

**SPANISH FORK/SPRINGVILLE AIRPORT  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2017**

# SPANISH FORK/SPRINGVILLE AIRPORT

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

September 28, 2017

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

### **Report on the Financial Statements**

I have audited the accompanying 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, 2017, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Airport as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 28, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

  
Greg Ogden,  
Certified Public Accountant

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Spanish Fork/Springville Airport, we offer readers of the Airport's financial statements this narrative overview and analysis of the financial activities of the Spanish Fork/Springville Airport for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net position of Spanish Fork/Springville Airport decreased by \$151,465 to \$11,363,629.
- The total net position of \$11,363,629 consists of \$11,099,635 in net investment in capital assets and \$263,994 in unrestricted net position.

### 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 are comprised of 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 Position* presents information on all of Spanish Fork/Springville Airport's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The cost of capital assets is allocated over their estimated useful life as depreciation expense.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Spanish Fork/Springville Airport, assets exceed liabilities by \$11,363,629.

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

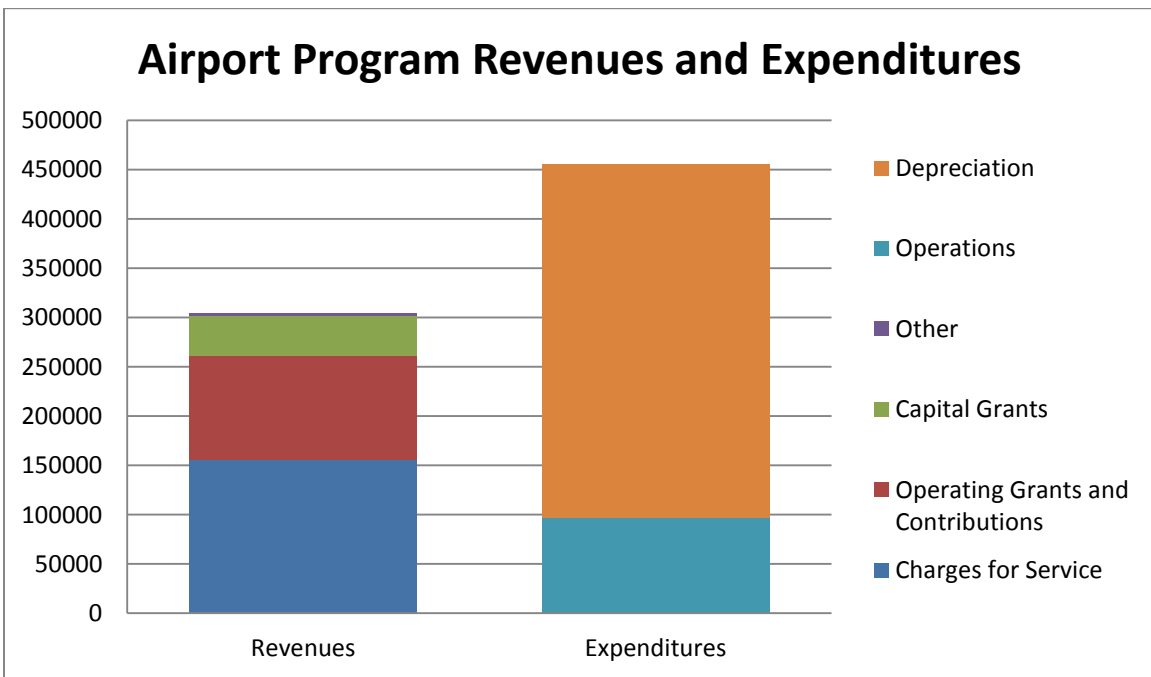
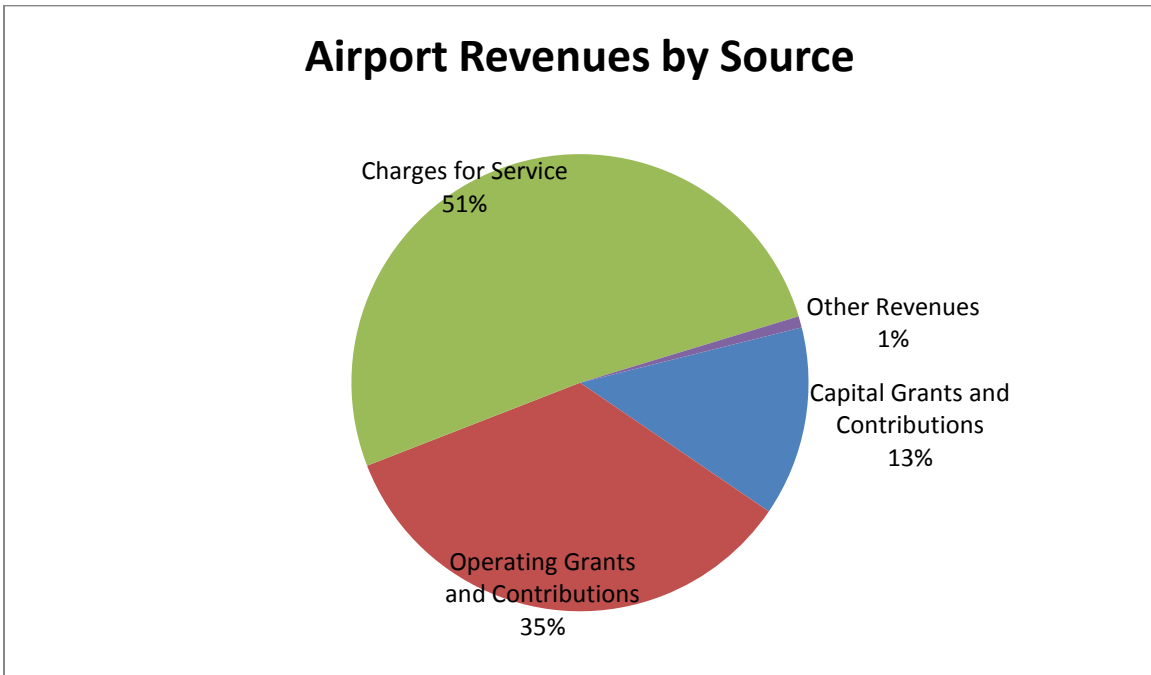
### STATEMENT OF NET POSITION (In dollars)

