

SPRINGVILLE CITY CORPORATION

**Financial Statements
and
Independent Auditor's Report**

For the Year Ended June 30, 2023



COMMITTED. EXPERIENCED. TRUSTED.

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Financial Section



COMMITTED. EXPERIENCED. TRUSTED.

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City Corporation, Utah (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Springville City Corporation, Utah, as of June 30, 2023, 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 accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City’s management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

MICHAEL L. SMITH, CPA
JASON L. TANNER, CPA
ROBERT D. WOOD, CPA
AARON R. HIXSON, CPA
TED C. GARDINER, CPA
JEFFREY B. MILES, CPA
JESSE S. MALMROSE, EA

SHAWN F. MARTIN, CPA
MONTANA T. HADLEY, CPA
NATHAN E. ERICKSON, EA

FOUNDERS

E. LYNN HANSEN, CPA
CLARKE R. BRADSHAW, CPA
GARY E. MALMROSE, CPA
EDWIN L. ERICKSON, CPA

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16 and the pension schedules on pages 69-71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 12, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A/BMC, LLC

December 12, 2023

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Basic Financial Statements

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, 2023. 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 \$17,689,864 to \$318,064,515. The governmental net position increased by \$10,161,568 and the business-type net position increased by \$7,528,296.
- The total net position of \$318,064,515 is made up of \$222,195,641 in capital assets net of depreciation and related outstanding debt and \$95,868,874 in other net position.
- Total long-term liabilities of the City increased by \$14,523.
- The General Fund (the primary operating fund) had its fund balance decrease by \$576,632 to \$12,255,982. The decrease was primarily due to the transfer of restricted, street-related reserves to the Capital Improvement Fund for programming on street capital projects.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and 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, liabilities, and deferred outflows/inflows of resources, with the difference 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 considered 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 17-18 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 the current financial resources measurement focus and the modified accrual basis of 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 nonmajor 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 as well as maintenance of the City's buildings and grounds. 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, Sewer and Golf enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as nonmajor and are included in the combining statements within this report.

Notes to the Financial Statements are to provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund statements for major funds.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) on the City's pension program. It also contains the combining fund statements referred to earlier in connection with nonmajor governmental funds and enterprise funds. The RSI and combining and individual fund statements and schedules can be found after the notes to the financial statements.

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 \$318,064,515.

The largest portion of Springville City's net position (\$222,195,641) 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

	Governmental		Business-type	
	Activities		Activities	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
Current and Other Assets	\$ 44,095,775	\$ 45,738,031	\$ 65,787,718	\$ 70,613,762
Capital Assets	131,014,292	124,550,871	118,439,976	111,600,885
Total Assets	<u>175,110,067</u>	<u>170,288,902</u>	<u>184,227,694</u>	<u>182,214,647</u>
Deferred Outflows of Resources	2,423,501	1,675,698	1,053,147	748,725
Long-term Debt Outstanding	18,776,317	18,230,804	11,624,384	12,184,420
Other Liabilities	5,349,034	5,645,366	3,987,573	6,326,037
Total Liabilities	<u>24,125,351</u>	<u>23,876,170</u>	<u>15,611,957</u>	<u>18,510,457</u>
Deferred Inflow of Resources	4,997,829	5,237,487	14,757	2,327,084
Net Position:				
Net Investment in Capital Assets	114,686,476	107,205,894	107,509,165	105,462,638
Restricted	12,511,393	13,256,761	8,444,746	13,905,175
Unrestricted	<u>21,212,519</u>	<u>17,786,165</u>	<u>53,700,216</u>	<u>42,758,018</u>
Total Net Position	<u>\$ 148,410,388</u>	<u>\$ 138,248,820</u>	<u>\$ 169,654,127</u>	<u>\$ 162,125,831</u>

At the end of the current fiscal year, Springville City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CHANGES IN NET POSITION

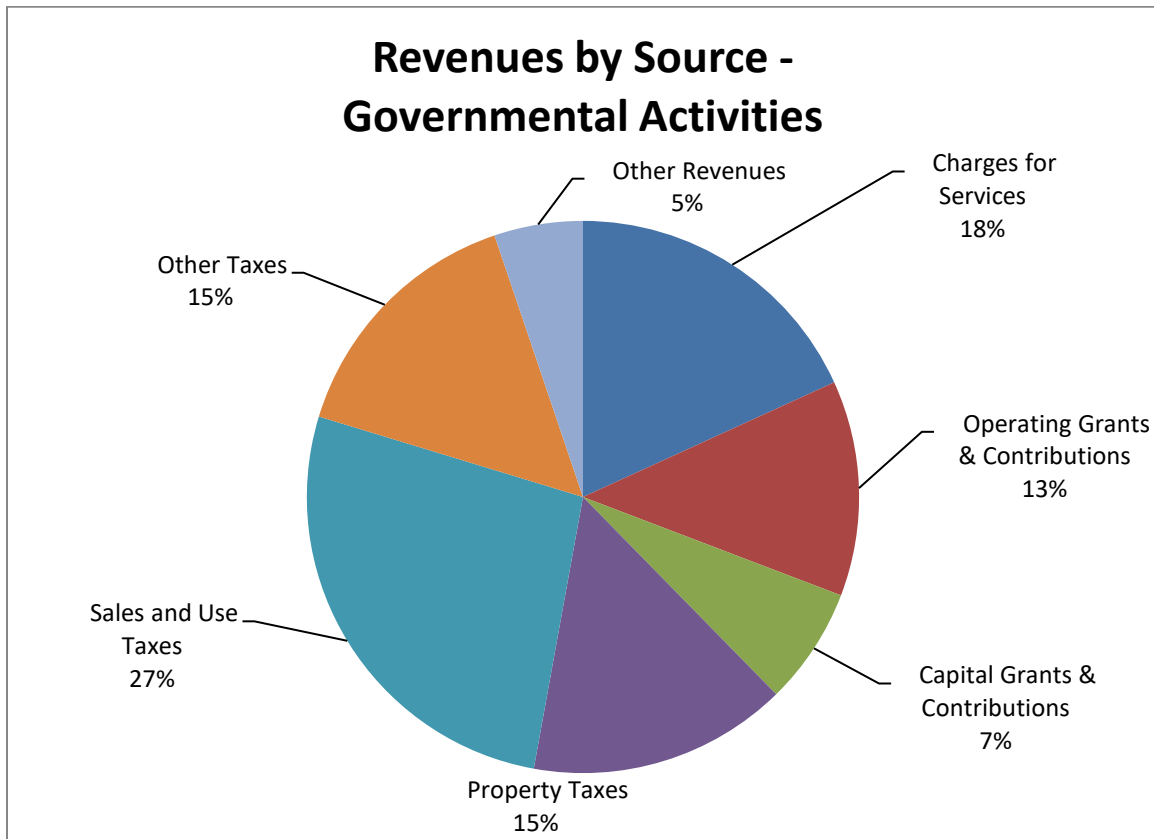
	Governmental		Business-type	
	Activities		Activities	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 6,383,777	\$ 6,227,020	\$ 50,314,107	\$ 50,198,002
Operating Grants and Contributions	4,428,088	3,658,298	-	-
Capital Grants and Contributions	2,410,706	5,355,960	3,187,505	5,278,538
General Revenues:				
Property Taxes	5,332,752	4,876,097	-	-
Sales and Use Taxes	9,426,474	8,851,734	-	-
Other Taxes	5,301,887	4,228,658	-	-
Other Revenues	1,823,024	587,667	1,594,170	263,446
Total Revenues	<u>35,106,708</u>	<u>33,785,434</u>	<u>55,095,782</u>	<u>55,739,986</u>
Expenses				
General Government	6,443,332	4,843,887	-	-
Public Safety	8,197,310	6,891,534	-	-
Highways and Public Improvements	2,437,765	2,492,929	-	-
Community Development	1,493,383	1,092,331	-	-
Parks and Recreation	8,383,036	7,996,799	-	-
Interest on Long-Term Debt	406,104	450,020	-	-
Electric	-	-	32,524,360	27,070,682
Water	-	-	4,660,042	4,353,095
Sewer	-	-	3,606,150	3,386,730
Storm Water	-	-	1,536,871	1,108,744
Solid Waste Collections	-	-	1,776,308	1,741,353
Golf Course	-	-	1,047,965	939,275
Total Expenses	<u>27,360,930</u>	<u>23,767,500</u>	<u>45,151,696</u>	<u>38,599,879</u>
Increase in Net Position Before Transfers	7,745,778	10,017,934	9,944,086	17,140,107
Transfers – net	2,415,790	930,517	(2,415,790)	(930,517)
Change in Net Position	<u>10,161,568</u>	<u>10,948,451</u>	<u>7,528,296</u>	<u>16,209,590</u>
Net Position Beginning	138,248,820	127,300,369	162,125,831	145,916,241
Net Position Ending	<u>\$ 148,410,388</u>	<u>\$ 138,248,820</u>	<u>\$ 169,654,127</u>	<u>\$ 162,125,831</u>

The post-pandemic Utah economy maintained momentum into FY 2023; although, inflation was a significant factor and adversely affected operating results. In the governmental activities, tax revenues continued to grow along with charges for services and operating grant revenue while capital grant revenue declined. Overall, revenues were up compared to FY 2022 primarily as a result of growth, fee increases and interest earnings. Sales tax revenues increased approximately 6% or \$574,740 in FY 2023 as a reflection of an expanding economy state-wide and new retail development in the City. Combined, operating and capital grants and contributions decreased approximately 24% or \$2,175,000 compared to FY 2022. This reduced amount is primarily the result of the grants for streets not received in FY 2023 and a reduction in developer contributions as a result of slowing new construction.

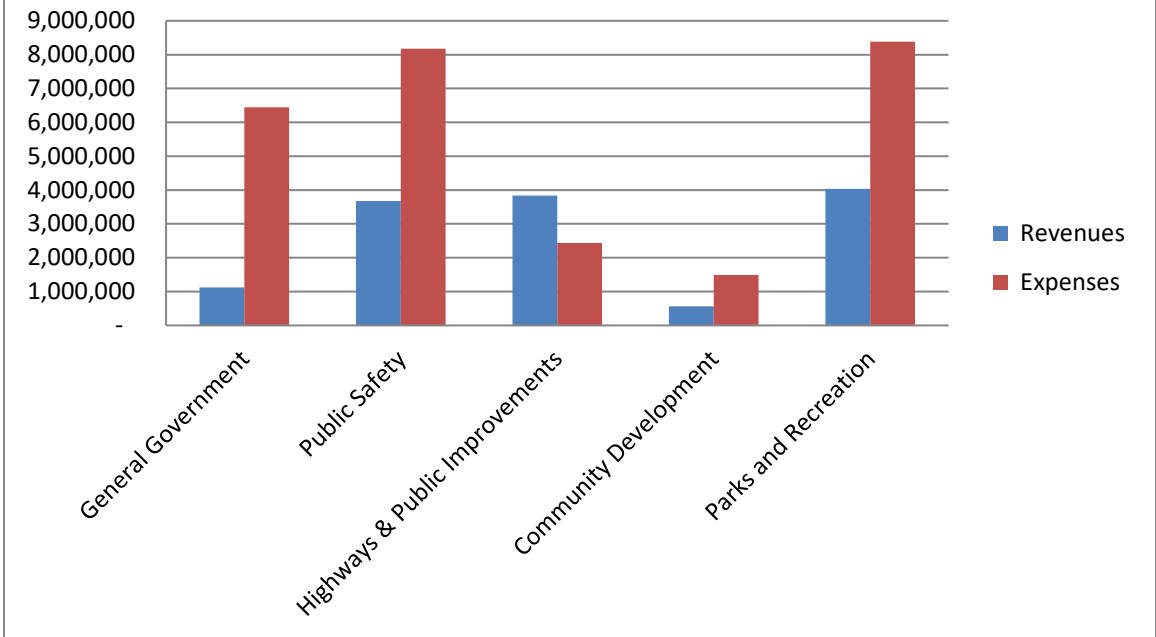
The general government expenditures increased approximately 15% or \$3,593,000 in FY 2023 compared to last year. Pressures from a continuing tight labor market along with significant inflation resulted in increased labor costs as well as increased costs for materials and supplies.

In the business-type funds, revenue decreases reflect slowing system growth, infrastructure contributions from developers, and weather. Total revenues decreased approximately 1% or \$644,000 in FY 2023. Expenses reflect inflationary costs for labor and materials and higher power purchase costs resulting from a volatile natural gas market. Expenses showed a total increase of approximately 17% or \$6,552,000 in FY 2023.

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).

