

**SPRINGVILLE CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2016**

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

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

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

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, budgetary comparison information on pages 58 and 59, and pension information on pages 60-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville City, Utah's financial statements taken as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated December 7, 2016, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Greg Ogden,  
Certified Public Accountant  
December 7, 2016

## **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, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net position of Springville City increased \$10,751,059 to \$188,203,380. The governmental net position increased by \$4,438,929 and the business-type net position increased by \$6,312,130.
- The total net position of \$188,203,380 is made up of \$136,874,293 in capital assets net of depreciation and related outstanding debt and \$51,329,087 in other net position.
- Total long-term liabilities of the City increased by \$10,853,449.
- The General Fund (the primary operating fund) had its fund equity decrease by \$60,518 to \$5,191,628. The decrease was primarily the result of transferring excess fund balance to the General Construction in Progress Fund.

### REPORTING THE CITY AS A WHOLE

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

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

- *The Statement of Net Position* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 Pages 14-16 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 Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General 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 position may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$188,203,380.

The largest portion of Springville City's net position (\$136,874,293) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) net of accumulated depreciation and 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 POSITION (In thousands of dollars)

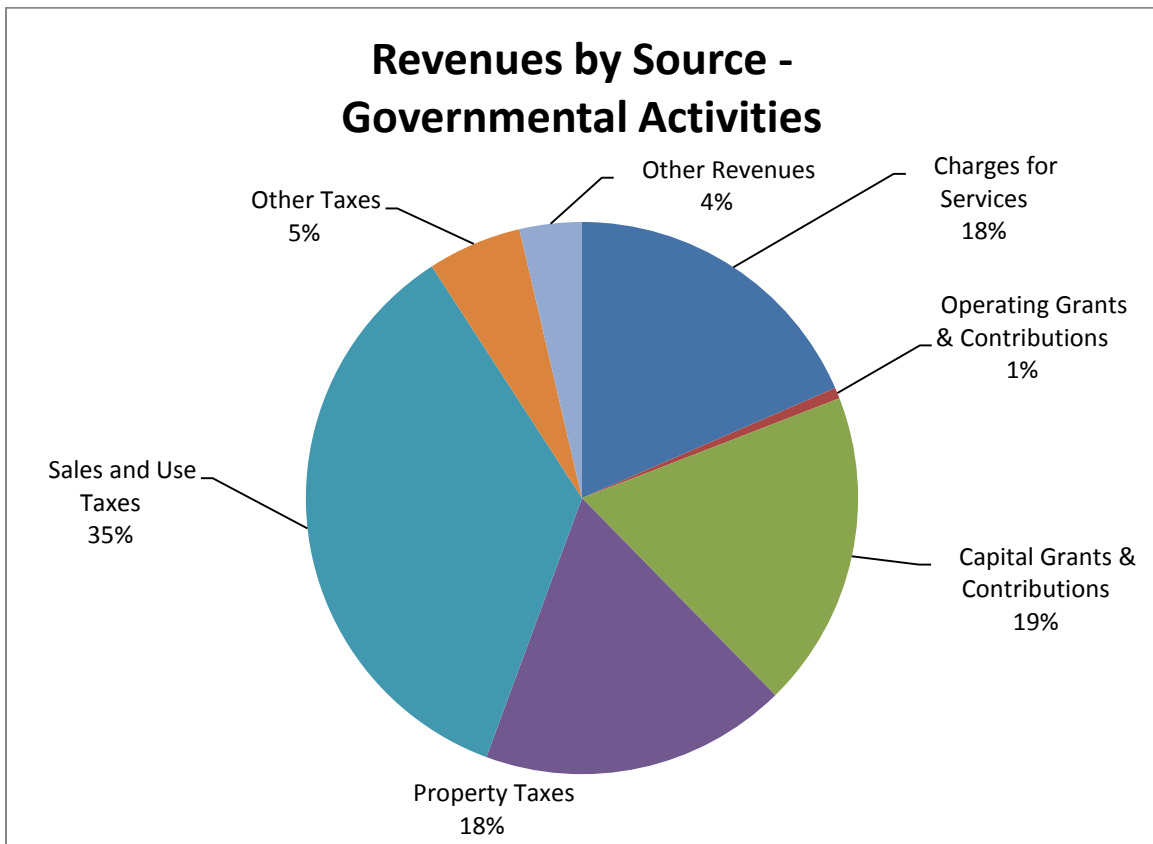
	Governmental Activities		Business-type Activities	
	2015-2016	2014-2015	2015-2016	2014-2015
Current and Other Assets	31,022	15,888	28,780	28,180
Capital Assets	90,656	90,218	90,935	88,708
Total Assets	121,678	106,106	119,715	116,888
Deferred Outflows of Resources	2,060	764	1,066	361
Total Assets and Deferred Outflows of Resources	123,738	106,870	120,781	117,249
Long-term Debt Outstanding	31,570	20,383	14,084	14,419
Other Liabilities	3,246	2,849	2,671	5,153
Total Liabilities	34,816	23,232	16,755	19,572
Deferred Inflow of Resources	4,448	3,603	296	260
Total Liabilities and Deferred Inflow of Resources	39,264	26,835	17,051	19,832
Net Position:				
Net Investment in Capital				
Assets	58,787	68,760	78,087	76,470
Restricted	17,888	3,000	1,919	1,685
Unrestricted	7,798	8,275	23,723	19,262
Total Net Position	84,473	80,035	103,729	97,417

CHANGES IN NET POSITION (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>
Revenues				
Program Revenues:				
Charges for Services	3,495	3,105	38,127	35,641
Operating Grants and Contributions	122	171		
Capital Grants and Contributions	3,508	3,112	2,989	6,531
General Revenues:				
Property Taxes	3,401	3,275		
Sales and Use Taxes	6,664	6,458		
Change in Joint Venture	907	286		(241)
Other Taxes	1,043	1,016		
Other Revenues	689	358	39	32
Total Revenues	<u>19,829</u>	<u>17,781</u>	<u>41,155</u>	<u>41,963</u>
Expenses				
General Government	3,743	3,331		
Public Safety	5,042	5,166		
Streets	2,420	2,737		
Community Development	849	877		
Community Services	4,718	4,394		
Cemetery	181	204		
Interest on Long-Term Debt	646	740		
Electric			23,511	22,927
Water			3,064	3,037
Wastewater Collection & Treatment			3,027	2,984
Storm Water			835	812
Solid Waste Collections			1,367	1,328
Golf Course & Restaurant			829	864
Total Expenses	<u>17,599</u>	<u>17,449</u>	<u>32,633</u>	<u>31,952</u>
Increase in Net Position Before Transfers	2,230	332	8,522	10,011
Transfers	2,209	2,188	(2,209)	(2,188)
Change in Net Position	4,439	2,520	6,313	7,823
Net Position Beginning	80,035	79,592	97,417	92,289
Prior Period Adjustment		(2,077)		(2,695)
Net Position Ending	<u>84,474</u>	<u>80,035</u>	<u>103,730</u>	<u>97,417</u>

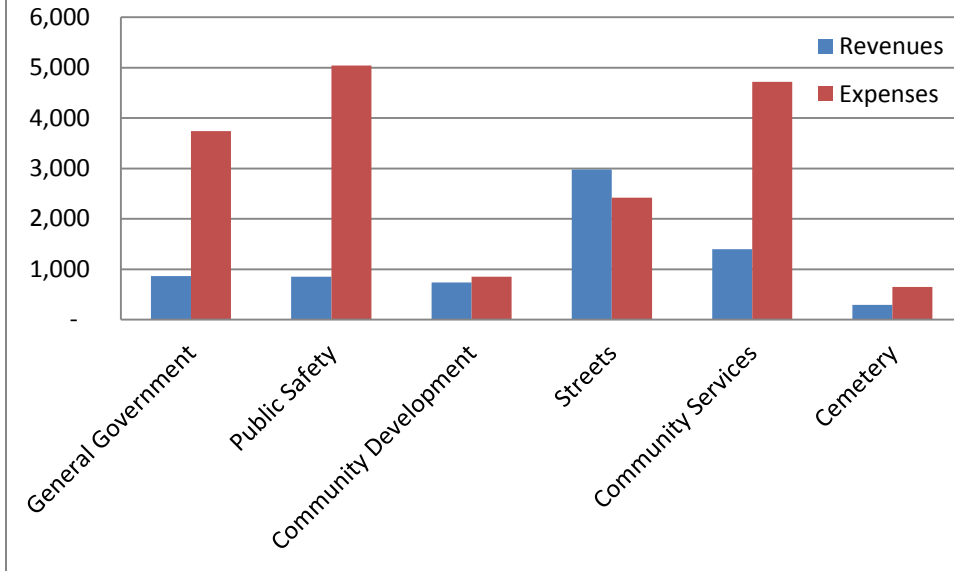
In the Governmental Funds, Charges for Services were up compared to last year primarily as a result of natural growth and new development. Revenues from Property Taxes were up slightly reflecting moderate growth through the last tax year. Sales tax revenues were up in 2016 as a reflection of the continued recovery in the economy and new retail development in the city. The General Government expenditures were up compared to last year primarily reflecting higher labor costs. In the business-type funds, revenue increases are a reflection of modest system growth including new development, weather and modest rate increases in some utility funds. Expenses reflect labor cost increases and modest system growth.

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).



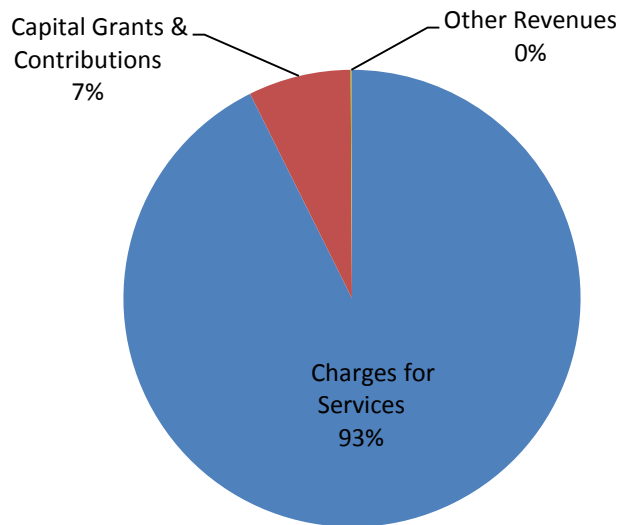
## Program Revenues and Expenses - Governmental Activities

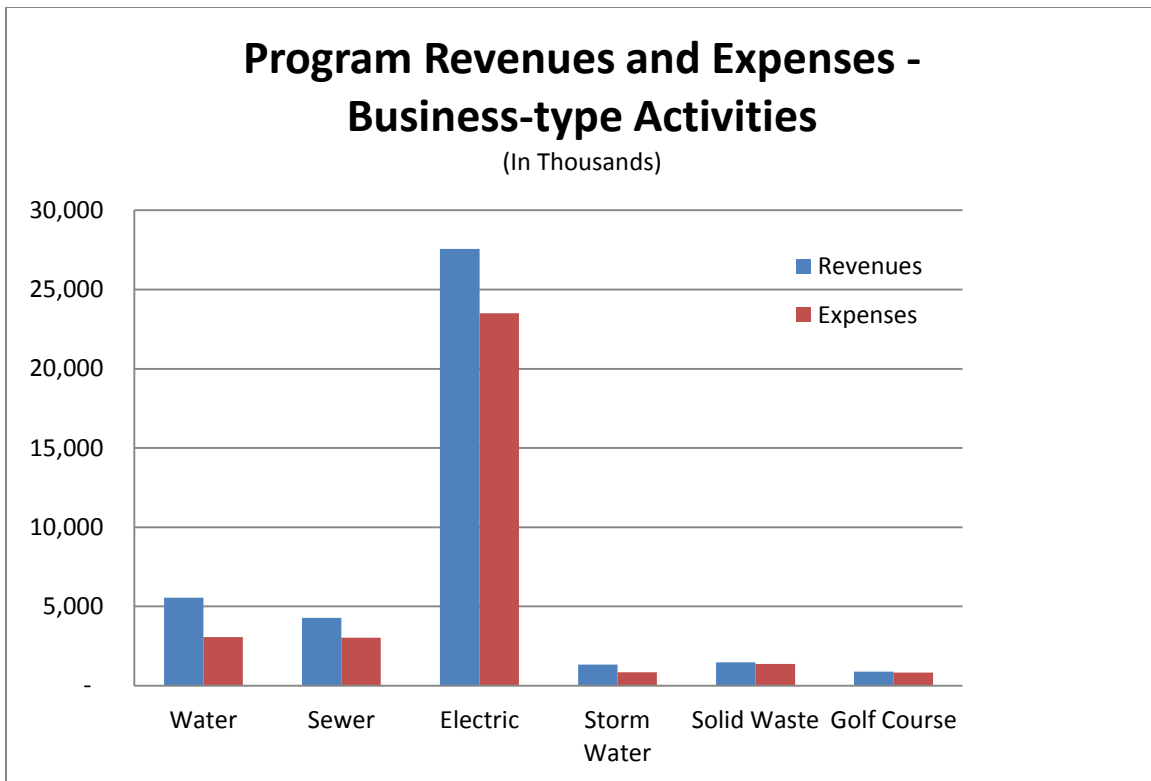
(In Thousands)



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 grants or 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





## 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, 2016, the City’s governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$23,166,340. This represents an increase of \$13,177,675 from last year’s ending balances. The primary reasons for the increase were increases in reserve accounts related to impact fees and the issuance of bonds for construction of a new Aquatic and Activities Center, which is under construction.

