

**SPANISH FORK/SPRINGVILLE AIRPORT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2012**

SPANISH FORK/SPRINGVILLE AIRPORT
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

October 26, 2012

**Airport Board of Directors
Spanish Fork/Springville Airport**

Council Members:

I have audited the accompanying financial statements of the governmental activities and each major fund of Spanish Fork/Springville Airport (Airport), as of and for the year ended June 30, 2012, which collectively comprise the Airport's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Airport's management. My responsibility is to express an opinion 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 financial position of the governmental activities and each major fund of the Airport as of June 30, 2012, and the respective changes in financial position of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 26, 2012 on my consideration of the Airport'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.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.


Greg Ogden
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork/Springville Airport, we offer readers of the Airport's financial statements this narrative overview and analysis of the financial activities of Spanish Fork/Springville Airport for the fiscal year ended June 30, 2012. 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 Spanish Fork/Springville Airport increased by \$676,216 to \$6,153,054.
- The total net assets of \$6,153,054 are made up of \$6,061,519 in capital assets net of related debt and \$91,535 in other net assets.

REPORTING THE AIRPORT AS A WHOLE

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

The Government-wide Financial Statements are designed to provide readers with a broad overview of Spanish Fork/Springville Airport's finances in a manner similar to a private-sector business. As such, the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

- *The Statement of Net Assets* presents information on all of Spanish Fork/Springville Airport'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 Spanish Fork/Springville Airport is improving or deteriorating. However, the reader will need to consider other non-financial factors.
- *The Statement of Activities* presents information showing how the Airport'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. The cost of capital assets is allocated over their estimated useful life as depreciation expense.

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 Spanish Fork/Springville Airport, assets exceed liabilities by \$6,153,054.

The majority of Spanish Fork/Springville Airport's net assets reflect 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 Airport uses these capital assets to provide services; consequently, these assets are not available for future spending.

