

**SPANISH FORK/SPRINGVILLE AIRPORT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2014**

SPANISH FORK/SPRINGVILLE AIRPORT

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INDEPENDENT AUDITOR'S REPORT

November 21, 2014

**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, 2014, 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, 2014, 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 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's financial statements. The 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 States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated November 21, 2014, 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* in considering the Airport's internal control over financial reporting and compliance.

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

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, 2014. 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 increased by \$2,046,998 to \$9,131,027.
- The total net position of \$9,131,027 consists of \$8,926,537 in capital assets net of related debt and \$204,490 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 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 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 \$9,131,027.

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.

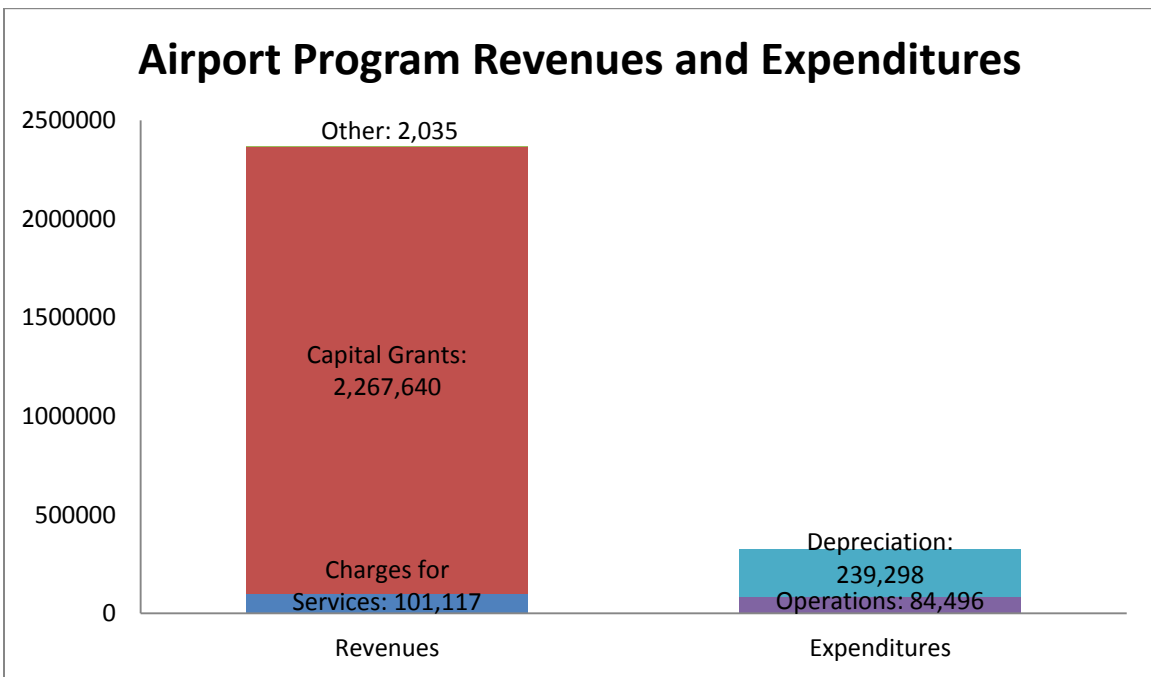
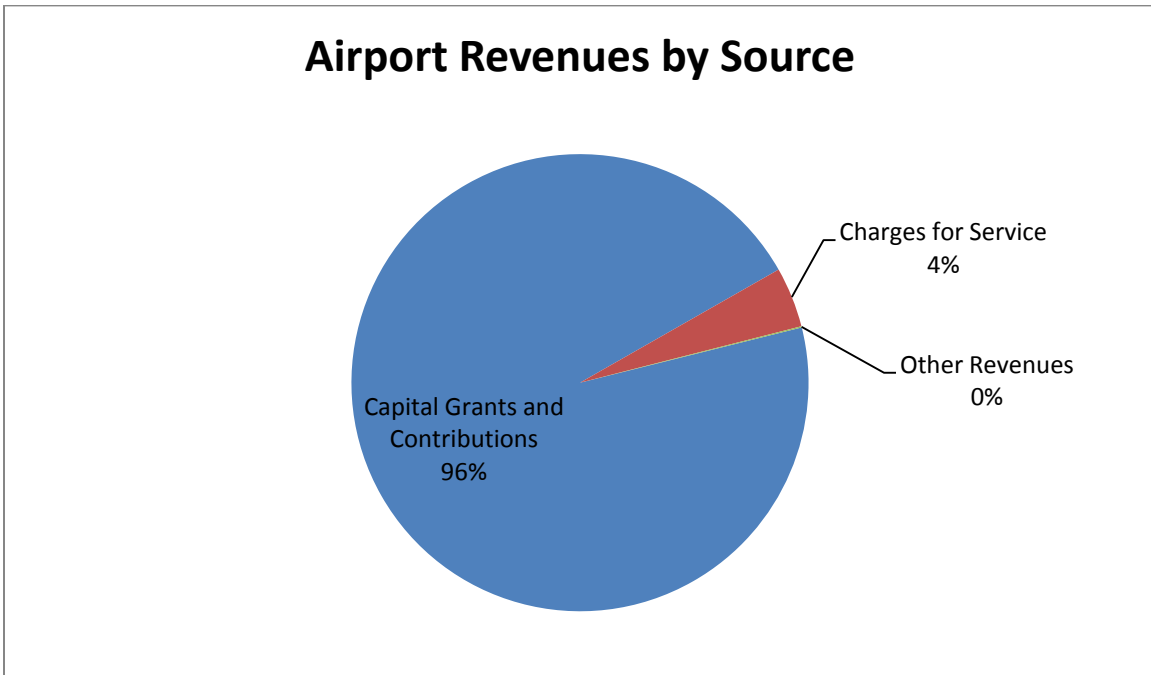
STATEMENT OF NET POSITION (In dollars)