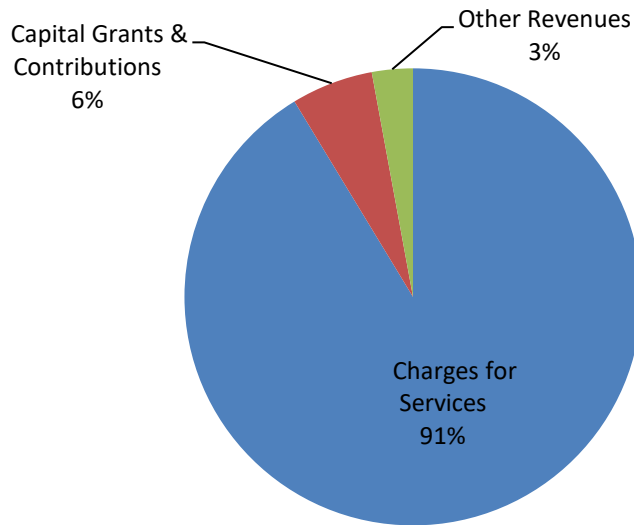


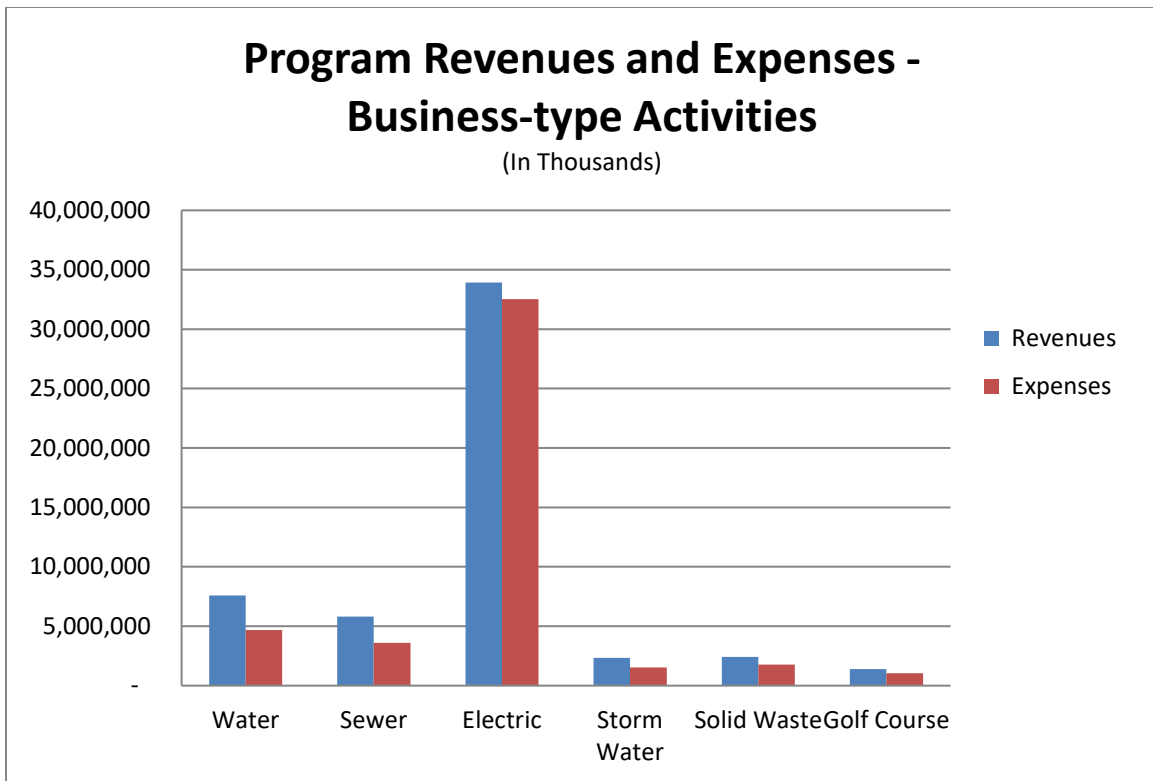
Program Revenues and Expenses - Governmental Activities



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with 91% 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

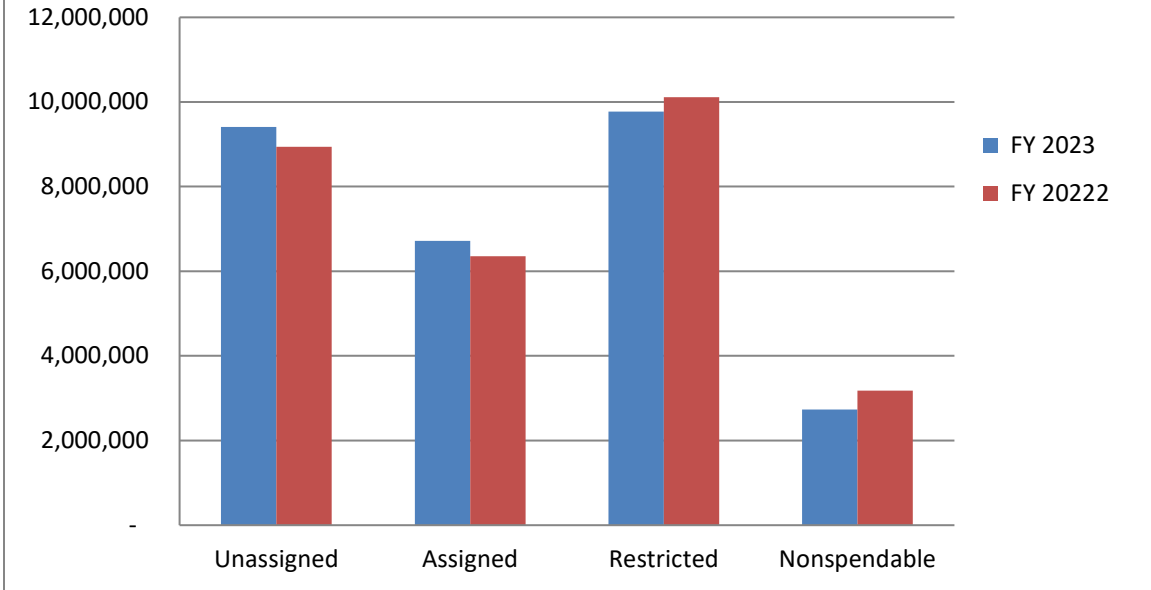
As noted earlier, Springville City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City’s *governmental fund* statements 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. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Springville City Council.

As of June 30, 2023, the City’s governmental funds (General, Capital Projects, Debt Service, Special Revenue, and Permanent) reported combined fund balance of \$28,690,879. This represents an increase of \$102,104 from last year’s ending balances (\$28,588,775). The *unassigned fund balance*, which is available for spending at the City’s discretion, is \$9,412,717 and represents 32.8% of the total fund balance. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$2,786,668), 2) legally restricted for particular purposes (\$9,775,351), 3) committed for particular purposes (\$0), or 4) assigned for particular purposes (\$6,716,143).

Combined Governmental Funds Components of Fund Balance

(June 30, 2022 and 2023)



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. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The unassigned fund balance increased \$471,680 to \$9,412,717, which is approximately 37% of total general fund expenditures. The increase in fund balance is attributable to higher-than-expected revenues, coupled with lower-than-budgeted expenses. An additional consideration is the fact that the State statute requires that unassigned General Fund balance be at least 5% but no more than 35% of revenues. The current unassigned fund balance is 31% of revenues.

The Capital Projects Fund, a major fund, had a \$476,384 decrease in fund balance during the current fiscal year which put the overall fund balance at \$3,383,166. The decrease was primarily the result of property purchases that were made during the year.

Nonmajor governmental fund balances increased \$1,155,120 to \$13,051,731. These funds include the Springville Redevelopment Agency, Special Services Fund, Debt Service Fund, Municipal Building Authority, and Permanent Fund. The RDA has seen increased development activity in recent years resulting in tax increment revenues that can now be programmed for project expenses in the RDA boundaries. The RDA’s fund balance increased \$377,162 to \$1,464,360. The Special Services Fund accounts for activities related to governmental services funded through impact fees or other restricted revenues. New development activity within the City has resulted in increased impact fee revenue, which can be programmed for growth-related projects contemplated in various impact fee facility plans. Additionally, the voters of Springville voted to implement a Parks, Arts and Recreation (PAR) tax in 2021 and those taxes began to be collected in 2022. Impact fee and PAR tax revenues combined to increase the Special Services fund balance by \$579,120 to \$7,017,349. The Permanent Fund includes the Cemetery Trust Fund, which retains a portion of plot sales revenue intended to support long-term maintenance of the City’s cemeteries. The Permanent Fund assigned fund balance decreased \$615,623 to \$1,454,199. The increase was due

to cemetery plot sales and debt service payments from the golf course. The Permanent fund was used as an interfund loan mechanism to fund \$1,000,000 in capital improvements at the Hobble Creek Golf Course. The Permanent Fund now holds a note receivable from the golf course that will be repaid over time with market-rate interest.

Proprietary Funds. As stated earlier, the City maintains several proprietary 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.

The City’s major proprietary funds had unrestricted net position amounts as follows: Water Fund - \$9,035,306, an increase of \$5,340,420 from the previous year; Sewer Fund - \$9,855,607, an increase of \$1,641,136 over the previous year; and Electric Fund - \$22,370,688, a decrease of \$1,807,857 from the previous year. The changes in net position are results of a number of factors. It is typically the policy of the City to implement small, inflationary adjustments to rates when warranted. Rate increases were implemented in FY 2023 as inflation began to surge. These new revenues benefitted most funds in terms of net position. The Electric Fund had higher-than-expected power acquisition costs as a result of a volatile natural gas market, which negatively affected operating results and decreased net position. The Electric Fund also began to spend reserved net position on large capital projects, which contributed to the decrease in net position. Finally, a wetter and cooler weather pattern contributed to lower-than-expected water and electric sales.

The nonmajor proprietary funds (Storm Water, Solid Waste and Golf) had a combined unrestricted net position of \$6,779,755, which is a decrease of \$376,228 over the previous year. Factors contributing to the decrease include the planned expenditure of reserves for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the fiscal year, the General Fund budget was amended from an original budget expenditure total (including transfers) of \$35,839,275 to a final budget of \$39,060,711. The budget increase represented adjustments of unanticipated expenditures related to grants received from various sources, mid-year funding of the Fire Department transitioning to a full-time, 24/7 operation and the transfer of general fund dollars to the capital improvement fund for previously unfunded projects and property acquisition.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated Revenues	Actual Revenues	Difference
Taxes	\$17,179,000	\$18,703,084	\$1,524,084
Licenses and permits	\$2,008,086	\$851,965	(\$1,156,121)

Tax revenues increases were mostly from sales tax, which increased significantly over the previous year. While significant commercial development occurred, anticipated residential development did not materialize, which resulted in lower-than-expected plan review and building permit fees. Charges for services were up modestly compared to the previous year.

As noted, expenditure budgets were amended during the year in order to provide for a number of unanticipated developments in economic conditions. Excess fund balances in the general fund were transferred to capital funds to pay for previously deferred capital improvements and property acquisition.

CAPITAL ASSET AND DEBT ADMINISTRATION

Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$249,454,268 (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.), machinery and equipment, and intangible right to use assets. The City's investment in capital assets (minus depreciation) for the current year increased by \$13,302,512. Governmental activities' capital assets increased by \$6,463,421 while the business-type activities' capital assets increased by \$6,839,091.

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

- Property Purchases - \$5,957,483
- Road Improvements and Reconstruction - \$585,736
- Park Improvements – \$269,712
- Vehicle and Equipment Acquisition and Replacement - \$1,126,417
- New Water Tank Construction - \$2,568,745
- Waste Water Treatment Plant Improvements - \$398,318
- New Development Infrastructure (Power Dept.) - \$1,362,050
- Whitehead Power Plant Generation Project – \$1,166,971
- Power Substation Improvements - \$557,479
- Storm Drain Pipelines - \$1,154,872
- Golf Course Irrigation System Improvements - \$986,077

SPRINGVILLE CITY'S CAPITAL ASSETS

	Governmental		Business-type	
	Activities		Activities	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
Land	\$ 41,967,144	\$ 35,305,363	\$ 1,719,507	\$ 1,719,507
Water Shares	-	-	1,374,919	1,374,919
Buildings	58,011,466	58,335,150	6,065,862	5,848,044
System Improvements	92,657,269	90,705,890	193,448,225	180,865,203
Machinery & Equipment	16,169,972	15,285,583	1,800,133	1,547,160
Construction in Progress	3,807,257	2,988,140	9,301,916	10,867,150
Right to use lease asset	-	-	224,110	224,100
Less Accumulated Depreciation	(81,598,816)	(78,069,255)	(95,494,696)	(90,845,208)
Total	<u>\$ 131,014,292</u>	<u>\$ 124,550,871</u>	<u>\$ 118,439,976</u>	<u>\$ 111,600,885</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, 2023, the City had total long-term bonded debt balances of \$26,352,046. Of the total, \$9,045,000 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 \$3,070,000, and general obligation bonds of \$12,245,000. The City also has unamortized premiums on bonds of \$1,992,046; accrued compensated absences of \$1,465,194; and leases payable of \$115,937.

