

**SPRINGVILLE CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2012**

**SPRINGVILLE CITY**  
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**YEAR ENDED JUNE 30, 2012**

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

November 1, 2012

Honorable Mayor  
Members of the City Council  
Springville City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 1, 2012 on my consideration of Springville City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville City's basic financial statements as a whole. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

 CPA  
Greg Ogden,  
Certified Public Accountant

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Springville City, we offer readers of Springville City's financial statements this narrative overview and analysis of the financial activities of Springville City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net assets of Springville City increased \$15,978,992 to \$156,815,350. The governmental net assets increased by \$11,172,205 and the business-type net assets increased by \$4,806,787.
- The total net assets of \$156,815,350 are made up of \$128,084,176 in capital assets net of related debt and \$28,731,174 in other net assets.
- Total long-term liabilities of the City decreased by \$1,961,032. The City made principal payments on debt of \$2,106,911.
- The General Fund (the primary operating fund) had its fund equity increase by \$392,446 to \$3,485,351. The increase was the primarily the result of higher than expected revenues and expenditure budget savings.
- The City recognized a donation of capital improvements made at the Springville Museum of Art by the Springville Museum of Art Association in the amount of \$5,433,432.

### REPORTING THE CITY AS A WHOLE

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

*The government-wide financial statements* are designed to provide readers with a broad overview of Springville City's finances, in a manner similar to a private-sector business.

- *The Statement of Net Assets* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Springville City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The Statement of Activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Springville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on Page 13-15 of this report.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Springville City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund, the Special Revenue Fund, and the Capital Projects Fund. The remaining governmental funds are determined to be non-major and are included in the combining statements within this report.

- Proprietary funds - Springville City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Springville City uses enterprise funds to account for its Electric Utility, Water Utility, Sewer Utility, Storm Water Utility, Solid Waste Collection, and Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among Springville City's various functions. The City uses internal service funds for procurement and maintenance of its vehicles and equipment. Because these services primarily benefit governmental activities, they have been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the



Electric, Water and Sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

- Fiduciary funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$156,815,350.

The largest portion of Springville City's net assets (\$128,084,176) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### STATEMENT OF NET ASSETS (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2011-2012</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2010-2011</u>
Current and Other Assets	12,262	10,917	15,903	13,179
Capital Assets	93,967	88,415	80,726	79,735
Total Assets	<u>106,229</u>	<u>99,332</u>	<u>96,629</u>	<u>92,914</u>
Long-term Debt Outstanding	24,024	25,217	14,442	15,266
Other Liabilities	6,038	9,120	1,539	1,807
Total Liabilities	<u>30,062</u>	<u>34,337</u>	<u>15,981</u>	<u>17,073</u>
Net Assets:				
Invested in Capital Assets,				
Net of Debt	64,716	51,408	63,368	61,880
Restricted	5,397	5,574	3,492	3,210
Unrestricted	6,054	8,013	13,788	10,751
Total Net Assets	<u>76,167</u>	<u>64,995</u>	<u>80,648</u>	<u>75,841</u>

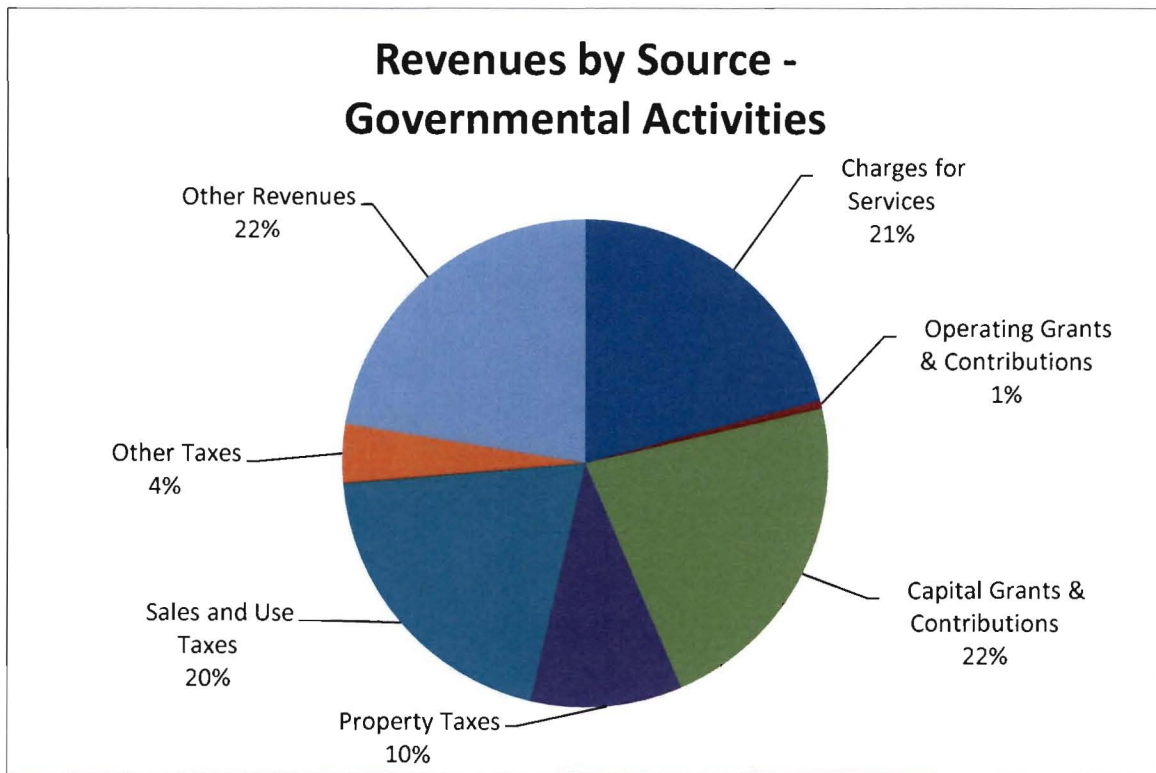
CHANGES IN NET ASSETS (In thousands of dollars)

	Governmental		Business-type	
	Activities		Activities	
	<u>2011-</u> <u>2012</u>	<u>2010-</u> <u>2011</u>	<u>2011-</u> <u>2012</u>	<u>2010-</u> <u>2011</u>
Revenues				
Program Revenues:				
Charges for Services	5,934	5,312	33,905	33,627
Operating Grants and Contributions	147	160		
Capital Grants and Contributions	6,300	3,818	2,362	1,890
General Revenues:				
Property Taxes	2,884	3,408		
Sales and Use Taxes	5,697	5,595		
Change in Joint Venture	338	(13)	24	(118)
Other Taxes	1,102	1,222		
Other Revenues	6,392	2,157	49	471
Total Revenues	<u>28,794</u>	<u>21,659</u>	<u>36,340</u>	<u>35,870</u>
Expenses				
General Government	4,409	4,010		
Public Safety	4,816	4,748		
Streets	3,229	3,133		
Community Development	1,356	1,412		
Community Services	4,086	3,475		
Cemetery	269	278		
Interest on Long-Term Debt	1,078	1,202		
Electric			21,345	23,433
Water			2,744	2,583
Wastewater Collection & Treatment			3,136	3,058
Storm Water			713	559
Solid Waste Collections			1,104	1,037
Golf Course & Restaurant			870	820
Total Expenses	<u>19,243</u>	<u>18,258</u>	<u>29,912</u>	<u>31,490</u>
Increase in Net Assets Before Transfers	9,551	3,401	6,428	4,380
Transfers	1,621	1,609	(1,621)	(1,609)
Change in Net Assets	11,172	5,010	4,807	2,771
Net Assets Beginning	64,995	59,985	75,841	73,070
Net Assets Ending	<u>76,167</u>	<u>64,995</u>	<u>80,648</u>	<u>75,841</u>

In the Governmental Funds, Charges for Services were up compared to last year primarily as a result of pre-paid assessments on properties in Special Improvement District #29. The Capital Grants and Contributions lines increased significantly due to

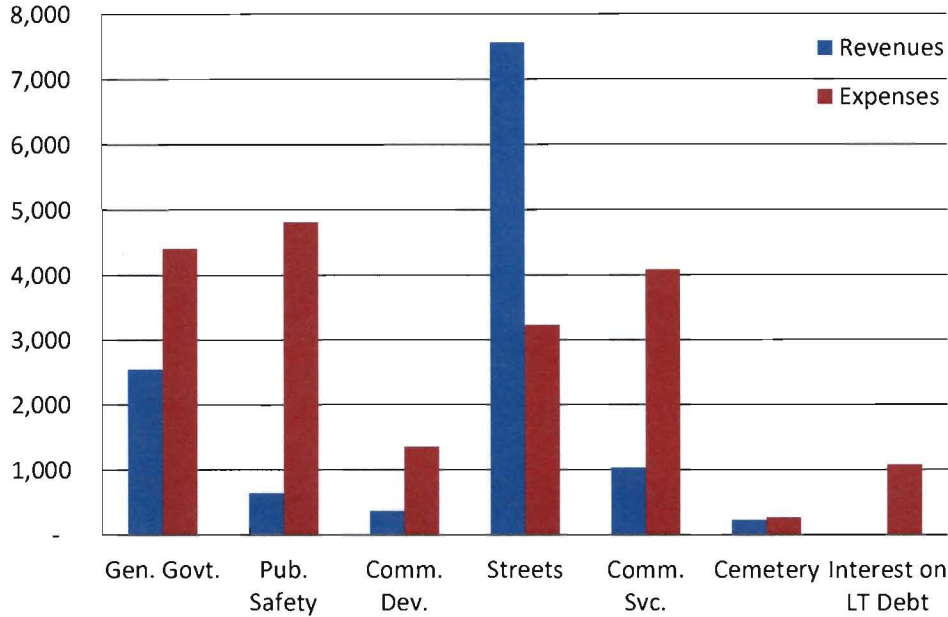
the recognition of the donation of the new Springville Museum of Art wing. Revenues from Property Taxes were down slightly as the levy was adjusted to account for the Federal Build America Bond subsidy the City received. Sales tax revenues were up slightly in 2012 as a reflection of a modest recovery in the economy. There were some significant variances in year over year expenditures in the functional areas of the city. The General Government expenditure increases were primarily a reflection of increased costs of providing services including modest cost-of-living increases for employees. In the business-type funds, decreased power purchase costs are reflected in the Electric utility expenses.