	Airport Activities	
	2016-2017	2015-2016
Current and Other Assets	\$ 271,874	\$ 241,422
Capital Assets	11,099,635	11,313,541
Total Assets	<u>11,371,509</u>	<u>11,554,963</u>
Long-term Debt Outstanding		
Other Liabilities	7,880	39,869
Total Liabilities	<u>7,880</u>	<u>39,869</u>
Net Position:		
Net Investment in Capital Assets	11,099,635	11,313,541
Unrestricted	263,994	201,553
Total Net Position	<u>\$ 11,363,629</u>	<u>\$ 11,515,094</u>

### STATEMENT OF ACTIVITIES (In dollars)

	Airport Activities	
	2016-2017	2015-2016
Program Revenues:		
Charges for Services	\$ 155,628	\$ 120,147
Operating Grants and Contributions	105,000	105,000
Capital Grants and Contributions	40,752	1,982,193
General Revenues:		
Other Revenues	2,441	1,532
Total Revenues	<u>303,821</u>	<u>2,208,872</u>
Airport Expenses	455,286	395,792
Total Expenses	<u>455,286</u>	<u>395,792</u>
Change in Net Position	(151,465)	1,813,080
Net Position Beginning	11,515,094	9,702,014
Net Position Ending	<u>\$ 11,363,629</u>	<u>\$ 11,515,094</u>

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



In FY 2016-2017 the airport utilized FAA and State of Utah grants available to further work on the runway re-alignment and expansion project as well as asphalt improvement projects. Expenditures for the year exceeded revenues by \$151,465, which is reflected as a decrease in net position. This decrease is largely the result of depreciation expense exceeding capital outlays for the year.



## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Spanish Fork/Springville Airport's investment in capital assets as of June 30, 2017 was \$11,099,635 (net of debt and accumulated depreciation). This investment in capital assets includes land and improvements. The Airport's investment in capital assets for the current year decreased by \$213,906.