SPRINGVILLE CITY'S OUTSTANDING DEBT

	Governmental		Business-type	
	Activities		Activities	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
General Obligation Bonds	\$ 12,245,000	\$ 13,195,000	\$ -	\$ -
Revenue Bonds	-	-	9,045,000	9,945,000
MBA Bonds	3,070,000	3,390,000	-	-
Unamortized Bond Premium	694,751	759,977	1,297,295	1,462,979
Net Pension Liability	-	-	-	-
Compensated Absences	899,639	885,827	565,555	605,752
Total	<u>\$ 16,909,390</u>	<u>\$ 18,230,804</u>	<u>\$ 10,907,850</u>	<u>\$ 12,013,731</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 \$115,896,731. The City currently has \$12,245,000 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 \$231,793,462. 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 2023 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 2.8% compared to a state unemployment rate of 2.4% and a national rate of 3.6%. (Source: U.S. Bureau of Labor Statistics, Utah Department of Workforce Services)
- Sales tax revenues increase approximately 6% over last year; however, a Consumer Price Index (for All Urban Consumers) increase of 3.0% negated much of the impact of the increased revenues. Inflationary pressures are anticipated to continue into the next budget year.
- Expenditures in the General Fund were approximately 11% higher than the previous year; operating expenses in the Enterprise Funds were approximately 17% higher than the previous year. These increases reflect continued growth, inflationary factors, and service level increases (FT Fire Service) and increased power purchase costs. Actual expenditures for FY 2022-2023 were approximately 20% less than budgeted General Fund expenditures because of voluntary budget reductions, personnel savings from unfilled positions and other line-item savings that contributed to actual expenditures being less than budget.

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, 2023

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 18,328,548	\$ 48,802,813	\$ 67,131,361
Investments	10,614,149	-	10,614,149
Receivables:			
Accounts, net	439,649	5,761,988	6,201,637
Property taxes	4,688,876	-	4,688,876
Other taxes	2,871,750	-	2,871,750
Prepays	41,435	-	41,435
Inventory	9,191	1,724,096	1,733,287
Internal balances	(5,658,860)	5,658,860	-
Interfund notes receivable (payable)	965,645	(965,645)	-
Lease receivables	224,900	-	224,900
Restricted cash and cash equivalents	11,338,472	1,345,247	12,683,719
Equity investment in joint venture	-	3,460,359	3,460,359
Net pension asset	232,020	-	232,020
Capital assets			
Non depreciable	45,774,401	12,396,342	58,170,743
Depreciable assets, net of depreciation	85,239,891	106,043,634	191,283,525
Total assets	175,110,067	184,227,694	359,337,761
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	2,423,501	1,053,147	3,476,648
Total deferred outflows of resources	2,423,501	1,053,147	3,476,648
<u>LIABILITIES</u>			
Accounts payable	1,215,621	2,870,056	4,085,677
Accrued liabilities	683,970	211,331	895,301
Accrued interest payable	78,761	162,604	241,365
Developer and customer deposits	3,222,697	743,582	3,966,279
Unearned revenue	147,985	-	147,985
Noncurrent liabilities:			
Due within one year: bonds, leases, comp absences	1,764,820	1,329,647	3,094,467
Due in more than one year:			
Bonds, leases, compensated absences	15,144,570	9,694,140	24,838,710
Net pension liability	1,866,927	600,597	2,467,524
Total liabilities	24,125,351	15,611,957	39,737,308
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	4,629,696	-	4,629,696
Deferred lease revenue	215,197	-	215,197
Deferred inflows related to pensions	152,936	14,757	167,693
Total deferred inflows of resources	4,997,829	14,757	5,012,586
<u>NET POSITION</u>			
Net investment in capital assets	114,686,476	107,509,165	222,195,641
Restricted for:			
Debt service	372,064	601,665	973,729
Impact fees	5,701,150	7,843,081	13,544,231
Perpetual care	2,736,042	-	2,736,042
Capital projects	2,410,468	-	2,410,468
Grants and other projects	1,291,669	-	1,291,669
Unrestricted	21,212,519	53,700,216	74,912,735
Total net position	\$ 148,410,388	\$ 169,654,127	\$ 318,064,515

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

SPRINGVILLE CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2023

	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
Functions/Programs:							
Primary government:							
Governmental activities							
General government	\$ 6,443,332	\$ 1,099,284	\$ 20,750	\$ -	\$ (5,323,298)		\$ (5,323,298)
Public safety	8,197,310	1,259,800	2,286,310	127,270	(4,523,930)		(4,523,930)
Community development	1,493,383	564,879	-	-	(928,504)		(928,504)
Highways and public improvements	2,437,765	278,968	1,508,218	2,044,675	1,394,096		1,394,096
Parks and recreation	8,383,036	3,180,846	612,810	238,761	(4,350,619)		(4,350,619)
Interest on long-term debt	406,104	-	-	-	(406,104)		(406,104)
Total governmental activities	27,360,930	6,383,777	4,428,088	2,410,706	(14,138,359)		(14,138,359)
Business-type activities							
Water	4,660,042	5,765,037	-	1,816,248		\$ 2,921,243	2,921,243
Sewer	3,606,150	5,497,127	-	324,807		2,215,784	2,215,784
Electric	32,524,360	33,472,691	-	467,223		1,415,554	1,415,554
Storm Water	1,536,871	1,786,506	-	558,118		807,753	807,753
Solid Waste	1,776,308	2,403,115	-	21,109		647,916	647,916
Golf	1,047,965	1,389,631	-	-		341,666	341,666
Total business-type activities	45,151,696	50,314,107	-	3,187,505		8,349,916	8,349,916
Total primary government	\$ 72,512,626	\$ 56,697,884	\$ 4,428,088	\$ 5,598,211	(14,138,359)	8,349,916	(5,788,443)
General revenues and transfers:							
General Revenues:							
Taxes							
Property					5,332,752	-	5,332,752
Sales					9,426,474	-	9,426,474
Other taxes					5,301,887	-	5,301,887
Investment earnings					1,271,318	1,594,170	2,865,488
Miscellaneous					551,706	-	551,706
Transfers - net					2,415,790	(2,415,790)	-
Total general revenue and transfers					24,299,927	(821,620)	23,478,307
Change in net position					10,161,568	7,528,296	17,689,864
Net position - beginning					138,248,820	162,125,831	300,374,651
Net position - ending					\$ 148,410,388	\$ 169,654,127	\$ 318,064,515

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

SPRINGVILLE CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 1,734,721	\$ 5,784,131	\$ 7,518,852
Investments	10,614,149	-	-	10,614,149
Receivables:				
Property taxes	4,288,876	-	400,000	4,688,876
Other taxes and grants	2,871,750	-	-	2,871,750
Special assessment	-	-	7,717	7,717
Other, net	430,538	-	1,394	431,932
Due from other funds	-	1,999,713	-	1,999,713
Interfund note receivable	-	-	965,645	965,645
Lease receivables	224,900	-	-	224,900
Inventory	9,191	-	-	9,191
Prepays	41,435	-	-	41,435
Restricted cash and cash equivalents	4,723,667	-	6,614,805	11,338,472
Total assets	\$ 23,204,506	\$ 3,734,434	\$ 13,773,692	\$ 40,712,632
<u>LIABILITIES</u>				
Accounts payable	\$ 612,971	\$ 203,283	\$ 321,961	\$ 1,138,215
Accrued liabilities	668,250	-	-	668,250
Due to other funds	1,999,713	-	-	1,999,713
Developer and customer deposits	3,222,697	-	-	3,222,697
Unearned revenue	-	147,985	-	147,985
Total liabilities	6,503,631	351,268	321,961	7,176,860
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred property taxes	4,229,696	-	400,000	4,629,696
Deferred lease revenue	215,197	-	-	215,197
Total deferred inflows of resources	4,444,893	-	400,000	4,844,893
<u>FUND BALANCES</u>				
Nonspendable	50,626	-	2,736,042	2,786,668
Restricted:				
Debt service	-	-	372,064	372,064
B & C roads	1,500,970	-	-	1,500,970
Transportation	1,291,669	-	-	1,291,669
Impact fees	-	-	5,701,150	5,701,150
Parks, art, and recreation projects	-	-	909,498	909,498
Assigned:				
Capital projects	-	3,383,166	-	3,383,166
Community improvements	-	-	3,332,977	3,332,977
Unassigned	9,412,717	-	-	9,412,717
Total fund balances	12,255,982	3,383,166	13,051,731	28,690,879
Total liabilities, deferred inflows of resources and fund balances	\$ 23,204,506	\$ 3,734,434	\$ 13,773,692	\$ 40,712,632

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, 2023

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

Total fund balances for governmental funds	\$ 28,690,879
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	131,014,292
current period expenditures and, therefore, are not reported in the funds balance sheet.	2,655,521
The proprietary funds cumulative allocation of the internal service funds net income based on use of service are included in the entitywide statements.	(5,658,860)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not recorded in the funds.	(78,761)
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.	(16,909,390)
Other long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds balance sheet.	(2,019,863)
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.	10,716,570
Net position of governmental activities	\$ 148,410,388

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

SPRINGVILLE CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 18,703,084	\$ -	\$ 1,358,029	\$ 20,061,113
Licenses and permits	851,965	-	-	851,965
Intergovernmental	4,407,786	29,900	-	4,437,686
Charges for services	4,957,318	-	107,796	5,065,114
Impact fees	-	-	564,239	564,239
Fines and forfeitures	466,698	-	-	466,698
Interest	525,608	104,475	327,400	957,483
Donations and reimbursements	120,302	-	-	120,302
Miscellaneous	120,228	27,313	404,165	551,706
Total revenues	30,152,989	161,688	2,761,629	33,076,306
<u>EXPENDITURES</u>				
Current:				
General government	6,888,014	-	-	6,888,014
Public safety	8,284,643	-	-	8,284,643
Community development	1,269,167	-	325,914	1,595,081
Highways and public improvements	1,538,397	-	-	1,538,397
Park, recreation, and public property	7,492,301	-	4,561	7,496,862
Capital outlay	-	7,353,669	806,869	8,160,538
Debt service:				
Principal	-	-	1,270,000	1,270,000
Interest and fiscal expenses	-	-	479,703	479,703
Total expenditures	25,472,522	7,353,669	2,887,047	35,713,238
Excess (deficiency) of revenues over (under) expenditures	4,680,467	(7,191,981)	(125,418)	(2,636,932)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of capital assets	-	323,246	-	323,246
Transfers in	3,207,237	6,433,794	1,376,454	11,017,485
Transfers out	(8,464,336)	(41,443)	(95,916)	(8,601,695)
Total other financing sources (uses)	(5,257,099)	6,715,597	1,280,538	2,739,036
Net change in fund balances	(576,632)	(476,384)	1,155,120	102,104
Fund balances, beginning	12,832,614	3,859,550	11,896,611	28,588,775
Fund balances, ending	\$ 12,255,982	\$ 3,383,166	\$ 13,051,731	\$ 28,690,879

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, 2023

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

Net change in fund balances for governmental funds	\$ 102,104
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 assets estimated useful lives and reported as depreciation expense.	
Capital outlay	8,150,041
Depreciation expense	(3,244,261)
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.	
	1,696,567
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	1,270,000
Amortization of bond premiums and deferred loss on refunding	65,226
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.	
	815,931
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	8,373
Compensated absences	(37,228)
The proprietary funds allocation of the internal service fund net gain is based on use of service included in the entity-wide statements.	
	(643,817)
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.	
	<u>2,186,998</u>
Change in net position of governmental activities	<u><u>\$ 10,161,568</u></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 to Actual – General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 17,179,000	\$ 17,179,000	\$ 18,703,084	\$ 1,524,084
Licenses and permits	2,008,086	2,008,086	851,965	(1,156,121)
Intergovernmental	4,095,842	4,206,675	4,407,786	201,111
Charges for services	5,044,584	5,099,584	4,957,318	(142,266)
Fines and forfeitures	389,500	389,500	466,698	77,198
Interest	109,000	109,000	525,608	416,608
Donations	159,400	159,400	120,302	(39,098)
Miscellaneous	158,000	158,000	120,228	(37,772)
Total revenues	29,143,412	29,309,245	30,152,989	843,744
<u>EXPENDITURES</u>				
Current:				
General government:				
City administrator	1,354,683	1,354,683	702,813	651,870
Information systems	592,484	592,484	447,289	145,195
Engineering	1,671,290	1,671,290	390,113	1,281,177
Cemetery	302,967	302,967	270,779	32,188
Mayor and city council	192,729	292,729	205,318	87,411
Finance and treasury	1,237,397	1,237,397	510,173	727,224
Nondepartmental	3,825,421	3,825,421	3,825,421	-
Legal services	847,771	847,771	536,108	311,663
Total general government	<u>10,024,742</u>	<u>10,124,742</u>	<u>6,888,014</u>	<u>3,236,728</u>
Public safety:				
Police	6,064,571	6,084,571	5,920,029	164,542
Fire	1,960,917	2,378,743	2,002,586	376,157
Court	381,717	381,717	362,028	19,689
Total public safety	<u>8,407,205</u>	<u>8,845,031</u>	<u>8,284,643</u>	<u>560,388</u>
Highways and public improvements:				
Public works	371,650	371,650	122,610	249,040
Streets	1,797,551	1,797,551	1,415,787	381,764
Total highways and public improvements	<u>2,169,201</u>	<u>2,169,201</u>	<u>1,538,397</u>	<u>630,804</u>

