

SPRINGVILLE CITY CORPORATION

**Financial Statements
and
Independent Auditors' Report**

Year Ended June 30, 2017

HBME

**Hansen, Bradshaw, Malmrose & Erickson
CERTIFIED PUBLIC ACCOUNTANTS**

SPRINGVILLE CITY CORPORATION

**Financial Statements
and
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Year Ended June 30, 2017

SPRINGVILLE CITY CORPORATION

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Hansen, Bradshaw, Malmrose & Erickson

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We 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 Corporation, Utah ("the City"), as of and for the year ended June 30, 2017, 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

The City's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 City'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 City's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our 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 Springville City Corporation, Utah, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity 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 and the pension schedules on pages 59-60 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison information 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 our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison information 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, we have also issued our report dated December 8, 2017, on our consideration of the City's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Springville City increased \$9,176,037 to \$197,379,416. The governmental net position increased by \$4,953,637 and the business-type net position increased by \$4,222,400.
- The total net position of \$197,379,416 is made up of \$157,508,355 in capital assets net of depreciation and related outstanding debt and \$39,871,061 in other net position.
- Total long-term liabilities of the City decreased by \$2,187,816.
- The General Fund (the primary operating fund) had its fund balance increase by \$816,715 to \$6,008,343. The increase was primarily the result of operating results throughout the year and an increase in the B & C Road funds reserve.

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 14-15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Springville City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 funds (as determined by generally accepted accounting principles) are the General Fund and Capital Projects Fund. The remaining governmental funds are determined to be non-major and are included in the combining statements within this report.

- *Proprietary funds* - Springville City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Springville City uses enterprise funds to account for its Electric Utility, Water Utility, Sewer Utility, Storm Water Utility, Solid Waste Collection, and Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among Springville City's various functions. The City uses an internal service fund 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.

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 \$197,379,416.

The largest portion of Springville City's net position (\$157,508,355) 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		Business-type	
	Activities		Activities	
	<u>2016-2017</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2015-2016</u>
Current and Other Assets	\$ 32,345	\$ 36,780	\$ 30,735	\$ 30,277
Capital Assets	92,967	84,898	92,441	89,438
Total Assets	125,312	121,678	123,176	119,715
Deferred Outflows of Resources	2,380	2,060	1,264	1,066
Total Assets and Deferred Outflows of Resources	127,692	123,738	124,440	120,781
Long-term Debt Outstanding	30,172	31,570	13,296	14,084
Other Liabilities	3,507	3,246	2,783	2,671
Total Liabilities	33,679	34,816	16,079	16,755
Deferred Inflow of Resources	4,586	4,448	409	296
Total Liabilities and Deferred Inflow of Resources	38,342	39,264	16,488	17,051
Net Position:				
Net Investment in Capital				
Assets	75,506	58,787	82,003	78,087
Restricted	4,275	17,888	2,045	1,920
Unrestricted	9,646	7,799	23,904	23,723
Total Net Position	\$ 89,427	\$ 84,474	\$ 107,952	\$ 103,730

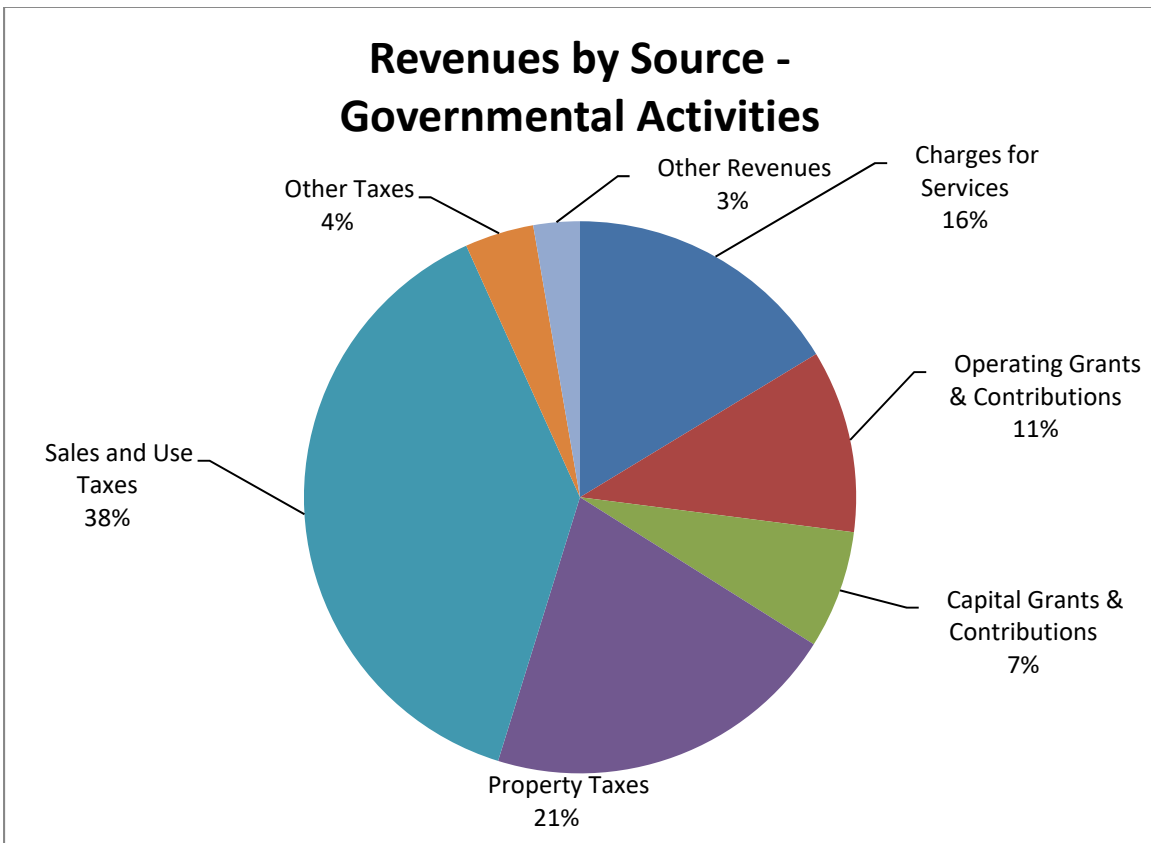
CHANGES IN NET POSITION (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2016-2017</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2015-2016</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 3,279	\$ 3,495	\$ 39,436	\$ 38,127
Operating Grants and Contributions	2,149	122	-	-
Capital Grants and Contributions	1,389	3,508	1,957	2,989
General Revenues:				
Property Taxes	4,192	3,401	-	-
Sales and Use Taxes	7,723	6,664	-	-
Change in Joint Venture	(76)	907	297	-
Other Taxes	811	1,043	-	-
Other Revenues	623	689	61	39
Total Revenues	<u>20,090</u>	<u>19,829</u>	<u>41,751</u>	<u>41,155</u>
Expenses				
General Government	4,135	3,743	-	-
Public Safety	5,619	5,042	-	-
Highways and Public Improvements	2,347	2,420	-	-
Community Development	695	849	-	-
Parks and Recreation	5,144	4,899	-	-
Interest on Long-Term Debt	966	646	-	-
Electric	-	-	23,789	23,511
Water	-	-	3,610	3,064
Wastewater Collection & Treatment	-	-	3,041	3,027
Storm Water	-	-	920	835
Solid Waste Collections	-	-	1,522	1,367
Golf Course	-	-	878	829
Total Expenses	<u>18,906</u>	<u>17,599</u>	<u>33,760</u>	<u>32,633</u>
Increase in Net Position Before Transfers	1,184	2,230	7,991	8,522
Transfers	3,769	2,209	(3,769)	(2,209)
Change in Net Position	4,953	4,439	4,222	6,313
Net Position Beginning	84,474	80,035	103,730	97,417
Prior Period Adjustment				
Net Position Ending	<u>\$ 89,427</u>	<u>\$ 84,474</u>	<u>\$ 107,952</u>	<u>\$ 103,730</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

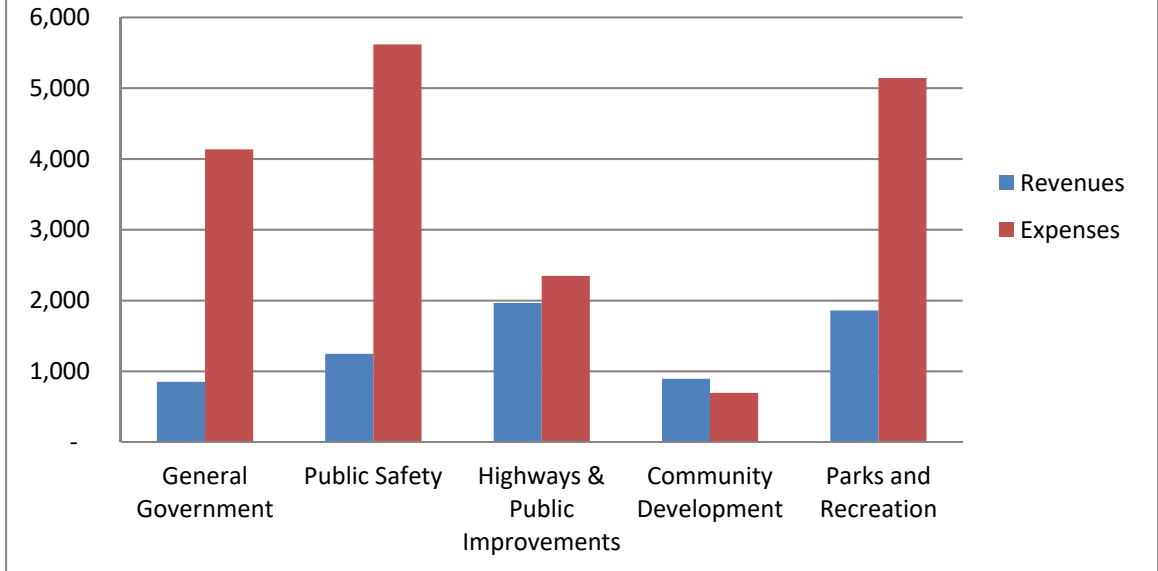
Taxes were up as a result of a new levy associated with general obligation bonds issued for the construction of a new aquatic and recreation center along with moderate growth through the last tax year. Sales tax revenues were up in 2017 as a reflection of a stable economy state wide and new retail development 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).