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

- Engineering and construction related to the runway shift and expansion.
- Asphalt improvement projects.

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 revenue budget was \$129,800 and the expenditure budget was \$116,200 with a budgeted operating surplus of \$13,600. The budget was amended to include a \$50,000 transfer from the general fund to the capital projects fund. Actual revenues were \$158,069 and expenditures were \$97,052, which resulted in an operating surplus of \$11,017.

## **NEXT YEAR'S BUDGET**

The Airport budget for the fiscal year ending June 30, 2018 reflects no significant changes in operations, but accounts for capital outlays scheduled by the FAA, which will decrease as the runway expansion project is completed.

## **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 POSITION**  
**JUNE 30, 2017**

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	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 269,387
Accounts Receivable	2,487
Capital Assets	
Non Depreciable	2,401,392
Depreciable Assets (net of Depreciation)	<u>8,698,243</u>
 TOTAL ASSETS	 <u>11,371,509</u>
 <b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	<u>7,880</u>
TOTAL CURRENT LIABILITIES	<u>7,880</u>
 TOTAL LIABILITIES	 <u>7,880</u>
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	11,099,635
Unrestricted	<u>263,994</u>
 TOTAL NET POSITION	 <u>\$ 11,363,629</u>

See the accompanying notes to the financial statements

**SPANISH FORK/SPRINGVILLE AIRPORT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>FUNCTIONS/PROGRAMS</u></b>					
Governmental Activities					
Airport	\$ 455,286	\$ 155,628	\$ 105,000	\$ 40,752	\$ (153,906)
Total Governmental Activities	<u>\$ 455,286</u>	<u>\$ 155,628</u>	<u>\$ 105,000</u>	<u>\$ 40,752</u>	<u>(153,906)</u>
		General Revenues			
					1,456
					985
					<u>2,441</u>
					(151,465)
					<u>11,515,094</u>
					<u>\$ 11,363,629</u>

See the accompanying notes to the financial statements

**SPANISH FORK/SPRINGVILLE AIRPORT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

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	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 77,705	\$ 191,682	\$ 269,387
Accounts Receivable	<u>2,487</u>	<u>-</u>	<u>2,487</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 80,192</u></b>	<b><u>\$ 191,682</u></b>	<b><u>\$ 271,874</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,880	\$ -	\$ 7,880
<b>EQUITY</b>			
Assigned for Capital Projects	-	191,682	191,682
Unassigned	<u>72,312</u>	<u>-</u>	<u>72,312</u>
<b>TOTAL FUND EQUITY</b>	<b><u>\$ 80,192</u></b>	<b><u>\$ 191,682</u></b>	<b><u>\$ 271,874</u></b>

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

**TOTAL GOVERNMENTAL FUNDS BALANCES** **\$ 263,994**

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

Capital assets used in governmental activities are not current  
financial resources and, therefore, are not reported in the funds. 11,099,635

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 11,363,629**

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, 2017

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
State and Federal Grants	\$ -	\$ 40,752	\$ 40,752
Contributions from Cities	-	105,000	105,000
Charges for Services	155,628	-	155,628
Interest	1,456	-	1,456
Miscellaneous	985	-	985
	<u>158,069</u>	<u>145,752</u>	<u>303,821</u>
<b>EXPENDITURES</b>			
Administration	33,274	-	33,274
Professional Fees	56,035	-	56,035
Insurance	7,743	-	7,743
Capital Outlay	-	144,328	144,328
	<u>97,052</u>	<u>144,328</u>	<u>241,380</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>61,017</u>	<u>1,424</u>	<u>62,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other Funds	-	50,000	50,000
Transfers to other Funds	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,017	51,424	62,441
<b>BEGINNING FUND BALANCE</b>	<u>61,295</u>	<u>140,258</u>	<u>201,553</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 72,312</u>	<u>\$ 191,682</u>	<u>\$ 263,994</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 BALANCE TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES \$ 62,441

*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 depreciation exceeded capital outlays in the current period. (213,906)

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS \$ (151,465)