(Continued)

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation:				
Parks	1,788,392	1,793,392	1,512,124	281,268
Recreation	1,223,425	1,253,425	1,232,838	20,587
Art museum	1,241,832	1,347,442	1,282,534	64,908
Swimming pool	1,908,754	1,928,754	1,931,818	(3,064)
Library	1,309,314	1,324,314	1,320,159	4,155
Senior citizens	142,975	142,975	134,075	8,900
Arts commission	97,396	97,396	78,753	18,643
Total parks and recreation	<u>7,712,088</u>	<u>7,887,698</u>	<u>7,492,301</u>	<u>395,397</u>
Community development:				
Building inspection	679,927	679,927	627,764	52,163
Planning and zoning	762,980	762,980	641,403	121,577
Total community development	<u>1,442,907</u>	<u>1,442,907</u>	<u>1,269,167</u>	<u>173,740</u>
Total expenditures	<u>29,756,143</u>	<u>30,469,579</u>	<u>25,472,522</u>	<u>4,997,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(612,731)</u>	<u>(1,160,334)</u>	<u>4,680,467</u>	<u>5,840,801</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	6,287,987	6,287,987	3,207,237	(3,080,750)
Transfers out	(6,083,132)	(8,591,132)	(8,464,336)	126,796
Net other financing sources (uses)	<u>204,855</u>	<u>(2,303,145)</u>	<u>(5,257,099)</u>	<u>(2,953,954)</u>
Net change in fund balance	<u>\$ (407,876)</u>	<u>\$ (3,463,479)</u>	<u>(576,632)</u>	<u>\$ 2,886,847</u>
Fund balance, beginning of year			<u>12,832,614</u>	
Fund balance, end of year			<u>\$ 12,255,982</u>	

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

SPRINGVILLE CITY CORPORATION
Statement of Net Position – Proprietary Funds
June 30, 2023

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total	Activities Internal Service Fund
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 8,898,497	\$ 9,585,140	\$ 24,173,558	\$ 6,145,618	\$ 48,802,813	\$ 10,809,696
Accounts receivable, net	1,008,197	504,899	3,841,798	407,094	5,761,988	-
Inventory	397,197	-	1,326,899	-	1,724,096	-
Total current assets	10,303,891	10,090,039	29,342,255	6,552,712	56,288,897	10,809,696
Noncurrent assets:						
Restricted cash and cash equivalents	208,453	473,972	662,822	-	1,345,247	-
Capital assets:						
Land	201,267	40,860	273,498	1,203,882	1,719,507	-
Water shares	1,374,919	-	-	-	1,374,919	-
Construction in progress	221,606	641,963	3,755,622	4,682,725	9,301,916	-
Buildings	399,906	-	2,632,422	3,033,534	6,065,862	-
Improvements other than buildings	62,228,016	43,874,879	78,778,406	8,566,924	193,448,225	-
Machinery and equipment	272,918	466,325	372,094	688,796	1,800,133	10,811,545
Intangible right-to-use lease assets	-	-	-	224,110	224,110	-
Accumulated depreciation	(19,701,427)	(20,350,889)	(51,410,322)	(4,032,058)	(95,494,696)	(6,757,610)
Net capital assets	44,997,205	24,673,138	34,401,720	14,367,913	118,439,976	4,053,935
Other assets:						
Equity investment in joint venture	-	-	-	3,460,359	3,460,359	-
Total other assets	-	-	-	3,460,359	3,460,359	-
Total noncurrent assets	45,205,658	25,147,110	35,064,542	17,828,272	123,245,582	4,053,935
Total assets	55,509,549	35,237,149	64,406,797	24,380,984	179,534,479	14,863,631
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred outflows related to pensions	205,315	111,475	588,634	147,723	1,053,147	103,098
Total deferred outflows of resources	205,315	111,475	588,634	147,723	1,053,147	103,098

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

SPRINGVILLE CITY CORPORATION
Statement of Net Position – Proprietary Funds (Continued)
June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Funds</u>		
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	\$ 115,507	\$ 300,005	\$ 2,161,344	\$ 293,200	\$ 2,870,056	\$ 77,406
Accrued liabilities	43,338	22,056	109,665	36,272	211,331	15,720
Deposits	80,760	-	662,822	-	743,582	-
Accrued interest payable	86,665	75,939	-	-	162,604	-
Compensated absences	47,511	24,234	177,206	33,827	282,778	12,401
Bonds payable	332,360	657,640	-	-	990,000	-
Leases payable	-	-	-	56,869	56,869	-
Total current liabilities	706,141	1,079,874	3,111,037	420,168	5,317,220	105,527
Noncurrent liabilities:						
Compensated absences	47,511	24,234	177,206	33,826	282,777	12,401
Bonds payable	5,845,084	3,507,211	-	-	9,352,295	-
Leases payable	-	-	-	59,068	59,068	-
Interfund note payable	-	-	-	965,645	965,645	-
Net pension liability	117,089	63,573	335,691	84,244	600,597	58,796
Total noncurrent liabilities	6,009,684	3,595,018	512,897	1,142,783	11,260,382	71,197
Total liabilities	6,715,825	4,674,892	3,623,934	1,562,951	16,577,602	176,724
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred inflows related to pensions	2,877	1,562	8,248	2,070	14,757	1,445
Total deferred inflows of resources	2,877	1,562	8,248	2,070	14,757	1,445
<u>NET POSITION</u>						
Net investment in capital assets	38,819,761	20,342,591	34,094,837	14,251,976	107,509,165	4,157,033
Restricted for impact fees	1,013,402	-	4,897,724	1,931,955	7,843,081	-
Restricted for debt service	127,693	473,972	-	-	601,665	-
Unrestricted	9,035,306	9,855,607	22,370,688	6,779,755	48,041,356	10,631,527
Total net position	\$ 48,996,162	\$ 30,672,170	\$ 61,363,249	\$ 22,963,686	163,995,267	\$ 14,788,560

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 adjustment to report the cumulative internal balance for the net effect of activity between the internal service funds and the enterprise funds over time.

5,658,860

Net position (proprietary funds/entity-wide)

\$ 169,654,127

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, 2023

	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
<u>OPERATING REVENUES</u>						
Sales and charges for services	5,568,274	\$ 5,490,910	\$ 33,313,183	\$ 5,551,381	\$ 49,923,748	\$ 4,297,927
Connection fees	49,937	-	98,490	-	148,427	-
Miscellaneous income	146,826	6,217	61,018	27,871	241,932	-
Total operating revenues	5,765,037	5,497,127	33,472,691	5,579,252	50,314,107	4,297,927
<u>OPERATING EXPENSES</u>						
Salaries and benefits	1,290,572	744,801	3,509,372	1,057,245	6,601,990	656,101
Administrative	1,919,428	1,746,995	27,269,413	3,214,886	34,150,722	1,118,214
Depreciation	1,336,502	1,140,167	1,977,988	323,150	4,777,807	766,211
Total operating expenses	4,546,502	3,631,963	32,756,773	4,595,281	45,530,519	2,540,526
Operating income	1,218,535	1,865,164	715,918	983,971	4,783,588	1,757,401
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Equity income of joint venture	-	-	-	21,109	21,109	-
Impact fees	323,633	120,715	467,223	183,984	1,095,555	-
Grants	1,000,000	-	-	-	1,000,000	20,000
Interest income	235,255	285,890	848,587	224,438	1,594,170	313,835
Interest and fiscal expenses	(160,654)	(98,801)	-	(5,539)	(264,994)	-
Gain (loss) on disposal of assets	-	-	-	-	-	95,762
Total nonoperating revenues (expenses)	1,398,234	307,804	1,315,810	423,992	3,445,840	429,597

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 (Continued)
For the Year Ended June 30, 2023

Income before contributions and transfers	2,616,769	2,172,968	2,031,728	1,407,963	8,229,428	2,186,998
Capital contributions	492,615	204,092	-	374,134	1,070,841	-
Transfers in	-	92,000	-	755,004	847,004	-
Transfers out	<u>(420,947)</u>	<u>(375,817)</u>	<u>(2,145,656)</u>	<u>(320,374)</u>	<u>(3,262,794)</u>	<u>-</u>
Change in net position	2,688,437	2,093,243	(113,928)	2,216,727	6,884,479	2,186,998
Total net position, beginning	<u>46,307,725</u>	<u>28,578,927</u>	<u>61,477,177</u>	<u>20,746,959</u>	<u>157,110,788</u>	<u>12,601,562</u>
Total net position, ending	<u><u>\$ 48,996,162</u></u>	<u><u>\$ 30,672,170</u></u>	<u><u>\$ 61,363,249</u></u>	<u><u>\$ 22,963,686</u></u>	<u>163,995,267</u>	<u><u>\$ 14,788,560</u></u>

Change in net position (proprietary funds) 6,884,479

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 current year activity associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.

643,817

Change in net position (proprietary funds/entity-wide)

\$ 7,528,296

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, 2023

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
Cash flows from operating activities						
Receipts from customers and users	\$ 5,608,081	\$ 5,465,546	\$ 32,720,782	\$ 5,515,318	\$ 49,309,727	\$ 4,297,927
Payments to suppliers	(3,848,549)	(1,820,258)	(27,221,273)	(3,508,695)	(36,398,775)	(1,102,058)
Payments to employees	(1,349,263)	(772,667)	(3,734,687)	(1,120,257)	(6,976,874)	(712,751)
Net cash provided by operating activities	410,269	2,872,621	1,764,822	886,366	5,934,078	2,483,118
Cash flows from noncapital financing activities						
Transfers from other funds	-	92,000	-	755,004	847,004	-
Transfers to other funds	(420,947)	(375,817)	(2,145,656)	(320,374)	(3,262,794)	-
Net cash provided (used) by noncapital financing activities	(420,947)	(283,817)	(2,145,656)	434,630	(2,415,790)	-
Cash flows from capital and related financing activities						
Aquisition of capital assets	(3,063,518)	(803,352)	(4,026,672)	(2,652,515)	(10,546,057)	(845,967)
Grants	1,000,000	-	-	-	1,000,000	20,000
Proceeds from sale of assets	-	-	-	-	-	106,078
Impact fees received	323,633	120,715	467,223	183,984	1,095,555	-
Principal paid on interfund note payable	-	-	-	(534,355)	(534,355)	-
Principal paid on lease	(294,490)	(605,510)	-	(54,752)	(954,752)	-
Interest paid on lease	(293,361)	(198,874)	-	(5,539)	(497,774)	-
Net cash used by capital and related financing activities	(2,327,736)	(1,487,021)	(3,559,449)	(3,063,177)	(10,437,383)	(719,889)
Cash flows from investing activities						
Interest received	235,255	285,890	848,587	224,438	1,594,170	313,835
Net cash provided by investing activities	235,255	285,890	848,587	224,438	1,594,170	313,835

(Continued)

SPRINGVILLE CITY CORPORATION
Statement of Cash Flows – Proprietary Fund (Continued)
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Net increase (decrease) in cash and cash equivalents	(2,103,159)	1,387,673	(3,091,696)	(1,517,743)	(5,324,925)	2,077,064
Cash and cash equivalents, beginning of year	11,210,109	8,671,439	27,928,076	7,663,361	55,472,985	8,732,632
Cash and cash equivalents, end of year	<u>\$ 9,106,950</u>	<u>\$ 10,059,112</u>	<u>\$ 24,836,380</u>	<u>\$ 6,145,618</u>	<u>\$ 50,148,060</u>	<u>\$ 10,809,696</u>
Unrestricted cash	\$ 8,898,497	\$ 9,585,140	\$ 24,173,558	\$ 6,145,618	\$ 48,802,813	\$ 10,809,696
Restricted cash	208,453	473,972	662,822	-	1,345,247	-
Total cash and cash equivalents	<u>\$ 9,106,950</u>	<u>\$ 10,059,112</u>	<u>\$ 24,836,380</u>	<u>\$ 6,145,618</u>	<u>\$ 50,148,060</u>	<u>\$ 10,809,696</u>
Reconciliation of operating income to net cash provided by operating activities						
Operating income	\$ 1,218,535	\$ 1,865,164	\$ 715,918	\$ 983,971	\$ 4,783,588	\$ 1,757,401
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	1,336,502	1,140,167	1,977,988	323,150	4,777,807	766,211
Changes in assets and liabilities:						
Accounts receivable	(150,866)	(31,581)	(777,094)	(63,934)	(1,023,475)	-
Prepays	(10,811)	-	66,189	-	55,378	-
Accounts payable	(1,918,310)	(73,263)	(18,049)	(293,809)	(2,303,431)	16,156
Accrued liabilities	12,420	(1,733)	6,816	(4,535)	12,968	1,652
Deposits	(6,090)	-	25,185	-	19,095	-
Compensated absences	(962)	9,515	(38,884)	(9,866)	(40,197)	(23,416)
Net pension liability	(70,149)	(35,648)	(193,247)	(48,611)	(347,655)	(34,886)
Net cash provided by operating activities	<u>\$ 410,269</u>	<u>\$ 2,872,621</u>	<u>\$ 1,764,822</u>	<u>\$ 886,366</u>	<u>\$ 5,934,078</u>	<u>\$ 2,483,118</u>
Noncash investing, capital and financing activities						
Capital contributions - developers	\$ 492,615	\$ 204,092	\$ -	\$ 374,134	\$ 1,070,841	\$ -
Equity investment adjustment for net income and ownership changes	\$ -	\$ -	\$ -	\$ 21,109	\$ -	\$ -

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

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements
June 30, 2023

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 venture with South Utah Valley Solid Waste District is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. Complete financial statements of the joint venture, which issued separate financial statements, can be obtained from their administrative offices.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

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, 2023

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, 2023

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, 2023

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 \$308,304 for governmental funds and \$83,500 for proprietary funds, which is estimated based on historical trends related to collections.