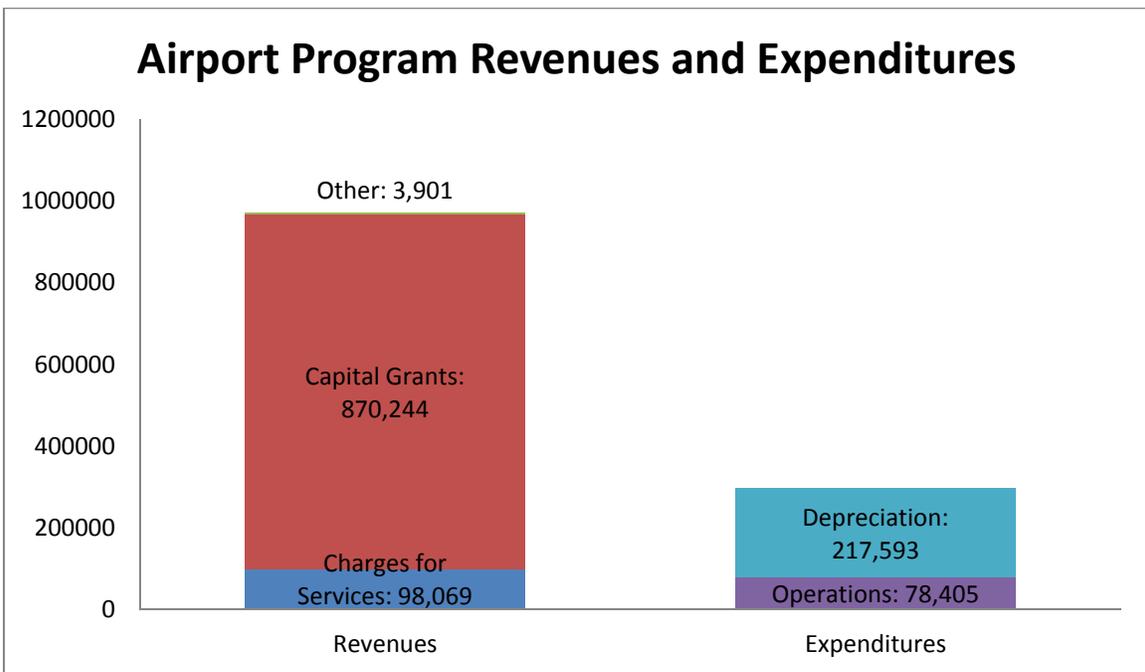
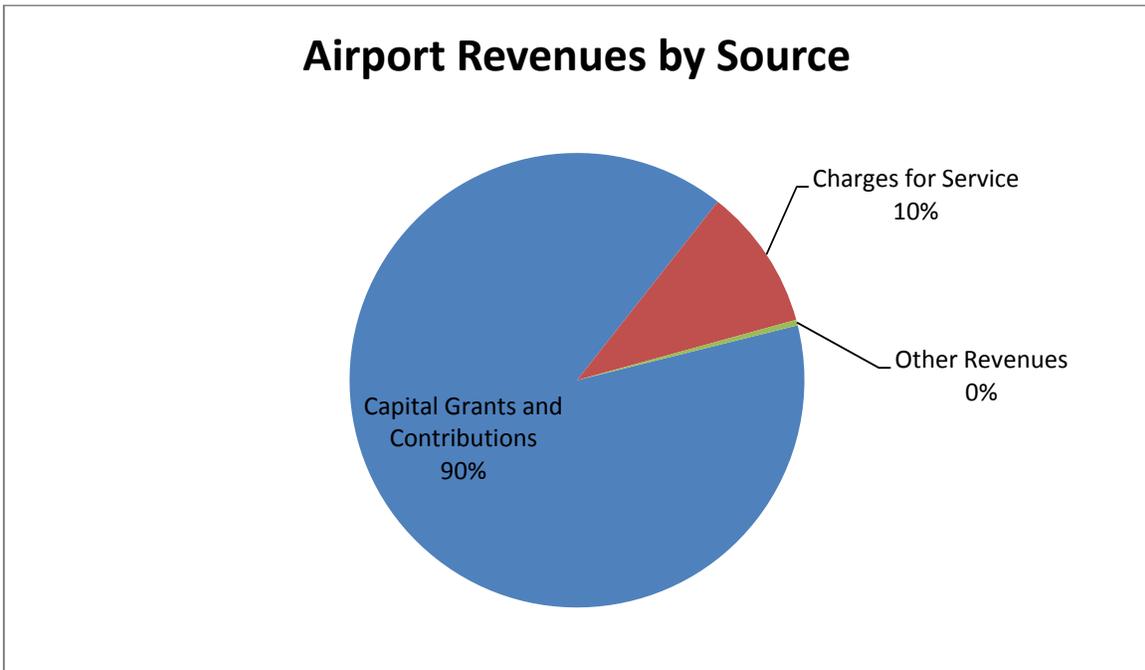
STATEMENT OF NET ASSETS (In dollars)

	Airport Activities	
	2011-2012	2010-2011
Current and Other Assets	553,557	217,079
Capital Assets	6,061,519	5,260,787
Total Assets	6,615,076	5,477,866
Long-term Debt Outstanding		
Other Liabilities	462,022	1,028
Total Liabilities	462,022	1,028
Net Assets:		
Invested in Capital Assets, Net of Debt	6,061,519	5,260,787
Unrestricted	91,535	216,051
Total Net Assets	6,153,054	5,476,838

STATEMENT OF ACTIVITIES (In dollars)

	Airport Activities	
	2011-2012	2010-2011
Program Revenues:		
Charges for Services	98,069	98,272
Operating Grants and Contributions	0	0
Capital Grants and Contributions	870,244	153,936
General Revenues:		
Other Revenues	3,901	10,106
Total Revenues	972,214	262,314
Airport Expenses	295,998	288,203
Total Expenses	295,998	288,203
Change in Net Assets	676,216	(25,889)
Net Assets Beginning	5,476,838	5,502,727
Net Assets Ending	6,153,054	5,476,838

The following graphs display the Airport activities from the Entity-wide Statement of Activities reported in the above tables.



