

**SPRINGVILLE CITY CORPORATION**

**Financial Statements  
and  
Independent Auditors' Report**

**Year Ended June 30, 2018**

**HBME**

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

**SPRINGVILLE CITY CORPORATION**

**Financial Statements  
and  
Independent Auditors' Report**

**Year Ended June 30, 2018**

# SPRINGVILLE CITY CORPORATION

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## **Financial Section**

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South  
Bountiful, Utah 84010  
801-296-0200  
Fax 801-296-1218

E. Lynn Hansen, CPA  
Clarke R. Bradshaw, CPA  
Gary E. Malmrose, CPA  
Edwin L. Erickson, CPA  
Michael L. Smith, CPA  
Jason L. Tanner, CPA  
Robert D. Wood, CPA  
Aaron R. Hixson, CPA  
Ted C. Gardiner, CPA

Jeffrey B. Miles, CPA  
Donald M. Jack, CPA

*Members of the  
American Institute  
of Certified Public  
Accountants*

*Members of the  
Private Company  
Practice Section*

## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City Corporation, Utah ("the City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Springville City Corporation, Utah, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

financial statements and budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

December 12, 2018



## 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, 2018. 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 \$15,196,367 to \$212,575,783. The governmental net position increased by \$10,039,263 and the business-type net position increased by \$5,157,104.
- The total net position of \$212,575,783 is made up of \$169,346,162 in capital assets net of depreciation and related outstanding debt and \$43,229,621 in other net position.
- Total long-term liabilities of the City decreased by \$4,829,922.
- The General Fund (the primary operating fund) had its fund balance decrease by \$300,515 to \$5,707,828. The decrease was primarily the result of the utilization of C Road reserves for street projects along with transfers of fund balance to the capital improvements fund for previously unfunded 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 comprise 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Springville City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The Statement of Activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Springville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on Pages 14-15 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and Capital Projects Fund. The remaining governmental funds are determined to be 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. These services are allocated to the governmental activities and business-type activities based on vehicles managed and services performed and have been included with these respective activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as nonmajor and are included in the combining statements within this report.

**Notes to the Financial Statements** are to provide additional information which 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 after the statements for major funds.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on pension schedules. It also contains combining fund statements and individual fund schedules for nonmajor governmental and enterprise funds. The required supplementary information and combining and individual fund statements and schedules can be found after the notes in the financial section.

## 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 \$212,575,783.

The largest portion of Springville City's net position (\$169,346,162) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