Other receivables at June 30, 2023, 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.

Lease Receivables The City is a lessor for noncancellable leases of land for cell phone towers. The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized over the term of the lease. These receivables and deferred inflows are recognized on the government-wide and governmental fund financial statements.

Key estimates and judgments include how the city determines 1) the discount rate it used to discount expected lease receipts to present value, 2) lease term, and 3) lease receipts. The City uses its estimated incremental borrowing rate, if the rate is not stated in the agreement, as the discount rate for leases. The lease term is based on initial noncancellable period and anticipated renewal options that are expected to be exercised. Lease receipts included in the measurement of lease receivable are generally composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease and will adjust the lease receivable and related deferred inflow of resource for significant changes.

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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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:

<u>Assets</u>	<u>Years</u>
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 The City has two benefit programs for compensated absences. Under the first program, accumulated unpaid vacation is accrued as incurred based on years of service for each employee. Vacation is accumulated monthly and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary at designated maximum amounts per City policy. 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. Under the second program, employees accrue paid time off based on years of service. At retirement, death, or termination, all unpaid paid time off is paid to the beneficiary at designated maximum amounts per City policy. 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences (Continued)

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. Historically, compensated absences are paid by the individual funds as they become due, for governmental funds, most of the costs are paid by the General Fund.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes (property taxes which will be levied and collected more than 60 days after year end) in this category. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available. The City also has deferred inflows relating to pensions and leases.

Deferred outflows of resources represent a consumption of net assets 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.

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. Historically, pension costs are paid by the individual funds as they become due, for governmental funds, most of the costs are paid by the General Fund.

Long-Term Obligations and Leases 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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-Term Obligations and Leases (Continued)

The City recognizes a lease payable and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements for individual values over \$5,000. At the commencement of a lease, the City measures the lease payable at the present value of payments expected to be made during the lease term. Subsequently, the lease payable is reduced by the principal amount of the lease payments. The lease asset is measured at the initial amount of the lease payable, adjusted for lease payments made at or before the lease commencement date, plus initial direct costs. The lease asset is amortized over its useful life. The key estimates and assumption used in lease receivables, as described above, are also similarly applied here for the lease payable.

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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance and Net Position (Continued)

- (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.
- (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.

Reclassifications

Certain amounts have been reclassified in the 2022 financial statements to conform with the 2023 presentation.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

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 35% of the current year's total actual revenues.

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, special revenue funds, debt service fund, 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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.

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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2023, the City had the following recurring fair value measurements.

Investment Type	06/30/23	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
PTIF	\$ 76,892,834	\$ -	\$ 76,892,834	\$ -
U.S. Govt Treasuries	1,382,192	1,382,192	-	-
U.S. Agencies	5,227,300	5,227,300	-	-
Corporate notes	548,559	548,559	-	-
Certificates of Deposits	1,906,245	1,906,245	-	-
Commercial paper	1,488,697	1,488,697	-	-
Money market	61,156	61,156	-	-
Total investments	<u>\$ 87,506,983</u>	<u>\$ 10,614,149</u>	<u>\$ 76,892,834</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, 2023, \$2,870,851 of the City's \$3,120,851 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. The City's policy for limiting credit risk of investments is to comply with the requirements of UMMA as described above. Of the City's investment in the Utah Public Treasurer's Investment Fund (PTIF) of \$76,892,834, the City 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.

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.

At June 30, 2023, the City had the following investments and quality ratings:

	06/30/23	Quality Ratings		
		AAA	A	Unrated
PTIF	\$ 76,892,834	\$ -	\$ -	\$ 76,892,834
U.S. Govt Treasuries	1,382,192	1,382,192	-	-
U.S. Agencies	5,227,300	5,227,300	-	-
Corporate notes	548,559	-	548,559	-
Certificates of Deposits	1,906,245	1,906,245	1,906,245	-
Commercial paper	1,488,697	-	1,488,697	-
Money market	61,156	61,156	-	-
Total investments	<u>\$ 87,506,983</u>	<u>\$ 8,576,893</u>	<u>\$ 3,943,501</u>	<u>\$ 76,892,834</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023, the City's investments had the following maturities and ratings:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
PTIF	\$ 76,892,834	\$ 76,892,834	\$ -
U.S. Govt Treasuries	1,382,192	-	1,382,192
U.S. Agencies	5,227,300	982,394	4,244,906
Corporate notes	548,559	548,559	-
Certificates of Deposits	1,906,245	-	1,906,245
Commercial paper	1,488,697	1,488,697	-
Money market	61,156	61,156	-
Total investments	<u>\$ 87,506,983</u>	<u>\$ 79,973,640</u>	<u>\$ 7,533,343</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, 2023, the City had investments of \$76,892,834 with the PTIF. The fair value of these investments was \$76,898,613 using a fair value factor of 1.00007516.

The City also invests with an outside financial advisor, who invests in mainly fixed income securities. These investments meet the requirements of UMMA.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Following are the City's cash and cash equivalents at June 30, 2023:

	Carrying Value
Cash on hand and on deposit:	
Cash on hand	\$ 4,250
Cash on deposit	2,917,996
PTIF accounts	76,892,834
Total cash on hand and deposit	\$ 79,815,080

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:

	Transfers In	Transfers Out
General Fund	\$ 3,207,237	\$ 8,464,336
Capital Projects Fund	6,433,794	41,443
Nonmajor Governmental Funds	1,376,454	95,916
Water Fund	-	420,947
Sewer Fund	92,000	375,817
Electric Fund	-	2,145,656
Golf Fund	755,004	4,720
Nonmajor Proprietary Funds	-	315,654
	\$ 11,864,489	\$ 11,864,489

The City also has an interfund receivable/payable between the Cemetery Fund and Golf Course Fund of \$965,645 as of June 30, 2023. The note between the funds was used to provide capital expenditures support for the Golf Course and repayment began in FY2023. Interest will be payable at a rate equal to what the City earns on its investments held with the Utah Public Treasurer's Investment Fund.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

5. CAPITAL ASSETS

Capital asset activity of the governmental activities, including the internal service fund, for the year ended June 30, 2023 was as follows:

	6/30/2022	Increases	Decreases	06/30/23
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 35,305,363	\$ 6,661,781	\$ -	\$ 41,967,144
Construction in progress	2,988,140	984,628	(165,511)	3,807,257
Total capital assets, not being depreciated	38,293,503	7,646,409	(165,511)	45,774,401
Capital assets, being depreciated:				
Buildings and structures	58,335,150	13,069	(336,753)	58,011,466
Improvements	90,705,890	1,951,379	-	92,657,269
Machinery, equipment, and vehicles	15,285,583	1,211,773	(327,384)	16,169,972
Total capital assets, being depreciated	164,326,623	3,176,221	(664,137)	166,838,707
Less accumulated depreciation	(78,069,255)	(4,010,472)	480,911	(81,598,816)
Total capital assets being depreciated, net	86,257,368	(834,251)	(183,226)	85,239,891
Governmental capital assets, net	<u>\$ 124,550,871</u>	<u>\$ 6,812,158</u>	<u>\$ (348,737)</u>	<u>\$ 131,014,292</u>

Capital asset activity of the business-type activities for the year ended June 30, 2023 was as follows:

	6/30/2022	Increases	Decreases	06/30/23
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,719,507	\$ -	\$ -	\$ 1,719,507
Construction in progress	10,867,150	4,409,530	(5,974,764)	9,301,916
Water shares	1,374,919	-	-	1,374,919
Total capital assets, not being depreciated	13,961,576	4,409,530	(5,974,764)	12,396,342
Capital assets, being depreciated:				
Buildings and structures	5,848,044	217,818	-	6,065,862
System improvements	180,865,203	12,583,022	-	193,448,225
Machinery, equipment, and vehicles	1,547,160	252,973	-	1,800,133
Intangible right-to-use lease asset	224,110	-	-	224,110
Total capital assets, depreciated	188,484,517	13,053,813	-	201,538,330
Less accumulated depreciation and amortization	(90,845,208)	(4,777,807)	128,319	(95,494,696)
Total capital assets being depreciated, net	97,639,309	8,276,006	128,319	106,043,634
Business-type capital assets, net	<u>\$ 111,600,885</u>	<u>\$ 12,685,536</u>	<u>\$ (5,846,445)</u>	<u>\$ 118,439,976</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 394,926
Public safety	210,152
Community development	9,236
Highways and public improvements	1,261,081
Parks and recreation	1,368,866
Internal service funds	766,211
Total depreciation expense - governmental activities	<u>\$ 4,010,472</u>
Business-type activities:	
Water Fund	\$ 1,336,502
Sewer Fund	1,140,167
Electric Fund	1,977,988
Storm Water Fund	190,056
Solid Waste Fund	43,208
Golf Course Fund	89,886
Total depreciation expense - business-type activities	<u>\$ 4,777,807</u>

6. INVESTMENT IN JOINT VENTURES

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 , the District reported an increase in net position of \$140,730. The City recognized its 15% of the District's income as equity income of a joint venture of \$21,109 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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2023:

	<u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/23</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
General obligation bonds	\$ 13,195,000	\$ -	\$ (950,000)	\$ 12,245,000	\$ 985,000
Municipal Building Authority lease revenue bonds	3,390,000	-	(320,000)	3,070,000	330,000
Plus: unamortized premiums	759,977	-	(65,226)	694,751	-
Total bonds payable	<u>17,344,977</u>	<u>-</u>	<u>(1,335,226)</u>	<u>16,009,751</u>	<u>1,315,000</u>
Compensated absences	885,827	384,341	(370,529)	899,639	449,820
Total bonds and compensated absences	<u>\$ 18,230,804</u>	<u>\$ 384,341</u>	<u>\$ (1,705,755)</u>	<u>16,909,390</u>	<u>\$ 1,764,820</u>
Net pension liability				<u>1,866,927</u>	
Governmental activities, long-term liabilities				<u>\$ 18,776,317</u>	

Long-term debt and obligations for governmental activities payable at June 30, 2023 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	\$ 330,000	\$ 2,740,000
General Obligation Bonds, Series 2016 (original amount - \$10,785,000)	2.00% to 5.00%	2036	500,000	7,440,000
General Obligation Bonds, Series 2020 (original amount - \$5,695,000)	2.00% to 3.00%	2031	485,000	3,820,000
Unamortized Premium on Bond			<u>-</u>	<u>694,751</u>
Total Governmental Activities Long-term Debt			<u>\$ 1,315,000</u>	<u>\$ 14,694,751</u>

The 2008 Municipal Building Authority lease revenue bonds were issued for the construction of the new civic center. A 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 that resulted from the current refunding was 2.55%.

The 2016 general obligation bonds were used for the construction of an aquatics center. Debt service requirements will be met principally by the general fund through amounts levied in property taxes as their dedicated revenue stream.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

7. LONG-TERM DEBT (CONTINUED)

The City issued \$5,695,000 in General Obligation Refunding Bonds, Series 2020. These refunding bonds also had a premium with their issuance of \$337,019. The proceeds were used to immediately refund \$5,910,000 of the fully callable outstanding Series 2010 General Obligation Building America Bonds and pay the associated costs of issuance.

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2023:

	<u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/23</u>	<u>Due in One Year</u>
<u>Business-type activities</u>					
Water and sewer revenue bonds	\$ 9,945,000	\$ -	\$ (900,000)	\$ 9,045,000	\$ 990,000
Plus: unamortized premiums	1,462,979	-	(165,684)	1,297,295	-
Leases payable	170,689	-	(54,579)	115,937	56,869
Compensated absences	605,752	292,361	(332,558)	565,555	282,778
Total bonds, leases, and compensated absences	<u>\$ 12,184,420</u>	<u>\$ 292,361</u>	<u>\$ (1,452,821)</u>	11,023,787	<u>\$ 1,329,647</u>
Net pension liability				<u>600,597</u>	
Business-type activities, long-term liabilities				<u>\$ 11,624,384</u>	

Long-term debt and obligations for business-type activities payable at June 30, 2023 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>
Water and Sewer Revenue and Refunding Bonds, Dated December 21, 2021 (original amount - \$9,945,000)	3.00% to 5.00%	2041	\$ 990,000	8,055,000
Unamortized Premium on Bond			-	1,297,295
Golf cart equipment lease	3.80%	2025	<u>56,869</u>	<u>59,068</u>
Total Business-type Activities Long-term Debt			<u>\$ 1,046,869</u>	<u>\$ 9,411,363</u>

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 (Series 2021 refunding) through 2028.