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



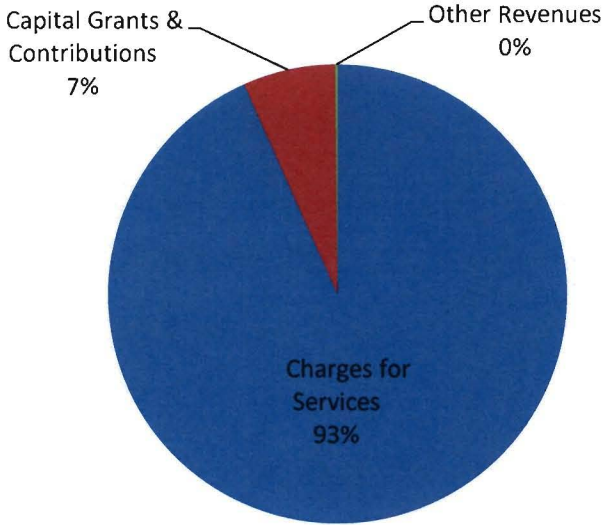
## Program Revenues and Expenses - Governmental Activities

(In Thousands)



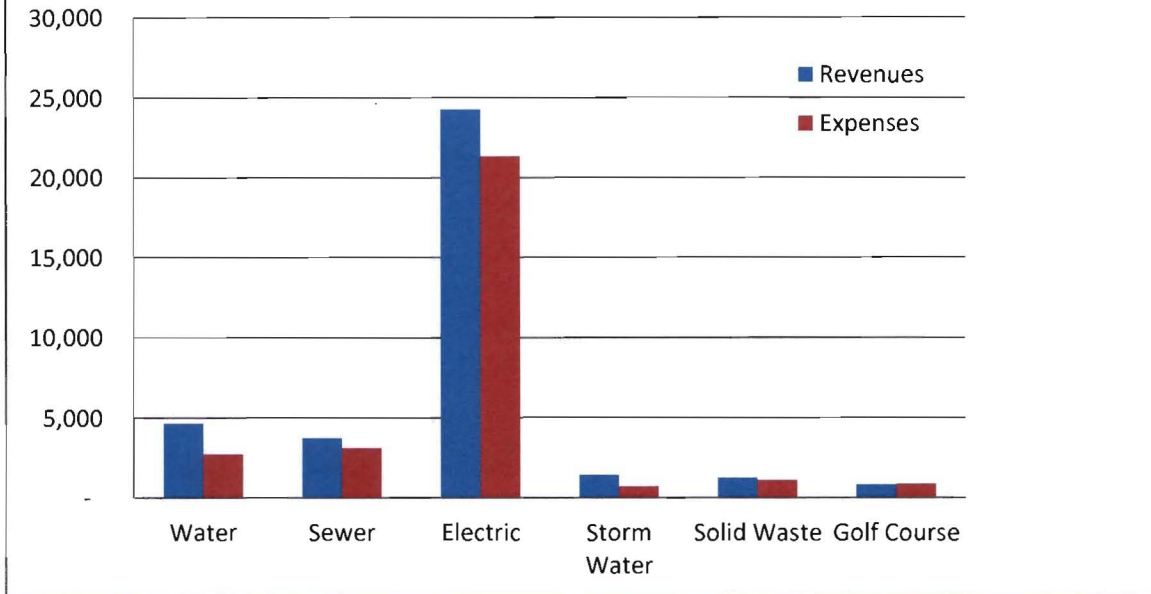
As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 93% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions or other infrastructure being developed. Expenses for each fund only reflect direct operating costs. The expenses for capital projects, bond principal payments and inter-fund transfers are not included.

### Revenues by Source - Business-type Activities



## Program Revenues and Expenses - Business-type Activities

(In Thousands)



### FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2012, the City's governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$12,066,908. This represents a decrease of \$1,396,036 from last year's ending balances. The primary reason for the decrease was the planned expenditure of reserves in the Capital Projects fund. It should be noted that a prior period adjustment was made in the General Fund as the accounting treatment of accrued compensated absences was changed and is no longer shown as a liability in the fund statements.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund. Taxes continue to be the largest source of revenue in the General Fund. The largest element of taxes is sales and use tax as it has been for the last several years. Sales taxes represent approximately 55 percent of total tax revenues which is down from about 65 percent in previous years as a result of property taxes being a higher percentage of total tax than in previous years. The property tax increase is a result of the levy for the Library general obligation bonds.

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

financial statements; however, the difference is that the fund statements provide much more detail.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$14,153,203 to a final budget of \$14,631,862. The budget increases were the result of two main items: (a) appropriation of unanticipated grant funding received during the year; and (b) the transfer of General Fund reserves to the Special Revenue Fund to cover operating deficits.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets - Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$160,403,720 (net of accumulated depreciation). This investment in capital assets includes land, water shares, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in capital assets (minus depreciation) for the current year increased by \$12,348,941. Governmental activities' capital assets increased by \$11,734,615 while the business-type activities' capital assets increased by \$614,326.

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

- Road Improvements and Reconstruction - \$851,351
- Community Park Project - \$305,220
- Library Construction - \$3,495,001
- Vehicle Acquisition and Replacement - \$1,145,912
- SR 75 Water Line Replacement - \$509,357
- Chlorination Station Improvements - \$104,156
- Electric Facility Construction - \$634,167
- Industrial Park Underground Upgrade - \$426,379
- Airport Runway and Apron Improvements - \$806,073

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

	Governmental Activities		Business-type Activities	
	<u>2011-2012</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2010-2011</u>
Land	20,776	18,833	1,309	1,309
Water Shares			1,200	1,200
Buildings	36,578	21,295	1,845	1,816
System Improvements	65,805	60,343	121,052	114,289
Machinery & Equipment	8,424	7,646	3,682	4,080
Construction in Progress	22	9,488	979	3,839
Less Accumulated Depreciation	<u>(46,642)</u>	<u>(44,377)</u>	<u>(54,626)</u>	<u>(51,707)</u>
Total	<u>84,963</u>	<u>73,228</u>	<u>75,441</u>	<u>74,826</u>

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

Long-term debt - At June 30, 2012, the City had total long-term bonded debt balances of \$35,942,000. Of the total, \$3,037,000 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment and \$13,910,000 is debt secured by specific revenue sources (i.e. revenue bonds within the Water and Sewer Utilities). The remainder is in a Municipal Building Authority Lease Revenue Bond of \$5,950,000, a sales tax revenue bond of \$3,955,000 and a general obligation bond of \$9,090,000. The City also has notes and leases payable totaling \$1,696,770 and accrued compensated absences of \$1,225,017 outstanding at June 30, 2012.

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

	Governmental Activities		Business-type Activities	
	<u>2011-2012</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2010-2011</u>
General Obligation Bonds	9,090	9,440		
Revenue Bonds			13,910	14,746
MBA Bonds	5,950	6,110		
Excise Tax Bonds				
Special Assessment Bonds	3,037	3,372		
Sales Tax Revenue Bonds	3,955	4,305		
Notes Payable	1,562	1,612	135	135
Capital Leases				26
Compensated Absences	701	658	524	499
Total	<u>24,295</u>	<u>25,497</u>	<u>14,569</u>	<u>15,406</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$55,874,044. The City currently has \$9,090,000 outstanding in general obligation debt. State statute allows for an additional 8% to be used for water, sewer, storm water, or electrical projects. The current limitation for these water, sewer, storm water, and electrical projects is thus \$111,748,088. The City has issued significantly less bonds than this debt limit.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The June, 2012 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 5.9 percent compared to a state unemployment rate of 6.0 percent and a national rate of 8.2 percent. (Source: U.S. Bureau of Labor Statistics)
- Expenditures in the General Fund budget for FY 2012-2013 reflect an increase of \$286,623 compared to the final budget for FY 2011-2012.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Springville City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Springville City, 110 S Main St, Springville, UT 84663.



## **BASIC FINANCIAL STATEMENTS**

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 13,135,362	\$ 3,560,928	\$ 16,696,290
Accounts Receivable, Net of Allowance for Uncollectibles	8,105,274	2,916,607	11,021,881
Prepaid Expenses	21,539	-	21,539
Inventory	8,073	417,615	425,688
Internal Balances	(9,008,166)	9,008,166	-
<b>TOTAL CURRENT ASSETS</b>	<u>12,262,082</u>	<u>15,903,316</u>	<u>28,165,398</u>
<b>NONCURRENT ASSETS</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	5,927,758	3,439,890	9,367,648
<b>Capital Assets</b>			
Non Depreciable	20,797,710	3,488,433	24,286,143
Depreciable Assets (net of Depreciation)	64,165,407	71,952,170	136,117,577
<b>Other Assets</b>			
Investment in Joint Ventures	3,076,527	1,845,018	4,921,545
<b>TOTAL NONCURRENT ASSETS</b>	<u>93,967,402</u>	<u>80,725,511</u>	<u>174,692,913</u>
<b>TOTAL ASSETS</b>	<u>106,229,484</u>	<u>96,628,827</u>	<u>202,858,311</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses	2,007,138	1,473,454	3,480,592
Contingent Liabilities	50,000	-	50,000
Deferred Revenues	3,980,991	65,272	4,046,263
<b>TOTAL CURRENT LIABILITIES</b>	<u>6,038,129</u>	<u>1,538,726</u>	<u>7,576,855</u>
<b>NONCURRENT LIABILITIES</b>			
Due Within One Year	1,673,552	1,533,995	3,207,547
Due in more than One Year	22,350,669	12,907,890	35,258,559
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>24,024,221</u>	<u>14,441,885</u>	<u>38,466,106</u>
<b>TOTAL LIABILITIES</b>	<u>30,062,350</u>	<u>15,980,611</u>	<u>46,042,961</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	64,716,445	63,367,731	128,084,176
<b>Restricted for</b>			
Community Improvements	1,897,025	2,489,407	4,386,432
Debt Service	3,499,748	1,003,112	4,502,860
Unrestricted	6,053,916	13,787,966	19,841,882
<b>TOTAL NET ASSETS</b>	<u>\$ 76,167,134</u>	<u>\$ 80,648,216</u>	<u>\$ 156,815,350</u>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities</b>				
General Government	\$ 4,409,213	\$ 2,546,267	\$ -	\$ -
Public Safety	4,815,843	500,601	116,839	23,796
Community Development	1,355,568	368,310	-	-
Streets	3,229,246	1,661,545	-	5,904,157
Community Services	4,085,812	628,426	29,836	371,681
Cemetery	269,397	228,550	-	-
Interest on Long-Term Debt	1,077,397	-	-	-
<b>Total Governmental Activities</b>	<b>19,242,476</b>	<b>5,933,699</b>	<b>146,675</b>	<b>6,299,634</b>
<b>Business-type Activities</b>				
Water	2,743,774	3,658,347	-	1,016,721
Sewer	3,135,615	3,250,713	-	496,694
Electric	21,345,236	24,007,539	-	270,176
Storm Water	712,504	877,800	-	578,472
Solid Waste	1,104,881	1,262,164	-	-
Golf/Restaurant	869,958	848,907	-	-
<b>Total Business-type Activities</b>	<b>29,911,968</b>	<b>33,905,470</b>	<b>-</b>	<b>2,362,063</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 49,154,444</b>	<b>\$ 39,839,169</b>	<b>\$ 146,675</b>	<b>\$ 8,661,697</b>