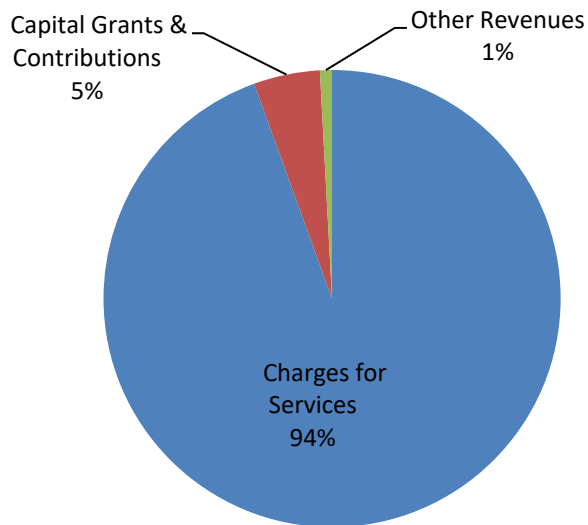
Program Revenues and Expenses - Governmental Activities

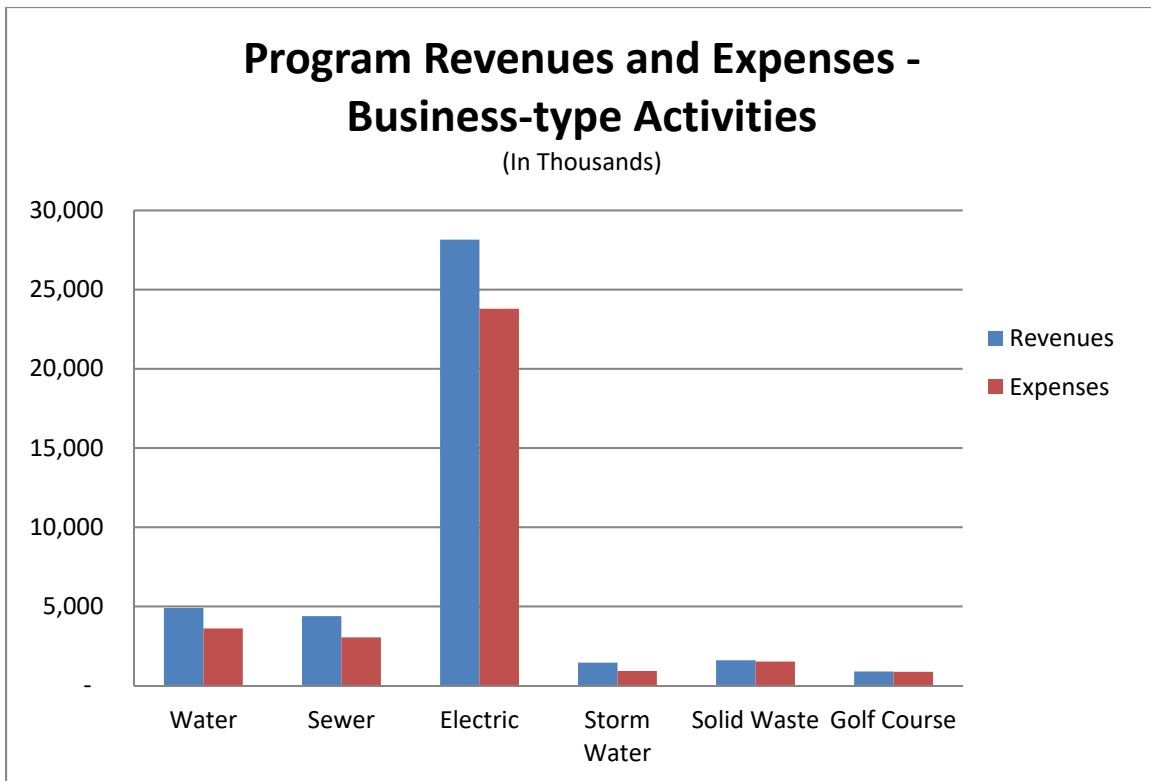
(In Thousands)



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 94% 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, 2017, the City’s governmental funds (General, Capital Projects, Debt Service, Special Revenue, and Permanent) reported combined fund balance of \$18,349,506. This represents a decrease of \$4,816,834 from last year’s ending balances. The primary reason for the decrease was the expenditure of bond proceeds for the construction of a new Recreation 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 61 percent of total tax revenues which is essentially unchanged compared to last year’s percentage. Growth in sales tax revenue is a reflection of retail growth in Springville 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 \$18,212,648 to a final budget of \$18,534,934. 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, 2017, amounts to \$185,407,977 (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 \$11,071,814. Governmental activities' capital assets increased by \$8,068,362 while the business-type activities' capital assets increased by \$3,003,452.

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

- Road Improvements and Reconstruction - \$1,094,656
- Vehicle Acquisition and Replacement - \$555,427
- Whitehead Power Plant Generation Project - \$4,228,582
- Aquatic and Activity Center Construction - \$8,837,956

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

	Governmental Activities		Business-type Activities	
	<u>2016-2017</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2015-2016</u>
Land	\$ 22,294	\$ 22,155	\$ 1,718	\$ 1,637
Water Shares	-	-	1,375	1,375
Buildings	36,799	36,741	5,592	5,592
System Improvements	75,533	74,093	150,003	143,479
Machinery & Equipment	11,525	10,854	2,771	2,790
Construction in Progress	9,108	300	1,452	1,212
Less Accumulated Depreciation	(62,292)	(59,245)	(70,470)	(66,647)
Total	<u>\$ 92,967</u>	<u>\$ 84,898</u>	<u>\$ 92,441</u>	<u>\$ 89,438</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, 2017, the City had total long-term bonded debt balances of \$35,468,174. Of the total, \$10,376,000 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 \$4,800,000, a sales tax revenue bond of \$1,960,000 and general obligation bonds of \$17,675,000, including the bonds issued last year for the Aquatic and Activities Center currently under construction. The City also has notes payable totaling \$62,500; unamortized premiums on bonds of \$657,174; accrued compensated absences of \$1,227,276 and net pension liabilities of \$6,709,323 outstanding at June 30, 2017.

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

	Governmental Activities		Business-type Activities	
	<u>2016-2017</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2015-2016</u>
General Obligation Bonds	\$ 17,675	\$ 18,370	\$ -	\$ -
Revenue Bonds	-	-	10,376	11,257
MBA Bonds	4,800	5,050	-	-
Special Assessment Bonds	-	266	-	-
Sales Tax Revenue Bonds	1,960	2,425	-	-
Notes Payable	-	-	63	94
Unamortized Bond Premium	657	692	-	-
Net Pension Liability	4,348	3,985	2,361	2,148
Compensated Absences	731	783	496	586
Total	<u>\$ 30,171</u>	<u>\$ 31,571</u>	<u>\$ 13,296</u>	<u>\$ 14,085</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 \$71,284,000. The City currently has \$17,675,000 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 \$142,567,000. 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, 2017 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 3.6 percent compared to a state unemployment rate of 3.4 percent and a national rate of 4.4 percent. (Source: U.S. Bureau of Labor Statistics)
- Expenditures in the General Fund were approximately eight percent higher than the previous year and approximately three percent higher in the Enterprise Funds. These increases are a reflection of modest growth, inflationary factors, increased hiring of previously vacant personnel positions, and increased interest on long-term debt associated with the issuance of general obligation bonds for the new recreation center. Actual expenditures for FY 2016-2017 were approximately six percent less than budgeted General Fund expenditures, which resulted primarily from line-item savings.

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.

SPRINGVILLE CITY CORPORATION
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,483,870	\$ 20,188,379	\$ 29,672,249
Receivables:			
Accounts, net	297,896	2,937,672	3,235,568
Property taxes	3,900,300	-	3,900,300
Other taxes	1,821,083	-	1,821,083
Prepays	319,825	-	319,825
Inventory	-	567,967	567,967
Internal balances	(2,657,841)	2,657,841	-
Restricted cash and cash equivalents	13,493,095	2,585,226	16,078,321
Equity investments in joint venture	5,681,814	1,794,996	7,476,810
Net pension asset	5,725	2,755	8,480
Capital assets			
Non depreciable	31,401,696	4,545,204	35,946,900
Depreciable assets, net of depreciation	61,565,016	87,896,061	149,461,077
Total assets	125,312,479	123,176,101	248,488,580
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred loss on refunding	65,253	-	65,253
Deferred outflows related to pensions	2,314,251	1,263,573	3,577,824
Total deferred outflows of resources	2,379,504	1,263,573	3,643,077
<u>LIABILITIES</u>			
Accounts payable	1,922,789	1,926,786	3,849,575
Accrued liabilities	352,576	110,560	463,136
Accrued interest payable	149,101	140,082	289,183
Developer and customer deposits	957,466	540,155	1,497,621
Unearned revenue	125,000	65,272	190,272
Noncurrent liabilities:			
Due within one year	1,895,659	1,185,229	3,080,888
Due in more than one year	23,927,833	9,749,229	33,677,062
Net pension liability	4,348,248	2,361,075	6,709,323
Total liabilities	33,678,672	16,078,388	49,757,060
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue-property taxes	3,844,220	-	3,844,220
Deferred inflows related to pensions	741,800	409,161	1,150,961
Total deferred inflows of resources	4,586,020	409,161	4,995,181
<u>NET POSITION</u>			
Net investment in capital assets	75,505,589	82,002,766	157,508,355
Restricted for:			
Debt service	163,929	2,045,071	2,209,000
Impact fees	2,974,080	-	2,974,080
Capital projects	1,137,981	-	1,137,981
Unrestricted	9,645,712	23,904,288	33,550,000
Total net position	\$ 89,427,291	\$ 107,952,125	\$ 197,379,416

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 4,135,262	\$ 850,997	\$ -	\$ -	\$ (3,284,265)		\$ (3,284,265)
Public safety	5,618,697	692,189	488,320	65,492	(4,372,696)		(4,372,696)
Community development	695,363	800,386	94,302	-	199,325		199,325
Highways and public improvements	2,347,149	92,667	1,239,827	632,362	(382,293)		(382,293)
Parks and recreation	5,144,143	842,417	326,778	691,203	(3,283,745)		(3,283,745)
Interest on long-term debt	965,657	-	-	-	(965,657)		(965,657)
Total governmental activities	18,906,271	3,278,656	2,149,227	1,389,057	(12,089,331)		(12,089,331)
Business-type activities							
Water	3,610,269	4,248,189	-	652,373		\$ 1,290,293	1,290,293
Sewer	3,040,700	4,056,774	-	334,715		1,350,789	1,350,789
Electric	23,788,913	27,534,405	-	619,832		4,365,324	4,365,324
Storm Water	920,195	1,099,079	-	350,474		529,358	529,358
Solid Waste	1,521,950	1,602,116	-	-		80,166	80,166
Golf	878,595	895,712	-	-		17,117	17,117
Total business-type activities	33,760,622	39,436,275	-	1,957,394		7,633,047	7,633,047
Total primary government	\$ 52,666,893	\$ 42,714,931	\$ 2,149,227	\$ 3,346,451	(12,089,331)	7,633,047	(4,456,284)
General Revenues:							
Taxes							
Property					4,192,133	-	4,192,133
Sales					7,722,695	-	7,722,695
Other taxes					811,121	-	811,121
Investment earnings					471,807	61,188	532,995
Miscellaneous					151,056	-	151,056
Equity investment income (loss)					(75,734)	297,388	221,654
Gain on sale and disposal of assets					667	-	667
Transfers - net					3,769,223	(3,769,223)	-
Total general revenue					17,042,968	(3,410,647)	13,632,321
Change in net position					4,953,637	4,222,400	9,176,037
Net position - beginning					84,473,654	103,729,725	188,203,379
Net position - ending					\$ 89,427,291	\$ 107,952,125	\$ 197,379,416