In December 2021, the City issued \$4,645,000 of Series 2021 Water Revenue Bonds for the construction of a new water tank. These bonds had a premium with their issuance of \$703,315.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

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
2024	\$ 1,315,000	\$ 429,215	\$ 1,046,869	\$ 393,672	\$ 2,361,869	\$ 822,887
2025	1,370,000	381,059	1,104,068	341,973	2,474,068	723,032
2026	1,425,000	330,820	1,095,000	288,500	2,520,000	619,320
2027	1,470,000	294,999	1,155,000	233,750	2,625,000	528,749
2028	1,515,000	258,045	1,210,000	176,000	2,725,000	434,045
2029-2033	6,115,000	720,670	1,195,000	477,100	7,310,000	1,197,770
2034-2038	2,105,000	127,650	1,410,000	271,200	3,515,000	398,850
2039-2041	-	-	945,000	57,300	945,000	57,300
	<u>\$ 15,315,000</u>	<u>\$ 2,542,458</u>	<u>\$ 9,160,937</u>	<u>\$ 2,239,495</u>	<u>\$ 24,475,937</u>	<u>\$ 4,781,953</u>

Principal and interest requirements to retire the City's business-type activities obligations are as follows:

Year Ending June 30,	Business-type Activities				
	Water & Sewer Revenue Bonds		Lease Payable		Totals
	Principal	Interest	Principal	Interest	
2024	\$ 990,000	\$ 390,250	\$ 56,869	\$ 3,422	\$ 1,440,541
2025	1,045,000	340,750	59,068	1,223	1,446,041
2026	1,095,000	288,500	-	-	1,383,500
2027	1,155,000	233,750	-	-	1,388,750
2028	1,210,000	176,000	-	-	1,386,000
2029-2033	1,195,000	477,100	-	-	1,672,100
2034-2038	1,410,000	271,200	-	-	1,681,200
2039-2041	945,000	57,300	-	-	1,002,300
	<u>\$ 9,045,000</u>	<u>\$ 2,234,850</u>	<u>\$ 115,937</u>	<u>\$ 4,645</u>	<u>\$ 11,400,432</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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

7. LONG-TERM DEBT (CONTINUED)

The following summarizes the debt service coverage calculations for the various revenue bonds:

	Water Revenue Bonds	Sewer Revenue Bonds
Net revenues		
Operating revenues	\$ 5,765,037	\$ 5,497,127
Operating expenses (excluding depreciation and amortization)	(3,210,000)	(2,491,796)
Impact fees	323,633	120,715
Interest income	235,255	285,890
Net revenues	<u>\$ 3,113,925</u>	<u>\$ 3,411,936</u>
Maximum Aggregate Debt Service	<u>\$ 523,000</u>	<u>\$ 802,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>595%</u>	<u>425%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>

8. LEASES

A. Lease Receivables

The City has entered into three lease agreements, as lessor, for the use of portions of its land by cell phone providers for cell tower placements. The lease receivables are measured at the present value of the future minimum rent payments to be received during the lease term at a discount rate of 1.12%, which is the City's estimated incremental borrowing rate. These leases are for five to six years and the City will receive monthly payments ranging from \$3,433 to \$3,744 or annual payments ranging of \$8,267 to \$16,207. For the year ended June 30, 2023, the City recognized \$54,980 of lease revenue and \$2,849 of interest income under the leases. As of June 30, 2023, the City's receivable for lease payments was \$224,900 and the deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term was \$215,197. These leases are recognized as a lease receivables and a deferred inflow of resources in the government-wide and governmental fund financial statements.

B. Lease Payable

The City has entered into a lease agreement, as a lessee, for the use of golf carts over a four-year period. The lease payable is measured as the present value of the future minimum rent payments to be made during the lease term at a discount rate of 3.80% as stated in the agreement. An initial lease payable was recorded in the amount of \$224,110 during the current year. As of June 30, 2023, the value of the lease payable was \$115,937. The City is required to make monthly principal and interest payments of \$5,024, the equipment has a 48 month useful life. The value of the intangible right-to-use lease asset as of June 30, 2023 was \$224,110, at cost, with accumulated amortization of \$112,055. The future minimum lease obligations as of June 30, 2023 are shown in the table above in note 7.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

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)
- 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.

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.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

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 to June 30, 2020; 2.0% per year July 1, 2020 to present	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 Utah State Retirement 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, 2023 are as follows:

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

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%	13.96%	N/A
111 - Local Governmental Division Tier 2	N/A	16.01%	0.18%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	17.97%	N/A
Public Safety Retirement System			
Contributory			
122 - Tier 2 DB Hybrid Public Safety Contributory	2.59%	25.83%	N/A
Noncontributory			
43 - Other Division A Noncontributory with 2.5% COLA	N/A	34.04%	N/A
Firefighters Retirement System			
31 Other Division A	15.05%	3.61%	N/A
132 Tier 2 DB Hybrid Firefighters	2.59%	14.08%	N/A
Tier 2 DC Only			
211- Local Government	N/A	6.19%	10.00%
222-Public Safety	N/A	11.83%	14.00%
232-Firefighters	N/A	0.08%	14.00%

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, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Contributions</u>	<u>Contributions</u>
Noncontributory System	\$ 1,132,389	N/A
Public Safety System	297,232	-
Firefighters System	10,515	43,836
Tier 2 Public Employees System	687,206	-
Tier 2 Public Safety and Firefighter System	336,287	37,223
Tier 2 DC Only System	39,745	N/A
Tier 2 DC Public Safety and Firefighter System	25,188	N/A
Total Contributions	\$ 2,528,562	\$ 81,059

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, 2023

9. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2023, the City reported a net pension asset of \$232,020 and a net pension liability of \$2,467,524.

	Measurement Date: December 31, 2022				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2021	Change (Decrease)
Noncontributory System	\$ -	\$1,313,023	0.7666174%	0.7116836%	0.0549338%
Public Safety System	-	910,532	0.7041606%	0.6294510%	0.0747096%
Firefighters System	232,020	-	0.8934019%	0.5186064%	0.3747955%
Tier 2 Public Employees System	-	207,563	0.1906183%	0.1854284%	0.0051899%
Tier 2 Public Safety and Firefighter	-	36,406	0.4363942%	0.3935830%	0.0428112%
Total Net Pension Asset / Liability	<u>\$ 232,020</u>	<u>\$2,467,524</u>			

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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, 2023, the City recognized pension expense of \$1,328,351.

At June 30, 2023, 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	\$ 577,999	\$ 21,494
Changes in assumptions	358,856	9,418
Net difference between projected and actual earnings on pension plan investments	1,260,661	-
Changes in proportion and differences between contributions and proportionate share of contributions	112,316	136,781
Contributions subsequent to the measurement date	1,166,816	-
Total	<u>\$ 3,476,648</u>	<u>\$ 167,693</u>

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

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

\$1,166,816 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, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (343,610)
2024	41,185
2025	501,015
2026	1,835,486
2027	20,583
Thereafter	87,480

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$575,697.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 445,358	\$ -
Changes in assumptions	215,187	5,243
Net difference between projected and actual earnings on pension plan investments	866,083	-
Changes in proportion and differences between contributions and proportionate share of contributions	36,783	13,692
Contributions subsequent to the measurement date	503,022	-
Total	\$ 2,066,433	\$ 18,935

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

\$503,022 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (187,735)
2024	54,296
2025	347,872
2026	1,330,043

Public Safety System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$289,309.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,031	\$ -
Changes in assumptions	24,421	-
Net difference between projected and actual earnings on pension plan investments	211,047	-
Changes in proportion and differences between contributions and proportionate share of contributions	26,887	11,020
Contributions subsequent to the measurement date	140,352	-
Total	\$ 406,738	\$ 11,020

\$140,352 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

Public Safety System Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

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

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ (140,426)
2024	(36,439)
2025	87,979
2026	344,252

Firefighters System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of (\$92,830).

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,941	\$ 1,186
Changes in assumptions	28,839	-
Net difference between projected and actual earnings on pension plan investments	62,075	-
Changes in proportion and differences between contributions and proportionate share of contributions	217	96,858
Contributions subsequent to the measurement date	4,146	-
Total	<u>\$ 136,218</u>	<u>\$ 98,044</u>

\$4,146 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

Firefighters System Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources	
2023	\$	(31,032)
2024		(9,414)
2025		13,246
2026		61,228

Tier 2 Public Employees System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$397,999.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,107	\$ 8,235
Changes in assumptions	67,385	528
Net difference between projected and actual earnings on pension plan investments	83,683	-
Changes in proportion and differences between contributions and proportionate share of contributions	38,089	9,662
Contributions subsequent to the measurement date	340,654	-
Total	<u>\$ 599,918</u>	<u>\$ 18,425</u>

\$340,654 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

Tier 2 Public Employees System Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources	
2023	\$	11,990
2024		25,175
2025		39,952
2026		75,672
2027		18,171
Thereafter		69,879

Tier 2 Public Safety and Firefighter Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$158,177.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,562	\$ 12,073
Changes in assumptions	23,024	3,647
Net difference between projected and actual earnings on pension plan investments	37,773	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,340	5,549
Contributions subsequent to the measurement date	178,642	-
Total	<u>\$ 267,341</u>	<u>\$ 21,269</u>

\$178,642 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

Tier 2 Public Safety and Firefighter Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2023	\$ 3,593
2024	7,567
2025	11,966
2026	24,291
2027	2,412
Thereafter	17,601

Actuarial assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 - 9.25 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2022 valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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 and is applied consistently to each defined benefit pension plan. 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 or each major asset class are summarized in the following table:

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity securities	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	-0.11%	0.00%
Totals	100%		5.17%
	<u>Inflation</u>		<u>2.50%</u>
	<u>Expected arithmetic nominal return</u>		<u>7.67%</u>

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.35% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.85 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.

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 6.85 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 (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

9. RETIREMENT PLANS (CONTINUED)

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

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 8,275,111	\$ 1,313,023	\$ (4,504,168)
Public Safety System	2,932,374	910,532	(733,702)
Firefighters System	184,925	(232,020)	(570,383)
Tier 2 Public Employees System	906,937	207,563	(331,216)
Tier 2 Public Safety and Firefighter System	291,419	36,406	(166,269)
Total	<u>\$ 12,590,766</u>	<u>\$ 2,235,504</u>	<u>\$ (6,305,738)</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.

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

401(k) Plan	2023	2022	2021
Employer contributions	\$ 204,238	\$ 210,920	\$ 210,164
Employee contributions	264,267	268,462	262,185

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

10. DEFINED CONTRIBUTION SAVINGS PLAN (CONTINUED)

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 457 for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to certain permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors.

457 Plan	<u>2023</u>	<u>2022</u>	<u>2021</u>
Employee contributions	\$ 17,457	\$ 14,349	\$ 16,996

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>2023</u>	<u>2022</u>	<u>2021</u>
Employer contributions	\$ 113,171	\$ 98,676	\$ 96,058
Employee contributions	28,918	19,132	11,502
Roth IRA Plan			
Employer contributions	N/A	N/A	N/A
Employee contributions	1,300	1,300	850
Traditional IRA			
Employer contributions	N/A	N/A	N/A
Employee contributions	-	-	-

* The employer paid 401(k) contributions include the totals paid for employees in the Tier 2 Defined Contribution 401(k) Plan.

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 \$647,027 of tax increment monies for its project areas of which \$325,414 was paid for development incentives. During 2023, the RDA expended \$0 for administrative costs.

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

12. TAX ABATEMENTS

As of June 30, 2023, 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 2023	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	\$ -	\$ 36,560	Property tax: 100% through 2020, then reducing 10% per year.	Sales and Property Tax generations	2025
Olds Family Trust	\$ 268,675	\$ 626,661	Property tax: 70% per year	Sales and Property Tax generations	2025
Spring Pointe Tennis Partners, LLC	\$ 56,739	\$ -	Property tax: 80% per year	Property Tax generations	2024

SPRINGVILLE CITY CORPORATION
Notes to the Financial Statements (Continued)
June 30, 2023

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, 2023, the City purchased power totaling approximately \$24.05 million.

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

UAMPS Payson Nebo Generation Plant

In June 2002, the City entered into a power service contract with UAMPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the UAMPS Payson Nebo Generation Plant revenue bonds have been paid or (2) the final shutdown date of the Payson Nebo Generation Plant. The contract entitles the City to approximately 19.12 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 \$13,220,000 (City portion - \$2,526,990) in revenue bonds outstanding at June 30, 2023, 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 5.21% 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% and 5.21% of the total project debt service of approximately \$72,370,000 (City portion - \$3,770,260) outstanding at June 30, 2023, 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, 2023

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 bond-ed debt. These bonds were fully retired with final payments during fiscal year June 30, 2022, respectively. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. Springville City expects to receive approximately 25-30.0 million kilowatt hours of energy over the course of an average year.