| | Airport Activities | |
|----------------------------------|---------------------|---------------------|
| | 2013-2014 | 2012-2013 |
| Current and Other Assets | \$ 1,567,612 | \$ 349,015 |
| Capital Assets | 8,926,537 | 7,025,753 |
| Total Assets | <u>10,494,149</u> | <u>7,374,768</u> |
| Long-term Debt Outstanding | | |
| Other Liabilities | 1,363,122 | 290,739 |
| Total Liabilities | <u>1,363,122</u> | <u>290,739</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 8,926,537 | 7,025,753 |
| Unrestricted | 204,490 | 58,276 |
| Total Net Position | <u>\$ 9,131,027</u> | <u>\$ 7,084,029</u> |

STATEMENT OF ACTIVITIES (In dollars)

| | Airport Activities | |
|------------------------------------|---------------------|---------------------|
| | 2013-2014 | 2012-2013 |
| Program Revenues: | | |
| Charges for Services | \$ 101,117 | \$ 107,100 |
| Operating Grants and Contributions | 0 | 0 |
| Capital Grants and Contributions | 2,267,640 | 1,167,338 |
| General Revenues: | | |
| Other Revenues | 2,035 | 887 |
| Total Revenues | <u>2,370,792</u> | <u>1,275,325</u> |
| Airport Expenses | 323,794 | 344,350 |
| Total Expenses | <u>323,794</u> | <u>344,350</u> |
| Change in Net Position | 2,046,998 | 930,975 |
| Net Position Beginning | 7,084,029 | 6,153,054 |
| Net Position Ending | <u>\$ 9,131,027</u> | <u>\$ 7,084,029</u> |

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



In FY 2013-2014 the airport utilized FAA and State of Utah grants available to further work on the runway re-alignment and expansion project. Revenues for the year exceeded expenditures by \$2,046,998, which is reflected as an increase in net position. 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, 2014 was \$8,926,537 (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 increased by \$1,900,784.

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

- Engineering, land acquisition and construction related to the runway shift and expansion.

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 \$95,400 and no amendments to the budget were made during the year. Actual operating expenses were \$84,496.

NEXT YEAR'S BUDGET

The Airport budget for the fiscal year ending June 30, 2014 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 POSITION
JUNE 30, 2014

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 971,996 |
| Accounts Receivable | 1,958 |
| Grants Receivable | 593,658 |
| Capital Assets | |
| Non Depreciable | 2,399,809 |
| Depreciable Assets (net of Depreciation) | <u>6,526,728</u> |
| | |
| TOTAL ASSETS | <u>10,494,149</u> |
| | |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts Payable | <u>1,363,122</u> |
| TOTAL CURRENT LIABILITIES | <u>1,363,122</u> |
| | |
| TOTAL LIABILITIES | <u>1,363,122</u> |
| | |
| <u>NET POSITION</u> | |
| Investment in Capital Assets, Net of Related Debt | 8,926,537 |
| Unrestricted | <u>204,490</u> |
| | |
| TOTAL NET POSITION | <u>\$ 9,131,027</u> |