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 60 percent of total tax revenues which is unchanged compared to last year’s percentage. Growth in sales tax revenue is a reflection of retail growth in Springfield and continued improvement, both locally and at the state level, of the economy.

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 budget was amended from an original budget expenditure total of \$17,439,337 to a final budget of \$17,463,509. The budget increase represented minor adjustments of unanticipated expenditures primarily related to grants received from various sources.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$174,336,163 (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 \$260,679. Governmental activities' capital assets decreased by \$468,919 while the business-type activities' capital assets increased by \$729,598.

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

- Road Improvements and Reconstruction - \$995,239
- Vehicle Acquisition and Replacement - \$316,541
- Land Acquisition - \$344,250
- Aquatic and Activity Center - \$221,480
- Pressurized Irrigation System Connection and Metering - \$539,459
- Industrial Park Underground Electrical Upgrades - \$194,320

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

	Governmental Activities		Business-type Activities	
	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>
Land	22,155	21,580	1,637	1,598
Water Shares			1,375	1,200
Buildings	36,741	36,741	5,592	5,436
System Improvements	74,093	70,710	143,479	134,417
Machinery & Equipment	10,854	10,393	2,790	2,871
Construction in Progress	300	1,895	1,212	7,022
Less Accumulated Depreciation	(59,245)	(55,952)	(66,647)	(63,836)
Total	<u>84,898</u>	<u>85,367</u>	<u>89,438</u>	<u>88,708</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, 2016, the City had total long-term bonded debt balances of \$37,368,120. Of the total, \$266,120 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment and \$11,257,000 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 \$5,050,000, a sales tax revenue bond of \$2,425,000 and general obligation bonds of \$18,370,000, including the bonds issued this year for the Aquatic and Activities Center currently under construction. The City also has notes payable totaling \$93,750; unamortized premiums on bonds of \$691,762; accrued compensated absences of \$1,368,923 and net pension liabilities of \$6,132,534 outstanding at June 30, 2016.

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

	Governmental Activities		Business-type Activities	
	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>
General Obligation Bonds	18,370	7,975		
Revenue Bonds			11,257	12,113
MBA Bonds	5,050	5,290		
Special Assessment Bonds	266	457		
Sales Tax Revenue Bonds	2,425	2,885		
Notes Payable			94	125
Unamortized Bond Premium	692			
Net Pension Liability	3,985	3,036	2,148	1,636
Compensated Absences	783	740	586	544
Total	<u>31,571</u>	<u>20,383</u>	<u>14,085</u>	<u>14,418</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 \$62,759,000. The City currently has \$18,370,000 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 \$125,517,000. The City has issued significantly fewer 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, 2016 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 3.9 percent compared to a state unemployment rate of 4.0 percent and a national rate of 4.9 percent. (Source: U.S. Bureau of Labor Statistics)
- Expenditures in the General Fund were approximately one percent higher than the previous year and approximately two percent higher in the Enterprise Funds. These increases are primarily a reflection of modest growth and inflationary factors. Actual expenditures for FY 2015-2016 were approximately seven percent less than budgeted General Fund expenditures, which resulted from line-item savings and unfilled positions due to a tightening labor market.

## **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 POSITION**  
**JUNE 30, 2016**

	Governmental Activities	Business-type Activities	Totals
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 25,001,053	\$ 3,864,870	\$ 28,865,923
Accounts Receivable, Net of Allowance for Uncollectibles	5,553,467	2,978,207	8,531,674
Prepaid Expenses	76,627	-	76,627
Inventory	584	615,947	616,531
Internal Balances	(19,622,550)	19,622,550	-
<b>TOTAL CURRENT ASSETS</b>	<b>11,009,181</b>	<b>27,081,574</b>	<b>38,090,755</b>
<b>NONCURRENT ASSETS</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	20,000,785	1,691,169	21,691,954
<b>Capital Assets</b>			
Non Depreciable	22,455,200	4,223,730	26,678,930
Depreciable Assets (net of Depreciation)	62,443,150	85,214,083	147,657,233
Net Pension Asset	12,515	6,745	19,260
<b>Other Assets</b>			
Investment in Joint Ventures	5,757,548	1,497,608	7,255,156
<b>TOTAL NONCURRENT ASSETS</b>	<b>110,669,198</b>	<b>92,633,335</b>	<b>203,302,533</b>
<b>TOTAL ASSETS</b>	<b>121,678,379</b>	<b>119,714,909</b>	<b>241,393,288</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	2,059,466	1,065,958	3,125,424
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>123,737,845</b>	<b>120,780,867</b>	<b>244,518,712</b>
<b><u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses	2,854,409	2,605,638	5,460,047
Contingent Liabilities	50,000	-	50,000
Unearned Revenues	341,237	65,272	406,509
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,245,646</b>	<b>2,670,910</b>	<b>5,916,556</b>
<b>NONCURRENT LIABILITIES</b>			
Due Within One Year	1,914,132	1,498,378	3,412,510
Due in more than One Year	29,656,466	12,586,113	42,242,579
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>31,570,598</b>	<b>14,084,491</b>	<b>45,655,089</b>
<b>TOTAL LIABILITIES</b>	<b>34,816,244</b>	<b>16,755,401</b>	<b>51,571,645</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
	4,447,947	295,740	4,743,687
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>39,264,191</b>	<b>17,051,141</b>	<b>56,315,332</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	58,787,230	78,087,063	136,874,293
<b>Restricted for</b>			
Community Improvements	3,378,936	1,345,675	4,724,611
Debt Service	87,534	573,804	661,338
Construction	14,421,483	-	14,421,483
Unrestricted	7,798,471	23,723,184	31,521,655
<b>TOTAL NET POSITION</b>	<b>\$ 84,473,654</b>	<b>\$ 103,729,726</b>	<b>\$ 188,203,380</b>

See the accompanying notes to the financial statements

# SPRINGVILLE CITY CORPORATION

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities</b>				
General Government	\$ 3,742,951	\$ 863,876	\$ -	\$ -
Public Safety	5,042,006	659,937	112,021	80,494
Community Development	848,676	738,981	-	-
Streets	2,420,188	151,043	-	2,827,101
Community Services	4,717,569	786,884	9,600	600,818
Cemetery	181,318	294,565	-	-
Interest on Long-Term Debt	646,173	-	-	-
<b>Total Governmental Activities</b>	<b>17,598,881</b>	<b>3,495,286</b>	<b>121,621</b>	<b>3,508,413</b>
<b>Business-type Activities</b>				
Water	3,064,429	3,964,587	-	1,590,178
Sewer	3,027,430	4,001,400	-	284,036
Electric	23,511,284	26,815,581	-	752,153
Storm Water	834,891	974,170	-	362,928
Solid Waste	1,366,753	1,476,876	-	-
Golf/Restaurant	829,042	894,145	-	-
<b>Total Business-type Activities</b>	<b>32,633,829</b>	<b>38,126,759</b>	<b>-</b>	<b>2,989,295</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 50,232,710</b>	<b>\$ 41,622,045</b>	<b>\$ 121,621</b>	<b>\$ 6,497,708</b>

General Revenues  
 Property Taxes  
 Vehicle Taxes  
 Sales and Use Taxes  
 Other Taxes  
 Unrestricted Investment Earnings  
 Miscellaneous  
 Change in Joint Venture Equity  
 Transfers  
 Special Item  
 Sale of Land  
 Total General Revenues and Transfers  
 Change in Net Position  
 Net Position - Beginning  
 Net Position - Ending

See the accompanying notes to the financial statements

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,879,075)	-	\$ (2,879,075)
(4,189,554)	-	(4,189,554)
(109,695)	-	(109,695)
557,956	-	557,956
(3,320,267)	-	(3,320,267)
113,247	-	113,247
(646,173)	-	(646,173)
<u>(10,473,561)</u>	<u>-</u>	<u>(10,473,561)</u>
-	2,490,336	2,490,336
-	1,258,006	1,258,006
-	4,056,450	4,056,450
-	502,207	502,207
-	110,123	110,123
-	65,103	65,103
-	<u>8,482,225</u>	<u>8,482,225</u>
<u>(10,473,561)</u>	<u>8,482,225</u>	<u>(1,991,336)</u>
3,400,660	-	3,400,660
240,478	-	240,478
6,664,102	-	6,664,102
802,081	-	802,081
246,853	38,948	285,801
92,377	-	92,377
906,540	-	906,540
2,209,043	(2,209,043)	-
<u>350,356</u>	<u>-</u>	<u>350,356</u>
<u>14,912,490</u>	<u>(2,170,095)</u>	<u>12,742,395</u>
4,438,929	6,312,130	10,751,059
<u>80,034,725</u>	<u>97,417,596</u>	<u>177,452,321</u>
<u>\$ 84,473,654</u>	<u>\$ 103,729,726</u>	<u>\$ 188,203,380</u>

**SPRINGVILLE CITY CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>Governmental-type Activities</u>		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 23,211,270	\$ 5,030	\$ 23,216,300
Accounts Receivable	271,710	-	271,710
Property Taxes Receivable	3,954,221	-	3,954,221
Special Assessments Receivable	-	293,038	293,038
Other Receivables	1,034,498	-	1,034,498
Due from Other Fund	-	1,749,133	1,749,133
Prepaid Expenses	76,627	-	76,627
Inventory	584	-	584
Restricted Cash	1,044,965	19,934,815	20,979,780
Investment in Joint Venture	100,777	-	100,777
<b>TOTAL ASSETS</b>	<b>\$ 29,694,652</b>	<b>\$ 21,982,016</b>	<b>\$ 51,676,668</b>
<b><u>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND EQUITY</u></b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,276,875	\$ 153,212	\$ 1,430,087
Due to Other Fund	18,100,956	3,512,855	21,613,811
Development and Other Bonds	1,175,994	-	1,175,994
Contingent Liabilities	50,000	-	50,000
Unearned Revenue	-	341,237	341,237
<b>TOTAL LIABILITIES</b>	<b>20,603,825</b>	<b>4,007,304</b>	<b>24,611,129</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>3,899,199</b>	<b>-</b>	<b>3,899,199</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>24,503,024</b>	<b>4,007,304</b>	<b>28,510,328</b>
<b>FUND BALANCE</b>			
<b>Nonspendable</b>			
Prepaid Expenses	76,627	-	76,627
Inventory	584	-	584
Endowments	-	1,140,953	1,140,953
<b>Restricted for</b>			
Impact Fees	-	2,333,971	2,333,971
Class C Roads	1,044,965	-	1,044,965
Joint Venture	100,777	-	100,777
Debt Service	-	87,534	87,534
Construction	-	14,421,483	14,421,483
Build America Bonds Subsidy	-	137,659	137,659
<b>Assigned for</b>			
Community Improvements	-	398,929	398,929
Unassigned	3,968,675	(545,817)	3,422,858
<b>TOTAL FUND EQUITY</b>	<b>5,191,628</b>	<b>17,974,712</b>	<b>23,166,340</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY</b>	<b>\$ 29,694,652</b>	<b>\$ 21,982,016</b>	<b>\$ 51,676,668</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 23,166,340

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

Long-term receivables are not recognized as revenues in the current period and therefore, are not reported in the funds.