General Revenues  
Property Taxes  
Vehicle Taxes  
Sales and Use Taxes  
Other Taxes  
Unrestricted Investment Earnings  
Miscellaneous  
Change in Joint Venture Equity  
Transfers  
Special Items  
Sale of Land  
Art Museum Improvements Donated  
**Total General Revenues and Transfers**  
Change in Net Assets  
Net Assets - Beginning  
  
Net Assets - Ending

See the accompanying notes to the financial statements

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,862,946)	-	\$ (1,862,946)
(4,174,607)	-	(4,174,607)
(987,258)	-	(987,258)
4,336,456	-	4,336,456
(3,055,869)	-	(3,055,869)
(40,847)	-	(40,847)
<u>(1,077,397)</u>	-	<u>(1,077,397)</u>
<u>(6,862,468)</u>	-	<u>(6,862,468)</u>
-	1,931,294	1,931,294
-	611,792	611,792
-	2,932,479	2,932,479
-	743,768	743,768
-	157,283	157,283
-	<u>(21,051)</u>	<u>(21,051)</u>
-	<u>6,355,565</u>	<u>6,355,565</u>
<u>(6,862,468)</u>	<u>6,355,565</u>	<u>(506,903)</u>
2,884,177	-	2,884,177
256,582	-	256,582
5,697,054	-	5,697,054
846,121	-	846,121
468,415	48,717	517,132
241,350	-	241,350
338,108	23,575	361,683
1,621,070	<u>(1,621,070)</u>	-
248,364	-	248,364
<u>5,433,432</u>	-	<u>5,433,432</u>
<u>18,034,673</u>	<u>(1,548,778)</u>	<u>16,485,895</u>
11,172,205	4,806,787	15,978,992
<u>64,994,929</u>	<u>75,841,429</u>	<u>140,836,358</u>
<u>\$ 76,167,134</u>	<u>\$ 80,648,216</u>	<u>\$ 156,815,350</u>

**SPRINGVILLE CITY CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Governmental-type Activities				
	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 8,842,615	\$ -	\$ -	\$ 82,955	\$ 8,925,570
Accounts Receivable	178,071	-	-	-	178,071
Property Taxes Receivable	3,082,354	-	-	-	3,082,354
Special Assessments Receivable	-	3,704,137	-	-	3,704,137
Other Receivables	1,140,635	-	-	77	1,140,712
Due from Special Services Fund	224,152	-	-	-	224,152
Due from Other Fund	-	395,066	-	557,203	952,269
Prepaid Expenses	21,539	-	-	-	21,539
Inventory	8,073	-	-	-	8,073
Restricted Cash	-	116,061	7,198,010	2,036,935	9,351,006
Investment in Joint Venture	45,768	-	-	-	45,768
<b>TOTAL ASSETS</b>	<b>\$ 13,543,207</b>	<b>\$ 4,215,264</b>	<b>\$ 7,198,010</b>	<b>\$ 2,677,170</b>	<b>\$ 27,633,651</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,086,957	\$ -	\$ 34,742	\$ 150	\$ 1,121,849
Due to General Fund	-	-	-	224,152	224,152
Due to Other Fund	5,267,069	-	4,257,511	-	9,524,580
Development and Other Bonds	665,171	-	-	-	665,171
Contingent Liabilities	50,000	-	-	-	50,000
Deferred Revenue	2,988,659	867,332	125,000	-	3,980,991
<b>TOTAL LIABILITIES</b>	<b>10,057,856</b>	<b>867,332</b>	<b>4,417,253</b>	<b>224,302</b>	<b>15,566,743</b>
<b>FUND BALANCE</b>					
<b>Nonspendable</b>					
Prepaid Expenses	21,539	-	-	-	21,539
Inventory	8,073	-	-	-	8,073
Endowments	-	-	-	769,912	769,912
<b>Restricted for</b>					
Impact Fees	-	-	-	1,462,792	1,462,792
Class C Roads	434,233	-	-	-	434,233
Joint Venture	45,768	-	-	-	45,768
Debt Service	-	3,347,932	-	14,157	3,362,089
Build America Bonds Subsidy	-	-	-	137,659	137,659
<b>Assigned for</b>					
Community Improvements	-	-	2,780,757	68,348	2,849,105
Unassigned	2,975,738	-	-	-	2,975,738
<b>TOTAL FUND EQUITY</b>	<b>3,485,351</b>	<b>3,347,932</b>	<b>2,780,757</b>	<b>2,452,868</b>	<b>12,066,908</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 13,543,207</b>	<b>\$ 4,215,264</b>	<b>\$ 7,198,010</b>	<b>\$ 2,677,170</b>	<b>\$ 27,633,651</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

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**TOTAL GOVERNMENTAL FUNDS BALANCES** **\$ 12,066,908**

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

**Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.** **85,762,296**

**Two internal service funds are used by management to charge the costs of purchasing, operating and maintaining vehicles and equipment. The assets and liabilities of the internal services funds are included in the governmental activities section of the statement of net assets.** **2,552,258**

**Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.** **(24,214,328)**

**TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 76,167,134**

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental-type Activities				
	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 9,683,934	\$ -	\$ -	\$ -	\$ 9,683,934
Licenses and Permits	394,955	-	-	-	394,955
Intergovernmental	1,125,415	-	-	9,884	1,135,299
Charges for Services	3,256,404	1,661,545	-	80,507	4,998,456
Fines and Forfeitures	540,288	-	-	-	540,288
Interest	46,383	341,431	62,692	12,385	462,891
Miscellaneous	153,013	37,337	-	-	190,350
<b>TOTAL REVENUES</b>	<b>15,200,392</b>	<b>2,040,313</b>	<b>62,692</b>	<b>102,776</b>	<b>17,406,173</b>
<b>EXPENDITURES</b>					
General Government	3,830,618	-	4,287	10,134	3,845,039
Public Safety	4,543,704	-	-	-	4,543,704
Community Development	1,347,646	-	-	-	1,347,646
Streets	953,745	-	-	-	953,745
Community Services	3,345,567	-	-	16,727	3,362,294
Cemetery	236,189	-	-	-	236,189
Debt Service					
Principal	-	335,000	-	910,000	1,245,000
Interest and Finance Charges	-	186,712	-	899,538	1,086,250
Capital Outlay	-	-	4,751,235	-	4,751,235
<b>TOTAL EXPENDITURES</b>	<b>14,257,469</b>	<b>521,712</b>	<b>4,755,522</b>	<b>1,836,399</b>	<b>21,371,102</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>942,923</b>	<b>1,518,601</b>	<b>(4,692,830)</b>	<b>(1,733,623)</b>	<b>(3,964,929)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Land	-	-	248,364	-	248,364
Impact Fees	-	-	-	419,266	419,266
Change in Joint Venture Equity	(62,258)	-	-	-	(62,258)
Transfers from Other Funds	1,659,070	-	1,014,113	2,285,991	4,959,174
Transfers to Other Funds	(2,489,740)	-	(271,458)	(576,906)	(3,338,104)
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>49,995</b>	<b>1,518,601</b>	<b>(3,701,811)</b>	<b>394,728</b>	<b>(1,738,487)</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,092,905</b>	<b>1,829,331</b>	<b>6,482,568</b>	<b>2,058,140</b>	<b>13,462,944</b>
Prior Period Adjustment	342,451	-	-	-	342,451
<b>ENDING FUND BALANCE</b>	<b>\$ 3,485,351</b>	<b>\$ 3,347,932</b>	<b>\$ 2,780,757</b>	<b>\$ 2,452,868</b>	<b>\$ 12,066,908</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES  
OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ (1,738,487)**

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

**Governmental funds report capital outlays as expenditures. In the statement  
of activities the cost of those assets is allocated over their estimated useful  
lives as depreciation expense. This is the amount by which capital outlays  
exceeded depreciation in the current period.** **10,966,491**

**Issuance of long-term debt provides current financial resources to governmental  
funds. The repayment of the principal of long-term debt consumes the  
current financial resources of governmental funds. This amount is the net  
difference in the treatment of long-term debt and related items.** **1,235,396**

**The City's equity investment in the airport is reflected in the governmental  
funds using the current financial resources measurement focus and the  
modified accrual basis of accounting. It is reflected in the government-wide  
statements using the economic resources measurement focus and the  
accrual basis of accounting. This is the current year difference in the change  
in equity.** **400,366**

**The general revenues and net income or loss from the internal service funds is  
allocated between governmental and business-type activities based on amounts  
charged. This is the amount allocated to the governmental activities.** **332,876**

**Some revenues and expenses reported in the statement of activities do not  
add to or require the use of current financial resources and, therefore, are  
not reported as revenues or expenditures in the governmental funds.** **(24,437)**

**CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS** **\$ 11,172,205**



**SPRINGVILLE CITY CORPORATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$ 9,496,200	\$ 9,496,200	\$ 9,683,934	\$ 187,734
Licenses and Permits	356,000	488,000	394,955	(93,045)
Intergovernmental	1,174,800	1,104,800	1,125,415	20,615
Charges for Services	3,272,028	3,169,027	3,256,404	87,377
Fines and Forfeitures	468,750	509,750	540,288	30,538
Interest	39,000	39,000	46,383	7,383
Miscellaneous	75,000	75,000	153,013	78,013
<b>TOTAL REVENUES</b>	<b>14,881,778</b>	<b>14,881,777</b>	<b>15,200,392</b>	<b>318,615</b>
<b><u>EXPENDITURES</u></b>				
General Government	3,504,979	3,980,347	3,830,618	149,729
Public Safety	4,678,788	4,679,540	4,543,704	135,836
Community Development	1,384,102	1,384,102	1,347,646	36,456
Streets	990,344	990,344	953,745	36,599
Community Services	3,347,555	3,350,093	3,345,567	4,526
Cemetery	247,435	247,436	236,189	11,247
<b>TOTAL EXPENDITURES</b>	<b>14,153,203</b>	<b>14,631,862</b>	<b>14,257,469</b>	<b>374,393</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>728,575</b>	<b>249,915</b>	<b>942,923</b>	<b>693,008</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Change in Joint Venture Equity	-	-	(62,258)	(62,258)
Transfers from Other Funds	1,645,070	1,645,070	1,659,070	14,000
Transfers to Other Funds	(2,705,308)	(2,587,250)	(2,489,740)	97,510
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(331,663)</b>	<b>(692,265)</b>	<b>49,995</b>	<b>742,260</b>
<b>FUND BALANCE ALLOCATION</b>	<b>331,663</b>	<b>692,265</b>	<b>-</b>	<b>(692,265)</b>
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,995</b>	<b>\$ 49,995</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Charges for Services	\$ 310,000	\$ 310,000	\$ 1,661,545	\$ 1,351,545
Interest	224,074	224,074	341,431	117,357
Miscellaneous	-	-	37,337	37,337
<b>TOTAL REVENUES</b>	<b>534,074</b>	<b>534,074</b>	<b>2,040,313</b>	<b>1,506,239</b>
<b><u>EXPENDITURES</u></b>				
Debt Service	534,074	534,074	521,712	12,362
<b>TOTAL EXPENDITURES</b>	<b>534,074</b>	<b>534,074</b>	<b>521,712</b>	<b>12,362</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	-	-	1,518,601	1,518,601
<b>FUND BALANCE ALLOCATION</b>	-	-	-	-
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,518,601</b>	<b>\$ 1,518,601</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental
				Nonmajor	Total	Internal
	Water	Sewer	Electric	Enterprise	Enterprise	Service
			Funds	Funds	Fund	
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 37,056	\$ 124,902	\$ 2,927,672	\$ 471,298	3,560,928	\$ 786,544
Accounts Receivable, Net of Allowance for Uncollectibles	664,577	317,426	1,712,104	222,500	2,916,607	-
Due from Other Fund	1,371,603	708,761	3,399,287	1,617,436	7,097,087	1,475,226
Inventory	-	-	417,615	-	417,615	-
<b>TOTAL CURRENT ASSETS</b>	<b>2,073,236</b>	<b>1,151,089</b>	<b>8,456,678</b>	<b>2,311,234</b>	<b>13,992,237</b>	<b>2,261,770</b>
<b>NONCURRENT ASSETS</b>						
<b>Restricted Assets</b>						
Cash and Cash Equivalents	441,352	619,483	1,879,105	499,950	3,439,890	-
<b>Capital Assets</b>						
Land	201,267	20,700	258,498	828,953	1,309,418	-
Construction in Progress	283,303	-	673,901	21,892	979,096	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	51,218	-	38,077	1,755,283	1,844,578	-
Improvements	28,070,201	33,412,232	57,111,128	2,458,804	121,052,365	-
Machinery, Equipment and Vehicles	442,429	957,601	1,192,688	1,088,970	3,681,688	3,280,142
Less Accumulated Depreciation	(8,904,008)	(10,991,257)	(32,028,821)	(2,702,375)	(54,626,461)	(1,048,562)
<b>Other Assets</b>						
Investment in Joint Venture	-	-	-	1,845,018	1,845,018	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>21,785,681</b>	<b>24,018,759</b>	<b>29,124,576</b>	<b>5,796,495</b>	<b>80,725,511</b>	<b>2,231,580</b>
<b>TOTAL ASSETS</b>	<b>23,858,917</b>	<b>25,169,848</b>	<b>37,581,254</b>	<b>8,107,729</b>	<b>94,717,748</b>	<b>4,493,350</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	71,996	32,501	513,059	127,888	745,444	30,013
Accrued Interest Payable	54,921	224,646	-	-	279,567	-
Due to Other Fund	-	-	-	-	-	-
Deferred Revenue	-	-	65,272	-	65,272	-
Customer Deposits	10,300	-	438,143	-	448,443	-
Compensated Absences	45,992	87,436	262,733	127,834	523,995	-
Current Portion of Long-Term Debt	245,000	630,000	-	135,000	1,010,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>428,209</b>	<b>974,583</b>	<b>1,279,207</b>	<b>390,722</b>	<b>3,072,721</b>	<b>30,013</b>
<b>NONCURRENT LIABILITIES</b>						
Bonds Payable	2,457,608	10,450,282	-	-	12,907,890	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,457,608</b>	<b>10,450,282</b>	<b>-</b>	<b>-</b>	<b>12,907,890</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,885,817</b>	<b>11,424,865</b>	<b>1,279,207</b>	<b>390,722</b>	<b>15,980,611</b>	<b>30,013</b>
<b>NET ASSETS</b>						
Investment in Capital Assets, Net of Related Debt	18,641,721	12,318,994	27,245,471	3,316,527	61,522,713	2,231,580
<b>Restricted</b>						
Community Improvements	57,723	-	1,879,105	552,579	2,489,407	-
Investment in Joint Venture	-	-	-	1,845,018	1,845,018	-
Debt Service	383,629	619,483	-	-	1,003,112	-
Designated for Construction	-	-	-	77,998	77,998	-
<b>Unrestricted</b>						
	1,890,027	806,506	7,177,471	1,924,885	11,798,889	2,231,757
<b>TOTAL NET ASSETS</b>	<b>\$ 20,973,100</b>	<b>\$ 13,744,983</b>	<b>\$ 36,302,047</b>	<b>\$ 7,717,007</b>	<b>\$ 78,737,137</b>	<b>\$ 4,463,337</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 3,581,040	\$ 3,221,119	\$ 23,859,459	\$ 2,970,453	\$ 33,632,071	\$ 1,193,980
Connection Fees	24,300	-	29,587	-	53,887	-
Miscellaneous	53,007	29,594	118,493	18,418	219,512	-
<b>TOTAL OPERATING REVENUES</b>	<b>3,658,347</b>	<b>3,250,713</b>	<b>24,007,539</b>	<b>2,988,871</b>	<b>33,905,470</b>	<b>1,193,980</b>
<b>OPERATING EXPENSES</b>						
Salaries and Benefits	716,822	629,627	2,812,714	929,378	5,088,541	166,247
Operations	1,247,790	1,085,556	17,036,355	1,772,602	21,142,303	38,555
Depreciation	683,355	862,774	1,589,731	133,443	3,269,303	414,733
<b>TOTAL OPERATING EXPENSES</b>	<b>2,647,967</b>	<b>2,577,957</b>	<b>21,438,800</b>	<b>2,835,423</b>	<b>29,500,147</b>	<b>619,535</b>
<b>OPERATING INCOME</b>	<b>1,010,380</b>	<b>672,756</b>	<b>2,568,739</b>	<b>153,448</b>	<b>4,405,323</b>	<b>574,445</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Impact Fees	220,773	142,532	270,176	167,699	801,180	-
Interest Income	3,065	5,427	33,899	6,326	48,717	5,524
Change in Joint Venture Equity	-	-	-	23,575	23,575	-
Gain (Loss) on Disposal of Equipment	-	-	-	-	-	51,000
Interest Expense	(120,939)	(588,975)	-	-	(709,914)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>102,899</b>	<b>(441,016)</b>	<b>304,075</b>	<b>197,600</b>	<b>163,558</b>	<b>56,524</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>1,113,279</b>	<b>231,740</b>	<b>2,872,814</b>	<b>351,048</b>	<b>4,568,881</b>	<b>630,969</b>
Developer Contributions	795,948	354,162	-	410,773	1,560,883	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(166,685)	(163,882)	(1,137,609)	(152,894)	(1,621,070)	-
<b>CHANGE IN NET ASSETS</b>	<b>1,742,542</b>	<b>422,020</b>	<b>1,735,205</b>	<b>608,927</b>	<b>4,508,694</b>	<b>630,969</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>19,230,558</b>	<b>13,322,963</b>	<b>34,566,842</b>	<b>7,108,080</b>	<b>74,228,443</b>	<b>3,832,368</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 20,973,100</b>	<b>\$ 13,744,983</b>	<b>\$ 36,302,047</b>	<b>\$ 7,717,007</b>	<b>78,737,137</b>	<b>\$ 4,463,337</b>

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

1,911,079

Change in Net Assets of Business-type Activities

\$ 80,648,216

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers	\$ 3,314,192	\$ 3,247,520	\$ 23,894,081	\$ 2,970,393	\$ 33,426,186	\$ 1,193,980
Payments to Suppliers	(1,255,889)	(1,093,647)	(17,279,679)	(1,748,985)	(21,378,200)	(35,273)
Payments to Employees	(712,123)	(630,172)	(2,796,832)	(924,427)	(5,063,554)	(166,247)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,346,180</b>	<b>1,523,701</b>	<b>3,817,570</b>	<b>296,981</b>	<b>6,984,432</b>	<b>992,460</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Due from Other Funds	(563,243)	(177,703)	(1,631,323)	(82,749)	(2,455,018)	139,394
Due to Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(166,685)	(163,882)	(1,137,609)	(152,894)	(1,621,070)	-
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(729,928)</b>	<b>(341,585)</b>	<b>(2,768,932)</b>	<b>(235,643)</b>	<b>(4,076,088)</b>	<b>139,394</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Impact Fees	220,773	142,532	270,176	167,699	801,180	-
Proceeds from Sale of Capital Assets	-	-	-	78,371	78,371	51,000
Acquisition of Capital Assets	(721,396)	(197,250)	(1,364,977)	(117,493)	(2,401,116)	(1,182,855)
Lease Payments	-	-	-	(25,911)	(25,911)	-
Bond Payments	(230,932)	(592,498)	-	-	(823,430)	-
Interest Expense	(125,270)	(600,713)	-	(1,412)	(727,395)	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(856,825)</b>	<b>(1,247,929)</b>	<b>(1,094,801)</b>	<b>101,254</b>	<b>(3,098,301)</b>	<b>(1,131,855)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Income	3,065	5,427	33,899	6,326	48,717	5,524
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>3,065</b>	<b>5,427</b>	<b>33,899</b>	<b>6,326</b>	<b>48,717</b>	<b>5,524</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(237,508)</b>	<b>(60,386)</b>	<b>(12,264)</b>	<b>168,918</b>	<b>(141,240)</b>	<b>5,523</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>715,916</b>	<b>804,771</b>	<b>4,819,041</b>	<b>802,330</b>	<b>7,142,058</b>	<b>781,021</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 478,408</b>	<b>\$ 744,385</b>	<b>\$ 4,806,777</b>	<b>\$ 971,248</b>	<b>\$ 7,000,818</b>	<b>\$ 786,544</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>RECONCILIATION OF OPERATING</b>						
<b>INCOME TO NET CASH FLOWS FROM</b>						
<b>OPERATING ACTIVITIES</b>						
Operating Income	\$ 1,010,380	\$ 672,756	\$ 2,568,739	\$ 153,448	\$ 4,405,323	\$ 574,445
Adjustments						
Depreciation	683,355	862,774	1,589,731	133,443	3,269,303	414,733
Changes in Assets and Liabilities						
Accounts Receivable, Net	(344,105)	(3,193)	(135,708)	(18,478)	(501,484)	-
Inventory	-	-	36,764	-	36,764	-
Accounts Payable	(8,099)	(8,091)	(280,088)	23,617	(272,661)	3,282
Compensated Absences	4,699	(545)	15,882	4,951	24,987	-
Customer Deposits	(50)	-	22,250	-	22,200	-
Deferred Revenue	-	-	-	-	-	-
<b>NET CASH FLOWS FROM OPERATING</b>	<b>\$ 1,346,180</b>	<b>\$ 1,523,701</b>	<b>\$ 3,817,570</b>	<b>\$ 296,981</b>	<b>\$ 6,984,432</b>	<b>\$ 992,460</b>
<b>ACTIVITIES</b>						
<b>Noncash Financing and Investing</b>						
<b>Transaction</b>						
Increase in Investment in Joint Venture	\$ -	\$ -	\$ -	\$ 23,575	\$ 23,575	\$ -
Developer Contributions of Fixed Assets	\$ 795,948	\$ 354,162	\$ -	\$ 410,773	\$ 1,560,883	\$ -