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,979,821	\$ 230,000	\$ 1,935,349	\$ 5,145,170
Receivables:				
Property taxes	3,775,300	-	125,000	3,900,300
Other taxes	1,821,083	-	-	1,821,083
Special assessment	-	-	15,977	15,977
Other, net	281,691	-	228	281,919
Due from other funds	-	-	124,107	124,107
Prepays	319,825	-	-	319,825
Restricted cash and cash equivalents	2,095,447	8,581,267	2,816,381	13,493,095
Investment in joint venture	131,997	-	-	131,997
Total assets	\$ 11,405,164	\$ 8,811,267	\$ 5,017,042	\$ 25,233,473
<u>LIABILITIES</u>				
Accounts payable	\$ 375,747	\$ 1,090,271	\$ 17,613	\$ 1,483,631
Accrued liabilities	344,388	-	5,155	349,543
Due to other funds	-	-	124,107	124,107
Developer and customer deposits	957,466	-	-	957,466
Unearned revenue	-	125,000	-	125,000
Total liabilities	1,677,601	1,215,271	146,875	3,039,747
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	3,719,220	-	125,000	3,844,220
Total deferred inflows of resources	3,719,220	-	125,000	3,844,220
<u>FUND BALANCES</u>				
Nonspendable	319,825	-	1,205,099	1,524,924
Restricted:				
Debt service	-	-	163,929	163,929
B & C roads	1,137,981	-	-	1,137,981
Impact fees	-	-	2,974,080	2,974,080
Assigned:				
Capital projects	-	7,595,996	-	7,595,996
Community improvements	-	-	515,344	515,344
Unassigned	4,550,537	-	(113,285)	4,437,252
Total fund balances	6,008,343	7,595,996	4,745,167	18,349,506
Total liabilities, deferred inflows of resources and fund balances	\$ 11,405,164	\$ 8,811,267	\$ 5,017,042	\$ 25,233,473

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances for governmental funds (page 16)	\$ 18,349,506
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	92,966,712
Joint venture in governmental activities are not financial resources and therefore, are not reported in the funds.	5,549,817
Other long-term assets are not available for current period expenditures and, therefore, are not reported in the funds balance sheet.	2,385,229
The proprietary funds cumulative allocation of the internal service funds net income based on use of service are included in the entitywide statements.	(2,657,841)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not recorded in the funds.	(149,101)
Long-term liabilities, including bonds, compensated absences, and notes are not due and payable in the current period and, therefore, are not reported in the funds.	(25,823,492)
Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds balance sheet.	(5,090,048)
The internal service fund is used by management to charge the cost of vehicles and related maintenance to other funds. The assets and liabilities of the internal services fund are included in the governmental activities in the Statement of Net Position.	3,896,509
Net position of governmental activities (page 14)	\$ 89,427,291

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 12,703,786	\$ -	\$ 22,163	\$ 12,725,949
Licenses and permits	945,306	-	-	945,306
Intergovernmental	1,624,952	35,338	94,302	1,754,592
Charges for services	2,204,899	-	77,754	2,282,653
Impact fees	-	-	1,063,614	1,063,614
Fines and forfeitures	409,065	-	-	409,065
Interest	232,907	200,204	28,642	461,753
Donations and reimbursements	71,105	500	-	71,605
Miscellaneous	47,387	2	103,667	151,056
Change in joint venture investment	31,220	-	-	31,220
Total revenues	18,270,627	236,044	1,390,142	19,896,813
<u>EXPENDITURES</u>				
Current:				
General government	3,675,442	-	-	3,675,442
Public safety	5,436,930	-	-	5,436,930
Community development	676,263	3,750	-	680,013
Highways and public improvements	1,140,222	-	-	1,140,222
Park, recreation, and public property	4,356,624	-	-	4,356,624
RDA expenditures	-	-	13,463	13,463
Capital outlay	-	10,450,553	39,144	10,489,697
Debt service:				
Principal	-	-	1,676,120	1,676,120
Interest and fiscal expenses	-	-	1,014,359	1,014,359
Total expenditures	15,285,481	10,454,303	2,743,086	28,482,870
Excess (deficiency) of revenues over (under) expenditures	2,985,146	(10,218,259)	(1,352,944)	(8,586,057)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	2,269,223	3,938,589	2,511,928	8,719,740
Transfers out	(4,437,654)	-	(512,863)	(4,950,517)
Total other financing sources (uses)	(2,168,431)	3,938,589	1,999,065	3,769,223
Net change in fund balances	816,715	(6,279,670)	646,121	(4,816,834)
Fund balances, beginning	5,191,628	13,875,666	4,099,046	23,166,340
Fund balances, ending	\$ 6,008,343	\$ 7,595,996	\$ 4,745,167	\$ 18,349,506

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances for governmental funds (page 18)	\$ (4,816,834)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of \$5,000 or more are capitalized and the cost is allocated over the asset's estimated useful lives and reported as depreciation expense.	
Capital outlay	10,482,031
Depreciation expense	(2,523,976)
Contributed assets are not recorded in governmental funds because current resources are not expended for acquisition. The Statement of Activities records these contributed assets at their estimated fair value on the date of contribution.	
	290,105
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither type of transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items.	
Reduction of long-term liability	1,676,120
Amortization of bond premiums and deferred loss on refunding	18,274
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.	
	(106,954)
Accrued pension costs are not reported as an expenditure in the current period for governmental funds but are recorded as an expense in the statement of activities.	
	(214,867)
Governmental assets deleted during the year with the respective gain (loss) on disposal are not shown in governmental funds.	
	667
Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due.	
Accrued interest	30,428
Compensated absences	51,477
The proprietary funds allocation of the internal service fund net gain is based on use of service included in the entity-wide statements.	
	(150,634)
Internal service fund is used by management to charge the cost of centralized services to individual funds. The net income of the internal service fund is reported with governmental activities.	
	217,800
Change in net position of governmental activities (page 15)	\$ 4,953,637

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 11,928,267	\$ 11,928,267	\$ 12,703,786	\$ 775,519
Licenses and permits	791,000	791,000	945,306	154,306
Intergovernmental	1,297,144	1,541,060	1,624,952	83,892
Charges for services	1,832,061	1,930,458	2,204,899	274,441
Fines and forfeitures	483,000	483,000	409,065	(73,935)
Interest	90,500	90,500	232,907	142,407
Donations	-	73,116	71,105	(2,011)
Miscellaneous	100,000	100,000	47,387	(52,613)
Changes in joint venture investment	-	-	31,220	31,220
Total revenues	<u>16,521,972</u>	<u>16,937,401</u>	<u>18,270,627</u>	<u>1,333,226</u>
<u>EXPENDITURES</u>				
Current:				
General government:				
City administrator	908,912	908,912	446,208	462,704
Information systems	383,917	383,917	239,009	144,908
Engineering	808,781	808,781	226,369	582,412
Cemetery	244,443	244,443	228,718	15,725
Mayor and city council	145,079	145,079	77,014	68,065
Finance and treasury	947,267	947,267	297,379	649,888
Nondepartmental	1,897,760	1,897,760	1,897,760	-
Legal services	489,195	489,195	262,985	226,210
Total general government	<u>5,825,354</u>	<u>5,825,354</u>	<u>3,675,442</u>	<u>2,149,912</u>
Public safety:				
Police	4,321,464	4,356,464	3,955,161	401,303
Fire	1,176,961	1,190,261	1,203,744	(13,483)
Court	308,544	302,296	278,025	24,271
Total public safety	<u>5,806,969</u>	<u>5,849,021</u>	<u>5,436,930</u>	<u>412,091</u>

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Continued)
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Highways and public improvements:				
Public works	324,440	324,440	61,745	262,695
Streets	1,302,052	1,252,052	1,078,477	173,575
Total highways and public improvements	<u>1,626,492</u>	<u>1,576,492</u>	<u>1,140,222</u>	<u>436,270</u>
Parks and recreation:				
Parks	1,395,570	1,395,570	1,306,488	89,082
Recreation	823,809	824,509	843,260	(18,751)
Art museum	489,183	818,717	749,831	68,886
Swimming pool	309,860	309,860	336,630	(26,770)
Library	1,001,055	1,001,055	1,010,016	(8,961)
Senior citizens	95,060	95,060	90,614	4,446
Arts commission	28,000	28,000	19,785	8,215
Total parks and recreation	<u>4,142,537</u>	<u>4,472,771</u>	<u>4,356,624</u>	<u>116,147</u>
Community development:				
Building inspection	312,011	312,011	270,136	41,875
Planning and zoning	499,285	499,285	406,127	93,158
Total community development	<u>811,296</u>	<u>811,296</u>	<u>676,263</u>	<u>135,033</u>
Total expenditures	<u>18,212,648</u>	<u>18,534,934</u>	<u>15,285,481</u>	<u>3,249,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,690,676)</u>	<u>(1,597,533)</u>	<u>2,985,146</u>	<u>4,582,679</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,384,424	4,384,424	2,269,223	(2,115,201)
Transfers out	(3,969,191)	(4,554,191)	(4,437,654)	116,537
Net other financing sources (uses)	<u>415,233</u>	<u>(169,767)</u>	<u>(2,168,431)</u>	<u>(1,998,664)</u>
Net change in fund balance	<u>\$ (1,275,443)</u>	<u>\$ (1,767,300)</u>	<u>816,715</u>	<u>\$ 2,584,015</u>
Fund balance, beginning of year			<u>5,191,628</u>	
Fund balance, end of year			<u>\$ 6,008,343</u>	

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Net Position – Proprietary Funds
June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 3,563,687	\$ 2,875,234	\$ 11,961,205	\$ 1,788,253	\$ 20,188,379	\$ 4,338,700
Accounts receivable, net	463,069	408,779	1,787,235	278,589	2,937,672	-
Inventory	-	-	567,967	-	567,967	-
Total current assets	4,026,756	3,284,013	14,316,407	2,066,842	23,694,018	4,338,700
Noncurrent assets:						
Restricted cash and cash equivalents	114,541	586,101	523,955	1,360,629	2,585,226	-
Capital assets:						
Land	201,267	40,860	273,498	1,202,282	1,717,907	-
Water shares	1,374,919	-	-	-	1,374,919	-
Construction in progress	236,703	127,537	990,033	98,105	1,452,378	-
Buildings	399,906	-	2,626,812	2,565,581	5,592,299	-
Improvements other than buildings	42,926,388	36,501,031	67,011,361	3,564,592	150,003,372	-
Machinery and equipment	465,690	719,506	784,334	801,789	2,771,319	6,830,327
Accumulated depreciation	(12,877,924)	(15,112,376)	(39,425,169)	(3,055,459)	(70,470,928)	(4,331,862)
Net capital assets	32,726,949	22,276,558	32,260,869	5,176,890	92,441,266	2,498,465
Other assets:						
Equity investment in joint venture	-	-	-	1,794,996	1,794,996	-
Net pension asset	454	371	1,773	157	2,755	-
Total other assets	454	371	1,773	1,795,153	1,797,751	-
Total noncurrent assets	32,841,944	22,863,030	32,786,597	8,332,672	96,824,243	2,498,465
Total assets	36,868,700	26,147,043	47,103,004	10,399,514	120,518,261	6,837,165
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred outflows related to pensions	199,389	162,711	714,167	187,306	1,263,573	18,262
Total deferred outflows of resources	199,389	162,711	714,167	187,306	1,263,573	18,262

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Net Position – Proprietary Funds (Continued)
June 30, 2017