Net Pension Asset 12,515

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 87,876,190

Deferred outflows of resources related to pensions and bond refundings represent a consumption of net position that applies to future periods and therefore, are not reported in the funds. 2,059,465

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 position. 3,658,019

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (31,750,127)

Deferred inflows of resources related to pensions represent a source of resources that applies to future periods and therefore, are not reported in the funds. (548,748)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 84,473,654

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, 2016**

	<u>Governmental-type Activities</u>		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Taxes	\$ 10,984,879	\$ 122,442	\$ 11,107,321
Licenses and Permits	838,789	-	838,789
Intergovernmental	1,242,450	635,913	1,878,363
Charges for Services	1,989,529	234,978	2,224,507
Fines and Forfeitures	431,990	-	431,990
Interest	127,786	113,102	240,888
Miscellaneous	62,421	-	62,421
<b>TOTAL REVENUES</b>	<b>15,677,844</b>	<b>1,106,435</b>	<b>16,784,279</b>
<b><u>EXPENDITURES</u></b>			
General Government	3,398,047	306,632	3,704,679
Public Safety	4,987,324	-	4,987,324
Community Development	876,474	-	876,474
Streets	1,168,690	-	1,168,690
Community Services	3,876,950	10,519	3,887,469
Cemetery	160,851	-	160,851
Debt Service			
Principal	-	1,280,880	1,280,880
Interest and Finance Charges	-	602,860	602,860
Capital Outlay	-	2,045,148	2,045,148
<b>TOTAL EXPENDITURES</b>	<b>14,468,336</b>	<b>4,246,039</b>	<b>18,714,375</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>1,209,508</b>	<b>(3,139,604)</b>	<b>(1,930,096)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Impact Fees	-	1,207,801	1,207,801
Proceeds from Bonds	-	10,785,000	10,785,000
Premium on Bonds	-	728,171	728,171
Property Sales	-	350,356	350,356
Bond Issuance Costs	-	(153,414)	(153,414)
Change in Joint Venture Equity	(19,186)	-	(19,186)
Transfers from Other Funds	2,274,943	4,042,156	6,317,099
Transfers to Other Funds	(3,525,783)	(582,273)	(4,108,056)
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(60,518)</b>	<b>13,238,193</b>	<b>13,177,675</b>
<b>BEGINNING FUND BALANCE</b>	<b>5,252,146</b>	<b>4,736,519</b>	<b>9,988,665</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 5,191,628</b>	<b>\$ 17,974,712</b>	<b>\$ 23,166,340</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, 2016**

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**EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES  
OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ 13,177,675**

*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. (18,784)

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. (10,207,979)

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. 925,726

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. 396,008

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. 166,284

Rounding (1)

**CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS** **\$ 4,438,929**

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Business-type Activities - Enterprise Funds					Governmental
				Nonmajor	Total	Internal
	Water	Sewer	Electric	Enterprise	Enterprise	Service
			Funds	Funds	Fund	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 74,939	\$ 118,734	\$ 3,188,219	\$ 482,978	3,864,870	\$ 805,758
Accounts Receivable, Net of Allowance for Uncollectibles	496,316	369,180	1,866,527	246,184	2,978,207	-
Due from Other Fund	1,986,167	1,858,827	11,873,648	1,396,701	17,115,343	2,749,339
Inventory	-	-	615,947	-	615,947	-
<b>TOTAL CURRENT ASSETS</b>	<b>2,557,422</b>	<b>2,346,741</b>	<b>17,544,341</b>	<b>2,125,863</b>	<b>24,574,367</b>	<b>3,555,097</b>
<b>NONCURRENT ASSETS</b>						
Restricted Assets						
Cash and Cash Equivalents	95,580	478,224	-	1,117,365	1,691,169	-
Capital Assets						
Land	201,267	40,860	273,498	1,121,009	1,636,634	-
Construction in Progress	1,094,965	-	117,212	-	1,212,177	-
Water Shares	1,374,919	-	-	-	1,374,919	-
Buildings and Structures	399,906	-	2,626,812	2,565,581	5,592,299	-
Improvements	41,626,048	36,404,792	61,919,590	3,528,076	143,478,506	-
Machinery, Equipment and Vehicles	444,712	719,506	840,455	785,405	2,790,078	6,342,452
Less Accumulated Depreciation	(11,844,282)	(14,227,302)	(37,641,621)	(2,933,595)	(66,646,800)	(3,663,522)
Net Pension Asset	1,069	872	3,864	940	6,745	-
Other Assets						
Investment in Joint Venture	-	-	-	1,497,608	1,497,608	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>33,394,184</b>	<b>23,416,952</b>	<b>28,139,810</b>	<b>7,682,389</b>	<b>92,633,335</b>	<b>2,678,930</b>
<b>TOTAL ASSETS</b>	<b>35,951,606</b>	<b>25,763,693</b>	<b>45,684,151</b>	<b>9,808,252</b>	<b>117,207,702</b>	<b>6,234,027</b>
DEFERRED OUTFLOWS OF RESOURCES	168,934	137,887	610,597	148,540	1,065,958	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>36,120,540</b>	<b>25,901,580</b>	<b>46,294,748</b>	<b>9,956,792</b>	<b>118,273,660</b>	<b>6,234,027</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	156,711	29,232	1,643,282	119,736	1,948,961	68,800
Accrued Interest Payable	25,527	108,050	-	-	133,577	-
Unearned Revenue	-	-	65,272	-	65,272	-
Customer Deposits	17,000	-	506,100	-	523,100	-
Compensated Absences	50,067	103,380	327,849	104,832	586,128	-
Current Portion of Long-Term Debt	156,000	725,000	-	31,250	912,250	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>405,305</b>	<b>965,662</b>	<b>2,542,503</b>	<b>255,818</b>	<b>4,169,288</b>	<b>68,800</b>
NONCURRENT LIABILITIES						
Net Pension Liability	340,355	277,804	1,230,186	299,268	2,147,613	-
Bonds Payable	2,005,000	8,371,000	-	-	10,376,000	-
Notes Payable	-	-	-	62,500	62,500	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,345,355</b>	<b>8,648,804</b>	<b>1,230,186</b>	<b>361,768</b>	<b>12,586,113</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,750,660</b>	<b>9,614,466</b>	<b>3,772,689</b>	<b>617,586</b>	<b>16,755,401</b>	<b>68,800</b>
DEFERRED INFLOWS OF RESOURCES	46,869	38,255	169,404	41,212	295,740	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>2,797,529</b>	<b>9,652,721</b>	<b>3,942,093</b>	<b>658,798</b>	<b>17,051,141</b>	<b>68,800</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	31,136,535	13,841,856	28,135,946	4,972,726	78,087,063	2,678,930
Restricted						
Community Improvements	-	-	-	1,345,675	1,345,675	-
Debt Service	95,580	478,224	-	-	573,804	-
Designated for Construction	-	-	-	77,998	77,998	-
Unrestricted	2,090,896	1,928,779	14,216,709	2,901,595	21,137,979	3,486,297
<b>TOTAL NET POSITION</b>	<b>\$ 33,323,011</b>	<b>\$ 16,248,859</b>	<b>\$ 42,352,655</b>	<b>\$ 9,297,994</b>	<b>\$ 101,222,519</b>	<b>\$ 6,165,227</b>

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b><u>OPERATING REVENUES</u></b>						
Charges for Services	\$ 3,921,106	\$ 3,995,079	\$ 26,649,399	\$ 3,329,820	\$ 37,895,404	\$ 2,266,166
Connection Fees	30,743	-	83,263	-	114,006	-
Miscellaneous	12,738	6,321	82,919	15,371	117,349	-
<b>TOTAL OPERATING REVENUES</b>	<b>3,964,587</b>	<b>4,001,400</b>	<b>26,815,581</b>	<b>3,345,191</b>	<b>38,126,759</b>	<b>2,266,166</b>
<b><u>OPERATING EXPENSES</u></b>						
Salaries and Benefits	866,524	697,589	3,186,087	996,186	5,746,386	533,208
Operations	1,334,524	1,193,987	18,627,987	1,996,512	23,153,010	348,543
Depreciation	823,900	878,286	1,785,840	131,506	3,619,532	786,574
<b>TOTAL OPERATING EXPENSES</b>	<b>3,024,948</b>	<b>2,769,862</b>	<b>23,599,914</b>	<b>3,124,204</b>	<b>32,518,928</b>	<b>1,668,325</b>
<b>OPERATING INCOME</b>	<b>939,639</b>	<b>1,231,538</b>	<b>3,215,667</b>	<b>220,987</b>	<b>5,607,831</b>	<b>597,841</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Intergovernmental	960,561	-	75,000	-	1,035,561	-
Impact Fees	284,267	206,816	677,153	226,996	1,395,232	-
Interest Income	726	1,561	24,973	11,688	38,948	5,965
Change in Joint Venture Equity	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	29,956
Interest Expense	(61,973)	(290,682)	-	-	(352,655)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>1,183,581</b>	<b>(82,305)</b>	<b>777,126</b>	<b>238,684</b>	<b>2,117,086</b>	<b>35,921</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>2,123,220</b>	<b>1,149,233</b>	<b>3,992,793</b>	<b>459,671</b>	<b>7,724,917</b>	<b>633,762</b>
Developer Contributions	345,350	77,220	-	135,932	558,502	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(243,028)	(236,370)	(1,599,368)	(130,277)	(2,209,043)	-
<b>CHANGE IN NET POSITION</b>	<b>2,225,542</b>	<b>990,083</b>	<b>2,393,425</b>	<b>465,326</b>	<b>6,074,376</b>	<b>633,762</b>
<b>TOTAL NET POSITION AT BEGINNING OF YEAR</b>	<b>31,097,469</b>	<b>15,258,776</b>	<b>39,959,230</b>	<b>8,832,668</b>	<b>95,148,143</b>	<b>5,531,465</b>
<b>TOTAL NET POSITION AT END OF YEAR</b>	<b>\$ 33,323,011</b>	<b>\$ 16,248,859</b>	<b>\$ 42,352,655</b>	<b>\$ 9,297,994</b>	<b>101,222,519</b>	<b>\$ 6,165,227</b>