See the accompanying notes to the financial statements

**SPRINGVILLE CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

The basic financial statements of the City of Springville, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

**Financial Reporting Entity**

The City of Springville (the City) was incorporated in 1903 under the laws of the State of Utah. The City operates under a Mayor-Council form of government. The City provides municipal services under the following organizational structure:

**Mayor and City Council: Mayor and City Council, Community Promotion, and Advisory Boards and Commissions.**

**City Administration: City Administrator, Risk Management, Emergency Operations, Recorder, Community and Neighborhood, Computer Services, Personnel, and Economic Development.**

**Financial Services: Finance Director, Treasurer, Utilities, Accounting, Facilities, Purchasing, and Warehousing.**

**City Attorney: Legal Services, Prosecution, and Civil and Environmental Law.**

**Development Services: Planning and Zoning and Code Enforcement.**

**Public Safety: Police, Dispatch, Fire, Animal Control, and Emergency Medical Services.**

**Electric: Distribution, Generation and Street Lighting**

**Public Works: Streets, Engineering, Fleet Maintenance, Water, Solid Waste Services, Water Reclamation, and Storm Sewer Services.**

**Community Services: Swimming Pool Operations, City Celebrations, Parks, Outdoor Recreation Programs, Senior Citizen Programs, Library and Cemetery.**

The City is a municipal corporation governed by an elected five-member Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

## **NOTE 1 - (CONTINUED)**

Included with the reporting entity as blended component units are the following organizations:

A five-member board of trustees composed of the City Council governs the Redevelopment Agency of the City of Springville (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Special Revenue Fund. Separate financial statements are not issued for the RDA.

A five-member board of trustees composed of the City Council governs the Municipal Building Authority of the City of Springville (MBA). Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The activities of the MBA are included in these financial statements as the Municipal Building Authority Debt Service Fund. Separate financial statements are not issued for the MBA.

The joint ventures with Spanish Fork/Springville Airport and South Utah Valley Solid Waste District are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. Complete financial statements of the joint ventures, which issued separate financial statements, can be obtained from their administrative offices.

### **Government-wide and Fund Financial Statements**

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

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

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

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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



## NOTE 1 - (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

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

## **NOTE 1 - (CONTINUED)**

Additionally, the City uses two *internal service funds* to account for the costs of procurement and maintenance of vehicles and equipment owned by the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

### **Assets, Liabilities and Fund Equity**

#### **A. Cash and cash equivalents**

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

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

#### **B. Receivables and payables**

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

## NOTE 1 - (CONTINUED)

### C. Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Proprietary fund inventories are recorded at the lower of cost or market on a weighted average basis, which approximates the first-in, first-out method.

### D. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

### E. Capital assets

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

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

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-40 years
Improvements and infrastructure	7-40 years
Machinery, equipment and vehicles	5-15 years

### F. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end. Accumulated sick leave is earned at a rate of one day per month and employees have an option to sell back to the City 25% of current year accrual each November. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement.

## NOTE 1 – (CONTINUED)

### G. Long-term liabilities

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

### H. Fund equity

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

**Non-spendable** – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained. Fund balance amounts related to inventory, prepaid expenses and permanent endowments (such as cemetery perpetual care) are classified as non-spendable.

**Restricted** – This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The City's remaining balances of Class C roads, impact fees, and debt service reserves are restricted.

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

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

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

## **NOTE 1 – (CONTINUED)**

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

### **I. Net assets**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Inter-Fund Transactions**

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc.. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

### **Deferred Revenue**

Property taxes due November 30, 2012 and unpaid from 2011, as well as special improvement district assessments receivable at June 30, 2012 are shown as deferred revenue.

### **Estimates and Assumptions**

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

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

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

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

## NOTE 2 – (CONTINUED)

### Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

<b>JOINT VENTURE CAPITAL ASSETS</b>	
Airport Improvements	\$ 3,030,759
<b>SPRINGVILLE CITY CAPITAL ASSETS</b>	
Land	20,775,875
Construction in Progress	21,835
Buildings and Structures	36,578,408
Improvements	65,805,347
Machinery, Equipment and Vehicles	5,143,580
Less Accumulated Depreciation	<u>(45,593,508)</u>
Net Capital Asset Difference	<u>\$ 85,762,296</u>

Internal service funds are used by management to charge the costs of purchasing, operating and maintaining vehicles and equipment to individual funds. The assets and liabilities of these internal service funds are included in the governmental activities on the statement of net assets.

Cash and Cash Equivalents	\$ 786,544
Machinery, Equipment and Vehicles	3,280,142
Accumulated Depreciation	(1,048,562)
Accounts Payable	(30,013)
Due from Other Fund	1,475,226
Internal Balances	<u>(1,911,079)</u>
Net Difference	<u>\$ 2,552,258</u>

### Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (190,105)
Unamortized Issue Costs	270,570
Revenue and General Obligation Bonds Payable	(20,769,000)
Notes Payable	(1,511,770)
Current Portion of Long-Term Debt	(1,313,000)
Compensated Absences	<u>(701,023)</u>
Total Long-Term Liability Difference	<u>\$ (24,214,328)</u>

## NOTE 2 – (CONTINUED)

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

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

#### Capital Outlay and Depreciation Differences

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

Art Museum Improvements	\$ 5,433,432
Loss on Disposal of Capital Assets	(419,128)
Developer Contributions	4,891,744
Capital Outlay	4,751,235
Depreciation Expense	<u>(3,690,792)</u>
Net Difference	<u>\$ 10,966,491</u>

#### Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments	
Bonds	\$ 1,195,000
Notes	50,000
Amortization of Issue Costs and Premium	<u>(9,604)</u>
Net Difference	<u>\$ 1,235,396</u>

The general revenues and net income or loss from the internal service funds is allocated between governmental and business-type activities based on amounts charged. The detail of this allocation is presented below:

Interest	\$ 5,524
Miscellaneous Revenue	51,000
Allocation of Internal Service Fund Charges	<u>276,352</u>
Net Allocation	<u>\$ 332,876</u>

## NOTE 2 – (CONTINUED)

### Other Revenue and Expense Differences

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

Change in Compensated Absences	\$ (42,894)
Change in Accrued Interest Payable	<u>18,457</u>
Net Difference	<u><u>\$ (24,437)</u></u>

## NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

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

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

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

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

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

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

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

### Tax Revenues

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



### **NOTE 3 – (CONTINUED)**

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

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

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

#### **Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2012, \$1,760,804 of the City's bank balances of \$2,019,761 were uninsured and uncollateralized.

#### **Credit Risk**

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

## NOTE 4 – (CONTINUED)

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

The following are the City's investments at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 21,696,024
U.S. Treasuries	<u>2,417,896</u>
<b>Total Investments</b>	<b><u>\$ 24,113,920</u></b>

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

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

Deposits	\$ 1,945,927
Investments	24,113,920
Cash on Hand	<u>4,091</u>
<b>Total</b>	<b><u>\$ 26,063,938</u></b>
Cash and Cash Equivalents	\$ 16,696,290
Restricted Cash and Cash Equivalents	<u>9,367,648</u>
<b>Total</b>	<b><u>\$ 26,063,938</u></b>

## NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2012 are presented in the schedule below.

Property taxes are levied on January 1 of 2012, are due in November of 2012, and are budgeted for the 2012 fiscal year. Even though they are not intended to fund the 2012 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

## NOTE 5 – (CONTINUED)

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

The following is a summary of receivables at June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 679,271	\$ 3,000,107	\$ 3,679,378
Allowance for Uncollectible	(501,200)	(83,500)	(584,700)
Property Taxes Receivable	3,082,354	-	3,082,354
Special Assessments Receivable	3,704,137	-	3,704,137
Other Receivables	<u>1,140,712</u>	<u>-</u>	<u>1,140,712</u>
Total	<u>\$ 8,105,274</u>	<u>\$ 2,916,607</u>	<u>\$ 11,021,881</u>

The City constructed the East Fire Substation with public safety impact fees and with a loan from the general fund to the special services fund. The outstanding balance as of June 30, 2012 of this interfund loan is reported in the financial statements at follows:

<u>General Fund</u>	
Due from Special Services Fund	<u>\$ 224,152</u>
<u>Special Services Fund</u>	
Due to General Fund	<u>\$ 224,152</u>

## NOTE 6 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities, including the internal service funds, for the year ended June 30, 2012:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 18,833,170	\$ 2,192,705	\$ (250,000)	\$ 20,775,875
Construction in Progress	9,488,211	-	(9,466,376)	21,835
Capital Assets being Depreciated				
Buildings and Structures	21,294,832	8,963,385	6,320,191	36,578,408
Improvements	60,342,828	3,914,106	1,548,413	65,805,347
Machinery, Equipment and Vehicles	<u>7,646,310</u>	<u>1,189,070</u>	<u>(411,658)</u>	<u>8,423,722</u>
Total	117,605,351	16,259,266	(2,259,430)	131,605,187
Less Accumulated Depreciation	<u>(44,376,849)</u>	<u>(4,105,525)</u>	<u>1,840,304</u>	<u>(46,642,070)</u>
Governmental Activities Capital Assets, Net	<u>\$ 73,228,502</u>	<u>\$ 12,153,741</u>	<u>\$ (419,126)</u>	<u>\$ 84,963,117</u>