In FY 2011-2012 the airport utilized FAA and State of Utah grants available to complete the update and revision of the Airport Master Plan; further work on the runway re-alignment and expansion; and to rehabilitate the apron. Revenues for the year exceeded expenditures by \$676,216, which is reflected as an increase in net assets. This increase is the result of capital outlays exceeding depreciation expense for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Spanish Fork/Springville Airport's investment in capital assets as of June 30, 2012 was \$6,061,519 (net of debt and accumulated depreciation). This investment in capital assets includes land and improvements. The Airport's investment in fixed assets for the current year increased by \$800,732.

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

- Construction related to wetlands mitigation in preparation for the planned runway expansion.
- Apron Rehabilitation project

Additional information on the Airport's capital assets can be found in the footnotes to this financial report and also the supplemental section.

BUDGETARY HIGHLIGHTS

The original operating expense budget was \$85,250. The budget was not amended during the year and actual operating expenses were \$78,405.

NEXT YEAR'S BUDGET

The Airport budget for the fiscal year ending June 30, 2012 reflects no significant changes in operations, but accounts for capital outlays scheduled by the FAA for the planned runway expansion.

REQUESTS FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of Spanish Fork/Springville Airport'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 South Main Street, Springville, UT 84663.

BASIC FINANCIAL STATEMENTS

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 455,221
Accounts Receivable	98,336
Capital Assets	
Non Depreciable	2,399,809
Depreciable Assets (net of Depreciation)	<u>3,661,710</u>
TOTAL ASSETS	<u>6,615,076</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	<u>462,022</u>
TOTAL CURRENT LIABILITIES	<u>462,022</u>
TOTAL LIABILITIES	<u>462,022</u>
<u>NET ASSETS</u>	
Investment in Capital Assets, Net of Related Debt	6,061,519
Unrestricted	<u>91,535</u>
TOTAL NET ASSETS	<u>\$ 6,153,054</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 286,989	\$ 168,232	\$ 455,221
Accounts Receivable	1,778	-	1,778
Grants Receivable	-	96,558	96,558
TOTAL ASSETS	<u>\$ 288,767</u>	<u>\$ 264,790</u>	<u>\$ 553,557</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts Payable	\$ 244,151	\$ 217,871	\$ 462,022
EQUITY			
Assigned for Capital Projects	-	46,919	46,919
Unassigned	44,616	-	44,616
TOTAL FUND EQUITY	<u>\$ 288,767</u>	<u>\$ 264,790</u>	<u>\$ 553,557</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 91,535**

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

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the funds. 6,061,519

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 6,153,054**

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
REVENUES			
State and Federal Grants	\$ 806,073	\$ 64,171	\$ 870,244
Charges for Services	98,069	-	98,069
Interest	860	-	860
Miscellaneous	3,041	-	3,041
TOTAL REVENUES	<u>908,043</u>	<u>64,171</u>	<u>972,214</u>
EXPENDITURES			
Administration	18,541	-	18,541
Professional Fees	53,724	-	53,724
Insurance	6,140	-	6,140
Capital Outlay	-	1,018,325	1,018,325
TOTAL EXPENDITURES	<u>78,405</u>	<u>1,018,325</u>	<u>1,096,730</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>829,638</u>	<u>(954,154)</u>	<u>(124,516)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	851,073	851,073
Transfers to Other Funds	(851,073)	-	(851,073)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(851,073)</u>	<u>851,073</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(21,435)</u>	<u>(103,081)</u>	<u>(124,516)</u>
BEGINNING FUND BALANCE	<u>66,051</u>	<u>150,000</u>	<u>216,051</u>
ENDING FUND BALANCE	<u>\$ 44,616</u>	<u>\$ 46,919</u>	<u>\$ 91,535</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
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, 2012

EXCESS OF REVENUES OVER EXPENDITURES \$ (124,516)