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

2,507,207

Change in Net Position of Business-type Activities

\$ 103,729,726

See the accompanying notes to the financial statements

**SPRINGVILLE CITY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>						
Receipts from Customers	\$ 5,658,847	\$ 3,970,983	\$ 26,543,658	\$ 3,336,163	\$ 39,509,651	\$ 2,266,166
Payments to Suppliers	(3,693,714)	(1,204,311)	(18,757,274)	(1,968,466)	(25,623,765)	(299,685)
Payments to Employees	(888,868)	(704,469)	(3,248,260)	(1,012,158)	(5,853,755)	(533,208)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,076,265</b>	<b>2,062,203</b>	<b>4,538,124</b>	<b>355,539</b>	<b>8,032,131</b>	<b>1,433,273</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>						
Due from Other Funds	(283,118)	(579,835)	(2,756,709)	(199,644)	(3,819,306)	(1,126,791)
Transfers to Other Funds	(243,028)	(236,370)	(1,599,368)	(130,277)	(2,209,043)	-
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(526,146)</b>	<b>(816,205)</b>	<b>(4,356,077)</b>	<b>(329,921)</b>	<b>(6,028,349)</b>	<b>(1,126,791)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>						
Intergovernmental	960,561	-	75,000	-	1,035,561	-
Impact Fees	284,267	206,816	677,153	226,996	1,395,232	-
Proceeds from Sale of Capital Assets	-	-	179,628	-	179,628	29,956
Acquisition of Capital Assets	(1,582,823)	(461,042)	(1,781,874)	(144,516)	(3,970,255)	(336,439)
Bond Payments	(152,000)	(704,000)	-	-	(856,000)	-
Note Payments	-	-	-	(31,250)	(31,250)	-
Interest Expense	(63,746)	(284,088)	-	-	(347,834)	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(553,741)</b>	<b>(1,242,314)</b>	<b>(850,093)</b>	<b>51,230</b>	<b>(2,594,918)</b>	<b>(306,483)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>						
Interest Income	726	1,561	24,973	11,688	38,948	5,965
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>726</b>	<b>1,561</b>	<b>24,973</b>	<b>11,688</b>	<b>38,948</b>	<b>5,965</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,896)</b>	<b>5,245</b>	<b>(643,073)</b>	<b>88,536</b>	<b>(552,188)</b>	<b>5,964</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>173,415</b>	<b>591,713</b>	<b>3,831,292</b>	<b>1,511,807</b>	<b>6,108,227</b>	<b>\$ 799,794</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 170,519</b>	<b>\$ 596,958</b>	<b>\$ 3,188,219</b>	<b>\$ 1,600,343</b>	<b>\$ 5,556,039</b>	<b>\$ 805,758</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, 2016**

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Operating Income	\$ 939,639	\$ 1,231,538	\$ 3,215,667	\$ 220,987	\$ 5,607,831	\$ 597,841
Adjustments						
Depreciation	823,900	878,286	1,785,840	131,506	3,619,532	786,574
Changes in Assets and Liabilities						
Accounts Receivable, Net	1,700,160	(30,417)	(277,893)	(9,028)	1,382,822	-
Net Pension Asset	1,283	1,048	4,640	1,129	8,100	-
Deferred Outflows	(111,675)	(91,151)	(403,637)	(98,192)	(704,655)	-
Inventory	-	-	16,854	-	16,854	-
Accounts Payable	(2,359,190)	(10,324)	(146,141)	28,046	(2,487,609)	48,858
Compensated Absences	1,309	12,425	23,311	4,821	41,866	-
Customer Deposits	(5,900)	-	5,970	-	70	-
Unearned Revenue	-	-	-	-	-	-
Net Pension Liability	81,027	66,136	292,867	71,246	511,276	-
Deferred Inflows	5,712	4,662	20,646	5,024	36,044	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 1,076,265</b>	<b>\$ 2,062,203</b>	<b>\$ 4,538,124</b>	<b>\$ 355,539</b>	<b>\$ 8,032,131</b>	<b>\$ 1,433,273</b>
Noncash Financing and Investing Transaction						
Developer Contributions of Fixed Assets	\$ 345,350	\$ 77,220	\$ -	\$ 135,932	\$ 558,502	\$ -

See the accompanying notes to the financial statements

# **SPRINGVILLE CITY, UTAH**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2016**

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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 governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant of the 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.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For Springville City, this entity includes component units as described in the following section.

## NOTE 1 – (CONTINUED)

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board, and 1) the City is able to significantly influence the programs or services performed or provided by the organizations; or 2 ) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits or, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, levies taxes or issues their debt.

The City's component units are presented are "blended". As such, they are reported as if they were a fund of the City throughout the year. They are included at both the government-wide and fund financial reporting levels.

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.

### Basis of Presentation

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

*Government-wide Financial Statements* – The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed but the statements distinguish governmental activities, which normally are supported by taxes and general revenues, from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end.

## NOTE 1 – (CONTINUED)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

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

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

Taxes, interest, and other revenue sources not properly included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

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

Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

***Fund Accounting*** – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two types of categories: governmental and proprietary.

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance.

The City reports the following major governmental fund:

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.

**Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.



## NOTE 1 – (CONTINUED)

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.

**Internal Service Funds** – The internal service funds 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.

### Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels.

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

## NOTE 1 – (CONTINUED)

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

**Revenues – Non-exchange Transactions** – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property tax, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by June 30, 2016 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

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

**Unearned Revenues** – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Special Improvement District principal receivable in future years, a State fire grant allotment received in advance, and various amounts for projects to be completed in the future have been recognized as unearned revenues.

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

### Assets, Liabilities and Fund Equity

#### Cash, cash equivalents, and investments

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

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

## NOTE 1 – (CONTINUED)

### Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, where applicable.

### Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

### 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. Inventories are recorded at the lower cost or market on a weighted average basis, which approximates the first-in, first out method.

### Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds or contributions. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

Capital assets are defined by the government as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, if purchased, and at fair market value at the date of the gift, if donated. Improvements to capital assets are capitalized. Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

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

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

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

## **NOTE 1 – (CONTINUED)**

### **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.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when it is due to for payment in the current fiscal year.

### **Long-term liabilities**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of these funds. Bonds are recognized as a liability in the governmental fund financial statements only when they are due for payment in the current fiscal year.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The City current has deferred outflows of resources related to debt refunding and pensions.

In addition to liabilities, the statement of net position will sometimes include a separate section deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The governmental funds report deferred inflows of resources related to property taxes and pensions.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plans (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTE 1 – (CONTINUED)

### Fund equity

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

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

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

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

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

## NOTE 1 – (CONTINUED)

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

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. All other revenues and expenses are classified as non-operating including investment earnings, interest expense, and the gain or loss on the disposition of capital assets.

### Contributions of Capital

Contributions of capital reported in proprietary fund financial statements and the government-wide financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

### 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. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. On the government-wide statement of activities, the exchange transactions between the internal service funds and the user funds are eliminated. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

### Estimates and Assumptions

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

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

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

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

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 position. The details of these differences are presented as follows:

<b>JOINT VENTURE CAPITAL ASSETS</b>	
Airport Improvements	\$ 5,656,771
<b>SPRINGVILLE CITY CAPITAL ASSETS</b>	
Land	22,154,859
Construction in Progress	300,341
Buildings and Structures	36,741,418
Improvements	74,093,219
Machinery, Equipment and Vehicles	4,511,216
Less Accumulated Depreciation	<u>(55,581,633)</u>
<b>Net Capital Asset Difference</b>	<b><u>\$ 87,876,191</u></b>

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 position.

Cash and Cash Equivalents	\$ 805,758
Machinery, Equipment and Vehicles	6,342,452
Accumulated Depreciation	(3,663,522)
Accounts Payable	(68,800)
Due from Other Fund	2,749,339
Internal Balances	<u>(2,507,207)</u>
<b>Net Difference</b>	<b><u>\$ 3,658,020</u></b>

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 position. The details of these differences are presented below:

Accrued Interest Payable	\$ (179,528)
Revenue and General Obligation Bonds Payable	(24,581,120)
Current Portion of Long-Term Debt	(1,530,000)
Unamortized Bond Premium	(691,762)
Compensated Absences	(782,795)
Net Pension Liability	<u>(3,984,921)</u>
<b>Total Long-Term Liability Difference</b>	<b><u>\$ (31,750,126)</u></b>

## 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 position in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital 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 as follows:

Developer Contributions	\$ 522,023
Capital Outlay	2,045,148
Depreciation Expense	<u>(2,585,955)</u>
Net Difference	<u>\$ (18,784)</u>

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:

Bond Premium	\$ (728,171)
Issuance of General Obligation Bonds	(10,785,000)
Amortization of Deferred Amount on Refunding	(12,097)
Amortization of Bond Premium	36,409
Bond Principal Repayments	<u>1,280,880</u>
Net Difference	<u>\$ 10,207,979</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	\$ 5,965
Miscellaneous Revenue	29,956
Allocation of Internal Service Fund Charges	<u>360,087</u>
Net Allocation	<u>\$ 396,008</u>

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

Change in Pension Benefits	\$ 276,905
Change in Compensated Absences	(42,996)
Change in Accrued Interest Payable	<u>(67,625)</u>
Net Difference	<u>\$ 166,284</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. Annual budgets for the proprietary funds were legally adopted by the City and prepared on the 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.

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**

### **DEPOSITS**

#### **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 returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2016, none of the City's bank balances of \$5,610,235 were uninsured and uncollateralized.

### **INVESTMENTS**

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

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

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

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

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

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

## NOTE 4 – (CONTINUED)

### Fair Value of Investments

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

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

At June 30, 2016, the City had the following recurring fair value measurements:

	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
Utah Public Treasurers' Investment Fund	\$45,337,129	\$ -	\$45,337,129	\$ -

Debt and equity securities classified in Level 2 are valued using the following approach: The Utah Public Treasurers' Investment Fund uses the application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.

### Interest Rate Risk

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

At June 30, 2016, the City had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>More than 5</u>
Utah Public Treasurers' Investment Fund	\$45,337,129	\$45,337,129	\$ -	\$ -

### Credit Risk

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

At June 30, 2016, the City's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	\$45,337,129	\$ -	\$ -	\$ -	\$45,337,129

#### NOTE 4 – (CONTINUED)

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

Deposits	\$ 5,216,348
Investments	45,337,129
Cash on Hand	<u>4,400</u>
Total	<u>\$ 50,557,877</u>
Cash and Cash Equivalents	\$ 28,865,923
Restricted Cash and Cash Equivalents	<u>21,691,954</u>
Total	<u>\$ 50,557,877</u>

#### NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2016 are presented in the schedule below.

Property taxes are levied on January 1 of 2016, are due in November of 2016, and are budgeted for the 2016 fiscal year. Even though they are not intended to fund the 2016 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

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

The following is a summary of receivables at June 30, 2016:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 666,006	\$ 3,061,707	\$ 3,727,713
Allowance for Uncollectibles	(394,296)	(83,500)	(477,796)
Property Taxes Receivable	3,954,221	-	3,954,221
Special Assessments Receivable	293,038	-	293,038
Other Receivables	<u>1,034,498</u>	<u>-</u>	<u>1,034,498</u>
Total	<u>\$ 5,553,467</u>	<u>\$ 2,978,207</u>	<u>\$ 8,531,674</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, 2016:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 21,580,629	\$ 574,230	\$ -	\$ 22,154,859
Construction in Progress	1,894,602	289,448	(1,883,709)	300,341
<b>Capital Assets being Depreciated</b>				
Buildings and Structures	36,741,418	-	-	36,741,418
Improvements	70,710,109	1,499,401	1,883,709	74,093,219
Machinery, Equipment and Vehicles	<u>10,392,707</u>	<u>540,531</u>	<u>(79,570)</u>	<u>10,853,668</u>
<b>Total</b>	<b>141,319,465</b>	<b>2,903,610</b>	<b>(79,570)</b>	<b>144,143,505</b>
<b>Less Accumulated Depreciation</b>	<b>(55,952,197)</b>	<b>(3,372,528)</b>	<b>79,570</b>	<b>(59,245,155)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ <u>85,367,268</u></b>	<b>\$ <u>(468,918)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>84,898,350</u></b>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2016:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 1,597,634	\$ 39,000	\$ -	\$ 1,636,634
Construction in Progress	7,021,930	1,461,850	(7,271,602)	1,212,178
Water Shares	1,199,919	175,000	-	1,374,919
<b>Capital Assets being Depreciated</b>				
Buildings and Structures	5,436,071	140,675	15,553	5,592,299
Improvements	134,417,055	2,682,562	6,378,889	143,478,506
Machinery, Equipment and Vehicles	<u>2,871,240</u>	<u>29,671</u>	<u>(110,833)</u>	<u>2,790,078</u>
<b>Total</b>	<b>152,543,849</b>	<b>4,528,758</b>	<b>(987,993)</b>	<b>156,084,614</b>
<b>Less Accumulated Depreciation</b>	<b>(63,835,634)</b>	<b>(3,619,531)</b>	<b>808,364</b>	<b>(66,646,801)</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ <u>88,708,215</u></b>	<b>\$ <u>909,227</u></b>	<b>\$ <u>(179,629)</u></b>	<b>\$ <u>89,437,813</u></b>

**NOTE 6 – (CONTINUED)**

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

<b>Government Activities</b>	
General Government	\$ 423,502
Public Safety	128,247
Community Development	10,128
Streets	1,267,308
Community Services	732,894
Cemetery	23,875
Internal Service Funds	<u>786,574</u>
<b>Total Depreciation Expense-Governmental Activities</b>	<b><u>\$ 3,372,528</u></b>
<b>Business-type Activities</b>	
Water	\$ 823,900
Sewer	878,286
Electric	1,785,840
Storm Water	86,930
Solid Waste	22,628
Golf Course	<u>21,948</u>
<b>Total Depreciation Expense-Business-type Activities</b>	<b><u>\$ 3,619,532</u></b>

**NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The City reports a deferred amount on refunding of \$81,570 related to the refunding of two bond series in 2016. The deferred amount on refunding resulted from the difference in the carrying value of refunded debt and their acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to pensions of \$1,065,958 in the business-type funds and activities as well as \$1,977,896 in the governmental activities.