**NOTE 6 – (CONTINUED)**

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2012:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases/ Transfers</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 1,309,418	\$ -	\$ -	\$ 1,309,418
Construction in Progress	3,838,813	645,109	(3,504,826)	979,096
Water Shares	1,199,919	-	-	1,199,919
<b>Capital Assets being Depreciated</b>				
Buildings and Structures	1,816,058	28,520	-	1,844,578
Improvements	114,288,607	3,258,932	3,504,826	121,052,365
Machinery, Equipment and Vehicles	<u>4,080,546</u>	<u>29,438</u>	<u>(428,296)</u>	<u>3,681,688</u>
<b>Total</b>	<b>126,533,361</b>	<b>3,961,999</b>	<b>(428,296)</b>	<b>130,067,064</b>
<b>Less Accumulated Depreciation</b>	<b>(51,707,084)</b>	<b>(3,269,302)</b>	<b>349,925</b>	<b>(54,626,461)</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ <u>74,826,277</u></b>	<b>\$ <u>692,697</u></b>	<b>\$ <u>(78,371)</u></b>	<b>\$ <u>75,440,603</u></b>

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

<b>Government Activities</b>	
General Government	\$ 466,896
Public Safety	260,052
Community Development	7,922
Streets	2,275,501
Community Services	647,213
Cemetery	33,208
Internal Service Funds	414,733
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ <u>4,105,525</u></b>
<b>Business-type Activities</b>	
Water	\$ 683,355
Sewer	862,774
Electric	1,589,731
Storm Water	78,470
Solid Waste	14,103
Golf Course	<u>40,870</u>
<b>Total Depreciation Expense-Business-type Activities</b>	<b>\$ <u>3,269,303</u></b>

## NOTE 7 – INVESTMENT IN JOINT VENTURES

### Spanish Fork/Springville Airport

The City is party to a joint venture with Spanish Fork City, a neighboring municipality, in the Spanish Fork/Springville Airport (the Airport). The joint venture was organized under an interlocal agreement per Section 11-13 of the Utah Code. It was created to provide airport services for both communities. Additional information is as follows:

a. Participants and their percentage shares:

Springville City	50.0%
Spanish Fork City	50.0%

b. The Airport is governed by the City Councils of the two participating cities. It also has an Oversight Board, which is selected from members of the participants' City Councils and other citizens of the two communities.

c. The Airport Oversight Board oversees the operations of the airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

d. Summary financial information from the government-wide statements, as of the joint venture's last year end of June 30, 2012, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$ 6,615,076	\$ 3,307,538
Total Liabilities	<u>(462,022)</u>	<u>(231,011)</u>
Net Assets	<u>\$ 6,153,054</u>	<u>\$ 3,076,527</u>
Program Revenues	\$ 968,313	\$ 484,157
General Revenues	3,901	1,950
Program Expenses	<u>(295,998)</u>	<u>(147,999)</u>
Change in Net Assets	<u>\$ 676,216</u>	<u>\$ 338,108</u>

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

### South Utah Valley Solid Waste District

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

**NOTE 7 – (CONTINUED)**

**a. Participants and their percentage shares:**

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

- b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.
- c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.
- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2011, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 17,938,734	\$ 2,690,810
Total Liabilities	<u>(5,638,614)</u>	<u>(845,792)</u>
Net Assets	<u>\$ 12,300,120</u>	<u>\$ 1,845,018</u>
Operating Revenues	\$ 5,465,443	\$ 819,817
Operating Expenses	<u>5,411,705</u>	<u>811,756</u>
Net Operating Income (Loss)	53,738	8,061
Net Non-Operating Income (Expense)	<u>93,856</u>	<u>14,078</u>
Change in Net Assets	<u>\$ 147,594</u>	<u>\$ 22,139</u>

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

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Closure and Postclosure Liability	\$ 2,963,891	\$ 444,584
Capital Leases	49,522	7,428
Notes Payable	2,032,525	304,879
Accrued Compensated Absences	<u>252,146</u>	<u>37,872</u>
Total Long-Term Liabilities	<u>\$ 5,298,084</u>	<u>\$ 794,713</u>

- f. Audited financial statement for the south Utah Valley Solid Waste district are available at the District offices, 2450 West 400 South, Springville, Utah.

**NOTE 8 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
<b>Revenue Bonds</b>					
2005 Special Assessment	\$ 3,372,000	\$ -	\$ (335,000)	\$ 3,037,000	\$ 323,000
2006 Sales Tax	4,305,000	-	(350,000)	3,955,000	370,000
2008 Municipal Building Authority Lease	6,110,000	-	(160,000)	5,950,000	210,000
<b>General Obligation Bonds</b>					
2010 Build America Bonds	9,440,000	-	(350,000)	9,090,000	360,000
<b>Notes Payable</b>					
2006 Childs Property	100,000	-	(50,000)	50,000	50,000
CUWCD Note Payable	1,511,770	-	-	1,511,770	-
Compensated Absences	<u>658,128</u>	<u>42,894</u>	<u>-</u>	<u>701,022</u>	<u>360,552</u>
	<u>\$25,496,898</u>	<u>\$ 42,894</u>	<u>\$ (1,245,000)</u>	<u>24,294,792</u>	<u>\$ 1,673,552</u>
<b>Unamortized Bond Issuance Costs</b>				<u>(270,571)</u>	
				<u>\$ 24,024,221</u>	

Long-term debt and obligations for governmental activities payable at June 30, 2012 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<b>Bonds Payable</b>				
Special Assessment Bonds, dated December 8, 2005 (original amount--\$5,269,604)	5.05% to 6.00%	2021	\$ 323,000	\$ 2,714,000
Sales Tax Revenue Bonds, dated January 5, 2006 (original amount--\$900,000)	4.00% to 5.00%	2021	370,000	3,585,000
Municipal Building Authority Lease Revenue Bonds, Series 2008, (original amount--\$6,435,000)	5.25%	2019	210,000	5,740,000
Taxable General Obligation Build America Bonds, series 2010 (original amount--\$9,800,000)	1.00% to 5.30%	2031	360,000	8,730,000
Child's Property Note Payable (original amount--\$397,150)	6.00%	2013	50,000	-
CUWCD Note (original amount--\$1,511,770)	0%	2013	-	1,511,770
Compensated Absences			360,552	340,470
Unamortized Bond Issuance Cost and Premium				<u>(270,571)</u>
<b>Total Governmental Activities Long-term Debt</b>			<u>\$ 1,673,552</u>	<u>\$ 22,350,669</u>

**NOTE 8 – (CONTINUED)**

The proceeds of the 2005 special assessment bonds were used to make water, sewer, road, curb and gutter improvements in the west fields. The City pledges income derived from special assessment collections from landowners in the improved areas to repay them through the maturity dates listed above. Annual principal and interest payments are expected to approximate the special assessment collections each year.

The 2006 sales tax revenue bonds were issued to purchase land for parks and sales tax revenues were pledged to repay them through the maturity date listed above. Annual principal and interest payments are expected to require less than twenty percent of the total sales tax revenues.

The 2008 Municipal Building Authority lease revenue bonds were issued for the construction of the new civic center. The property note was used to purchase land at 1300 east to be used for the east fire substation. The City pledges general revenues of the City to repay this note through the maturity date listed above.

The 2010 General Obligation Build America Bonds were used for the construction of the library. The bonds have no specific pledged revenue stream, but debt service requirements will be met principally by the general fund.

The Central Utah Water Conservancy District (CUWCD) note payable was part of the agreement between the City and CUWCD for the installation of water pipelines under 400 East and the subsequent reconstruction of that road.

Long-term debt and obligations for business-type activities payable at June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Business-type Activities</u></b>					
<b>Revenue Bonds</b>					
1998 Sewer	\$ 761,000	\$ -	\$ (81,000)	\$ 680,000	\$ 85,000
1998 Water and Sewer	460,000	-	(225,000)	235,000	235,000
2008 Water and Sewer	13,525,000	-	(530,000)	12,995,000	555,000
<b>Notes Payable</b>					
2006 Golf Carts	135,000	-	-	135,000	135,000
<b>Leases Payable</b>					
2007 Tymco Street Sweeper	25,911	-	(25,911)	-	-
Compensated Absences	<u>499,008</u>	<u>24,987</u>	<u>-</u>	<u>523,995</u>	<u>523,995</u>
	<u>\$ 15,405,919</u>	<u>\$ 24,987</u>	<u>\$ (861,911)</u>	14,568,995	<u>\$ 1,533,995</u>
<b>Unamortized Bond Issuance Costs and Discounts</b>				<u>(127,110)</u>	
				<u>\$ 14,441,885</u>	



**NOTE 8 – (CONTINUED)**

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2012:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<b>Bonds Payable</b>				
<b>Sewer Revenue Bonds, dated February 1, 1998, (original amount--\$1,500,000)</b>	4.50%	2019	\$ 85,000	\$ 595,000
<b>Water and Sewer Revenue Bonds, dated October 6, 1998, (original amount--\$2,625,000)</b>	3.40% to 4.30%	2013	235,000	-
<b>Water and Sewer Revenue Refunding Bonds, Dated April 22, 2008, (original amount--\$15,135,000)</b>	4.85%	2028	555,000	12,440,000
<b>Golf Cart Note Payable (original amount--\$130,000)</b>	0.00%	Unknown	135,000	-
<b>Compensated Absences</b>			523,995	-
<b>Unamortized Bond Issuance Costs and Discounts</b>			-	(127,110)
			<b>\$ 1,533,995</b>	<b>\$ 12,907,890</b>

The proceeds of the 1998A water and sewer revenue bonds and the 1988B sewer revenue bonds were used to complete general water and sewer improvements. The proceeds of the 2008 water and sewer revenue bonds were used to upgrade the sewer treatment plant, install the water main along 400 South and sewer lines along 1500 West. The City pledges the revenues of the water and sewer funds to repay these bonds through the maturity dates listed above. Annual principal and interest payments are expected to require less than fifteen percent of the total water revenues. Annual principal and interest payments are expected to require less than forty percent of the total sewer revenues.