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

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

800,732

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ 676,216

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<u>REVENUES</u>				
State and Federal Grants	\$ 1,825,736	\$ 1,825,736	\$ 806,073	\$ (1,019,663)
Charges for Services	92,100	92,100	98,069	5,969
Interest	135	135	860	725
Miscellaneous	-	-	3,041	3,041
	<u>1,917,971</u>	<u>1,917,971</u>	<u>908,043</u>	<u>(1,009,928)</u>
<u>EXPENDITURES</u>				
Airport Operating Costs and Improvements	<u>85,250</u>	<u>85,250</u>	<u>78,405</u>	<u>6,845</u>
	<u>85,250</u>	<u>85,250</u>	<u>78,405</u>	<u>6,845</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>1,832,721</u>	<u>1,832,721</u>	<u>829,638</u>	<u>(1,016,773)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	<u>(1,825,736)</u>	<u>(1,825,736)</u>	<u>(851,073)</u>	<u>974,663</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,825,736)</u>	<u>(1,825,736)</u>	<u>(851,073)</u>	<u>974,663</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	6,985	6,985	(21,435)	(28,420)
FUND BALANCE ALLOCATION	<u>(6,985)</u>	<u>(6,985)</u>	-	<u>6,985</u>
EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,435)</u>	<u>\$ (21,435)</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Spanish Fork/Springville Airport (Airport) 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 Airport's accounting policies.

The Reporting Entity

Spanish Fork/Springville Airport is organized as a joint venture of the City of Spanish Fork and the City of Springville under an interlocal agreement per Section 11-13 of the Utah Code. The Airport accounts for its operations as a governmental-type fund; activities are financed and the costs of services are recovered primarily through user charges, grants and equal direct payments from the two member cities.

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.

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.

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 Airport. Governmental activities are supported by charges for services, contributions and intergovernmental revenues.

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. Interest and other items not properly included among program revenues are reported as general revenues.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Airport 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.

Earned but unreimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when the Airport receives cash.

The Airport reports the following 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 *capital improvement fund* accounts for major construction projects at the airport.

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. The Airport's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Airport'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. Capital assets

Capital assets, which include land and airport improvements are reported in the government-wide 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.

NOTE 1 – (CONTINUED)

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>
Improvements	10-30 years
Vehicles and Equipment	5-15 years

C. Fund Equity

In the fund financial statements, governmental funds report fund balances divided into five categories as follows:

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

Restricted – This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Airport's remaining balances unspent grant proceeds would be restricted.

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

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

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

When faced with a choice, the government elects to use restricted, committed and assigned amounts before spending any unassigned amounts.

NOTE 1 – (CONTINUED)

D. 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 legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 and improvements) 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:

Land	\$ 2,399,809
Improvements	6,627,440
Vehicles and Equipment	58,788
Less Accumulated Depreciation	<u>(3,024,518)</u>
Net Capital Asset Difference	<u>\$ 6,061,519</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.

NOTE 2 – (CONTINUED)

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:

Capital Outlay	\$ 1,018,325
Depreciation Expense	<u>(217,593)</u>
Net Difference	<u>\$ 800,732</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meetings of the City Councils in May, the Oversight Board submits to the two City Councils a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the two City Councils review and adjust the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

Under Utah State law, the Airport'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. A public hearing must be held to increase the total appropriations the governmental fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits and investments for the Airport 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 Airport'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 Airport's deposits may not be recovered. The Airport's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Airport 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, 2012, \$82,485 of the Airport's bank balances of \$332,485 were uninsured and uncollateralized.

NOTE 4 – (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Airport'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 Airport 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 Airport's investments at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah	
Public Treasurer's Investment Fund (PTIF)	\$ <u>122,428</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Airport 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 Airport'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	\$ 332,794
Investments	<u>122,428</u>
Total	\$ <u>455,222</u>
Cash and Cash Equivalents	\$ <u>455,222</u>

NOTE 5 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2012.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated</u>				
Land and Easements	\$ 1,821,518	\$ 578,291	\$ -	\$ 2,399,809
<u>Capital Assets being Depreciated</u>				
Improvements	6,187,406	440,034	-	6,627,440
Vehicles and Equipment	58,788	-	-	58,788
Less Accumulated Depreciation	<u>(2,806,925)</u>	<u>(217,593)</u>	<u>-</u>	<u>(3,024,518)</u>
Capital Assets, Net	<u>\$ 5,260,787</u>	<u>\$ 800,732</u>	<u>\$ -</u>	<u>\$ 6,061,519</u>

NOTE 6 – ECONOMIC DEPENDENCY

The Airport depends upon the continued financial support of both the City of Spanish Fork and the City of Springville. The two cities generally each remit funds sufficient to cover the operating expenses of the Airport.