Property taxes of \$3,899,199, to be collected in November, were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Also, the City reported deferred inflows of resources related to pensions of \$295,740 in the business-type funds and activities as well as \$548,748 in the governmental activities.

These amounts are reported in the government-wide statement of net position as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Deferred Outflows of Resources	\$ 2,059,466	\$ 1,065,958
Deferred Inflows of Resources	\$ 4,447,947	\$ 295,740

## NOTE 8 – 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, 2016, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$ 11,554,963	\$ 5,777,482
Total Liabilities	<u>(39,869)</u>	<u>(19,935)</u>
Net Position	<u>\$ 11,515,094</u>	<u>\$ 5,757,547</u>
Program Revenues	\$ 2,207,340	\$ 1,103,670
General Revenues	1,532	766
Program Expenses	<u>(395,792)</u>	<u>(197,896)</u>
Change in Net Position	<u>\$ 1,813,080</u>	<u>\$ 906,540</u>

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

## NOTE 8 – (CONTINUED)

### South Utah Valley Solid Waste District

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

a. Participants and their percentage shares:

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

- b. The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions of the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them.
- c. The District's Board of directors governs the operations of the District through management employed by the board. The district is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing.
- d. Summary financial information as of the joint venture's last fiscal year end for which an audit has been completed, June 30, 2015, is as follows:

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Total Assets	\$ 16,588,583	\$ 2,488,287
Deferred Outflows of Resources	112,897	16,935
Total Liabilities	(6,648,401)	(997,260)
Deferred Inflows of Resources	<u>(69,025)</u>	<u>(10,354)</u>
Net Position	<u>\$ 9,984,054</u>	<u>\$ 1,497,608</u>
Operating Revenues	\$ 6,300,827	\$ 945,124
Operating Expenses	<u>6,585,327</u>	<u>(987,799)</u>
Net Operating Income (Loss)	(284,500)	(42,675)
Net Non-Operating Income (Expense)	<u>\$ (418,854)</u>	<u>\$ 62,828</u>
Change in Net Position	<u>\$ (703,354)</u>	<u>\$ (105,503)</u>



**NOTE 8 – (CONTINUED)**

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	\$ 2,549,524	\$ 382,429
Capital Leases	148,771	22,316
Notes Payable	3,015,335	452,300
Net Pension Liability	542,595	81,389
Accrued Compensated Absences	<u>215,408</u>	<u>32,311</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$ 6,471,633</u></b>	<b><u>\$ 970,745</u></b>

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 9 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
<b>Revenue Bonds</b>					
2005 Special Assessment	\$ 457,000	\$ -	\$ (190,880)	\$ 266,120	\$ 120,000
2008 Municipal Building Authority Lease	5,290,000	-	(240,000)	5,050,000	250,000
2014 Sales Tax Refunding	2,885,000	-	(460,000)	2,425,000	465,000
<b>General Obligation Bonds</b>					
2010 Build America Bonds	7,975,000	-	(390,000)	7,585,000	400,000
2016 General Obligation Bonds	-	10,785,000	-	10,785,000	295,000
<b>Other Liabilities</b>					
Unamortized Premium on Bond	-	728,171	(36,409)	691,762	-
Net Pension Liability	3,036,242	1,194,467	(245,788)	3,984,921	-
Compensated Absences	<u>739,799</u>	<u>55,186</u>	<u>(12,190)</u>	<u>782,795</u>	<u>384,132</u>
	<b><u>\$20,383,041</u></b>	<b><u>\$ 12,762,824</u></b>	<b><u>\$ (1,575,267)</u></b>	<b><u>\$31,570,598</u></b>	<b><u>\$ 1,914,132</u></b>

## NOTE 9 – (CONTINUED)

Long-term debt and obligations for governmental activities payable at June 30, 2016 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%	2020	\$ 120,000	\$ 146,120
Municipal Building Authority Lease Revenue Bonds, Series 2008, (original amount--\$6,435,000)	2.55%	2031	250,000	4,800,000
Sales Tax Revenue Refunding Bonds, Dated December 30, 2014 (original amount--\$2,885,000)	1.85%	2021	465,000	1,960,000
Taxable General Obligation Build America Bonds, series 2010 (original amount--\$9,800,000)	1.00% to 5.30%	2031	400,000	7,185,000
General Obligation Bonds, Series 2016 (original amount--\$10,785,000)	2.00% to 5.00%	2036	295,000	10,490,000
Unamortized Premium on Bond				691,762
Net Pension Liability				3,984,921
Compensated Absences			<u>384,132</u>	<u>398,663</u>
<b>Total Governmental Activities Long-term Debt</b>			<b><u>\$ 1,914,132</u></b>	<b><u>\$ 29,656,466</u></b>

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 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.

On December 11, 2014, the City transacted a current refund of their 2008 lease revenue bonds with interest rates ranging between 4.10% and 5.25%. The new interest rate resulting from the current refunding is 2.55%.

## NOTE 9 – (CONTINUED)

The 2016 general obligation bonds will be used for the construction of an aquatics center. Debt service requirements will be met principally by the general fund.

In prior years, the City defeased sales tax revenue bonds, series 2006, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2016, \$2,380,000 of bonds outstanding are considered defeased.

Long-term debt and obligations for business-type activities payable at June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
<b>Revenue Bonds</b>					
1998 Sewer	\$ 413,000	\$ -	\$ (96,000)	\$ 317,000	\$ 101,000
2008 Water and Sewer	11,700,000	-	(760,000)	10,940,000	780,000
<b>Notes Payable</b>					
2006 Golf Carts	125,000	-	(31,250)	93,750	31,250
<b>Other Liabilities</b>					
Net Pension Liability	1,636,337	643,740	(132,464)	2,147,613	-
Compensated Absences	<u>544,262</u>	<u>122,007</u>	<u>(80,141)</u>	<u>586,128</u>	<u>586,128</u>
	<u>\$ 14,418,599</u>	<u>\$ 765,747</u>	<u>\$ (1,099,855)</u>	<u>\$ 14,084,491</u>	<u>\$ 1,498,378</u>

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2016:

<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	\$ 101,000	\$ 216,000
<b>Water and Sewer Revenue Refunding Bonds, Dated April 22, 2008, (original amount--\$15,135,000)</b>				
	2.80%	2028	780,000	10,160,000
<b>Golf Cart Note Payable (original amount--\$135,000)</b>				
	0.00%	2018	31,250	62,500
<b>Net Pension Liability</b>				
				2,147,613
<b>Compensated Absences</b>				
			<u>586,128</u>	<u>-</u>
			<u>\$ 1,498,378</u>	<u>\$ 12,586,113</u>

The proceeds of 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.

## NOTE 9 – (CONTINUED)

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>
2017	\$ 1,530,000	\$ 1,018,413	\$ 912,250	\$ 320,585	\$ 2,442,250	\$ 1,338,998
2018	1,657,000	900,673	937,250	294,200	2,594,250	1,194,873
2019	1,594,120	836,516	966,250	267,030	2,560,370	1,103,546
2020	1,625,000	776,629	845,000	238,980	2,470,000	1,015,609
2021	1,680,000	719,755	870,000	215,320	2,550,000	935,075
2022-2026	6,660,000	2,739,411	4,735,000	697,060	11,395,000	3,436,471
2027-2031	7,960,000	1,382,139	2,085,000	87,920	10,045,000	1,470,059
2032-2036	3,405,000	312,750	-	-	3,405,000	312,750
	<u>\$26,111,120</u>	<u>\$ 8,686,286</u>	<u>\$ 11,350,750</u>	<u>\$ 2,121,095</u>	<u>\$ 37,461,870</u>	<u>\$ 10,807,381</u>

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

	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>
Net Revenues		
Operating Revenues	\$ 3,964,587	\$ 4,001,400
Operating Expenses (excluding depreciation and amortization)	(2,201,048)	(1,891,576)
Impact Fees	284,267	206,816
Interest Income	<u>726</u>	<u>1,561</u>
Net revenues	<u>\$ 2,048,532</u>	<u>\$ 2,318,201</u>
Maximum Aggregate Debt Service	<u>\$ 211,000</u>	<u>\$ 844,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>971%</u>	<u>275%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>

## NOTE 10 – CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. 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, 2016 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$542,870.

## NOTE 11 – FUND EQUITY

*Net Investment in Capital Assets* – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2016 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$ 144,143,505	\$ 156,084,614
Less accumulated depreciation	<u>(59,245,155)</u>	<u>(66,646,801)</u>
Book value	84,898,350	89,437,813
Less capital-related debt	<u>(26,111,120)</u>	<u>(11,350,750)</u>
Net investment in capital assets	<u>\$ 58,787,230</u>	<u>\$ 78,087,063</u>

*Restricted Fund Equity* – The Class “C” Roads allotment from the state excise tax is restricted for construction and maintenance of City streets and roads. The City’s bond covenants require certain restrictions of retained earnings in the pressure irrigation fund. Utah State statute requires unexpended impact fees held at year-end to be restricted for future expansion in the charging department or fund. In addition, in the funds statements amounts have been assigned for various capital projects.

## NOTE 12 – RETIREMENT PLANS

### General Information about the Pension Plan

Plan description: Eligible plan participants are provided with defined benefit pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Public Employees Contributory Retirement System (Contributory System);
- Firefighters Retirement System (Firefighters System); are multiple employer, cost sharing, retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent, cost sharing, multiple employer public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

## NOTE 12 – (CONTINUED)

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the URS Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**Benefits Provided:** URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

### Summary of Benefits by System

System	Final Average Salary	Years of service Required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending upon employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\*with actuarial reductions

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Contributions:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

**NOTE 12 – (CONTINUED)**

**Utah Retirement Systems**

<u>Plan</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k)</u>
<b>Contributory System</b>				
11 Local Government Division - Tier 1	6.00%	N/A	14.46%	N/A
111 Local Governmental Division - Tier 2	N/A	N/A	16.67%	1.78%
<b>Noncontributory System</b>				
15 Local Governmental Division - Tier 1	N/A	N/A	18.47%	N/A
<b>Public Safety Retirement System</b>				
<b>Contributory</b>				
122 Tier 2 DB Hybrid Public Safety	N/A	N/A	22.50%	1.33%
<b>Noncontributory</b>				
43 Other Division A with 2.5% COLA	N/A	N/A	34.04%	N/A
<b>Firefighters Retirement System</b>				
31 Other Division A	N/A	15.05%	3.99%	N/A
132 Tier 2 DB Hybrid Firefighters	N/A	N/A	10.75%	1.33%
<b>Tier 2 DC Only</b>				
211 Local Government	N/A	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2016, the employer and employee contribution to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$1,290,326	N/A
Contributory System	7,822	-
Public Safety System	345,081	-
Firefighters System	5,439	-
Tier 2 Public Employees System	157,435	-
Tier 2 Public Safety and Firefighter	79,980	-
Tier 2 DC Only System	2,142	N/A
<b>Total Contributions</b>	<b>\$1,888,225</b>	<b>\$ -</b>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

**NOTE 12 – (CONTINUED)**

***Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, we reported a net pension asset of \$19,260 and a net pension liability of \$6,132,534.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.8173763%	\$ -	\$4,615,673
Contributory System	0.1624709%	-	114,193
Public Safety System	0.7830661%	-	1,402,668
Firefighters System	0.5238695%	9,488	-
Tier 2 Public Employees System	0.1220505%	265	-
Tier 2 Public Safety and Firefighter System	0.6507001%	<u>9,507</u>	<u>-</u>
Total Net Pension Asset/Liability		<u>\$19,260</u>	<u>\$6,132,534</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2015, we recognized pension expense of \$1,215,067.