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.

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. The Trust provides low-cost liability and property coverage for local governments, claims adjustment services, loss prevention and safety training to its members. Utah Local Governments Trust is reinsured through Munich America RE & Clarendon, two national insurance companies with members from municipal leagues across the US.

16. RECENT ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The statement is meant to enhance the relevance and reliability of the City's financial statements by requiring the City to report subscription assets and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of the City's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The City adopted and implemented this statement for the fiscal year ended June 20, 2023. However, after an in-depth analysis of the City's software agreements, no SBITAs were found that are subject to recognition under GASB 96.

SPRINGVILLE CITY CORPORATION

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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 Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
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%
	2017	0.7552263%	3,308,873	6,311,269	52.43%	91.90%
	2018	0.7615219%	5,607,637	6,391,261	87.74%	87.00%
	2019	0.7414277%	2,794,344	6,286,171	44.45%	93.70%
	2020	0.7141967%	366,342	5,962,447	6.14%	99.20%
	2021	0.7116836%	(4,075,888)	5,880,373	-69.31%	108.70%
	2022	0.7666174%	1,313,023	6,695,433	19.61%	97.50%
	Contributory System	2014	0.2162152%	\$ 62,366	\$ 115,606	53.90%
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%
	2017	0.6793483%	1,065,665	1,009,058	105.61%	90.20%
	2018	0.6680134%	1,718,521	960,909	178.84%	84.70%
	2019	0.6461895%	1,037,533	850,836	121.94%	90.90%
	2020	0.7077670%	587,617	893,393	65.77%	95.50%
	2021	0.6294510%	(538,408)	780,925	-68.94%	104.20%
	2022	0.7041606%	910,532	818,119	111.30%	93.60%
	Firefighters System	2014	0.0048448%	\$ (27,646)	\$ 127,036	-21.80%
2015		0.5238695%	(9,488)	140,853	-6.74%	101.00%
2016		0.4948301%	(3,901)	139,102	-2.80%	100.40%
2017		0.5260681%	(32,856)	153,906	-21.35%	103.00%
2018		0.4924004%	63,937	152,669	41.88%	94.30%
2019		0.4527187%	(56,146)	144,949	-38.74%	105.00%
2020		0.5180401%	(144,854)	169,004	-85.71%	110.50%
2021		0.5186064%	(302,460)	172,903	-174.93%	120.10%
2022		0.8934019%	(232,020)	323,029	-71.83%	108.40%
Tier 2 Public Employees System		2014	0.1155009%	\$ (3,500)	\$ 566,929	-0.60%
	2015	0.1220505%	(266)	788,707	-0.03%	100.20%
	2016	0.1565131%	17,459	1,283,531	1.36%	95.10%
	2017	0.2009037%	17,713	1,966,429	0.90%	97.40%
	2018	0.1933419%	82,804	2,259,183	3.67%	90.80%
	2019	0.1813525%	40,788	2,520,371	1.62%	96.50%
	2020	0.1858030%	26,116	2,903,091	0.90%	98.30%
	2021	0.1854284%	(78,480)	3,440,406	-2.28%	103.80%
	2022	0.1906183%	207,563	4,153,877	5.00%	92.30%
	Tier 2 Public Safety and Firefighter System	2014	0.7602135%	\$ (11,246)	\$ 314,072	-3.60%
2015		0.6507001%	(9,507)	387,183	-2.46%	110.70%
2016		0.5275480%	(4,579)	435,875	-1.05%	103.60%
2017		0.5000307%	(5,786)	527,821	-1.10%	103.00%
2018		0.4670312%	11,702	625,103	1.87%	95.60%
2019		0.4662243%	43,855	768,520	5.71%	89.60%
2020		0.4273484%	38,331	852,902	4.49%	93.10%
2021		0.3935830%	(19,893)	941,206	-2.11%	102.80%
2022		0.4363942%	36,406	1,342,686	2.71%	96.40%

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 Payroll	Contributions as a Percentage of Covered 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%
	2018	1,169,372	1,169,372	-	6,368,944	18.36%
	2019	1,169,703	1,169,703	-	6,365,799	18.37%
	2020	1,127,301	1,127,301	-	6,123,310	18.41%
	2021	1,083,686	1,083,686	-	5,872,054	18.45%
	2022	1,131,988	1,131,988	-	6,144,866	18.42%
	2023	1,132,389	1,132,389	-	6,388,596	17.73%
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%
	2018	294,671	294,671	-	985,351	29.91%
	2019	264,272	264,272	-	896,951	29.46%
	2020	295,502	295,502	-	841,707	35.11%
	2021	293,824	293,824	-	848,042	34.65%
	2022	247,218	247,218	-	726,027	34.05%
	2023	297,232	297,232	-	873,186	34.04%
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%
	2018	6,018	6,018	-	153,129	3.93%
	2019	7,138	7,138	-	154,832	4.61%
	2020	9,801	9,801	-	150,167	6.53%
	2021	9,114	9,114	-	169,477	5.38%
	2022	10,562	10,562	-	245,764	4.30%
	2023	10,515	10,515	-	290,742	3.62%
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%
	2018	324,744	324,744	-	2,151,431	15.09%
	2019	366,027	366,027	-	2,357,624	15.53%
	2020	428,169	428,169	-	2,734,868	15.66%
	2021	487,002	487,002	-	3,087,748	15.77%
	2022	601,625	601,625	-	3,743,779	16.07%
	2023	687,206	687,206	-	4,294,733	16.00%
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%
	2018	125,570	125,570	-	579,013	21.69%
	2019	154,074	154,074	-	710,560	21.68%
	2020	172,121	172,121	-	811,379	21.21%
	2021	200,071	200,071	-	830,171	24.10%
	2022	276,967	276,967	-	1,157,194	23.93%
	2023	336,287	336,287	-	1,446,019	23.26%
Tier 2 Public Employees DC Only System*	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%
	2018	2,708	2,708	-	40,476	6.69%
	2019	8,320	8,320	-	124,369	6.69%
	2020	16,173	16,173	-	241,746	6.69%
	2021	22,054	22,054	-	329,658	6.69%
	2022	33,147	33,147	-	495,470	6.69%
	2023	39,745	39,745	-	643,152	6.18%
Tier 2 DC Public Safety and Firefighter DC Only System*	2017	\$ 741	\$ 741	\$ -	\$ 6,262	11.83%
	2018	5,020	5,020	-	75,634	6.64%
	2019	5,161	5,161	-	43,628	11.83%
	2020	6,669	6,669	-	56,391	11.83%
	2021	16,256	16,256	-	138,287	11.76%
	2022	21,901	21,901	-	186,736	11.73%
	2023	25,188	25,188	-	233,597	10.78%

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.

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, 2023

1. CHANGES IN ASSUMPTIONS

No changes were made in actuarial assumptions from the prior year's valuation.

SPRINGVILLE CITY CORPORATION

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Supplementary Information

SPRINGVILLE CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	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		
ASSETS								
Cash and cash equivalents	\$ -	\$ 1,464,360	\$ -	\$ 724,766	\$ 363,785	\$ 4,122	\$ 3,227,098	\$ 5,784,131
Receivables:								
Accounts	-	-	-	-	-	-	1,394	1,394
Special assessment	7,717	-	-	-	-	-	-	7,717
Property taxes	-	400,000	-	-	-	-	-	400,000
Interfund note receivable	-	-	-	-	-	-	965,645	965,645
Restricted cash and cash equivalents	-	-	-	6,610,648	4,016	141	-	6,614,805
Total assets	<u>\$ 7,717</u>	<u>\$ 1,864,360</u>	<u>\$ -</u>	<u>\$ 7,335,414</u>	<u>\$ 367,801</u>	<u>\$ 4,263</u>	<u>\$ 4,194,137</u>	<u>\$ 13,773,692</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ 318,065	\$ -	\$ -	\$ 3,896	\$ 321,961
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,065</u>	<u>-</u>	<u>-</u>	<u>3,896</u>	<u>321,961</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-property taxes	-	400,000	-	-	-	-	-	400,000
Total deferred inflows of resources	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	2,736,042	2,736,042
Restricted:								
Impact fees	-	-	-	5,701,150	-	-	-	5,701,150
Parks, art, and recreation projects	-	-	-	909,498	-	-	-	909,498
Debt Service	-	-	-	-	367,801	4,263	-	372,064
Assigned	7,717	1,464,360	-	406,701	-	-	1,454,199	3,332,977
Total fund balances	<u>7,717</u>	<u>1,464,360</u>	<u>-</u>	<u>7,017,349</u>	<u>367,801</u>	<u>4,263</u>	<u>4,190,241</u>	<u>13,051,731</u>
Total liabilities and fund balances	<u>\$ 7,717</u>	<u>\$ 1,864,360</u>	<u>\$ -</u>	<u>\$ 7,335,414</u>	<u>\$ 367,801</u>	<u>\$ 4,263</u>	<u>\$ 4,194,137</u>	<u>\$ 13,773,692</u>

SPRINGVILLE CITY CORPORATION
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Debt Service</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>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>REVENUES</u>								
Taxes	\$ -	\$ 647,027	\$ -	\$ 711,002	\$ -	\$ -	\$ -	\$ 1,358,029
Charges for services	-	-	-	-	-	-	107,796	107,796
Impact fees	-	-	-	564,239	-	-	-	564,239
Interest	-	41,049	-	149,832	4,468	678	131,373	327,400
Miscellaneous	-	-	-	-	-	404,165	-	404,165
Total revenues	-	688,076	-	1,425,073	4,468	404,843	239,169	2,761,629
<u>EXPENDITURES</u>								
Current:								
Community development	-	325,914	-	-	-	-	-	325,914
Park, recreation, and public property	-	-	-	-	-	-	4,561	4,561
Debt service:								
Principal	-	-	-	-	950,000	320,000	-	1,270,000
Interest and fiscal expenses	-	-	-	-	395,538	84,165	-	479,703
Capital outlay	-	-	-	806,869	-	-	-	806,869
Total expenditures	-	325,914	-	806,869	1,345,538	404,165	4,561	2,887,047
Excess of revenues over (under) expenditures	-	362,162	-	618,204	(1,341,070)	678	234,608	(125,418)
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers in	-	15,000	-	15,916	1,345,538	-	-	1,376,454
Transfers out	-	-	(15,916)	(55,000)	-	-	(25,000)	(95,916)
Total other financing sources (uses)	-	15,000	(15,916)	(39,084)	1,345,538	-	(25,000)	1,280,538
Net change in fund balance	-	377,162	(15,916)	579,120	4,468	678	209,608	1,155,120
Fund balance, beginning of year	7,717	1,087,198	15,916	6,438,229	363,333	3,585	3,980,633	11,896,611
Fund balance, end of year	\$ 7,717	\$ 1,464,360	\$ -	\$ 7,017,349	\$ 367,801	\$ 4,263	\$ 4,190,241	\$ 13,051,731

SPRINGVILLE CITY CORPORATION
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2023

	Business-type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Storm Water	Solid Waste	Golf Course	
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 3,150,084	\$ 1,290,621	\$ 1,704,913	\$ 6,145,618
Accounts receivable, net	166,626	237,968	2,500	407,094
Total current assets	3,316,710	1,528,589	1,707,413	6,552,712
Noncurrent assets:				
Capital assets:				
Land	374,929	487,433	341,520	1,203,882
Construction in progress	1,148,836	-	3,533,889	4,682,725
Buildings	-	850,266	2,183,268	3,033,534
Improvements other than buildings	8,566,924	-	-	8,566,924
Machinery and equipment	205,596	336,292	146,908	688,796
Intangible right-to-use lease assets	-	-	224,110	224,110
Accumulated depreciation and amortization	(1,614,755)	(527,887)	(1,889,416)	(4,032,058)
Net capital assets	8,681,530	1,146,104	4,540,279	14,367,913
Other assets:				
Equity investment in joint venture	-	3,460,359	-	3,460,359
Total other assets	-	3,460,359	-	3,460,359
Total noncurrent assets	8,681,530	4,606,463	4,540,279	17,828,272
Total assets	11,998,240	6,135,052	6,247,692	24,380,984
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to pensions	17,326	67,810	62,587	147,723
Total deferred outflows of resources	17,326	67,810	62,587	147,723

(Continued)

SPRINGVILLE CITY CORPORATION
Combining Statement of Net Position (Continued)
Nonmajor Enterprise Funds
June 30, 2023

	Business-type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Storm Water	Solid Waste	Golf Course	
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 181,602	\$ 58,802	\$ 52,796	\$ 293,200
Accrued liabilities	2,507	10,829	22,936	36,272
Compensated absences	2,402	8,960	22,465	33,827
Leases payable	-	-	56,869	56,869
Total current liabilities	186,511	78,591	155,066	420,168
Noncurrent liabilities:				
Compensated absences	2,401	8,960	22,465	33,826
Lease payable	-	-	59,068	59,068
Interfund notes payable	-	-	965,645	965,645
Net pension liability	9,881	38,671	35,692	84,244
Total noncurrent liabilities	12,282	47,631	1,082,870	1,142,783
Total liabilities	198,793	126,222	1,237,936	1,562,951
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows related to pensions	243	950	877	2,070
Total deferred inflows of resources	243	950	877	2,070
<u>NET POSITION</u>				
Net investment in capital assets	8,681,530	1,146,104	4,424,342	14,251,976
Restricted for impact fees	1,931,955	-	-	1,931,955
Unrestricted	1,203,045	4,929,586	647,124	6,779,755
Total net position	\$ 11,816,530	\$ 6,075,690	\$ 5,071,466	\$ 22,963,686