NOTE 7 – RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Airport carries insurance. Liability insurance is carried by the Airport through the Fred A. Moreton Company. The policy is for \$1,000,000 with a limit of \$100,000 for any one occurrence.

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Airport has evaluated events and transactions for potential recognition or disclosure through October 19, 2012, the date the financial statements were available to be issued.

SINGLE AUDIT REPORTS

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 26, 2012

**Airport Board of Directors
Spanish Fork/Springville Airport**

Council Members:

Compliance

I have audited Spanish Fork/Springville Airport's (Airport) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended June, 30, 2012. The Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Airport's management. My responsibility is to express an opinion on the Airport's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Airport's compliance with those requirements.

In my opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. **A material weakness in internal control over compliance** is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of management, the Spanish Fork and Springville City Councils, others within the entity, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden
Certified Public Accountant

**SPANISH FORK/SPRINGVILLE AIRPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL EXPENDI- TURES</u>
<u>U.S. Department of Transportation</u>			
Passed through Utah Department of Transportation			
Division of Aeronautics			
Airport Improvement Program	20.106	3-49-0034-16	\$ 6,175
Airport Improvement Program	20.106	3-49-0034-18	23,414
Airport Improvement Program	20.106	3-49-0034-19	<u>743,967</u>
Total Department of Transportation			<u>773,556</u>
TOTAL FEDERAL ASSISTANCE			<u>\$773,556</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Spanish Fork/Springville Airport under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Spanish Fork/Springville Airport, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Spanish Fork/Springville Airport.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

SPANISH FORK/SPRINGVILLE AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Spanish Fork/Springville Airport.
2. No significant deficiencies relating to the audit of the financial statements are reported in the management letter.
3. No instances of noncompliance material to the financial statements of the Spanish Fork/Springville Airport, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Spanish Fork/Springville Airport expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133, as reported in Section C of this schedule.
7. The program "Airport Improvement Program", with CFDA number 20.106 was tested as a major program.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Spanish Fork/Springville Airport did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None Reported.

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

STATE LEGAL COMPLIANCE REPORT

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

October 26, 2012

**Airport Board of Directors
Spanish Fork/Springville Airport**

Council Members:

I have audited Spanish Fork/Springville Airport's (Airport) compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the Airport are identified as follows:

**Cash Management
Budgetary Compliance
Other General Issues**

**Purchasing Requirements
Special Districts
Fund Balance**

The Airport received no major assistance programs from the State of Utah for the year ended June 30, 2012.

Compliance with the referred to above is the responsibility of the Airport's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Airport's compliance with those requirements.

In my opinion, the Spanish Fork/Springville Airport complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2012.

The report is intended solely for the information and use of the Spanish Fork and Springville City Councils, management of the Airport, others within the organization, and the Board of Directors 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
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**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***

October 26, 2012

**Airport Board of Directors
Spanish Fork/Springville Airport**

Council Members:

I have audited the financial statements of the governmental activities and each major fund of the Spanish Fork/Springville Airport (Airport) as of and for the year ended June 30, 2012, which collectively comprise Spanish Fork/Springville Airport's basic financial statements and have issued my report thereon dated October 26, 2012. 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

Management of the Airport is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Airport'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 Airport's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spanish Fork/Springville Airport'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*.

I noted certain other matters that I reported to the management of the Airport in a separate letter dated October 26, 2012.

This report is intended for the information of the Spanish Fork and Springville City Councils, the Airport's management, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

 CPA
Greg Ogden
Certified Public Accountant