At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,651	\$ 371,399
Change in assumptions	-	369,868
Net difference between projected and actual earnings on pension plan investments	2,094,772	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,327	103,221
Contributions subsequent to the measurement date	<u>940,104</u>	<u>-</u>
Total	<u>\$3,043,854</u>	<u>\$ 844,488</u>

\$940,104 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.



## NOTE 12 – (CONTINUED)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2016	\$242,404
2017	\$255,948
2018	\$299,314
2019	\$471,553
2020	(\$4,737)
Thereafter	(\$5,222)

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term portfolio real Rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100%</b>		<b>5.23%</b>
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

## NOTE 12 – (CONTINUED)

Discount rate: the discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage –point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 9,752,458	\$4,615,673	\$327,486
Contributory System	201,105	114,193	41,227
Public Safety System	2,970,260	1,402,668	126,360
Firefighters System	129,154	(9,488)	(122,094)
Tier 2 Public Employees System	48,860	(266)	(37,499)
Tier 2 Public Safety and Firefighter	16,161	(9,507)	(29,218)
<b>Total</b>	<b>\$13,117,998</b>	<b>\$6,113,273</b>	<b>\$306,262</b>

Pension plan fiduciary net position: Detailed information about the pensions plan's fiduciary net position is available in the separately issued URS financial report.

## NOTE 13 – DEFINED CONTRIBUTION SAVINGS 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 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.

Employee and employer contributions to the Benefit Source Defined Contribution Savings Plan for fiscal year ended June 30, were as follows:

401(k) Plan	2016	2015	2014
Employer Contributions	\$213,742	\$163,662	\$193,025
Employee Contributions	\$257,787	\$222,178	\$253,678

## NOTE 13 – (CONTINUED)

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.

457 Plan	2016	2015	2014
Employee Contributions	\$42,980	\$44,599	\$37,437

The City participates in a Defined Contribution Saving Plan, which is administered by the Utah Retirement Systems Board and is a supplemental plan to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under section 401(k) of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

401(k) Plan	2016	2015	2014
Employer Contributions	\$27,192	\$18,757	\$9,891

## NOTE 14 – COMMITMENTS AND CONTINGENCIES

### 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, 2016, the City purchased power totaling approximately \$15.4 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 \$56,300,000 (City portion - \$10,761,689) in revenue bonds outstanding at June 30, 2016, issued to finance construction of the plant.

## **NOTE 14 – (CONTINUED)**

### **UAMPS - Horse Butte Wind Project**

In August of 2010 the City entered into Power Sales Contract with UAMPS to take delivery of energy from a 57.6 MW nameplate capacity wind farm located 16 miles east of the City of Idaho Falls in Bonneville County, Idaho. The PSC entitles the City to approximately 5.26% of the daily output associated with the 32 Vestas V-100 1.8 MW wind turbines installed on the project site. Construction of the Facility was completed in August of 2013 and commenced commercial operation. The City is obligated for 5.18% of the total project debt service of approximately \$85,295,000 (City portion - \$4,414,357) outstanding at June 30, 2016, issued to finance a prepayment for a specified supply of electricity to be delivered over a 20-year term.

### **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, 2016 were \$13,845,000 and \$1,175,000 respectively, with the City's portions being \$2,058,738 and \$192,622. 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 \$0.08045 for FY2016. Springville City expects to receive approximately 30.0 million kilowatt hours of energy over the course of an average year.

**Blue Mountain Biogas PPA** – This is a Renewable Power Purchase and Sale Agreement between the City of Springville and Blue Mountain Biogas, LLC, a special purpose subsidiary of Alpentel Energy Partners, LLC (Seller). The Seller has developed a nominal 3.2 MW biogas fueled renewable energy project in Beaver County, Utah (Project). The City is purchasing all of the unit contingent capacity and electric energy that can be delivered from the Project. The Seller retains all of the Green attributes associated with the Project. The City began receiving capacity and energy from the Project in November 2013. From that effective date the City is obligated to buy the seller's output for 12 term years. The City accepted a fixed price for the first term year with an escalation of 1% on the first day of the remaining 7 term years.

### **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.

### **Aquatic and Activity Center**

Springville City has entered into an agreement with Hogan & Associates Construction for construction management and general contractor services related to a new Aquatic and Activity Center. On November 3, 2015, a special bond election was held wherein Springville voters approved the City to issue general obligation bonds in an amount not to exceed \$11,195,000 for the construction of a new Aquatic and Activity Center. Subsequently, in January 2016, the City sold bonds in a competitive sale with a par amount of \$10,785,000. Design and construction of the facility are now underway with a current project budget of \$21,600,000, being funded with a combination of bond proceeds, interagency contributions, land sales, and utilization of reserves. Estimated completion of the project is December 2017.

## NOTE 15 – RELATED PARTY TRANSACTIONS

In all cases where a conflict-of-interest could result from a related party transaction the person involved recuses themselves from votes awarding bids. Businesses owned by members of the City Council are disclosed formally in writing.

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. The total that Springville City paid to these businesses in the 2016 fiscal year was \$107,555.

A City Councilman owns Audio Visions which occasionally provides sound services to the City. The total paid to this business in the 2016 fiscal year was \$5,700.

A City Councilman owns Child Enterprises which is periodically awarded bids small construction projects for the City. The total paid no amount to this business in the 2016 fiscal year.

## NOTE 16 – OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>Out</u>	<u>In</u>
<b>Governmental Funds</b>		
General Fund	\$ 3,525,783	\$ 2,274,943
Debt Service Fund	-	1,292,069
Municipal Building Authority Fund	-	373,335
Capital Projects Fund	-	2,376,752
Special Services Fund	582,273	-
Permanent Fund	-	-
<b>Business-Type Funds</b>		
Water	243,028	-
Sewer	236,370	-
Electrical	1,599,368	-
Storm Water	61,977	-
Solid Waste	68,300	-
	<u>\$ 6,317,099</u>	<u>\$ 6,317,099</u>

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 and a public hearing was held as required by Utah State Code.

## **NOTE 17 – SPRINGVILLE REDEVELOPMENT AGENCY**

### **Project Area Summary**

Springville's Redevelopment Agency's "Frontage Road Neighborhood Development Plan" was adopted in late 1999. This is the only active project area within the Agency's boundaries and consists of approximately 96.65 acres. To date, all blighted structures within the project area have been demolished, approximately 1.6 miles of fully improved streets and sidewalks have been installed, utilities have been installed, and a drainage ditch has been enhanced. Starting in 2012, developers have constructed commercial buildings totaling approximately 52,250 square feet within the project area.

The streets, sidewalks and utilities were installed as part of a special improvement district or subdivision process. All public improvements have been paid for in full.

### **Change in the Marginal Value**

The total project encompasses 96.65 acres of which approximately 13.04 acres (13.49%) have been developed. The businesses located in the project area include Infomercial, Inc., Tracker Boat, and Mitsubishi. Taxable values within the project area have increased from \$389,535 in its base year to approximately \$10,069,800 after the 2015 valuation; a 2,585% increase.

1. Base Taxable Value - \$389,535
2. Prior Year's Assessed Value - \$10,069,800
3. Estimated Current Assessed Value - \$12,069,800
4. A Narrative Description of the Relative Growth in Assessed Value – Shortly after the project area was approved, blight was removed and approximately 76 acres of the property within the project area was subdivided and approved. These actions quickly increased the value of the property. In 2012, a property owner developed the remaining approximately 20 acres in the project area, which helped to increase the property values by approximately \$3 to \$5 million. From 2012 to the present, a boat dealership and an automobile dealership were constructed on approximately 3.92 acres within the project area. These developments have helped to increase the assessed value to its current value.

### **Amount of Project Area Fund Received by Agency**

1. Project Area Fund
  - a. Previous Year - \$122,442
  - b. Forecast When Project Area Was Created – When the project was created it was estimated that the Agency would have collected \$514,978 in tax increment in the project area's third year of the collecting the tax increment.
2. Historic Receipts
  - a. 2013 - \$109,096
  - b. 2014 - \$108,326
  - c. 2015 - \$122,442
3. List of Each Taxing Entity that Levies or Imposes a Tax – Utah County, Springville City, Central Utah Water Conservancy District, Nebo School District, and Springville Drainage District.

## **NOTE 17 – (CONTINUED)**

### **Description of Current and Anticipated Project Area Development**

#### **A. Narrative of Project Area Development**

1. The entire project area was originally owned by Spring Pointe Development LLC. Spring Pointe Development LLC had a number of approved development projects but backed out before pulling permits for the projects. The ownership of the property has since changed hands.
2. In 2010, Sam Dexy Properties LLC became owner of the northern approximate 20.5 acres of the project area. The owners of Sam Dexy Properties LLC subdivided the 20.5 acres and built a 32,500 square foot building for Infomercial, Inc. on a 9.12 acre lot. The owner has talked about asking the Agency to enter into a participation agreement for future development but has not yet done so.
3. In 2013, The Olds 2002 Family Trust became the owner of the remaining approximate 76.15 acres of the project area. The Olds 2002 Family Trust is working towards putting together a proposal for the Agency to consider in the near future that would possibly include a large industrial manufacturing building.
4. In 2015, The Olds 2002 Family Trust sold 1.47 acres to HWP Properties, LLC. HWP Properties, LLC has constructed a 5,376 square foot Tracker Boat dealership on the property. The Agency and HWP Properties, LLC entered into a participation agreement whereby the Agency agreed to pay to HWP Properties, LLC 100% of the tax increment generated by HWP Properties, LLC's increased property values and actually collected by the Agency for five years. After the first five years, HWP Properties, LLC will receive the tax increment received by the Agency over five more years at a ten percent (10%) reduction over the previous year. The first year that the tax increment will be paid to HWP Properties, LLC will be for the tax year 2016.
5. In 2016, HWP Properties, LLC built an approximate 14,250 square foot Mitsubishi dealership on 2.45 acres within the project area. The Agency did not provide any tax increment incentives to HWP Properties, LLC for the Mitsubishi dealership.

#### **B. Details of Project Area Development**

1. **Developed Acreage** – Except for a sewer lift station to serve a portion of the project area, the public improvement infrastructure has been installed for the 96.65 acres in the project area. Approximately 52,250 square feet of commercial buildings have been built on approximately 13.04 acres.
2. **Total Undeveloped Acreage** – The total undeveloped acres with no approved site plan or constructed facility amounts to approximately 83.61 acres.

### **Project Area Budget**

1. **Project Area Fund Collection Period**
  - a. **Base Year** – 1999
  - b. **Trigger Year** – 2013
  - c. **Term** – 15 years
  - d. **Remaining Term** – 13 years

## NOTE 17 – (CONTINUED)

2. Number of Years Remaining in Project Area for Fund Collection – The project area plan allows for collection for up to 25 years. The project area was approved in 1999, making 2024 the project end year.
3. Total Amount of Project Area Fund the Agency is Authorized to Receive – The Agency is authorized to receive 100% of the tax increment for a period of 15 years.
- 4.
5. Remaining Amount of Project Area Funds the Agency is Authorized to Receive – The Agency is authorized to receive 100% of the tax increment until the project end year 2024.