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|-----------------------------------|-----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| <u>FUNCTIONS/PROGRAMS</u> | | | | | |
| Governmental Activities | | | | | |
| Airport | \$ 323,794 | \$ 101,117 | \$ - | \$ 2,267,640 | \$ 2,044,963 |
| Total Governmental Activities | <u>\$ 323,794</u> | <u>\$ 101,117</u> | <u>\$ -</u> | <u>\$ 2,267,640</u> | <u>2,044,963</u> |
| | | | | | |
| | | General Revenues | | | |
| | | | | | 675 |
| | | | | | 1,360 |
| | | | | | <u>2,035</u> |
| | | | | | |
| | | | | | 2,046,998 |
| | | | | | <u>7,084,029</u> |
| | | | | | |
| | | | | | <u>\$ 9,131,027</u> |

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2014

| | <u>General</u> | <u>Capital Improvement</u> | <u>Total Governmental Funds</u> |
|---|-------------------|--------------------------------|---|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 731,553 | \$ 240,443 | \$ 971,996 |
| Accounts Receivable | 1,958 | - | 1,958 |
| Grants Receivable | - | 593,658 | 593,658 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 733,511</u> | <u>\$ 834,101</u> | <u>\$ 1,567,612</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 657,215 | \$ 705,907 | \$ 1,363,122 |
| EQUITY | | | |
| Assigned for Capital Projects | - | 128,194 | 128,194 |
| Unassigned | 76,296 | - | 76,296 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL FUND EQUITY | <u>\$ 733,511</u> | <u>\$ 834,101</u> | <u>\$ 1,567,612</u> |

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

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 204,490

*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. 8,926,537

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,131,027

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, 2014

| | <u>General</u> | <u>Capital Improvement</u> | <u>Total Governmental Funds</u> |
|---|------------------|--------------------------------|---|
| REVENUES | | | |
| State and Federal Grants | \$ - | \$ 2,067,640 | \$ 2,067,640 |
| Contributions from Cities | - | 200,000 | 200,000 |
| Charges for Services | 101,117 | - | 101,117 |
| Interest | 675 | - | 675 |
| Miscellaneous | <u>1,360</u> | <u>-</u> | <u>1,360</u> |
| | | | |
| TOTAL REVENUES | <u>103,152</u> | <u>2,267,640</u> | <u>2,370,792</u> |
| | | | |
| EXPENDITURES | | | |
| Administration | 16,925 | - | 16,925 |
| Professional Fees | 61,368 | - | 61,368 |
| Insurance | 6,203 | - | 6,203 |
| Capital Outlay | <u>-</u> | <u>2,140,082</u> | <u>2,140,082</u> |
| | | | |
| TOTAL EXPENDITURES | <u>84,496</u> | <u>2,140,082</u> | <u>2,224,578</u> |
| | | | |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 18,656 | 127,558 | 146,214 |
| | | | |
| BEGINNING FUND BALANCE | <u>57,640</u> | <u>636</u> | <u>58,276</u> |
| | | | |
| ENDING FUND BALANCE | <u>\$ 76,296</u> | <u>\$ 128,194</u> | <u>\$ 204,490</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, 2014

EXCESS OF REVENUES OVER EXPENDITURES \$ 146,214

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.

1,900,784

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS \$ 2,046,998

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget |
|--|--------------------|-----------------|-------------------|----------------------------------|
| <u>REVENUES</u> | | | | |
| Charges for Services | \$ 99,161 | \$ 99,161 | \$ 101,117 | \$ 1,956 |
| Interest | 500 | 500 | 675 | 175 |
| Miscellaneous | - | - | 1,360 | 1,360 |
| | <u>99,661</u> | <u>99,661</u> | <u>103,152</u> | <u>3,491</u> |
| <u>EXPENDITURES</u> | | | | |
| Airport Operating Costs and Improvements | <u>95,400</u> | <u>95,400</u> | <u>84,496</u> | <u>10,904</u> |
| | <u>95,400</u> | <u>95,400</u> | <u>84,496</u> | <u>10,904</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | <u>4,261</u> | <u>4,261</u> | <u>18,656</u> | <u>(7,413)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers to Other Funds | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES | 4,261 | 4,261 | 18,656 | 14,395 |
| FUND BALANCE ALLOCATION | <u>(4,261)</u> | <u>(4,261)</u> | <u>-</u> | <u>4,261</u> |
| EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,656</u> | <u>\$ 18,656</u> |