	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 143,302	\$ 7,402	\$ 1,699,804	\$ 76,278	\$ 1,926,786	\$ 439,158
Accrued liabilities	16,195	12,850	60,091	21,424	110,560	3,033
Deposits	16,200	-	523,955	-	540,155	-
Accrued interest payable	23,707	98,876	-	17,499	140,082	-
Unearned revenue	-	-	65,272	-	65,272	-
Compensated absences	26,917	38,608	164,192	18,262	247,979	-
Bonds payable	160,000	746,000	-	-	906,000	-
Notes payable	-	-	-	31,250	31,250	-
Total current liabilities	386,321	903,736	2,513,314	164,713	3,968,084	442,191
Noncurrent liabilities:						
Compensated absences	26,918	38,608	164,191	18,262	247,979	-
Bonds payable	1,872,000	7,598,000	-	-	9,470,000	-
Notes payable	-	-	-	31,250	31,250	-
Net pension liability	373,252	304,619	1,342,062	341,142	2,361,075	19,727
Total noncurrent liabilities	2,272,170	7,941,227	1,506,253	390,654	12,110,304	19,727
Total liabilities	2,658,491	8,844,963	4,019,567	555,367	16,078,388	461,918
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	64,349	52,503	228,848	63,461	409,161	10,482
Total deferred outflows of resources	64,349	52,503	228,848	63,461	409,161	10,482
NET POSITION						
Net investment in capital assets	30,694,949	13,932,558	32,260,869	5,114,390	82,002,766	2,516,727
Restricted for debt service	98,341	586,101	-	1,360,629	2,045,071	-
Unrestricted	3,551,959	2,893,629	11,307,887	3,492,973	21,246,448	3,866,300
Total net position	\$ 34,345,249	\$ 17,412,288	\$ 43,568,756	\$ 9,967,992	\$ 105,294,285	\$ 6,383,027
Net position (proprietary funds)					105,294,285	
Amounts reported for business activities in the statement of net position are different because:						
Internal service funds are used by management to charge the costs of vehicles and fleet services to other funds. The net revenue associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.					2,657,840	
Net position (proprietary funds/entity-wide)					<u>\$ 107,952,125</u>	

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2017

	Water	Sewer	Electric	Enterprise Funds	Total	Internal Service Fund
<u>OPERATING REVENUES</u>						
Sales and charges for services	\$ 4,153,980	\$ 4,045,545	\$ 27,348,935	\$ 3,579,665	\$ 39,128,125	\$ 2,241,371
Connection fees	68,295	-	143,448	-	211,743	-
Miscellaneous income	25,914	11,229	42,022	17,242	96,407	-
Total operating revenues	4,248,189	4,056,774	27,534,405	3,596,907	39,436,275	2,241,371
<u>OPERATING EXPENSES</u>						
Salaries and benefits	962,263	769,068	3,134,815	1,188,684	6,054,830	589,399
Administrative	1,565,287	1,138,049	18,876,737	2,042,413	23,622,486	760,983
Depreciation	1,033,642	885,075	1,839,670	146,814	3,905,201	735,890
Total operating expenses	3,561,192	2,792,192	23,851,222	3,377,911	33,582,517	2,086,272
Operating income	686,997	1,264,582	3,683,183	218,996	5,853,758	155,099
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Equity income of joint venture	-	-	-	297,388	297,388	-
Impact fees	382,839	238,475	619,832	313,958	1,555,104	-
Interest income	1,225	2,402	37,002	20,559	61,188	10,054
Interest and fiscal expenses	(57,624)	(253,616)	-	(17,499)	(328,739)	-
Gain/(loss) on disposal of assets	-	-	-	-	-	52,647
Total nonoperating revenues (expenses)	326,440	(12,739)	656,834	614,406	1,584,941	62,701
Income (loss) before contributions and transfers	1,013,437	1,251,843	4,340,017	833,402	7,438,699	217,800
Capital contributions	269,534	96,240	-	36,516	402,290	-
Transfers in	-	60,000	-	-	60,000	-
Transfers out	(260,733)	(244,654)	(3,123,916)	(199,920)	(3,829,223)	-
Change in net position	1,022,238	1,163,429	1,216,101	669,998	4,071,766	217,800
Total net position, beginning	33,323,011	16,248,859	42,352,655	9,297,994	101,222,519	6,165,227
Total net position, ending	\$ 34,345,249	\$ 17,412,288	\$ 43,568,756	\$ 9,967,992	\$ 105,294,285	\$ 6,383,027
Change in net position (proprietary funds)					4,071,766	
Amounts reported for business activities in the statement of activities are different because:						
Internal service funds are used by management to charge the costs of vehicles and fleet services to other funds. The net revenue associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.						
					150,634	
Change in net position (proprietary funds/entity-wide)					<u>\$ 4,222,400</u>	

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds				Total Enterprise Funds	Governmental Activities
	Water	Sewer	Electric	Nonmajor Enterprise Funds		Internal Service Fund
Cash flows from operating activities						
Receipts from customers and users	\$ 4,280,636	\$ 4,017,175	\$ 27,631,552	\$ 3,564,502	\$ 39,493,865	\$ 2,241,371
Payments to suppliers	(1,566,340)	(1,149,810)	(18,724,681)	(2,085,871)	(23,526,702)	(388,205)
Payments to employees	(934,119)	(775,711)	(3,051,903)	(1,209,428)	(5,971,161)	(576,839)
Net cash provided by operating activities	1,780,177	2,091,654	5,854,968	269,203	9,996,002	1,276,327
Cash flows from noncapital financing activities						
Transfers from other funds	-	60,000	-	-	60,000	-
Transfers to other funds	(260,733)	(244,654)	(3,123,916)	(199,920)	(3,829,223)	-
Net cash used by noncapital financing activities	(260,733)	(184,654)	(3,123,916)	(199,920)	(3,769,223)	-
Cash flows from capital and related financing activities						
Aquisition of capital assets	(406,206)	(127,537)	(5,964,593)	(220,712)	(6,719,048)	(555,425)
Capital grants	212,684	-	-	-	212,684	-
Proceeds from sale of assets	-	-	-	-	-	52,647
Impact fees received	382,839	238,475	619,832	313,958	1,555,104	-
Principal paid on capital debt	(129,000)	(752,000)	-	(31,250)	(912,250)	-
Interest paid on capital debt	(59,444)	(262,790)	-	-	(322,234)	-
Net cash provided (used) by capital and related financing activities	873	(903,852)	(5,344,761)	61,996	(6,185,744)	(502,778)
Cash flows from investing activities						
Interest received	1,225	2,402	37,002	20,559	61,188	10,054
Net cash provided by investing activities	1,225	2,402	37,002	20,559	61,188	10,054
Net increase (decrease) in cash and cash equivalents	1,521,542	1,005,550	(2,576,707)	151,838	102,223	783,603
Cash and cash equivalents, beginning of year	2,156,686	2,455,785	15,061,867	2,997,044	22,671,382	3,555,097
Cash and cash equivalents, end of year	\$ 3,678,228	\$ 3,461,335	\$ 12,485,160	\$ 3,148,882	\$ 22,773,605	\$ 4,338,700
Unrestricted cash	\$ 3,563,687	\$ 2,875,234	\$ 11,961,205	\$ 1,788,253	\$ 20,188,379	\$ 4,338,700
Restricted cash	114,541	586,101	523,955	1,360,629	2,585,226	-
Total cash and cash equivalents	\$ 3,678,228	\$ 3,461,335	\$ 12,485,160	\$ 3,148,882	\$ 22,773,605	\$ 4,338,700

(Continued)

SPRINGVILLE CITY CORPORATION
Statement of Cash Flows – Proprietary Fund (Continued)
For the Year Ended June 30, 2017

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Reconciliation of operating income to net cash provided by operating activities						
Operating income	\$ 686,997	\$ 1,264,582	\$ 3,683,183	\$ 218,996	\$ 5,853,758	\$ 155,099
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,033,642	885,075	1,839,670	146,814	3,905,201	735,890
Changes in assets and liabilities:						
Accounts receivable	33,247	(39,599)	79,292	(32,405)	40,535	-
Prepays	-	-	47,980	-	47,980	-
Accounts payable	(1,053)	(11,761)	104,076	(43,458)	47,804	372,778
Accrued liabilities	3,839	2,781	12,537	21,424	40,581	613
Deposits	(800)	-	17,855	-	17,055	-
Compensated absences	3,768	(26,164)	534	(68,308)	(90,170)	-
Net pension liability	20,537	16,740	69,841	26,140	133,258	11,947
Net cash provided by operating activities	<u>\$ 1,780,177</u>	<u>\$ 2,091,654</u>	<u>\$ 5,854,968</u>	<u>\$ 269,203</u>	<u>\$ 9,996,002</u>	<u>\$ 1,276,327</u>
Noncash investing, capital and financing activities						
Capital contributions - developers	\$ 56,850	\$ 96,240	\$ -	\$ 36,516	\$ 189,606	\$ -
Equity investment adjustment for net income and ownership changes	\$ -	\$ -	\$ -	\$ 297,388	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is a municipal corporation governed by an elected five-member Council and Mayor. The City provides the following services as authorized by its charter: general administrative services, public safety (police and fire), highway and streets, electric, water, solid waste, water reclamation, storm water, recreation and parks, public improvements, and planning and zoning.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

The accompanying financial statements present the 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 primary government's operations. Thus, blended component units are appropriately presented as funds of the primary government.

The Redevelopment Agency of the City of Springville (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. 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 Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

The Municipal Building Authority of the City of Springville (MBA) was established to finance and construct municipal buildings that are then leased to the City. The governing board of the MBA is comprised of the Mayor and members of City Council. 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 MBA is 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general administrative services, police and fire protection (public safety), parks and recreation, and highways and public improvements are classified as governmental activities. The City's water, sewer, electric, storm water, solid waste services, and golf course are classified as business-type activities.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Property taxes, sales tax, use taxes, franchise taxes, licenses, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of the major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

- The Water Fund accounts for the activities of the City's water production, treatment and distribution operations.
- The Sewer Fund accounts for the activities of the City's sewer treatment operations.
- The Electric Fund accounts for the activities of the City's electric generation and distribution operations.

Internal Service Fund – The internal service fund accounts for the costs of procurement and maintenance of vehicles and equipment owned by the City.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes imposed by the City.

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position

Cash, Cash Equivalents, and Investments The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents and includes deposits with financial institutions, money market accounts, bond reserve accounts, and accounts at the Utah Public Treasurer's Investment Trust (the State Treasurer's Pool). For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts. Investments consist of debt securities and term deposits with financial institutions. Investments of the City are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Receivables and Payables (Continued)

Management has estimated the allowance for uncollectibles to be \$422,537 for governmental funds and \$83,500 for proprietary funds, which is estimated based on historical trends related to collections.

Other receivables at June 30, 2017, consist of property taxes, franchise taxes, sales tax, grants and accounts (billings for user charged services, including unbilled utility services) and are shown net of an allowance for uncollectibles. The utility billings for charged services are billed to customers monthly.