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,824,770	\$ 996,576	\$ 875,000	\$ 670,962	\$ 3,699,770	\$ 1,667,538
2014	1,315,000	944,159	674,000	630,115	1,989,000	1,574,274
2015	1,373,000	889,768	703,000	897,738	2,076,000	1,787,506
2016	1,427,000	830,224	736,000	563,967	2,163,000	1,394,191
2017	1,482,000	767,493	771,000	528,608	2,253,000	1,296,101
2018-2022	6,787,000	2,795,279	4,101,000	2,064,765	10,888,000	4,860,044
2023-2027	4,310,000	1,559,441	4,920,000	1,012,438	9,230,000	2,571,879
2028-2031	4,075,000	464,966	1,130,000	54,805	5,205,000	519,771
	<b>\$23,593,770</b>	<b>\$ 9,247,906</b>	<b>\$ 13,910,000</b>	<b>\$ 6,423,398</b>	<b>\$ 37,503,770</b>	<b>\$ 15,671,304</b>

## NOTE 8 – (CONTINUED)

All outstanding revenue bonds are secured by a first lien on net revenues earned by the City. Net revenues are defined in the revenue bond agreements. The City is required to establish rates (including connection fees) sufficient to pay the operation and maintenance expenses and to provide net revenues in an amount not less than 130% of the aggregated annual debt service requirement for the forthcoming fiscal year. The following summarizes the debt service coverage calculations for the various revenue bonds:

	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>
<b>Net Revenues</b>		
Operating Revenues	\$ 3,658,347	\$ 3,250,713
Operating Expenses (excluding depreciation and amortization)	(1,964,612)	(1,715,183)
Impact Fees	220,773	142,532
Interest Income	<u>3,065</u>	<u>5,427</u>
<b>Net revenues</b>	<b><u>\$ 1,917,573</u></b>	<b><u>\$ 1,683,489</u></b>
<b>Maximum Aggregate Debt Service</b>	<b><u>\$ 245,000</u></b>	<b><u>\$ 904,000</u></b>
<b>Ratio of Net Revenues to Aggregate Debt Service</b>	<b><u>783%</u></b>	<b><u>186%</u></b>
<b>Minimum Ratio</b>	<b><u>130%</u></b>	<b><u>130%</u></b>

## NOTE 9 – CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2012 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$1,628,611.

## NOTE 10 – RETIREMENT PLANS

### Plan Description

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

**NOTE 10 – (CONTINUED)**

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

**Funding Policy**

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, and 15.05% to the Firefighters Retirement Systems, respectively. Springville City is required to contribute the following percentages of covered salaries to the respective systems:

<b>Contributory System:</b>	
Local Governmental Division Tier 1	9.76%
Local Governmental Division Tier 2	10.33%
<b>Noncontributory System:</b>	
Local Governmental Division Tier 1	13.77%
<b>Public Safety System:</b>	
Other Division A Contributory Tier 2	16.27%
Other Division A Noncontributory Tier 1	27.07%
<b>Firefighter System:</b>	
Division A Tier 1	0.50%
Division B Tier 2	10.64%

The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Springville City's contributions to the various systems for the years ending June 30, 2012, 2011 and 2010 were as follows:

	<u>Employer Paid For Employee</u>	<u>Employer Paid</u>
<b>Contributory System:</b>		
Local Governmental Division Tier 1 and Tier 2		
2012	\$7,338	\$14,865
2011	7,077	11,041
2010	6,990	8,912
<b>Noncontributory System:</b>		
Local Governmental Division Tier 1		
2012	\$0	\$1,047,409
2011	0	977,624
2010	0	863,013
<b>Public Safety System:</b>		
Other Division A Contributory		
2012	\$0	\$2,804

**NOTE 10 – (CONTINUED)**

	<u>Employer Paid For Employee</u>	<u>Employer Paid</u>
<b>Public Safety System:</b>		
<b>Other Division A Noncontributory Tier 1</b>		
2012	\$0	\$374,698
2011	0	348,969
2010	0	311,886
<b>Firefighters System:</b>		
<b>Division A Tier 1</b>		
2012	\$17,911	\$595
2011	16,797	1,920
2010	11,554	0
<b>Firefighters System:</b>		
<b>Division B</b>		
2012	\$0	\$935

The contributions paid by the City were equal to the required contributions for each year.

**NOTE 11 – DEFERRED COMPENSATION PLANS**

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2012, was \$10,370,598. Of that amount, \$7,178,282 was eligible to participate in the plan. The City participates at rates between 0% and 2.25%, depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2012, contributions totaling \$271,680 were made to the plan by employees and \$192,139 by the City.

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 457 for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to certain permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's total payroll in the fiscal year ended June 30, 2012, was \$10,370,598. Of that amount, \$798,447 was eligible to participate in the plan. During the year ended June 30, 2012, contributions totaling \$37,364 were made to the plan by employees.

## **NOTE 12 – COMMITMENTS AND CONTINGENCIES**

### **Library Park**

The City has contracted with J. Lyne Roberts and Sons for the construction of the new library park. It is anticipated that the construction costs will be approximately \$720,000.

### **Southern Utah Valley Power Systems (SUVPS)**

In 2002, the City entered into the Dry Creek Substation Agreement with SUVPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the SUVPS bonds have been paid or (2) the final shut down date of SUVPS. The agreement entitles the City to approximately 35.25 percent of the capacity of the Dry Creek Substation. The City is obligated for 57.32 percent of the debt service on approximately \$2,350,000 in electric revenue bonds outstanding at June 30, 2012, issued to finance construction of the Dry Creek Substation.

### **Utah Associated Municipal Power System (UAMPS)**

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements and contracts with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable. During the year ended June 30, 2012, the City purchased power totaling approximately \$11.0 million.

The City is obligated through power sales contracts with UAMPS for the consequences of “take or pay” contracts with UAMPS projects. The City is also obligated through power sales contracts to pay its proportionate share of bonded indebtedness. UAMPS monthly service charges to the City include the City’s proportionate obligation for the following items:

#### **UAMPS Payson Nebo Generation Plant**

In June 2002, the City entered into a power service contract with UAMPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the UAMPS Payson Nebo Generation Plant revenue bonds have been paid or (2) the final shutdown date of the Payson Nebo Generation Plant. The contract entitles the City to approximately 18.07 percent of the output of the Payson Nebo Generation Plant. The City is obligated for 19.12 percent of the total project debt service of approximately \$73,015,000 in revenue bonds outstanding at June 30, 2012, issued to finance construction of the plant.

#### **Future Commitments and Contingencies**

**San Juan** – An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2005. The four megawatts represents approximately 11.43% of the UAMPS entitlement to the plant’s capacity and Springville City is obligated for 14.87% of the 2011 (1998 refunding) bonded debt and 16.39% of the 2008 bonded debt. The total outstanding 2011 (1998 refunding) and 2008 bond principal amounts as of June 30, 2012 were \$20,390,000 and \$1,810,000 respectively. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. The average cost of a delivered kilowatt hour of power from the San Juan project was \$0.07191 for FY2012. Springville City expects to receive approximately 30.0 million kilowatt hours of energy over the course of an average year.

**NOTE 12 – (CONTINUED)**

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

**South Utah Valley Municipal Water Association Land Purchase**

The City is a member of the South Utah Valley Municipal Water Association (SUVMWA). The group works together to address water and sewer issues that impact cities in southern Utah County. In anticipation of ultimately have a central sewer treatment plant that could service all cities from Springville to Payson, SUVMWA purchased approximately 240 acres southwest of Springville near Utah Lake. \$5,000,000 in taxable lease revenue bonds was issued in 2008 to fund the land purchase. Springville is obligated for 21.43 percent of the bond debt service over the ten year life of the bonds.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The City uses Central Bank for the majority of their banking needs. A City Council member is a Senior Executive Vice President with Central Bank. The City's Mayor is the President and CEO of Clyde Companies, Inc., the parent company of W.W. Clyde & Co., Geneva Rock Products, Sunroc, Gorge Rock and Beehive Insurance. Clyde Companies, Inc. and its subsidiaries are periodically awarded bids to act as a City contractor and/or subcontractor to the City's contractor, and regularly provides materials for contractors and subcontractors in Springville. W.W. Clyde & Co. and Sunroc have places of business in Springville that are often used to purchase supplies for the City.

**NOTE 14 – OPERATING TRANSFER RECONCILIATION**

The operating transfers among the funds were as follows:

	<u>Out</u>	<u>In</u>
General Fund	\$ 2,489,740	\$ 1,659,070
Debt Service Fund	-	1,369,735
Municipal Building Authority Fund	-	442,490
Capital Projects Fund	271,458	1,014,113
Special Services Fund	576,906	473,766
Enterprise Funds		
Water	166,685	-
Sewer	163,882	-
Electrical	1,137,609	-
Storm Water	42,294	-
Solid Waste	62,250	-
Golf Course	48,350	-
	<u>\$ 4,959,174</u>	<u>\$ 4,959,174</u>

**NOTE 14 – (CONTINUED)**

Operating transfers are interfund transactions that are not loans, reimbursements, quasi-external transactions or transfers of residual equity. Many of the operating transfers reflect the movement of funds from the fund established to account for the proceeds of certain revenues to an operating fund where the proceeds are actually expended. For example, a portion of General Fund revenues are transferred to the Debt Service Fund to make certain debt service payments. Other operating transfers reflect ongoing operating subsidies between funds. For example, a percentage of operating revenues from each of the City's utility enterprise funds is transferred to the General Fund. In the event of operating transfers from the enterprise funds, the transfers were proposed as part of the tentative budget, notice was provided to utility customers in their utility bill and a public hearing was held as required by Utah State Code.

**NOTE 15 – SPRINGVILLE REDEVELOPMENT AGENCY**

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

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

**NOTE 16 – RISK MANAGEMENT**

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

## **NOTE 17 – PRIOR PERIOD ADJUSTMENT**

With the implementation of Governmental Accounting Standards Board Statement No. 34, cities have been required to calculate and record the cost of accumulated compensated absences such as vacation and sick leave. For business-type activities, these costs are to be recorded as a current liability. For governmental activities they are to be divided between the amounts due currently (within one year) and long-term. The liabilities are to be recognized in the government-wide statements. The current portion of the governmental activities compensated absences had been shown as a current liability in the governmental fund balance sheet. A prior period adjustment was posted to remove this amount from the governmental fund balance sheet.

## **NOTE 18 – SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 1, 2012, the date the financial statements were available to be issued.