SPRINGVILLE CITY CORPORATION
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Storm Water	Solid Waste	Golf Course	
<u>OPERATING REVENUES</u>				
Sales and charges for services	\$ 1,765,516	\$ 2,402,445	\$ 1,383,420	\$ 5,551,381
Miscellaneous income	20,990	670	6,211	27,871
Total operating revenues	1,786,506	2,403,115	1,389,631	5,579,252
<u>OPERATING EXPENSES</u>				
Salaries and benefits	106,780	427,130	523,335	1,057,245
Administrative	1,295,534	1,448,356	470,996	3,214,886
Depreciation	190,056	43,208	89,886	323,150
Total operating expenses	1,592,370	1,918,694	1,084,217	4,595,281
Operating income	194,136	484,421	305,414	983,971
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Equity income of joint venture	-	21,109	-	21,109
Impact fees	183,984	-	-	183,984
Interest income	111,947	38,732	73,759	224,438
Interest and fiscal expenses	-	-	(5,539)	(5,539)
Total nonoperating revenues (expenses)	295,931	59,841	68,220	423,992
Income before contributions and transfers	490,067	544,262	373,634	1,407,963
Capital contributions	374,134	-	-	374,134
Transfers in	-	-	755,004	755,004
Transfers out	(110,653)	(205,001)	(4,720)	(320,374)
Change in net position	753,548	339,261	1,123,918	2,216,727
Total net position, beginning	11,062,982	5,736,429	3,947,548	20,746,959
Total net position, ending	\$ 11,816,530	\$ 6,075,690	\$ 5,071,466	\$ 22,963,686

SPRINGVILLE CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2023

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
Cash flows from operating activities				
Receipts from customers and users	\$ 1,760,877	\$ 2,367,197	\$ 1,387,244	\$ 5,515,318
Payments to suppliers	(1,149,825)	(1,457,706)	(901,164)	(3,508,695)
Payments to employees	(114,584)	(458,198)	(547,475)	(1,120,257)
Net cash provided by operating activities	496,468	451,293	(61,395)	886,366
Cash flows from noncapital financing activities				
Transfers from other funds	-	-	755,004	755,004
Transfers to other funds	(110,653)	(205,001)	(4,720)	(320,374)
Net cashused by noncapital financing activities	(110,653)	(205,001)	750,284	434,630
Cash flows from capital and related financing activities				
Aquisition of capital assets	(1,338,235)	(110,385)	(1,203,895)	(2,652,515)
Principal paid on interfund note payable	-	-	(534,355)	(534,355)
Principal paid on lease	-	-	(54,752)	(54,752)
Impact fees received	183,984	-	-	183,984
Interest paid on capital debt	-	-	(5,539)	(5,539)
Net cash used by capital and related financing activities	(1,154,251)	(110,385)	(1,798,541)	(3,063,177)
Cash flows from investing activities				
Interest received	111,947	38,732	73,759	224,438
Net cash provided by investing activities	111,947	38,732	73,759	224,438
Net increase (decrease) in cash and cash equivalents	(656,489)	174,639	(1,035,893)	(1,517,743)
Cash and cash equivalents, beginning of year	3,806,573	1,115,982	2,740,806	7,663,361
Cash and cash equivalents, end of year	\$ 3,150,084	\$ 1,290,621	\$ 1,704,913	\$ 6,145,618
Total cash and cash equivalents	\$ 3,150,084	\$ 1,290,621	\$ 1,704,913	\$ 6,145,618

(Continued)

SPRINGVILLE CITY CORPORATION
Combining Statement of Cash Flows (Continued)
Nonmajor Enterprise Funds
For the Year Ended June 30, 2023

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 194,136	\$ 484,421	\$ 305,414	\$ 983,971
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	190,056	43,208	89,886	323,150
Changes in assets and liabilities:				
Accounts receivable	(25,629)	(35,918)	(2,387)	(63,934)
Accounts payable	145,709	(9,350)	(430,168)	(293,809)
Accrued liabilities	(2,353)	(2,072)	(110)	(4,535)
Compensated absences	(425)	(6,178)	(3,263)	(9,866)
Net pension liability	(5,026)	(22,818)	(20,767)	(48,611)
Net cash provided by operating activities	\$ 496,468	\$ 451,293	\$ (61,395)	\$ 886,366
Noncash investing, capital and financing activities				
Capital contributions - developers	\$ 374,134	\$ -	\$ -	\$ 374,134
Equity investment adjustment for net income and ownership changes	\$ -	\$ 21,109	\$ -	\$ 21,109

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, 2023

	<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>				
Intergovernmental	\$ 3,947,000	\$ 3,976,900	\$ 29,900	\$ (3,947,000)
Interest	-	-	104,475	104,475
Miscellaneous	-	-	27,313	27,313
Total revenues	<u>3,947,000</u>	<u>3,976,900</u>	<u>161,688</u>	<u>(3,815,212)</u>
<u>EXPENDITURES</u>				
Current:				
Capital outlay	7,806,351	20,236,990	7,353,669	12,883,321
Total expenditures	<u>7,806,351</u>	<u>20,236,990</u>	<u>7,353,669</u>	<u>12,883,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,859,351)</u>	<u>(16,260,090)</u>	<u>(7,191,981)</u>	<u>9,068,109</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of capital assets	-	-	323,246	323,246
Transfers in	3,870,794	6,433,794	6,433,794	-
Transfers out	(11,443)	(41,443)	(41,443)	-
Net other financing sources (uses)	<u>3,859,351</u>	<u>6,392,351</u>	<u>6,715,597</u>	<u>323,246</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (9,867,739)</u>	<u>(476,384)</u>	<u>\$ 9,391,355</u>
Fund balance, beginning of year			<u>3,859,550</u>	
Fund balance, end of year			<u>\$ 3,383,166</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<u>EXPENDITURES</u>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Net other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			7,717	
Fund balance, end of year			\$ 7,717	

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property tax	\$ 475,000	\$ 475,000	\$ 647,027	\$ 172,027
Interest	-	-	41,049	41,049
Total revenues	475,000	475,000	688,076	213,076
<u>EXPENDITURES</u>				
Current:				
RDA expenditures	400,000	400,000	325,914	74,086
Total expenditures	400,000	400,000	325,914	74,086
Excess of revenues under expenditures	75,000	75,000	362,162	287,162
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	15,000	15,000	15,000	-
Net other financing sources (uses)	15,000	15,000	15,000	-
Net change in fund balance	\$ 90,000	\$ 90,000	377,162	\$ 287,162
Fund balance, beginning of year			1,087,198	
Fund balance, end of year			\$ 1,464,360	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Community Theater Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	-	(15,819)	(15,916)	(97)
Net other financing sources (uses)	-	(15,819)	(15,916)	(97)
Net change in fund balance	\$ -	\$ (15,819)	(15,916)	\$ (97)
Fund balance, beginning of year			<u>15,916</u>	
Fund balance, end of year			<u>\$ -</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, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 550,000	\$ 550,000	\$ 711,002	\$ 161,002
Impact fees	2,083,375	2,083,375	564,239	(1,519,136)
Interest	-	-	149,832	149,832
Total revenues	<u>2,633,375</u>	<u>2,633,375</u>	<u>1,425,073</u>	<u>(1,208,302)</u>
<u>EXPENDITURES</u>				
Capital outlay	1,964,000	5,409,667	806,869	4,602,798
Total expenditures	<u>1,964,000</u>	<u>5,409,667</u>	<u>806,869</u>	<u>4,602,798</u>
Excess of revenues over expenditures	<u>669,375</u>	<u>(2,776,292)</u>	<u>618,204</u>	<u>3,394,496</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	-	(55,000)	(55,000)	-
Net other financing sources (uses)	<u>-</u>	<u>(39,181)</u>	<u>(39,084)</u>	<u>97</u>
Net change in fund balance	<u>\$ 669,375</u>	<u>\$ (2,815,473)</u>	<u>579,120</u>	<u>\$ 3,394,593</u>
Fund balance, beginning of year			<u>6,438,229</u>	
Fund balance, end of year			<u>\$ 7,017,349</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, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Interest	\$ -	\$ -	\$ 4,468	\$ 4,468
Total revenues	<u>-</u>	<u>-</u>	<u>4,468</u>	<u>4,468</u>
<u>EXPENDITURES</u>				
Debt service:				
Principal	950,000	950,000	950,000	-
Interest and fiscal expenses	397,338	397,338	395,538	1,800
Total debt service	<u>1,347,338</u>	<u>1,347,338</u>	<u>1,345,538</u>	<u>1,800</u>
Total expenditures	<u>1,347,338</u>	<u>1,347,338</u>	<u>1,345,538</u>	<u>1,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,347,338)</u>	<u>(1,347,338)</u>	<u>(1,341,070)</u>	<u>6,268</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,347,338	1,347,338	1,345,538	(1,800)
Net other financing sources (uses)	<u>1,347,338</u>	<u>1,347,338</u>	<u>1,345,538</u>	<u>(1,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,468</u>	<u>\$ 4,468</u>
Fund balance, beginning of year			<u>363,333</u>	
Fund balance, end of year			<u>\$ 367,801</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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		
<u>REVENUES</u>				
Miscellaneous	\$ 404,165	\$ 404,165	\$ 404,165	\$ -
Interest	-	-	678	678
Total revenues	404,165	404,165	404,843	678
<u>EXPENDITURES</u>				
Debt service:				
Principal	320,000	320,000	320,000	-
Interest and fiscal expenses	84,165	84,165	84,165	-
Total expenditures	404,165	404,165	404,165	-
Net change in fund balance	\$ -	\$ -	678	\$ 678
Fund balance, beginning of year			3,585	
Fund balance, end of year			\$ 4,263	

SPRINGVILLE CITY CORPORATION
Schedule of the Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – Permanent Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Charges for services	\$ 137,600	\$ 137,600	\$ 107,796	\$ (29,804)
Interest	15,000	15,000	131,373	116,373
Total revenues	<u>152,600</u>	<u>152,600</u>	<u>239,169</u>	<u>86,569</u>
<u>EXPENDITURES</u>				
Current:				
Park, recreation, and public property	-	5,000	4,561	439
Total expenditures	<u>-</u>	<u>5,000</u>	<u>4,561</u>	<u>439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>152,600</u>	<u>147,600</u>	<u>234,608</u>	<u>87,008</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	(25,000)	(25,000)	(25,000)	-
Net other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 127,600</u>	<u>\$ 122,600</u>	<u>209,608</u>	<u>\$ 87,008</u>
Fund balance, beginning of year			<u>3,980,633</u>	
Fund balance, end of year			<u>\$ 4,190,241</u>	

SPRINGVILLE CITY CORPORATION

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Compliance Section



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MICHAEL L. SMITH, CPA
JASON L. TANNER, CPA
ROBERT D. WOOD, CPA
AARON R. HIXSON, CPA
TED C. GARDINER, CPA
JEFFREY B. MILES, CPA
JESSE S. MALMROSE, EA

SHAWN F. MARTIN, CPA
MONTANA T. HADLEY, CPA
NATHAN E. ERICKSON, EA

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

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, 2023, 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 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

FOUNDERS

E. LYNN HANSEN, CPA
CLARKE R. BRADSHAW, CPA
GARY E. MALMROSE, CPA
EDWIN L. ERICKSON, CPA

Report on 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HBMC, LLC

December 12, 2023



COMMITTED. EXPERIENCED. TRUSTED.

MICHAEL L. SMITH, CPA
JASON L. TANNER, CPA
ROBERT D. WOOD, CPA
AARON R. HIXSON, CPA
TED C. GARDINER, CPA
JEFFREY B. MILES, CPA
JESSE S. MALMROSE, EA

SHAWN F. MARTIN, CPA
MONTANA T. HADLEY, CPA
NATHAN E. ERICKSON, EA

**INDEPENDENT AUDITOR’S 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

We have audited Springville City Corporation, Utah's (the City) compliance with 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, 2023.

State compliance requirements were tested for the year ended June 30, 2023 in the following areas:

- | | |
|-----------------------|---------------------------------------|
| Budgetary Compliance | Restricted Taxes and Related Revenues |
| Fund Balance | Governmental Fees |
| Justice Courts | Open and Public Meetings Act |
| Fraud Risk Assessment | |

Opinion on Compliance

In our opinion, Springville City Corporation complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *State Compliance Audit Guide (Guide)*. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

FOUNDERS

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report On Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This 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 *Guide*. Accordingly, this report is not suitable for any other purpose.

HBMC, LLC

December 12, 2023