### Estimated Amount of Project Area Funds that the Agency Is Authorized to Receive for 2016

The Agency estimates that the tax increment to be paid to the Agency for 2016 is approximately \$125,000.

### Estimated Amount of Project Area Funds that the Agency Is Authorized to Receive for 2017

The Agency estimates that the tax increment to be paid to the Agency for 2017 will be approximately \$140,000.

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	\$ 125,000
2.	The amount of tax increment paid to Springville City	\$ -
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ -
4.	The actual amount expended for:	
	Acquisition of property	\$ -
	Site Improvements	-
	Installation of public utilities and roads	-
	Administration costs	-
		_____
	TOTAL EXPENDED	\$ _____

## NOTE 18 – RISK MANAGEMENT

The City has joined the Utah Local Governments Trust (Trust). Founded in 1974, the Utah Local Governments Trust is licensed in Utah as a public agency insurance mutual. Trust policies are designed specifically for government agencies, including cities, towns, counties, special service districts, and school districts.

Utah Local Governments Trust is reinsured through Munich America RE & Clarendon, two national insurance companies with members from municipal leagues across the US.

The Trust provides low-cost liability and property coverage for local governments, claims adjustment services, loss prevention and safety training to its members.

## NOTE 19 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 7, 2016, the date the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SPRINGVILLE CITY CORPORATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 11,101,201	\$ 11,101,201	\$ 10,984,879	\$ (116,322)
Licenses and Permits	615,000	615,000	838,789	223,789
Intergovernmental	1,245,882	1,256,170	1,242,450	(13,720)
Charges for Services	3,643,904	3,643,904	1,989,529	(1,654,375)
Fines and Forfeitures	435,500	435,500	431,990	(3,510)
Interest	83,000	83,000	127,786	44,786
Miscellaneous	65,000	65,000	62,421	(2,579)
<b>TOTAL REVENUES</b>	<b>17,189,487</b>	<b>17,199,775</b>	<b>15,677,844</b>	<b>(1,521,931)</b>
<b><u>EXPENDITURES</u></b>				
General Government	5,042,141	5,055,519	3,398,047	1,657,472
Public Safety	5,382,570	5,388,570	4,987,324	401,246
Community Development	1,483,915	1,484,416	876,474	607,942
Streets	1,237,348	1,237,349	1,168,690	68,659
Community Services	4,055,023	4,059,316	3,876,950	182,366
Cemetery	238,340	238,339	160,851	77,488
<b>TOTAL EXPENDITURES</b>	<b>17,439,337</b>	<b>17,463,509</b>	<b>14,468,336</b>	<b>2,995,173</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(249,850)</b>	<b>(263,734)</b>	<b>1,209,508</b>	<b>1,473,242</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Change in Joint Venture Equity	-	-	(19,186)	(19,186)
Transfers from Other Funds	2,245,043	2,245,043	2,274,943	29,900
Transfers to Other Funds	(2,404,383)	(3,529,383)	(3,525,783)	3,600
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(409,190)</b>	<b>(1,548,074)</b>	<b>(60,518)</b>	<b>1,487,556</b>
<b>FUND BALANCE ALLOCATION</b>	<b>409,190</b>	<b>1,548,074</b>	<b>-</b>	<b>(1,548,074)</b>
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (60,518)</b>	<b>\$ (60,518)</b>

# **SPRINGVILLE CITY**

## **NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016**

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### **Budgetary Comparison Schedule**

The Budgetary Comparison Schedule presented in this section of the report is for the General Fund.

### **Budgeting and Budgetary Control**

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

### **Current Year Excess of Expenditures over Appropriations**

No General Fund departmental budgets exceeded appropriations during the fiscal year.

# SPRINGVILLE CITY

## SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY UTAH RETIREMENT SYSTEMS DECEMBER 31, 2015

Last 10 Fiscal Years *	Non-		Public		Tier 2 Public		Tier 2 Public
	contributory System	Contributory System	Safety System	Firefighters System	Employees System	Firefighter System	Safety and Firefighter System
Proportion of the net pension liability (asset)	2014	0.8173763%	0.2162152%	0.8436610%	0.4844785%	0.1155009%	0.7602135%
	2015	0.8157080%	0.1624709%	0.7830661%	0.5238695%	0.1220505%	0.6507001%
Proportionate share of the net pension liability (asset)	2014	\$ 3,549,240	\$ 62,366	\$ 1,060,974	\$ (27,646)	\$ (3,500)	\$ (11,246)
	2015	\$ 4,615,673	\$ 114,193	\$ 1,402,668	\$ (9,488)	\$ (266)	\$ (9,507)
Covered employee payroll	2014	\$ 7,022,000	\$ 115,606	\$ 1,277,517	\$ 127,036	\$ 566,929	\$ 314,072
	2015	\$ 6,986,652	\$ 69,227	\$ 1,190,697	\$ 140,853	\$ 788,707	\$ 387,183
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	2014	50.50%	53.90%	83.00%	-21.80%	-0.60%	-3.60%
	2015	66.06%	164.96%	117.80%	-6.74%	-0.03%	-2.46%
Plan fiduciary net position as a percentage of the total pension liability	2014	90.2%	94.0%	90.5%	103.5%	103.5%	120.5%
	2015	87.8%	85.7%	87.1%	101.0%	100.2%	110.7%

\* In accordance with paragraph 80.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in the required supplementary information. This schedule will need to be built prospectively. The schedule above is only for the current and prior years.

**SPRINGVILLE CITY**  
**SCHEDULE OF CONTRIBUTIONS**  
**UTAH RETIREMENT SYSTEMS**  
**DECEMBER 31, 2015**

Last 10 Fiscal Years \*

		Non- contributory System	Contributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System **	Tier 2 Public Safety and Firefighter System **	Tier 2 Public Employees DC Only System **
Actuarial determined contributions	2014	\$ 1,239,038	\$ 15,157	\$ 375,860	\$ 3,675	\$ 59,033	\$ 57,093	\$ -
	2015	\$ 1,275,631	\$ 14,530	\$ 390,158	\$ 5,119	\$ 94,905	\$ 70,386	\$ 2,041
	2016	\$ 1,290,326	\$ 7,822	\$ 345,081	\$ 5,439	\$ 157,435	\$ 79,980	\$ 2,142
Contributions in relation to the contractually required contribution	2014	\$ 1,239,038	\$ 15,157	\$ 375,860	\$ 3,675	\$ 59,033	\$ 57,093	\$ -
	2015	\$ 1,275,631	\$ 14,530	\$ 390,158	\$ 5,119	\$ 94,905	\$ 70,386	\$ 2,041
	2016	\$ 1,290,326	\$ 7,822	\$ 345,081	\$ 5,439	\$ 157,435	\$ 79,980	\$ 2,142
Contribution deficiency (excess)	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	2014	\$ 7,232,984	\$ 114,135	\$ 1,279,356	\$ 124,142	\$ 421,962	\$ 291,898	\$ -
	2015	\$ 6,925,081	\$ 100,484	\$ 1,260,158	\$ 133,992	\$ 635,651	\$ 345,953	\$ 30,377
	2016	\$ 7,000,657	\$ 54,094	\$ 1,122,174	\$ 132,324	\$ 1,055,839	\$ 396,966	\$ 32,016
Contributions as a percentage of covered-employee payroll	2014	17.13%	13.28%	29.38%	2.96%	13.99%	19.56%	0.00%
	2015	18.42%	14.46%	30.96%	3.82%	14.93%	20.35%	6.72%
	2016	18.43%	14.46%	30.75%	4.11%	14.91%	20.15%	6.69%

\* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in the required supplementary information. The above schedule is only for the current and two prior years. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

\*\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

# **SPRINGVILLE CITY**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS UTAH RETIREMENT SYSTEMS DECEMBER 31, 2015**

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### **Changes in Assumptions**

The following assumption changes were adopted from the most recent actuarial experience study:

There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also, there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.50% to 3.25%. There was an improvement in the post-retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

**SUPPLEMENTARY INFORMATION**

**SPRINGVILLE CITY CORPORATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	Special Revenue		Capital Projects			Debt Service		Permanent Fund	Total Nonmajor Governmental Funds
	Special Improvement District	Redevelopment Agency	Community Theater	Capital Projects	Special Services	Debt Service	Municipal Building Authority		
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,030	\$ 5,030
Special Assessment Receivable	293,038	-	-	-	-	-	-	-	293,038
Due from Other Fund	-	331,729	14,933	-	639,288	152,063	2,996	608,124	1,749,133
Restricted Cash	72,827	-	-	17,574,361	1,707,031	530	-	580,066	19,934,815
<b>TOTAL ASSETS</b>	<b>\$ 365,865</b>	<b>\$ 331,729</b>	<b>\$ 14,933</b>	<b>\$ 17,574,361</b>	<b>\$ 2,346,319</b>	<b>\$ 152,593</b>	<b>\$ 2,996</b>	<b>\$ 1,193,220</b>	<b>\$ 21,982,016</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>LIABILITIES</b>									
Accounts Payable	\$ -	\$ -	\$ -	\$ 140,714	\$ 12,348	\$ 150	\$ -	\$ -	\$ 153,212
Due to Other Fund	79,874	-	-	3,432,981	-	-	-	-	3,512,855
Unearned Revenue	216,237	-	-	125,000	-	-	-	-	341,237
<b>TOTAL LIABILITIES</b>	<b>296,111</b>	<b>-</b>	<b>-</b>	<b>3,698,695</b>	<b>12,348</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>4,007,304</b>
<b>FUND BALANCE</b>									
Nonspendable Endowments	-	-	-	-	-	-	-	1,140,953	1,140,953
Restricted for									
Impact Fees	-	-	-	-	2,333,971	-	-	-	2,333,971
Debt Service	69,754	-	-	-	-	14,784	2,996	-	87,534
Construction	-	-	-	13,875,666	-	-	-	-	13,875,666
Build America Bonds Subsidy	-	-	-	-	-	137,659	-	-	137,659
Assigned for									
Community Improvements	-	331,729	14,933	-	-	-	-	52,267	398,929
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<b>69,754</b>	<b>331,729</b>	<b>14,933</b>	<b>13,875,666</b>	<b>2,333,971</b>	<b>152,443</b>	<b>2,996</b>	<b>1,193,220</b>	<b>17,974,712</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 365,865</b>	<b>\$ 331,729</b>	<b>\$ 14,933</b>	<b>\$ 17,574,361</b>	<b>\$ 2,346,319</b>	<b>\$ 152,593</b>	<b>\$ 2,996</b>	<b>\$ 1,193,220</b>	<b>\$ 21,982,016</b>