See the accompanying notes to the financial statements

**SPANISH FORK/SPRINGVILLE AIRPORT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Charges for Services	\$ 129,200	\$ 129,200	\$ 155,628	\$ 26,428
Interest	600	600	1,456	856
Miscellaneous	-	-	985	985
	<u>129,800</u>	<u>129,800</u>	<u>158,069</u>	<u>28,269</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Airport Operating Costs and Improvements	<u>116,200</u>	<u>116,200</u>	<u>97,052</u>	<u>19,148</u>
	<u>116,200</u>	<u>116,200</u>	<u>97,052</u>	<u>19,148</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>13,600</u>	<u>13,600</u>	<u>61,017</u>	<u>47,417</u>
<b>OTHER FINANCING USES</b>				
Transfers to other Funds	-	(50,000)	(50,000)	-
	-	(50,000)	(50,000)	-
<b>TOTAL OTHER FINANCING USES</b>				
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	13,600	(36,400)	11,017	47,417
<b>FUND BALANCE ALLOCATION</b>	<u>(13,600)</u>	<u>36,400</u>	-	<u>(36,400)</u>
<b>EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,017</u>	<u>\$ 11,017</u>

See the accompanying notes to the financial statements



# SPANISH FORK/SPRINGVILLE AIRPORT

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2017

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### Financial Reporting Entity

Spanish Fork/Springville Airport is owned by the City of Spanish Fork and the City of Springville and is run through 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 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.

##### Basis of Presentation

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

*Government-wide Financial Statements* – The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the Airport as a whole.

The statement of net position presents the financial position of the governmental activities of the Airport at year-end.

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

## NOTE 1 – (CONTINUED)

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

Interest and other revenue sources not properly included with program revenues are reported as general revenues of the Airport. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Airport.

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

**Fund Accounting** – The Airport uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Airport uses only the governmental category of funds.

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.

### Measurement Focus

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

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

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

## NOTE 1 – (CONTINUED)

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

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

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

**Unearned Revenue** – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On both the fund financial statements and the government-wide financial statements grant amounts to be reimbursed are recorded as unearned revenues.

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

### Assets, Liabilities and Fund Equity

#### A. Cash, cash equivalents, and investments

Cash and cash equivalents include cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. The 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.

## NOTE 1 – (CONTINUED)

### B. Capital assets

General capital assets, which include land and airport improvements, are reported in the government-wide financial statements. The Airport does not report these assets in the governmental 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 capitalized at historical cost, if purchased and at fair market value at the date of the gift, if donated. Improvements to capital assets are capitalized. Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

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

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

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

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

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

## NOTE 1 – (CONTINUED)

**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.

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

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

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

### **Contributions of Capital**

Contributions of capital reported in the government-wide financial statements arise from outside contributions of capital assets and grants or outside contributions of resources restricted to capital acquisition and construction.

### **Estimates and Assumptions**

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

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

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

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

## NOTE 2 – (CONTINUED)

### 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 position. The details of these differences are presented below:

Land	\$ 2,399,809
Construction in Progress	1,583
Improvements	13,053,730
Vehicles and Equipment	58,788
Less Accumulated Depreciation	<u>(4,414,275)</u>
Net Capital Asset Difference	<u>\$11,099,635</u>

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

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

### Capital Outlay and Depreciation Differences

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

Capital Outlay	\$ 144,328
Depreciation Expense	<u>(358,234)</u>
Net Difference	<u>\$ (213,906)</u>

## NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Prior to the first regularly scheduled meetings of the two member city councils in May, the Oversight Board submits to the 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 member 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.

The budgets are adopted on a basis consistent with GAAP for all governmental fund types.

## NOTE 4 – DEPOSITS AND INVESTMENTS

### DEPOSITS

#### 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 returned to it. The Airport does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, none of the Airport's bank balances of \$142,513 were uninsured and uncollateralized.