**SUPPLEMENTARY INFORMATION**

**SPRINGVILLE CITY CORPORATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	Special Revenue	Capital Projects		Debt Service			Total Nonmajor Governmental Funds
	Redevelopment Agency	Community Theater	Special Services	Debt Service	Municipal Building Authority	Permanent Fund	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ -	\$ -	\$ 78,334	\$ -	\$ -	\$ 4,621	\$ 82,955
Interest Receivable	-	-	-	-	-	77	77
Due from Other Fund	1,865	13,560	145,818	148,970	2,996	243,994	557,203
Restricted Cash	-	-	1,462,792	-	-	574,143	2,036,935
<b>TOTAL ASSETS</b>	<b>\$ 1,865</b>	<b>\$ 13,560</b>	<b>\$ 1,686,944</b>	<b>\$ 148,970</b>	<b>\$ 2,996</b>	<b>\$ 822,835</b>	<b>\$ 2,677,170</b>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ 150
Due to General Fund	-	-	224,152	-	-	-	224,152
Due to Other Fund	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>224,152</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>224,302</b>
<b>FUND BALANCE</b>							
Nonspendable Endowments	-	-	-	-	-	769,912	769,912
Restricted for							
Impact Fees	-	-	1,462,792	-	-	-	1,462,792
Debt Service	-	-	-	11,161	2,996	-	14,157
Build America Bonds Subsidy	-	-	-	137,659	-	-	137,659
Assigned for							
Community Improvements	1,865	13,560	-	-	-	52,923	68,348
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<b>1,865</b>	<b>13,560</b>	<b>1,462,792</b>	<b>148,820</b>	<b>2,996</b>	<b>822,835</b>	<b>2,452,868</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,865</b>	<b>\$ 13,560</b>	<b>\$ 1,686,944</b>	<b>\$ 148,970</b>	<b>\$ 2,996</b>	<b>\$ 822,835</b>	<b>\$ 2,677,170</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Special	Capital Projects		Debt Service			Total Nonmajor Governmental Funds
	Revenue Redevelop- ment Agency	Community Theater	Special Services	Debt Service	Municipal Building Authority	Permanent Fund	
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ 9,884	\$ -	\$ -	\$ -	\$ -	\$ 9,884
Charges for Services	-	9,484	-	-	-	71,023	80,507
Interest	-	-	11,520	-	-	865	12,385
<b>TOTAL REVENUES</b>	<b>-</b>	<b>19,368</b>	<b>11,520</b>	<b>-</b>	<b>-</b>	<b>71,888</b>	<b>102,776</b>
<b>EXPENDITURES</b>							
General Government	-	-	-	-	-	10,134	10,134
Community Services	-	16,727	-	-	-	-	16,727
Debt Service							
Principal	-	-	-	750,000	160,000	-	910,000
Interest and Finance Charges	-	-	-	617,048	282,490	-	899,538
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>16,727</b>	<b>-</b>	<b>1,367,048</b>	<b>442,490</b>	<b>10,134</b>	<b>1,836,399</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>2,641</b>	<b>11,520</b>	<b>(1,367,048)</b>	<b>(442,490)</b>	<b>61,754</b>	<b>(1,733,623)</b>
<b>OTHER FINANCING SOURCES</b>							
Impact Fees	-	-	419,266	-	-	-	419,266
Transfers From Other Funds	-	-	473,766	1,369,735	442,490	-	2,285,991
Transfers to Other Funds	-	-	(576,906)	-	-	-	(576,906)
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>-</b>	<b>2,641</b>	<b>327,646</b>	<b>2,687</b>	<b>-</b>	<b>61,754</b>	<b>394,728</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,865</b>	<b>10,919</b>	<b>1,135,146</b>	<b>146,133</b>	<b>2,996</b>	<b>761,081</b>	<b>2,058,140</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,865</b>	<b>\$ 13,560</b>	<b>\$ 1,462,792</b>	<b>\$ 148,820</b>	<b>\$ 2,996</b>	<b>\$ 822,835</b>	<b>\$ 2,452,868</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2012**

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 471,298	\$ -	\$ 471,298
Accounts Receivable, Net of Allowance for Uncollectibles	93,489	129,011	-	222,500
Due from Other Fund	657,405	782,400	177,631	1,617,436
<b>TOTAL CURRENT ASSETS</b>	<b>750,894</b>	<b>1,382,709</b>	<b>177,631</b>	<b>2,311,234</b>
<b>NONCURRENT ASSETS</b>				
<b>Restricted Assets</b>				
Cash and Cash Equivalents	499,950	-	-	499,950
<b>Capital Assets</b>				
Land	-	487,433	341,520	828,953
Construction in Progress	-	21,892	-	21,892
Buildings and Structures	-	254,635	1,500,648	1,755,283
Improvements	2,458,804	-	-	2,458,804
Machinery, Equipment and Vehicles	221,487	444,689	422,794	1,088,970
Less Accumulated Depreciation	(360,136)	(643,106)	(1,699,133)	(2,702,375)
<b>Other Assets</b>				
Investment In Joint Venture	-	1,845,018	-	1,845,018
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,820,105</b>	<b>2,410,561</b>	<b>565,829</b>	<b>5,796,495</b>
<b>TOTAL ASSETS</b>	<b>3,570,999</b>	<b>3,793,270</b>	<b>743,460</b>	<b>8,107,729</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	56,190	37,826	33,872	127,888
Compensated Absences	8,584	22,282	96,968	127,834
Current Portion of Long-Term Debt	-	-	135,000	135,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>64,774</b>	<b>60,108</b>	<b>265,840</b>	<b>390,722</b>
<b>TOTAL LIABILITIES</b>	<b>64,774</b>	<b>60,108</b>	<b>265,840</b>	<b>390,722</b>
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	2,320,155	565,543	430,829	3,316,527
<b>Restricted</b>				
Community Improvements	552,579	-	-	552,579
Investment In Joint Venture	-	1,845,018	-	1,845,018
Designated for Construction	-	-	77,998	77,998
Unrestricted	633,491	1,322,601	(31,207)	1,924,885
<b>TOTAL NET ASSETS</b>	<b>\$ 3,506,225</b>	<b>\$ 3,733,162</b>	<b>\$ 477,620</b>	<b>\$ 7,717,007</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<b><u>OPERATING REVENUES</u></b>				
Charges for Services	\$ 867,684	\$ 1,255,851	\$ 846,918	\$ 2,970,453
Miscellaneous	10,116	6,313	1,989	18,418
<b>TOTAL OPERATING REVENUES</b>	<b>877,800</b>	<b>1,262,164</b>	<b>848,907</b>	<b>2,988,871</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and Benefits	169,244	216,761	543,373	929,378
Operations	492,057	969,698	310,847	1,772,602
Depreciation	78,470	14,103	40,870	133,443
<b>TOTAL OPERATING EXPENSES</b>	<b>739,771</b>	<b>1,200,562</b>	<b>895,090</b>	<b>2,835,423</b>
<b>OPERATING INCOME (LOSS)</b>	<b>138,029</b>	<b>61,602</b>	<b>(46,183)</b>	<b>153,448</b>
<b><u>NON-OPERATING REVENUES</u></b>				
<b><u>(EXPENSES)</u></b>				
Impact Fees	167,699	-	-	167,699
Interest Income	3,015	3,311	-	6,326
Change in Joint Venture Equity	-	23,575	-	23,575
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>170,714</b>	<b>26,886</b>	<b>-</b>	<b>197,600</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>308,743</b>	<b>88,488</b>	<b>(46,183)</b>	<b>351,048</b>
Developer Contributions	410,773	-	-	410,773
Transfers to Other Funds	(42,294)	(62,250)	(48,350)	(152,894)
<b>CHANGE IN NET ASSETS</b>	<b>677,222</b>	<b>26,238</b>	<b>(94,533)</b>	<b>608,927</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,829,003</b>	<b>3,706,924</b>	<b>572,153</b>	<b>7,108,080</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 3,506,225</b>	<b>\$ 3,733,162</b>	<b>\$ 477,620</b>	<b>\$ 7,717,007</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers	\$ 860,939	\$ 1,260,547	\$ 848,907	\$ 2,970,393
Payments to Suppliers	(467,799)	(986,138)	(295,048)	(1,748,985)
Payments to Employees	(167,099)	(217,190)	(540,138)	(924,427)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>226,041</u></b>	<b><u>57,219</u></b>	<b><u>13,721</u></b>	<b><u>296,981</u></b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Due from Other Funds	(94,234)	(51,610)	63,095	(82,749)
Transfers to Other Funds	(42,294)	(62,250)	(48,350)	(152,894)
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b><u>(136,528)</u></b>	<b><u>(113,860)</u></b>	<b><u>14,745</u></b>	<b><u>(235,643)</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Impact Fees	167,699	-	-	167,699
Proceeds from Sale of Capital Assets	-	78,371	-	78,371
Acquisition of Capital Assets	(67,080)	(21,892)	(28,521)	(117,493)
Lease Payments	(25,911)	-	-	(25,911)
Interest Expense	(1,412)	-	-	(1,412)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>73,296</u></b>	<b><u>56,479</u></b>	<b><u>(28,521)</u></b>	<b><u>101,254</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Income	3,015	3,311	-	6,326
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b><u>3,015</u></b>	<b><u>3,311</u></b>	<b><u>-</u></b>	<b><u>6,326</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>165,824</b>	<b>3,149</b>	<b>(55)</b>	<b>168,918</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>334,126</u></b>	<b><u>468,149</u></b>	<b><u>55</u></b>	<b><u>802,330</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 499,950</u></b>	<b><u>\$ 471,298</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 971,248</u></b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<b><u>RECONCILIATION OF OPERATING</u></b>				
<b><u>INCOME TO NET CASH FLOWS</u></b>				
<b><u>FROM OPERATING ACTIVITIES</u></b>				
Operating Income (Loss)	\$ 138,029	\$ 61,602	\$ (46,183)	\$ 153,448
Adjustments				
Depreciation	78,470	14,103	40,870	133,443
Changes in Assets and Liabilities				
Accounts Receivable, Net	(16,861)	(1,617)	-	(18,478)
Accounts Payable	24,258	(16,440)	15,799	23,617
Compensated Absences	2,145	(429)	3,235	4,951
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 226,041</u></b>	<b><u>\$ 57,219</u></b>	<b><u>\$ 13,721</u></b>	<b><u>\$ 296,981</u></b>
<b>Noncash Financing and Investing Transaction</b>				
Change in Investment in Joint Venture	\$ -	\$ 23,575	\$ -	\$ 23,575
Developer Contributions of Fixed Assets	\$ 410,773	\$ -	\$ -	\$ 410,773

**STATE LEGAL COMPLIANCE REPORT**



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

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

November 1, 2012

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

Council Members:

I have audited Springville City, Utah's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

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

The City received the following major assistance programs from the State of Utah:

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

Compliance with the requirements referred to above is the responsibility of the City's management. My responsibility is to express an opinion on compliance with those requirements based on my audit.

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

**In my opinion, Springville City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major State assistance programs for the year ended June 30, 2012.**

**This report is intended solely for the information and use of the City Council, management of the City, the Office of the Utah State Auditor, awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.**

  
Greg Ogden,  
Certified Public Accountant

**GOVERNMENT AUDITING STANDARDS REPORT**

**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 1, 2012**

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

**Council Members:**

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements and have issued my report thereon dated November 1, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency in internal control over financial reporting. I believe that finding #1 is a significant deficiency. 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.

**Compliance and Other Matters**

**As part of obtaining reasonable assurance about whether Springville City, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

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

**This report is intended solely for the information and use of management, the City Council, others within the entity, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.**

  
**Greg Ogden**  
**Certified Public Accountant**