Restricted Assets Assets whose use is restricted for construction, debt service or by other independent third parties, enabling legislation, or other laws and statutes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Inventories and Prepaid Items Inventories of materials and supplies in the proprietary funds, consisting principally of materials used in the repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis (FIFO). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Capital Assets (Continued)

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives as follows:

Assets	Years
Buildings and structures	20 - 40
Improvements and infrastructure	7 - 40
Machinery, equipment, and vehicles	5 - 15

Unearned Revenue Unearned revenue arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the revenue is recognized.

Compensated Absences Accumulated unpaid vacation is accrued as incurred based on 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 absences 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 for payment in the current fiscal year.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Deferred Inflows and Outflows of Resources In addition to liabilities, the statement of financial position will sometimes report a separate section for 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources: property taxes (property taxes which will be levied and collected more than 60 days after year end) and certain long-term notes receivable (repayments on this note will be collected more than 60 days after year end). These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The City also has deferred outflows relating to pensions as of June 30, 2017.

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 Plan (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.

Long-Term Obligations In the government-wide financial statements and proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds' Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period as other financing sources or uses. The face amount of debt issued is also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the current period.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Fund Balance and Net Position Net position is classified in the government-wide financial statements in three components:

- (1) *Net investment in capital assets* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) *Restricted net position* - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

GASB Statement No. 54 provided new reporting categories for fund balance in governmental funds. The categories and descriptions are as follows:

- (1) *Nonspendable fund balance* 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 intact.
- (2) *Restricted fund balance* classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- (4) *Assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Fund Balance and Net Position (Continued)

- (5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary funds report net position in the same manner as the government-wide statements.

When restricted, committed, assigned, or unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by committed resources, then assigned, and then unassigned as they are needed.

Estimates The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

Annual budgets are prepared and adopted, in accordance with State law, by the City Council on or before June 22 for the following fiscal year. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Funds and Enterprise Funds. The Cemetery Fund (Permanent Fund) does not adopt an annual budget. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the City Administrator and City Council for operating within the budget for their departments. All annual budgets lapse at fiscal year-end.

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed General Fund balance until it exceeds 5% of the General Fund revenues. Until the sum of the stated fund balance categories is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law also prohibits the accumulation of the stated fund balance categories in the General Fund in any amounts greater than 25% of the current year's total actual revenues.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Data (Continued)

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 or 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 are 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. The Special Improvement District special revenue fund ended the fiscal year with a deficit fund balance of \$113,285. The deficit was the result of assessment receivable adjustments. The City will make plans to correct this deficit.

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 by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th 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 30th 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, semi-annual, or annual basis. An accrual has made for fees due and payable to the City at June 30th.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as term deposits. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds. 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 (UMMA) that relate to the deposit and investment of public funds.

The City's follows the requirements of UMMA (*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, which is defined as a 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. UMMA defines 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 UMMA; 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 UMMA. 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 administration 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

3. DEPOSITS AND INVESTMENTS (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: Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instruments. The prices are determined using significant unobservable inputs or valuation techniques. Quoted prices for identical investments in active markets.

At June 30, 2017, the City had the following recurring fair value measurements.

	06/30/17	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
PTIF	\$42,934,255	\$ -	\$42,934,255	\$ -
Total debt securities	<u>\$42,934,255</u>	<u>\$ -</u>	<u>\$42,934,255</u>	<u>\$ -</u>

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2017, \$2,847,043 of the City's \$3,097,043 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. UMMA does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. UMMA requires that the City keep deposits in a qualified depository, which the City has done.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. Of the City's investment in the Utah Public Treasurer's Investment Fund (PTIF) of \$42,934,255, the government has no custodial credit risk exposure as the PTIF is an external investment pool managed by the Utah State Treasurer and is not categorized as to custodial credit risk.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risks of investments is to comply with UMMA.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity 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.

As of June 30, 2017, the City's investments had the following maturities and ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>Quality Ratings</u>
		<u>Less Than 1</u>	<u>1-5</u>	
PTIF	\$ 42,934,255	\$42,934,255	\$ -	Unrated
	<u>\$ 42,934,255</u>	<u>\$42,934,255</u>	<u>\$ -</u>	

Concentration of credit risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City's investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer.

The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

For the year ended June 30, 2017, the City had investments of \$42,934,255 with the PTIF. The fair value of these investments was \$43,129,908 using a fair value factor of 1.00455704.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Following are the City's cash and investments at June 30, 2017:

	<u>Carrying Value</u>
Cash on hand and on deposit:	
Cash on hand	\$ 4,650
Cash on deposit	2,811,665
PTIF accounts	<u>42,934,255</u>
Total cash on hand and deposit	<u><u>\$ 45,750,570</u></u>

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The purpose of the transfers was to provide cash flows, pay operating expenses, and to fund capital projects. Transfers among the funds during the current year were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,269,223	\$ 4,437,654
Capital Projects Fund	3,938,589	-
Nonmajor Governmental Funds	2,511,928	512,863
Water Fund	-	260,733
Sewer Fund	60,000	244,654
Electric Fund	-	3,123,916
Nonmajor Proprietary Funds	-	<u>199,920</u>
	<u><u>\$ 8,779,740</u></u>	<u><u>\$ 8,779,740</u></u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

5. CAPITAL ASSETS

Capital asset activity of the governmental activities, including the internal service fund, for the year ended June 30, 2017 was as follows:

	6/30/16	Increases	Decreases	06/30/17
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 22,154,859	\$ 139,062	\$ -	\$ 22,293,921
Construction in progress	300,341	8,884,902	(77,468)	9,107,775
Total capital assets, not being depreciated	22,455,200	9,023,964	(77,468)	31,401,696
Capital assets, being depreciated:				
Buildings and structures	36,741,418	58,148	-	36,799,566
Improvements	74,093,219	1,439,399	-	75,532,618
Machinery, equipment, and vehicles	10,853,668	883,520	(212,564)	11,524,624
Total capital assets, being depreciated	121,688,305	2,381,067	(212,564)	123,856,808
Less accumulated depreciation	(59,245,155)	(3,259,867)	213,230	(62,291,792)
Total capital assets being depreciated, net	62,443,150	(878,800)	666	61,565,016
Governmental capital assets, net	<u>\$ 84,898,350</u>	<u>\$ 8,145,164</u>	<u>\$ (76,802)</u>	<u>\$ 92,966,712</u>

Capital asset activity of the business-type activities for the year ended June 30, 2017 was as follows:

	6/30/16	Increases	Decreases	06/30/17
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,636,634	\$ 81,273	\$ -	\$ 1,717,907
Construction in progress	1,212,177	1,335,166	(1,094,965)	1,452,378
Water shares	1,374,919	-	-	1,374,919
Total capital assets, not being depreciated	4,223,730	1,416,439	(1,094,965)	4,545,204
Capital assets, being depreciated:				
Buildings and structures	5,592,299	-	-	5,592,299
System improvements	143,478,506	6,524,867	-	150,003,373
Machinery, equipment, and vehicle	2,790,078	62,312	(81,071)	2,771,319
Total capital assets, depreciated	151,860,883	6,587,179	(81,071)	158,366,991
Less accumulated depreciation	(66,646,801)	(3,905,200)	81,071	(70,470,930)
Total capital assets being depreciated, net	85,214,082	2,681,979	-	87,896,061
Business-type capital assets, net	<u>\$ 89,437,812</u>	<u>\$ 4,098,418</u>	<u>\$ (1,094,965)</u>	<u>\$ 92,441,265</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

5. CAPITAL ASSETS (CONTINUED)

In the government-wide financial statements, depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 399,903
Public safety	138,355
Community development	2,850
Highways and public improvements	1,217,319
Parks and recreation	765,550
Internal service funds	735,890
Total depreciation expense - governmental activities	<u>\$ 3,259,867</u>
Business-type activities:	
Water Fund	\$ 1,033,641
Sewer Fund	885,075
Electric Fund	1,839,670
Storm Water Fund	90,329
Solid Waste Fund	16,262
Golf Course Fund	40,223
Total depreciation expense - business-type activities	<u>\$ 3,905,200</u>

6. 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. Each city owns 50% of the joint venture.

The Airport is governed by the city councils of the two participating cities. It also has an oversight board, which is selected from members of the participants' city councils and other citizens of the two communities. The Airport Oversight Board oversees the operations of the airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore it must follow Utah State laws for cities in the areas of fiscal management, budgeting, and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.

Annually, the City recognizes its pro-rata share of the Airport's operating income or loss. For fiscal year 2017, the Airport reported a decrease in net position of \$151,465. The City recognized its 50% of the Airport's loss as equity income of a joint venture of \$(75,734) in the governmental activities. The complete financial statements for Spanish Fork/Springville Airport are available at the Airport offices, 5300 South 200 West, Spanish Fork, Utah.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

6. INVESTMENT IN JOINT VENTURES (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. The District is owned by Springville City (15.00%), Provo City (69.75%), Spanish Fork City (11.75%), Mapleton City (2.00%) and Salem City (1.50%).

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 by 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. 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.

Annually, the City recognizes its pro-rata share of the District's operating income or loss. For fiscal year 2017, the District reported an increase in net position of \$956,038. The City recognized its 15% of the District's income as equity income of a joint venture of \$297,388 in the Solid Waste Fund. The complete financial statements for Utah Valley Solid Waste District are available at the District's offices, 2450 West 400 South, Springville, Utah.

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2017:

	<u>6/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/17</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
General obligation bonds	\$ 18,370,000	\$ -	\$ (695,000)	\$ 17,675,000	\$ 795,000
Sales tax revenue bonds	2,425,000	-	(465,000)	1,960,000	475,000
Special assessment revenue bonds	266,120	-	(266,120)	-	-
Municipal Building Authority lease revenue bonds	5,050,000	-	(250,000)	4,800,000	260,000
Plus: unamortized premiums	691,762	-	(34,588)	657,174	-
Total bonds payable	<u>26,802,882</u>	<u>-</u>	<u>(1,710,708)</u>	<u>25,092,174</u>	<u>1,530,000</u>
Compensated absences	<u>782,795</u>	<u>374,020</u>	<u>(425,497)</u>	<u>731,318</u>	<u>365,659</u>
Governmental activities, long-term liabilities	<u>\$ 27,585,677</u>	<u>\$ 374,020</u>	<u>\$ (2,136,205)</u>	<u>\$ 25,823,492</u>	<u>\$ 1,895,659</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

7. LONG-TERM DEBT (CONTINUED)

Long-term debt and obligations for governmental activities payable at June 30, 2017 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-Term Balance</u>
Municipal Building Authority Lease Revenue Bonds, Series 2008 (original amount - \$6,435,000)	2.55%	2031	\$ 260,000	\$ 4,540,000
Sales Tax Revenue Refunding Bonds, Date December 31, 2014 (original amount - \$2,885,000)	1.85%	2021	475,000	1,485,000
Taxable General Obligation Build America Bonds, Series 2010 (original amount - \$9,800,000)	1.00% to 5.30%	2031	415,000	6,770,000
General Obligation Bonds, Series 2016 (original amount - \$10,785,000)	2.00% to 5.00%	2036	380,000	10,110,000
Unamortized Premium on Bond				657,174
Total Governmental Activities Long-term Debt			<u>\$ 1,530,000</u>	<u>\$ 23,562,174</u>

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. On December 11, 2014, the City transacted a current refund on 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%.