### INVESTMENTS

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

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

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

Statutes authorize the Airport to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administrative fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

## NOTE 4 – (CONTINUED)

### Fair Value of Investments

The Airport measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At June 30, 2017, the Airport had the following recurring fair value measurements:

	<u>June 30, 2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
Utah Public Treasurers' Investment Fund	\$126,874	\$ -	\$126,874	\$ -

Debt and equity securities classified in Level 2 are valued using the following approach: The Utah Public Treasurers' Investment Fund uses the application of the June 30, 2017 fair value factor, as calculated by the Utah State Treasurer, to the Airport's average daily balance in the Fund.

### 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's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

At June 30, 2017, the Airport had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>More than 5</u>
Utah Public Treasurers' Investment Fund	\$126,874	\$126,874	\$ -	\$ -

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Airport's policy for deducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.



## NOTE 4 – (CONTINUED)

At June 30, 2017, the Airport's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	\$126,874	\$ -	\$ -	\$ -	\$126,874

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

Deposits	\$ 142,513
Investments	<u>126,874</u>
Total	<u>\$ 269,387</u>
Cash and Cash Equivalents	<u>\$ 269,387</u>

## NOTE 5 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2017.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated</u>				
Land and Easements	\$ 2,399,809	\$ -	\$ -	\$ 2,399,809
Construction in Progress	-	1,583	-	1,583
<u>Capital Assets being Depreciated</u>				
Improvements	12,910,985	142,745	-	13,053,730
Vehicles and Equipment	58,788	-	-	58,788
Less Accumulated Depreciation	<u>(4,056,041)</u>	<u>(358,234)</u>	<u>-</u>	<u>(4,414,275)</u>
Capital Assets, Net	<u>\$ 11,313,541</u>	<u>\$ (213,906)</u>	<u>\$ -</u>	<u>\$ 11,099,635</u>

## NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Airport currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Airport currently has no deferred inflows of resources.

## NOTE 7 – FUND EQUITY

*Net Investment in Capital Assets* – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2017 is as follows:

Cost of capital assets	\$15,513,910
Less accumulated depreciation	<u>(4,414,275)</u>
Net investment in capital assets	<u>\$11,099,635</u>

## NOTE 8 – 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. Each city contributed \$52,500 to the airport during the 2016-17 fiscal year.

## NOTE 9 – 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 has a limit of \$10,000,000 for any one occurrence.

## NOTE 10 – SUBSEQUENT EVENTS

In preparing these financial statements, the Airport has evaluated events and transactions for potential recognition or disclosure through September 28, 2017, the date the financial statements were available to be issued.

The cities of Spanish Fork and Springville have entered into a Memorandum of Understanding that transfers all reserve funds, along with operating functions and responsibilities, of the Spanish Fork/Springville Airport to Spanish Fork City effective July 1, 2017. Further, the cities intend to explore the feasibility of transferring Springville City's interest in the airport to Spanish Fork City.

## **STATE COMPLIANCE REPORT**

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE**

September 28, 2017

Airport Board of Directors  
Spanish Fork/Springville Airport

***REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS***

I have audited Spanish Fork/Springville Airport's (Airport) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on the Airport for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

- Budgetary Compliance
- Fund Balance
- Open and Public Meetings Act
- Public Treasurer's Bond

**Management's Responsibility**

Management is responsible for compliance with the state requirements referred to above.

**Auditor's Responsibility**

My responsibility is to express an opinion on the Airport's compliance based on my audit of the state compliance requirements referred to above. 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 the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each state compliance requirement referred to above. However, my audit does not provide a legal determination of the Airport's compliance with those requirements.

### Opinion on General State Compliance Requirements

In my opinion, the Spanish Fork/Springville Airport complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2017.

### Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *State Compliance Audit Guide*.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Airport's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 state compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### Purpose of Report

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

  
Greg Ogden,  
Certified Public Accountant

**GOVERNMENT AUDITING STANDARDS REPORT**

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

September 28, 2017

Airport Board of Directors  
Spanish Fork/Springville Airport

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Spanish Fork/Springville Airport (Airport) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued my report thereon dated September 28, 2017

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, I do not express an opinion on the effectiveness of the Airport's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Spanish Fork/Springville Airport's financial statements are free from material misstatement, 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Greg Ogden,  
Certified Public Accountant