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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 was created by 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 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 |
| Improvements | 9,981,143 |
| Vehicles and Equipment | 58,788 |
| Less Accumulated Depreciation | <u>(3,513,203)</u> |
| Net Capital Asset Difference | <u>\$ 8,926,537</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 | \$ 2,140,082 |
| Depreciation Expense | <u>(239,298)</u> |
| Net Difference | <u>\$ 1,900,784</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 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, 2014, \$594,504 of the Airport’s bank balances of \$844,504 was uninsured and uncollateralized.

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, 2014:

| <u>Investment Type</u> | <u>Fair Value</u> |
|--|-------------------|
| State of Utah Public Treasurer’s Investment Fund (PTIF) | \$ <u>123,856</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.

NOTE 4 – (CONTINUED)

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

| | |
|---------------------------|-------------------|
| Deposits | \$ 848,140 |
| Investments | <u>123,856</u> |
| Total | <u>\$ 971,996</u> |
| | |
| Cash and Cash Equivalents | <u>\$ 971,996</u> |

NOTE 5 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2014.

| | <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 |
| <u>Capital Assets being Depreciated</u> | | | | |
| Improvements | 7,841,061 | 2,140,082 | - | 9,981,143 |
| Vehicles and Equipment | 58,788 | - | - | 58,788 |
| Less Accumulated Depreciation | <u>(3,273,905)</u> | <u>(239,298)</u> | <u>-</u> | <u>(3,513,203)</u> |
| Capital Assets, Net | <u>\$ 7,025,753</u> | <u>\$ 1,900,784</u> | <u>\$ -</u> | <u>\$ 8,926,537</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, 2014 is as follows:

| | |
|----------------------------------|---------------------|
| Cost of capital assets | \$12,439,739 |
| Less accumulated depreciation | <u>(3,513,202)</u> |
| Net investment in capital assets | <u>\$ 8,926,537</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.

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 November 21, 2014, the date the financial statements were available to be issued.

SINGLE AUDIT REPORTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

November 21, 2014

Airport Board of Directors
Spanish Fork/Springville Airport

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on my audit of the types of 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 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 on compliance for each major federal program. However, my audit does not provide a legal determination of the Airport's compliance.

Opinion on Each Major Federal Program

In my opinion, the Airport complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Greg Ogden
Certified Public Accountant

**SPANISH FORK/SPRINGVILLE AIRPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| <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 | 3-49-0034-19 | \$ 156,175 |
| Airport Improvement Program | 20.106 | 3-49-0034-20 | 406,182 |
| Airport Improvement Program | 20.106 | 3-49-0034-21 | <u>1,410,670</u> |
| Total Department of Transportation | | | <u>1,973,027</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$1,973,027</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, 2014. 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 position, or cash flows of the Spanish Fork/Springville Airport.

NOTE B-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, 2014**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified 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 were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by 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 unmodified 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 tested as a major program was: Airport Improvement Program - CFDA number 20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Spanish Fork/Springville Airport qualified 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 COMPLIANCE REPORT

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

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS**
- **INTERNAL CONTROL OVER COMPLIANCE**

November 21, 2014

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, which could have a direct and material effect on the Airport for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

Budgetary Compliance
Fund Balance

Interlocal Agreement Entities
Budget Notice and Format

The Airport did not have any state funding classified as a major program during the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on the Airport's compliance based on my audit of the 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 compliance requirements referred to above that could have a direct and material effect on the Airport or its major state programs 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 with general state compliance requirements. However, my audit does not provide a legal determination of the Airport's compliance.

Opinion

In my opinion, the Spanish Fork/Springville Airport complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the Airport's state programs for the year ended June 30, 2014.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State of Utah Compliance Audit Guide* and which are described in my management letter dated November 21, 2014 as State Compliance Finding #2014-1.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing my audit, I considered the Airport's internal control over compliance with the compliance requirements that could have a direct and material effect on the Airport to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and 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 general 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 general 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 general 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.

Airport's Response to Finding

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

Purpose of Report

The purpose of this report 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***

November 21, 2014

**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, 2014, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued my report thereon dated November 21, 2014

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 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 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*.

I noted certain other matters that I reported to the management of the Airport in a separate letter dated November 21, 2014.

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