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

The 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

7. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2017:

	<u>6/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/17</u>	<u>Due in One Year</u>
<u>Business-type activities</u>					
Water and sewer					
revenue bonds	\$ 11,257,000	\$ -	\$ (881,000)	10,376,000	\$ 906,000
Notes payable	93,750	-	(31,250)	62,500	31,250
Compensated absences	586,128	184,388	(274,558)	495,958	247,979
Business-type activities, long-term liabilities	<u>\$ 11,936,878</u>	<u>\$ 184,388</u>	<u>\$ (1,186,808)</u>	<u>\$ 10,934,458</u>	<u>\$ 1,185,229</u>

Long-term debt and obligations for business-type activities payable at June 30, 2017 were as follows:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-Term Balance</u>
Sewer Revenue Bonds, dated February 1, 1998 (original amount - \$1,500,000)	4.50%	2019	\$ 106,000	\$ 110,000
Water and Sewer Revenue Refunding Bonds, Dated April 22, 2008 (original amount - \$15,135,000)	2.80%	2028	800,000	9,360,000
Golf Cart Note Payable (original amount - \$135,000)	0.00%	2018	<u>31,250</u>	<u>31,250</u>
Total Business-type Activities Long-term Debt			<u>\$ 937,250</u>	<u>\$ 9,501,250</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 forty percent of the total sewer revenues.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

7. LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30,	Governmental Activities		Business-type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,530,000	887,426	\$ 937,250	\$ 300,033	\$ 2,467,250	\$ 1,187,459
2019	1,575,000	839,851	966,250	272,863	2,541,250	1,112,714
2020	1,625,000	785,601	845,000	238,980	2,470,000	1,024,581
2021	1,680,000	729,005	870,000	215,320	2,550,000	944,325
2022	1,225,000	659,955	895,000	190,960	2,120,000	850,915
2023-2027	6,925,000	2,463,020	4,870,000	564,480	11,795,000	3,027,500
2028-2032	7,110,000	1,100,725	1,055,000	29,540	8,165,000	1,130,265
2033-2036	2,765,000	210,600	-	-	2,765,000	210,600
	<u>\$24,435,000</u>	<u>\$7,676,184</u>	<u>\$10,438,500</u>	<u>\$1,812,176</u>	<u>\$ 34,873,500</u>	<u>\$9,488,360</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:

	Water Revenue Bonds	Sewer Revenue Bonds
Net revenues		
Operating revenues	\$ 4,248,189	\$ 4,056,774
Operating expenses (excluding depreciation and amortization)	(2,527,550)	(1,907,117)
Impact fees	382,839	238,475
Interest income	1,225	2,402
Net revenues	<u>\$ 2,104,703</u>	<u>\$ 2,390,534</u>
Maximum Aggregate Debt Service	<u>\$ 211,000</u>	<u>\$ 844,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>997%</u>	<u>283%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

8. 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, 2017, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$271,435.

9. RETIREMENT PLANS

General Information about the Pension Plan

Plan description Eligible plan participants are provided with 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 work on or after July 1, 2011, who has no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

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 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

9. RETIREMENT PLANS (CONTINUED)

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

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

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%
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% or 4%
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 2.50%
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 2.50%

*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 as of June 30, 2017 are as follows:

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

9. RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

Utah Retirement Systems

	Employee Paid	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System			
11 - Local Government Division Tier 1	6.00%	14.46%	N/A
111 - Local Governmental Division Tier 2	N/A	14.91%	1.780%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety Retirement System			
43 - Other Division A Noncontributory with 2.5% COLA	N/A	34.04%	N/A
122 - Tier 2 DB Hybrid Public Safety Contributory	N/A	22.55%	1.33%
Firefighters Retirement System			
31 Other Division A	15.05%	3.89%	N/A
132 Tier 2 DB Hybrid Firefighters	N/A	10.75%	1.33%
Tier 2 DC Only			
211- Local Government	N/A	6.69%	10.00%
222-Public Safety	N/A	11.83%	12.00%
232-Firefighters	N/A	0.08%	12.00%

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, 2017, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 1,215,101	N/A
Contributory System	3,728	-
Public Safety System	327,949	-
Firefighters System	5,864	-
Tier 2 Public Employees System	243,094	-
Tier 2 Public Safety and Firefighter System	100,909	-
Tier 2 DC Only System	4,289	N/A
Tier 2 DC Public Safety and Firefighter System	741	N/A
Total Contributions	<u>\$ 1,901,675</u>	<u>\$ -</u>

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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

9. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2017, the City reported a net pension asset of \$8,480 and a net pension liability of \$6,709,323.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System	\$ -	\$5,126,782	0.7984120%	0.8157080%	-0.0172960%
Contributory System	-	71,894	0.2191155%	0.1624709%	0.0566446%
Public Safety System	-	1,493,188	0.7358229%	0.7830661%	-0.0472432%
Firefighters System	3,901	-	0.4948301%	0.5238695%	-0.0290394%
Tier 2 Public Employees System	-	17,459	0.1565131%	0.1220505%	0.0344626%
Tier 2 Public Safety and Firefighter	<u>4,579</u>	<u>-</u>	0.5275480%	0.6507001%	-0.1231521%
Total Net Pension Asset / Liability	<u>\$ 8,480</u>	<u>\$6,709,323</u>			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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 June 30, 2017, the City recognized pension expense of \$2,262,117.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 114,744	\$ 284,171
Changes in assumptions	986,473	233,516
Net difference between projected and actual earnings on pension plan investments	1,527,361	450,118
Changes in proportion and differences between contributions and proportionate share of contributions	20,816	183,156
Contributions subsequent to the measurement date	<u>928,430</u>	<u>-</u>
Total	<u>\$ 3,577,824</u>	<u>\$ 1,150,961</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

9. RETIREMENT PLANS (CONTINUED)

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$928,430 was reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2016.

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,	Deferred Outflows (Inflows) of Resources
2017	\$ 428,855
2018	470,003
2019	617,354
2020	(36,535)
2021	628
Thereafter	18,131

Actuarial assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

9. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

The long-term expected rate of return of 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. These 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 on each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected 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%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from the 7.50 percent from the prior measurement period.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

9. RETIREMENT PLANS (CONTINUED)

Sensitivity to the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 10,619,303	\$ 5,126,782	\$ 543,574
Contributory System	173,074	71,894	(13,340)
Public Safety System	3,105,492	1,493,188	182,604
Firefighters System	141,069	(3,901)	(121,529)
Tier 2 Public Employees System	118,837	17,459	(59,664)
Tier 2 Public Safety and Firefighter System	32,039	(4,579)	(32,720)
Total	<u>\$ 14,189,814</u>	<u>\$ 6,700,843</u>	<u>\$ 498,925</u>

Pension Plan Fiduciary Net Position

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

10. DEFINED CONTRIBUTION SAVINGS PLAN

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%, depending on the employees' contributions. The rate of City participation can be changed by the City Council.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

10. DEFINED CONTRIBUTION SAVINGS PLAN (CONTINUED)

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

401(k) Plan	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer contributions	\$ 192,567	\$ 213,742	\$ 163,662
Employee contributions	262,451	257,787	222,178

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employee contributions	\$ 35,820	\$ 42,980	\$ 44,599

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer contributions	\$ 62,225	\$ 27,192	\$ 18,757
Employee contributions	15,300	-	-

11. REDEVELOPMENT AGENCY OF SPRINGVILLE CITY

In accordance with Utah State law, the City makes the following disclosures relative to the Redevelopment Agency of Springville City (RDA): The RDA collected \$116,465 of tax increment monies for its project areas of which \$0 was paid for development incentives. During 2017, the RDA expended \$0 for administrative costs.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

12. TAX ABATEMENTS

As of June 30, 2017, the City provides tax abatements under one program: the Redevelopment Agency of Springville City (the Agency). Pursuant to the provisions of the Utah Community Development and Renewal Agencies Act, Utah State Code Title 17C, the City established the Redevelopment Agency. The City authorizes the rebate of sales and property tax increment through the budget process. The annual budget is adopted by City ordinance. The amount of the tax rebate (abatement) is based on the provisions as stated in the written agreement between the Agency and the outside entity. The abatement recipient remits their full property or sales tax obligation to the taxing authority. Once the taxes have been paid and it has been verified that the provisions of the agreement have been met, then the agreed amount is rebated to the recipient entity. The qualifying provisions of the agreements generally focus on affordable housing and transit-oriented housing or business relocation, business development, job creation, and sales and property tax generation.

The Agency has entered into tax abatement agreements with two entities. These entities are in the category of sales and property tax generation. The following table provides details:

Tax Abatement Program	Taxes Abated in 2017	Taxes Abated in Prior Years	Total Maximum Tax Abatement	Primary Purpose of Abatement	Abatement Expires
Redevelopment Agency of Springville City					
Frontage Road Neighborhood HWP Properties, LLC	\$ -	\$ -	Property tax: 100% through 2020, then reducing 10% per year.	Sales and Property Tax generations	2025
HWP Properties, LLC	\$ 13,463	\$ -	Sales tax: \$200,000	Sales and Property Tax generations	2022

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

13. COMMITMENTS AND CONTINGENCIES

Utah Associates 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, 2017, the City purchased power totaling approximately \$16.1million.

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 \$51,745,000 (City portion - \$9,891,005) in revenue bonds outstanding at June 30, 2017, issued to finance construction of the plant.

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 2012 and commenced commercial operation. The City is obligated for 5.18% of the total project debt service of approximately \$82,920,000 (City portion - \$4,291,442) outstanding at June 30, 2017, issued to finance a prepayment for a specified supply of electricity to be delivered over a 20-year term.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2017 were \$12,000,000 and \$1,000,000 respectively, with the City's portions being \$1,784,388 and \$163,934. 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 \$0.06818 for FY2017. Springville City expects to receive approximately 25-30.0 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 2012. 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 May 2018.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2017

14. 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 2017 fiscal year was \$533,207.

A City Councilman owns Audio Visions which occasionally provides sound services to the City. The total paid to this business in the 2017 fiscal year was \$6,850.

15. 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.