**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue		Capital Projects			Debt Service			Total Nonmajor Governmental Funds
	Special Improvement District	Redevelop- ment Agency	Community Theater	Capital Projects	Special Services	Debt Service	Municipal Building Authority	Permanent Fund	
<b>REVENUES</b>									
Taxes	\$ -	\$ 122,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,442
Intergovernmental	-	-	-	635,913	-	-	-	-	635,913
Charges for Services	145,243	-	-	-	-	-	-	89,735	234,978
Interest	18,938	-	-	79,017	13,267	1,274	-	606	113,102
Miscellaneous	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>164,181</b>	<b>122,442</b>	<b>-</b>	<b>714,930</b>	<b>13,267</b>	<b>1,274</b>	<b>-</b>	<b>90,341</b>	<b>1,106,435</b>
<b>EXPENDITURES</b>									
General Government	-	-	-	306,632	-	-	-	-	306,632
Streets	-	-	-	-	-	-	-	-	-
Community Services	-	10,000	-	519	-	-	-	-	10,519
Debt Service									
Principal	190,880	-	-	-	-	850,000	240,000	-	1,280,880
Interest and Finance Charges	27,456	-	-	-	-	442,069	133,335	-	602,860
Capital Outlay	-	-	-	1,879,496	165,652	-	-	-	2,045,148
<b>TOTAL EXPENDITURES</b>	<b>218,336</b>	<b>10,000</b>	<b>-</b>	<b>2,186,647</b>	<b>165,652</b>	<b>1,292,069</b>	<b>373,335</b>	<b>-</b>	<b>4,246,039</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(54,155)</b>	<b>112,442</b>	<b>-</b>	<b>(1,471,717)</b>	<b>(152,385)</b>	<b>(1,290,795)</b>	<b>(373,335)</b>	<b>90,341</b>	<b>(3,139,604)</b>
<b>OTHER FINANCING SOURCES</b>									
Impact Fees	-	-	-	-	1,207,801	-	-	-	1,207,801
Proceeds from Bonds	-	-	-	10,785,000	-	-	-	-	10,785,000
Premium on Bonds	-	-	-	728,171	-	-	-	-	728,171
Property Sales	-	-	-	350,356	-	-	-	-	350,356
Bond Issuance Costs	-	-	-	(153,414)	-	-	-	-	(153,414)
Transfers From Other Funds	-	-	-	2,376,752	-	1,292,069	373,335	-	4,042,156
Transfers to Other Funds	-	-	-	-	(582,273)	-	-	-	(582,273)
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>(54,155)</b>	<b>112,442</b>	<b>-</b>	<b>12,615,148</b>	<b>473,143</b>	<b>1,274</b>	<b>-</b>	<b>90,341</b>	<b>13,238,193</b>
<b>BEGINNING FUND BALANCE</b>	<b>123,909</b>	<b>219,287</b>	<b>14,933</b>	<b>1,260,518</b>	<b>1,860,828</b>	<b>151,169</b>	<b>2,996</b>	<b>1,102,879</b>	<b>4,736,519</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 69,754</b>	<b>\$ 331,729</b>	<b>\$ 14,933</b>	<b>\$ 13,875,666</b>	<b>\$ 2,333,971</b>	<b>\$ 152,443</b>	<b>\$ 2,996</b>	<b>\$ 1,193,220</b>	<b>\$ 17,974,712</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2016**

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<b><u>ASSETS AND DEFERRED OUTFLOWS</u></b>				
<b><u>OF RESOURCES</u></b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 482,978	\$ -	\$ 482,978
Accounts Receivable, Net of Allowance for Uncollectibles	96,005	150,179	-	246,184
Due from Other Fund	940,881	401,716	54,104	1,396,701
<b>TOTAL CURRENT ASSETS</b>	<b>1,036,886</b>	<b>1,034,873</b>	<b>54,104</b>	<b>2,125,863</b>
<b>NONCURRENT ASSETS</b>				
<b>Restricted Assets</b>				
Cash and Cash Equivalents	1,117,365	-	-	1,117,365
<b>Capital Assets</b>				
Land	292,056	487,433	341,520	1,121,009
Buildings and Structures	-	850,266	1,715,315	2,565,581
Improvements	3,528,076	-	-	3,528,076
Machinery, Equipment and Vehicles	84,497	285,114	415,794	785,405
Less Accumulated Depreciation	(573,412)	(571,923)	(1,788,260)	(2,933,595)
Net Pension Asset	179	337	424	940
<b>Other Assets</b>				
Investment In Joint Venture	-	1,497,608	-	1,497,608
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,448,761</b>	<b>2,548,835</b>	<b>684,793</b>	<b>7,682,389</b>
<b>TOTAL ASSETS</b>	<b>5,485,647</b>	<b>3,583,708</b>	<b>738,897</b>	<b>9,808,252</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>28,308</b>	<b>53,268</b>	<b>66,964</b>	<b>148,540</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,513,955</b>	<b>3,636,976</b>	<b>805,861</b>	<b>9,956,792</b>
<b><u>LIABILITIES AND DEFERRED INFLOWS</u></b>				
<b><u>OF RESOURCES</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	20,790	78,286	20,660	119,736
Compensated Absences	6,143	25,542	73,147	104,832
Current Portion of Long-Term Debt	-	-	31,250	31,250
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,933</b>	<b>103,828</b>	<b>125,057</b>	<b>255,818</b>
<b>NONCURRENT LIABILITIES</b>				
Net Pension Liability	57,033	107,319	134,916	299,268
Notes Payable	-	-	62,500	62,500
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>57,033</b>	<b>107,319</b>	<b>197,416</b>	<b>361,768</b>
<b>TOTAL LIABILITIES</b>	<b>83,966</b>	<b>211,147</b>	<b>322,473</b>	<b>617,586</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>7,854</b>	<b>14,779</b>	<b>18,579</b>	<b>41,212</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>91,820</b>	<b>225,926</b>	<b>341,052</b>	<b>658,798</b>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	3,331,217	1,050,890	590,619	4,972,726
<b>Restricted</b>				
Community Improvements	1,345,675	-	-	1,345,675
Designated for Construction	-	-	77,998	77,998
Unrestricted	745,243	2,360,160	(203,808)	2,901,595
<b>TOTAL NET POSITION</b>	<b>\$ 5,422,135</b>	<b>\$ 3,411,050</b>	<b>\$ 464,809</b>	<b>\$ 9,297,994</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<b><u>OPERATING REVENUES</u></b>				
Charges for Services	\$ 959,218	\$ 1,476,876	\$ 893,726	\$ 3,329,820
Miscellaneous	14,952	-	419	15,371
<b>TOTAL OPERATING REVENUES</b>	<b>974,170</b>	<b>1,476,876</b>	<b>894,145</b>	<b>3,345,191</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and Benefits	203,577	330,689	461,920	996,186
Operations	557,714	1,061,207	377,591	1,996,512
Depreciation	86,930	22,628	21,948	131,506
<b>TOTAL OPERATING EXPENSES</b>	<b>848,221</b>	<b>1,414,524</b>	<b>861,459</b>	<b>3,124,204</b>
<b>OPERATING INCOME (LOSS)</b>	<b>125,949</b>	<b>62,352</b>	<b>32,686</b>	<b>220,987</b>
<b><u>NON-OPERATING REVENUES</u></b>				
<b><u>(EXPENSES)</u></b>				
Impact Fees	226,996	-	-	226,996
Interest Income	8,113	3,575	-	11,688
Change in Joint Venture Equity	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>235,109</b>	<b>3,575</b>	<b>-</b>	<b>238,684</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>				
<b>AND TRANSFERS</b>	<b>361,058</b>	<b>65,927</b>	<b>32,686</b>	<b>459,671</b>
Developer Contributions	135,932	-	-	135,932
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(61,977)	(68,300)	-	(130,277)
<b>CHANGE IN NET POSITION</b>	<b>435,013</b>	<b>(2,373)</b>	<b>32,686</b>	<b>465,326</b>
<b>TOTAL NET POSITION AT BEGINNING</b>				
<b>OF YEAR</b>	<b>4,987,122</b>	<b>3,413,423</b>	<b>432,123</b>	<b>8,832,668</b>
<b>TOTAL NET POSITION AT END OF YEAR</b>	<b>\$ 5,422,135</b>	<b>\$ 3,411,050</b>	<b>\$ 464,809</b>	<b>\$ 9,297,994</b>

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<b><u>CASH FLOWS FROM OPERATING</u></b>				
<b><u>ACTIVITIES</u></b>				
Receipts from Customers	\$ 971,157	\$ 1,470,861	\$ 894,145	\$ 3,336,163
Payments to Suppliers	(543,940)	(1,039,602)	(384,924)	(1,968,466)
Payments to Employees	(209,878)	(332,786)	(469,494)	(1,012,158)
<b>NET CASH FLOWS FROM OPERATING</b>	<b>217,339</b>	<b>98,473</b>	<b>39,727</b>	<b>355,539</b>
<b><u>CASH FLOWS FROM NONCAPITAL</u></b>				
<b><u>FINANCING ACTIVITIES</u></b>				
Due from Other Funds	(301,670)	(30,173)	132,199	(199,644)
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(61,977)	(68,300)	-	(130,277)
<b>NET CASH FLOWS FROM</b>	<b>(363,647)</b>	<b>(98,473)</b>	<b>132,199</b>	<b>(329,921)</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
<b><u>CASH FLOWS FROM CAPITAL AND</u></b>				
<b><u>RELATED FINANCING ACTIVITIES</u></b>				
Impact Fees	226,996	-	-	226,996
Note Payment	-	-	(31,250)	(31,250)
Acquisition of Capital Assets	(3,840)	-	(140,676)	(144,516)
<b>NET CASH FLOWS FROM CAPITAL AND</b>	<b>223,156</b>	<b>-</b>	<b>(171,926)</b>	<b>51,230</b>
<b>RELATED FINANCING ACTIVITIES</b>				
<b><u>CASH FLOWS FROM INVESTING</u></b>				
<b><u>ACTIVITIES</u></b>				
Interest Income	8,113	3,575	-	11,688
<b>NET CASH FLOWS FROM INVESTING</b>	<b>8,113</b>	<b>3,575</b>	<b>-</b>	<b>11,688</b>
<b>ACTIVITIES</b>				
<b>NET CHANGE IN CASH AND</b>	<b>84,961</b>	<b>3,575</b>	<b>-</b>	<b>88,536</b>
<b>CASH EQUIVALENTS</b>				
<b>CASH AND CASH EQUIVALENTS AT</b>	<b>1,032,404</b>	<b>479,403</b>	<b>-</b>	<b>1,511,807</b>
<b>BEGINNING OF YEAR</b>				
<b>CASH AND CASH EQUIVALENTS AT</b>	<b>\$ 1,117,365</b>	<b>\$ 482,978</b>	<b>\$ -</b>	<b>\$ 1,600,343</b>
<b>END OF YEAR</b>				

**SPRINGVILLE CITY CORPORATION**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
<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)	\$ 125,949	\$ 62,352	\$ 32,686	\$ 220,987
Adjustments				
Depreciation	86,930	22,628	21,948	131,506
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows				
Accounts Receivable, Net	(3,013)	(6,015)	-	(9,028)
Net Pension Asset	215	405	509	1,129
Deferred Outflows	(18,713)	(35,213)	(44,266)	(98,192)
Accounts Payable	13,774	21,605	(7,333)	28,046
Compensated Absences	(2,338)	5,360	1,799	4,821
Net Pension Liability	13,578	25,549	32,119	71,246
Deferred Inflows	957	1,802	2,265	5,024
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 217,339</u></b>	<b><u>\$ 98,473</u></b>	<b><u>\$ 39,727</u></b>	<b><u>\$ 355,539</u></b>
<b>Noncash Financing and Investing Transaction</b>				
Developer Contributions of Fixed Assets	\$ 135,932	\$ -	\$ -	\$ 135,932

## **STATE COMPLIANCE REPORT**

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

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

Honorable Mayor  
Members of the City Council  
Springville City, Utah

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

I have audited Springville City, Utah's (City) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on the City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

Budgetary Compliance  
Fund Balance  
Justice Courts  
Utah Retirement Systems  
Restricted Taxes and Related Revenues  
Open and Public Meetings Act  
Treasurer's Bond  
Cash Management  
Impact Fees

**Management's Responsibility**

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

**Auditor's Responsibility**

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the

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 on compliance with general state compliance requirements. However, my audit does not provide a legal determination of the City's compliance.

#### Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, Springville City, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2016.

#### Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the schedule of findings and questioned costs in the management letter, under the heading State Compliance Findings as item 2016-1. My opinion on compliance is not modified with respect to this matter.

#### Springville, Utah's Response to Findings

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

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

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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



deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of Report**

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

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is written in a cursive style.

Greg Ogden,  
Certified Public Accountant  
December 7, 2016

**GOVERNMENT AUDITING STANDARDS REPORT**

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Springville City, Utah, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 7, 2016.

**Internal Control over Financial Reporting**

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

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

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


**Compliance and Other Matters**

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

**Purpose of this Report**

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

  
Greg Ogden  
Certified Public Accountant  
December 7, 2016