 24,203	\$ (112,796)	\$ 169,166
Adjustments				
Depreciation	50,031	102,747	187,098	339,876
Changes in Assets and Liabilities				
Accounts Receivable, Net	(7,314)	3,587	-	(3,727)
Accounts Payable	83,567	29,843	6,210	119,620
Compensated Absences	1,936	867	12,255	15,058
	<u>385,979</u>	<u>161,247</u>	<u>92,767</u>	<u>639,993</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 385,979	\$ 161,247	\$ 92,767	\$ 639,993
Noncash Financing and Investing Transaction				
Change in Investment in Joint Venture	\$ -	\$ (50,949)	\$ -	\$ (50,949)
Developer Contributions of Fixed Assets	\$ 123,869	\$ -	\$ -	\$ 123,869

STATE LEGAL COMPLIANCE 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 STATE LEGAL COMPLIANCE

December 4, 2009

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

Council Members:

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, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements, and have issued my report thereon dated December 4, 2009. As part of my audit, I have audited Springville City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah:

"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

Victims Advocate Grant	Tobacco Grant
Public Library Development Grant	EMS Grant
Crime Prevention Grant	

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Other General Issues
Cash Management	Uniform Building Code Standards
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Justice Court
Truth in Taxation and Property Tax Limitations	Impact Fees
Class C Road Funds	Asset Forfeiture
Special Districts	Utah Retirement System

The management of Springville City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

My audit does not provide a legal determination on the City's compliance with these requirements.

The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Springville City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

The report is intended solely for the information and use of management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Greg Ogden, CPA

Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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

December 4, 2009

Members of the City Council
Springville City, Utah

Council Members:

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, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements, and have issued my report thereon dated December 4, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider internal control deficiency #1 and the combination of internal control deficiencies #2 through #8 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville City, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Greg Ogden, CPA

**Greg Ogden
Certified Public Accountant**