Required Supplementary Information

SPRINGVILLE CITY CORPORATION
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	As of December 31,	Proportion of Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of its Covered- Employee Payroll
Noncontributory System	2014	0.8173763%	\$ 3,549,240	\$ 7,022,000	50.50%	90.20%
	2015	0.8157080%	4,615,673	6,986,652	66.06%	87.80%
	2016	0.7984120%	5,126,782	6,917,208	74.12%	87.30%
Contributory System	2014	0.2162152%	\$ 62,366	\$ 115,606	53.90%	94.00%
	2015	0.1624709%	114,193	69,227	164.96%	85.70%
	2016	0.2191155%	71,894	52,575	136.75%	92.90%
Public Safety System	2014	0.8436610%	\$ 1,060,974	\$ 1,277,517	83.00%	90.50%
	2015	0.7830661%	1,402,668	1,190,697	117.80%	87.10%
	2016	0.7358229%	1,493,188	1,122,930	132.97%	86.50%
Firefighters System	2014	0.0048448%	\$ (27,646)	\$ 127,036	-21.80%	103.50%
	2015	0.5238695%	(9,488)	140,853	-6.74%	101.00%
	2016	0.4948301%	(3,901)	139,102	-2.80%	100.40%
Tier 2 Public Employees System	2014	0.1155009%	\$ (3,500)	\$ 566,929	-0.60%	103.50%
	2015	0.1220505%	(266)	788,707	-0.03%	100.20%
	2016	0.1565131%	17,459	1,283,531	1.36%	95.10%
Tier 2 Public Safety and Firefighter System	2014	0.7602135%	\$ (11,246)	\$ 314,072	-3.60%	120.50%
	2015	0.6507001%	(9,507)	387,183	-2.46%	110.70%
	2016	0.5275480%	(4,579)	435,875	-1.05%	103.60%

Note:

* This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

SPRINGVILLE CITY CORPORATION
Schedule of Pension Contributions
Last Ten Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Noncontributory System	2014	\$ 1,239,038	\$ 1,239,038	\$ -	\$ 7,232,984	17.13%
	2015	1,275,631	1,275,631	-	6,925,081	18.42%
	2016	1,290,326	1,290,326	-	700,657	18.43%
	2017	1,215,101	1,215,101	-	6,606,911	18.39%
Contributory System	2014	\$ 15,157	\$ 15,157	\$ -	\$ 114,135	13.28%
	2015	14,530	14,530	-	100,484	14.46%
	2016	7,822	7,822	-	54,094	14.46%
	2017	3,728	3,728	-	25,785	14.46%
Public Safety System	2014	\$ 375,860	\$ 375,860	\$ -	\$ 1,279,356	29.38%
	2015	390,158	390,158	-	1,260,158	30.96%
	2016	345,081	345,081	-	1,122,174	30.75%
	2017	327,949	327,949	-	1,079,312	30.38%
Firefighters System	2014	\$ 3,675	\$ 3,675	\$ -	\$ 124,142	2.96%
	2015	5,119	5,119	-	133,992	3.82%
	2016	5,439	5,439	-	132,324	4.11%
	2017	5,864	5,864	-	150,738	3.89%
Tier 2 Public Employees System*	2014	\$ 59,033	\$ 59,033	\$ -	\$ 421,962	13.99%
	2015	94,905	94,905	-	635,651	14.93%
	2016	157,435	157,435	-	1,055,839	14.91%
	2017	243,094	243,094	-	1,626,048	14.95%
Tier 2 Public Safety and Firefighter System*	2014	\$ 57,093	\$ 57,093	\$ -	\$ 291,898	19.56%
	2015	70,386	70,386	-	345,953	20.35%
	2016	79,980	79,980	-	396,966	20.15%
	2017	100,909	100,909	-	495,223	20.38%
Tier 2 Public Employees DC Only System*	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	2,041	2,041	-	30,377	6.72%
	2016	2,142	2,142	-	32,016	6.69%
	2017	4,289	4,289	-	64,118	6.69%
Tier 2 DC Public Safety and Firefighter DC Only System*	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	741	741	-	6,262	11.83%

Note:

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GAS
Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or 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 CORPORATION
Notes to the Required Supplementary Information
June 30, 2017

1. CHANGES IN ASSUMPTIONS

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

Supplementary Information

SPRINGVILLE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Debt Service</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Special Improvement District</u>	<u>Redevelopment Agency</u>	<u>Community Theater</u>	<u>Special Services</u>	<u>Debt Service</u>	<u>Municipal Building Authority</u>		
ASSETS								
Cash and cash equivalents	\$ -	\$ 461,657	\$ 14,933	\$ 625,174	\$ 160,316	\$ 2,996	\$ 670,273	\$ 1,935,349
Receivables:								
Accounts	-	-	-	-	-	-	228	228
Special assessment	15,977	-	-	-	-	-	-	15,977
Property taxes	-	125,000	-	-	-	-	-	125,000
Due from other funds	-	-	-	124,107	-	-	-	124,107
Restricted cash and cash equivalents	-	-	-	2,228,949	617	-	586,815	2,816,381
Total assets	<u>\$ 15,977</u>	<u>\$ 586,657</u>	<u>\$ 14,933</u>	<u>\$ 2,978,230</u>	<u>\$ 160,933</u>	<u>\$ 2,996</u>	<u>\$ 1,257,316</u>	<u>\$ 5,017,042</u>
LIABILITIES								
Accounts payable	\$ -	\$ 13,463	\$ -	\$ 4,150	\$ -	\$ -	\$ -	\$ 17,613
Accrued liabilities	5,155	-	-	-	-	-	-	5,155
Due to other funds	124,107	-	-	-	-	-	-	124,107
Total liabilities	<u>129,262</u>	<u>13,463</u>	<u>-</u>	<u>4,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,875</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-property taxes	-	125,000	-	-	-	-	-	125,000
Total deferred inflows of resources	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
FUND BALANCES								
Nonspendable endowments	-	-	-	-	-	-	1,205,099	1,205,099
Restricted:								
Impact fees	-	-	-	2,974,080	-	-	-	2,974,080
Debt Service	-	-	-	-	160,933	2,996	-	163,929
Assigned	-	448,194	14,933	-	-	-	52,217	515,344
Unassigned	(113,285)	-	-	-	-	-	-	(113,285)
Total fund balances	<u>(113,285)</u>	<u>448,194</u>	<u>14,933</u>	<u>2,974,080</u>	<u>160,933</u>	<u>2,996</u>	<u>1,257,316</u>	<u>4,745,167</u>
Total liabilities and fund balances	<u>\$ 15,977</u>	<u>\$ 586,657</u>	<u>\$ 14,933</u>	<u>\$ 2,978,230</u>	<u>\$ 160,933</u>	<u>\$ 2,996</u>	<u>\$ 1,257,316</u>	<u>\$ 5,017,042</u>

SPRINGVILLE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		Capital Projects		Debt Service		Permanent Fund	Total Nonmajor Governmental Funds
	Special Improvement District	Redevelopment Agency	Community Theater	Special Services	Debt Service	Municipal Building Authority		
REVENUES								
Property tax	\$ -	\$ 22,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,163
Charges for services	15,059	-	-	-	-	-	62,695	77,754
Intergovernmental	-	94,302	-	-	-	-	-	94,302
Impact fees	-	-	-	1,063,614	-	-	-	1,063,614
Interest	1,766	-	-	24,835	640	-	1,401	28,642
Miscellaneous	-	-	-	103,667	-	-	-	103,667
Total revenues	16,825	116,465	-	1,192,116	640	-	64,096	1,390,142
EXPENDITURES								
Debt service:								
Principal	266,120	-	-	-	1,160,000	250,000	-	1,676,120
Interest and fiscal expenses	18,744	-	-	-	868,527	127,088	-	1,014,359
Capital outlay	-	13,463	-	39,144	-	-	-	52,607
Total expenditures	284,864	13,463	-	39,144	2,028,527	377,088	-	2,743,086
Excess of revenues over (under) expenditures	(268,039)	103,002	-	1,152,972	(2,027,887)	(377,088)	64,096	(1,352,944)
OTHER FINANCING SOURCES (USES)								
Transfers in	85,000	13,463	-	-	2,036,377	377,088	-	2,511,928
Transfers out	-	-	-	(512,863)	-	-	-	(512,863)
Total other financing sources (uses)	85,000	13,463	-	(512,863)	2,036,377	377,088	-	1,999,065
Net change in fund balance	(183,039)	116,465	-	640,109	8,490	-	64,096	646,121
Fund balance, beginning of year	69,754	331,729	14,933	2,333,971	152,443	2,996	1,193,220	4,099,046
Fund balance, end of year	\$ (113,285)	\$ 448,194	\$ 14,933	\$ 2,974,080	\$ 160,933	\$ 2,996	\$ 1,257,316	\$ 4,745,167

SPRINGVILLE CITY CORPORATION
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Business-type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Storm Water	Solid Waste	Golf Course	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,008,415	\$ 752,287	\$ 27,551	\$ 1,788,253
Accounts receivable, net	109,985	168,604	-	278,589
Total current assets	1,118,400	920,891	27,551	2,066,842
Noncurrent assets:				
Restricted cash and cash equivalents	1,360,629	-	-	1,360,629
Capital assets:				
Land	373,329	487,433	341,520	1,202,282
Construction in progress	98,105	-	-	98,105
Buildings	-	850,266	1,715,315	2,565,581
Improvements other than buildings	3,564,592	-	-	3,564,592
Machinery and equipment	107,294	303,651	390,844	801,789
Accumulated depreciation	(663,741)	(588,185)	(1,803,533)	(3,055,459)
Net capital assets	3,479,579	1,053,165	644,146	5,176,890
Other assets:				
Equity investment in joint venture	-	1,794,996	-	1,794,996
Net pension asset	5	47	105	157
Total other assets	5	1,795,043	105	1,795,153
Total noncurrent assets	4,840,213	2,848,208	644,251	8,332,672
Total assets	5,958,613	3,769,099	671,802	10,399,514
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	36,921	67,641	82,744	187,306
Total deferred outflows of resources	36,921	67,641	82,744	187,306

SPRINGVILLE CITY CORPORATION
Combining Statement of Net Position (Continued)
Nonmajor Enterprise Funds
June 30, 2017

	Business-type Activities - Enterprise Funds			
	Storm Water	Solid Waste	Golf Course	Total
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 7,809	\$ 50,982	\$ 17,487	\$ 76,278
Accrued liabilities	4,159	6,302	10,963	21,424
Accrued interest payable	-	-	17,499	17,499
Compensated absences	-	8,440	9,822	18,262
Notes payable	-	-	31,250	31,250
Total current liabilities	11,968	65,724	87,021	164,713
Noncurrent liabilities:				
Compensated absences	-	8,440	9,822	18,262
Notes payable	-	-	31,250	31,250
Net pension liability	66,336	122,845	151,961	341,142
Total noncurrent liabilities	66,336	131,285	193,033	390,654
Total liabilities	78,304	197,009	280,054	555,367
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows related to pensions	12,797	23,028	27,636	63,461
Total deferred outflows of resources	12,797	23,028	27,636	63,461
<u>NET POSITION</u>				
Net investment in capital assets	3,479,579	1,053,165	581,646	5,114,390
Restricted for community improvements	1,360,629	-	-	1,360,629
Unrestricted	1,064,225	2,563,538	(134,790)	3,492,973
Total net position	\$ 5,904,433	\$ 3,616,703	\$ 446,856	\$ 9,967,992

SPRINGVILLE CITY CORPORATION
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			
	Storm Water	Solid Waste	Golf Course	Total
OPERATING REVENUES				
Sales and charges for services	\$ 1,084,127	\$ 1,602,041	\$ 893,497	\$ 3,579,665
Miscellaneous income	14,952	75	2,215	17,242
Total operating revenues	1,099,079	1,602,116	895,712	3,596,907
OPERATING EXPENSES				
Salaries and benefits	266,015	425,598	497,071	1,188,684
Administrative	557,848	1,125,693	358,872	2,042,413
Depreciation	90,329	16,262	40,223	146,814
Total operating expenses	914,192	1,567,553	896,166	3,377,911
Operating income	184,887	34,563	(454)	218,996
NONOPERATING REVENUES (EXPENSES)				
Equity income of joint venture	-	297,388	-	297,388
Impact fees	313,958	-	-	313,958
Interest income	14,954	5,605	-	20,559
Interest and fiscal expenses	-	-	(17,499)	(17,499)
Total nonoperating revenues (expenses)	328,912	302,993	(17,499)	614,406
Income (loss) before contributions and transfers	513,799	337,556	(17,953)	833,402
Capital contributions	36,516	-	-	36,516
Transfers out	(68,017)	(131,903)	-	(199,920)
Change in net position	482,298	205,653	(17,953)	669,998
Total net position, beginning	5,422,135	3,411,050	464,809	9,297,994
Total net position, ending	\$ 5,904,433	\$ 3,616,703	\$ 446,856	\$ 9,967,992

SPRINGVILLE CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
Cash flows from operating activities				
Receipts from customers and users	\$ 1,085,099	\$ 1,583,691	\$ 895,712	\$ 3,564,502
Payments to suppliers	(570,829)	(1,152,997)	(362,045)	(2,085,871)
Payments to employees	(262,192)	(418,266)	(528,970)	(1,209,428)
Net cash provided (used) by operating activities	<u>252,078</u>	<u>12,428</u>	<u>4,697</u>	<u>269,203</u>
Cash flows from noncapital financing activities				
Transfers to other funds	(68,017)	(131,903)	-	(199,920)
Net cash provided (used) by noncapital financing activities	<u>(68,017)</u>	<u>(131,903)</u>	<u>-</u>	<u>(199,920)</u>
Cash flows from capital and related financing activities				
Aquisition of capital assets	(202,175)	(18,537)	-	(220,712)
Impact fees received	313,958	-	-	313,958
Principal paid on capital debt	-	-	(31,250)	(31,250)
Net cash provided (used) by capital and related financing activities	<u>111,783</u>	<u>(18,537)</u>	<u>(31,250)</u>	<u>61,996</u>
Cash flows from investing activities				
Interest received	14,954	5,605	-	20,559
Net cash provided by investing activities	<u>14,954</u>	<u>5,605</u>	<u>-</u>	<u>20,559</u>
Net increase (decrease) in cash and cash equivalents	310,798	(132,407)	(26,553)	151,838
Cash and cash equivalents, beginning of year	<u>2,058,246</u>	<u>884,694</u>	<u>54,104</u>	<u>2,997,044</u>
Cash and cash equivalents, end of year	<u>\$ 2,369,044</u>	<u>\$ 752,287</u>	<u>\$ 27,551</u>	<u>\$ 3,148,882</u>
Unrestricted cash	\$ 1,008,415	\$ 752,287	\$ 27,551	\$ 1,788,253
Restricted cash	1,360,629	-	-	1,360,629
Total cash and cash equivalents	<u>\$ 2,369,044</u>	<u>\$ 752,287</u>	<u>\$ 27,551</u>	<u>\$ 3,148,882</u>

SPRINGVILLE CITY CORPORATION
Combining Statement of Cash Flows (Continued)
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income	\$ 184,887	\$ 34,563	\$ (454)	\$ 218,996
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	90,329	16,262	40,223	146,814
Changes in assets and liabilities:				
Accounts receivable	(13,980)	(18,425)	-	(32,405)
Accounts payable	(12,981)	(27,304)	(3,173)	(43,458)
Accrued liabilities	4,159	6,302	10,963	21,424
Compensated absences	(6,143)	(8,662)	(53,503)	(68,308)
Net pension liability	5,807	9,692	10,641	26,140
Net cash provided (used) by operating activities	\$ 252,078	\$ 12,428	\$ 4,697	\$ 269,203
Noncash investing, capital and financing activities				
Capital contributions - developers	\$ 36,516	\$ -	\$ -	\$ 36,516
Equity investment adjustment for net income and ownership changes	\$ -	\$ 297,388	\$ -	\$ 297,388

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Capital Projects Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ 35,338	\$ (1,964,662)
Interest	-	-	200,204	200,204
Donations	-	-	500	500
Miscellaneous	-	-	2	2
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>236,044</u>	<u>(1,763,956)</u>
<u>EXPENDITURES</u>				
Current:				
Community services	5,000	5,000	3,750	1,250
Capital outlay	15,887,520	15,887,520	10,450,553	5,436,967
Total expenditures	<u>15,892,520</u>	<u>15,892,520</u>	<u>10,454,303</u>	<u>5,438,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,892,520)</u>	<u>(13,892,520)</u>	<u>(10,218,259)</u>	<u>3,674,261</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of capital assets	950,000	950,000	-	(950,000)
Transfers in	3,508,589	4,008,589	3,938,589	(70,000)
Net other financing sources (uses)	<u>4,458,589</u>	<u>4,958,589</u>	<u>3,938,589</u>	<u>(1,020,000)</u>
Net change in fund balance	<u><u>\$ (9,433,931)</u></u>	<u><u>\$ (8,933,931)</u></u>	<u><u>(6,279,670)</u></u>	<u><u>\$ 2,654,261</u></u>
Fund balance, beginning of year			<u>13,875,666</u>	
Fund balance, end of year			<u><u>\$ 7,595,996</u></u>	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Special Improvement District Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ -	\$ -	\$ 15,059	\$ 15,059
Interest	20,500	20,500	1,766	(18,734)
Total revenues	20,500	20,500	16,825	(3,675)
<u>EXPENDITURES</u>				
Debt service:				
Principal	82,000	267,000	266,120	880
Interest and fiscal expenses	22,750	27,750	18,744	9,006
Total debt service	104,750	294,750	284,864	9,886
Total expenditures	104,750	294,750	284,864	9,886
Excess (deficiency) of revenues over (under) expenditures	(84,250)	(274,250)	(268,039)	6,211
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	85,000	85,000	-
Net other financing sources (uses)	-	85,000	85,000	-
Net change in fund balance	\$ (84,250)	\$ (189,250)	(183,039)	\$ 6,211
Fund balance, beginning of year			69,754	
Fund balance, end of year			\$ (113,285)	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Redevelopment Agency Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Property tax	\$ 125,000	\$ 125,000	\$ 22,163	(102,837)
Intergovernmental	-	-	94,302	94,302
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>116,465</u>	<u>(8,535)</u>
<u>EXPENDITURES</u>				
Current:				
Capital Outlay	76,000	76,000	13,463	62,537
Total expenditures	<u>76,000</u>	<u>76,000</u>	<u>13,463</u>	<u>62,537</u>
Excess of revenues under expenditures	<u>49,000</u>	<u>49,000</u>	<u>103,002</u>	<u>54,002</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	60,000	60,000	13,463	(46,537)
Net other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>13,463</u>	<u>(46,537)</u>
Net change in fund balance	<u>\$ 109,000</u>	<u>\$ 109,000</u>	116,465	<u>\$ 7,465</u>
Fund balance, beginning of year			<u>331,729</u>	
Fund balance, end of year			<u>\$ 448,194</u>	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Special Services Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Impact fees	\$ 936,125	\$ 936,125	\$ 1,063,614	\$ 127,489
Interest	7,675	7,675	24,835	17,160
Miscellaneous	-	-	103,667	103,667
Total revenues	<u>943,800</u>	<u>943,800</u>	<u>1,192,116</u>	<u>248,316</u>
<u>EXPENDITURES</u>				
Capital outlay	<u>537,657</u>	<u>537,657</u>	<u>39,144</u>	<u>498,513</u>
Total expenditures	<u>537,657</u>	<u>537,657</u>	<u>39,144</u>	<u>498,513</u>
Excess of revenues over expenditures	<u>406,143</u>	<u>406,143</u>	<u>1,152,972</u>	<u>746,829</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>(512,863)</u>	<u>(512,863)</u>	<u>(512,863)</u>	<u>-</u>
Net other financing sources (uses)	<u>(512,863)</u>	<u>(512,863)</u>	<u>(512,863)</u>	<u>-</u>
Net change in fund balance	<u>\$ (106,720)</u>	<u>\$ (106,720)</u>	<u>640,109</u>	<u>\$ 746,829</u>
Fund balance, beginning of year			<u>2,333,971</u>	
Fund balance, end of year			<u>\$ 2,974,080</u>	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Debt Service Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest	\$ -	\$ -	\$ 640	\$ 640
Total revenues	<u>-</u>	<u>-</u>	<u>640</u>	<u>640</u>
<u>EXPENDITURES</u>				
Debt service:				
Principal	1,313,173	1,313,173	1,160,000	153,173
Interest and fiscal expenses	723,204	723,204	868,527	(145,323)
Total debt service	<u>2,036,377</u>	<u>2,036,377</u>	<u>2,028,527</u>	<u>7,850</u>
Total expenditures	<u>2,036,377</u>	<u>2,036,377</u>	<u>2,028,527</u>	<u>7,850</u>
Excess of revenues over expenditures	(2,036,377)	(2,036,377)	(2,027,887)	8,490
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	<u>2,036,377</u>	<u>2,036,377</u>	<u>2,036,377</u>	<u>-</u>
Net other financing sources (uses)	<u>2,036,377</u>	<u>2,036,377</u>	<u>2,036,377</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,490</u>	<u>\$ 8,490</u>
Fund balance, beginning of year			<u>152,443</u>	
Fund balance, end of year			<u>\$ 160,933</u>	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Municipal Building Authority Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Debt service:				
Principal	250,000	250,000	250,000	-
Interest and fiscal expenses	127,088	127,088	127,088	-
Total expenditures	377,088	377,088	377,088	-
Excess of revenues over expenditures	(377,088)	(377,088)	(377,088)	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	377,088	377,088	377,088	-
Net other financing sources (uses)	377,088	377,088	377,088	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			2,996	
Fund balance, end of year			\$ 2,996	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Permanent Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Charges for services	\$ 75,000	\$ 75,000	\$ 62,695	\$ (12,305)
Interest	1,075	1,075	1,401	326
Total revenues	<u>76,075</u>	<u>76,075</u>	<u>64,096</u>	<u>(11,979)</u>
<u>EXPENDITURES</u>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 76,075</u>	<u>\$ 76,075</u>	<u>64,096</u>	<u>\$ (11,979)</u>
Fund balance, beginning of year			<u>1,193,220</u>	
Fund balance, end of year			<u>\$ 1,257,316</u>	

Hansen, Bradshaw, Malmrose & Erickson

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INDEPENDENT AUDITORS' 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*

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City Corporation, Utah ("the City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we 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 City'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we 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 the City's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item 17-1.

Management's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2017

Hansen, Bradshaw, Malmrose & Erickson

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

Honorable Major and Members of the City Council
Springville City, Utah

Report On Compliance with General State Compliance Requirements

We have audited Springville City Corporation, Utah's (the City) compliance with 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, 2017.

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

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we 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 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirements referred to above. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, Springville City Corporation, Utah complied, in all material respects, with the state compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance on noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying Schedule of Findings as item 17-1. Our opinion on compliance is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 our 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.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

December 8, 2017

SPRINGVILLE CITY CORPORATION
Schedule of Findings
For the Year Ended June 30, 2017

Requirement/Program

Current Year Findings

17-1 Fund Balance

Finding: State law requires that all funds have a positive fund balance. At June 30, 2017, the Special Improvement District Fund had a deficit fund balance of \$113,285.

Recommendation: The City should monitor the fund balance of each fund and take appropriate action to eliminate deficit fund balances.

Management's Response: The City will take remedial action to eliminate the deficit fund balance and monitor the fund balance of each fund to prevent deficit balances in the future.

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