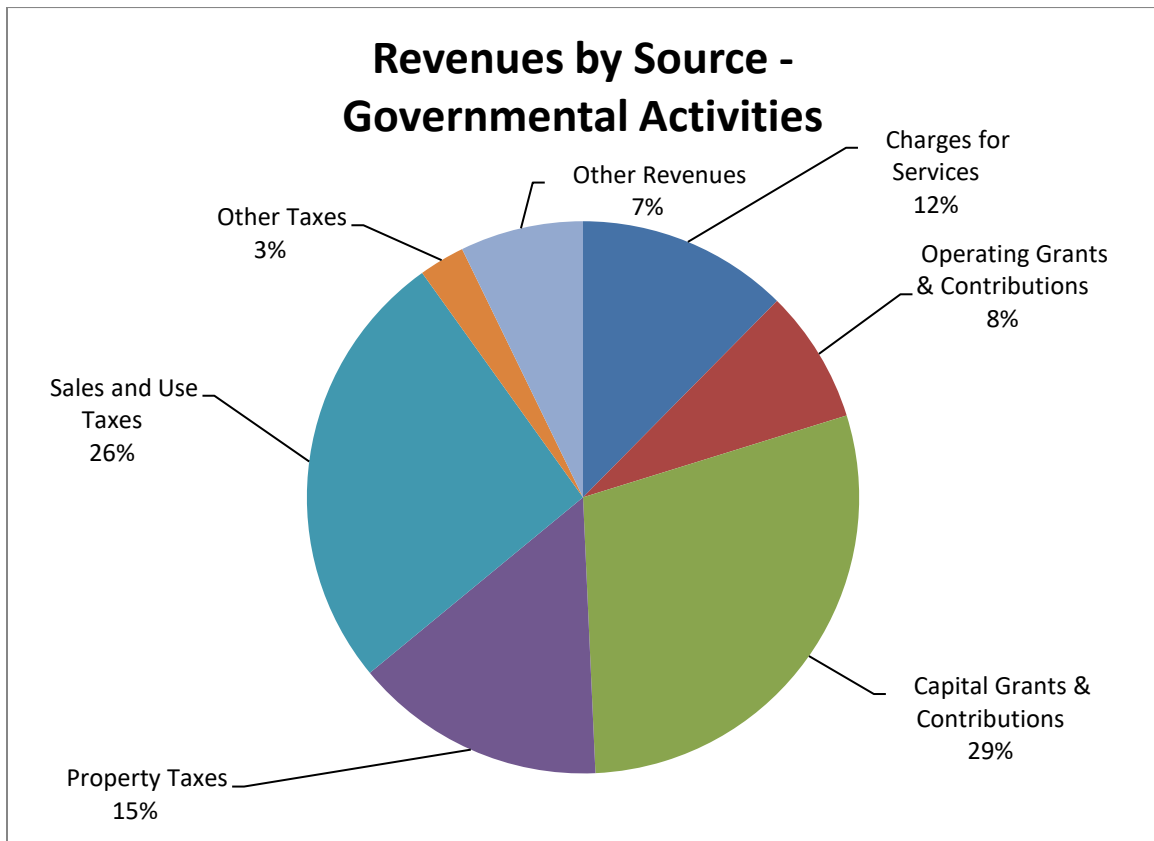
	Governmental Activities		Business-type Activities	
	2017-2018	2016-2017	2017-2018	2016-2017
Current and Other Assets	\$ 25,005	\$ 32,345	\$ 34,279	\$ 30,735
Capital Assets	107,915	92,967	94,411	92,441
Total Assets	132,920	125,312	128,690	123,176
Deferred Outflows of Resources	2,427	2,380	1,298	1,264
Total Assets and Deferred Outflows of Resources	135,347	127,692	129,988	124,440
Long-term Debt Outstanding	27,103	30,172	11,534	13,296
Other Liabilities	2,686	3,507	4,185	2,783
Total Liabilities	29,789	33,679	15,719	16,079
Deferred Inflow of Resources	6,091	4,586	1,160	409
Total Liabilities and Deferred Inflow of Resources	35,880	38,265	16,879	16,488
Net Position:				
Net Investment in Capital				
Assets	84,436	75,506	84,910	82,003
Restricted	4,303	4,275	2,320	2,045
Unrestricted	10,728	9,646	25,879	23,904
Total Net Position	\$ 99,467	\$ 89,427	\$ 113,109	\$ 107,952

CHANGES IN NET POSITION (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2017-2018</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2017</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 3,724	\$ 3,279	\$ 40,076	\$ 39,436
Operating Grants and Contributions	2,344	2,149	-	-
Capital Grants and Contributions	8,730	1,389	4,285	1,957
General Revenues:				
Property Taxes	4,430	4,192	-	-
Sales and Use Taxes	7,828	7,723	-	-
Change in Joint Venture	-	(76)	213	297
Special Item (Airport transfer)	(5,682)	-	-	-
Gain on Sale of Assets	1,132	-	-	-
Other Taxes	806	811	-	-
Other Revenues	534	623	349	61
Total Revenues	<u>23,846</u>	<u>20,090</u>	<u>44,923</u>	<u>41,751</u>
Expenses				
General Government	4,256	4,135	-	-
Public Safety	5,680	5,619	-	-
Highways and Public Improvements	2,506	2,347	-	-
Community Development	729	695	-	-
Parks and Recreation	5,414	5,144	-	-
Interest on Long-Term Debt	859	966	-	-
Electric	-	-	24,525	23,789
Water	-	-	3,477	3,610
Wastewater Collection & Treatment	-	-	2,921	3,041
Storm Water	-	-	880	920
Solid Waste Collections	-	-	1,441	1,522
Golf Course	-	-	884	878
Total Expenses	<u>19,444</u>	<u>18,906</u>	<u>34,128</u>	<u>33,760</u>
Increase in Net Position Before Transfers	4,402	1,184	10,795	7,991
Transfers	5,638	3,769	(5,638)	(3,769)
Change in Net Position	10,040	4,953	5,157	4,222
Net Position Beginning	89,427	84,474	107,952	103,730
Prior Period Adjustment				
Net Position Ending	<u>\$ 99,467</u>	<u>\$ 89,427</u>	<u>\$ 113,109</u>	<u>\$ 107,952</u>

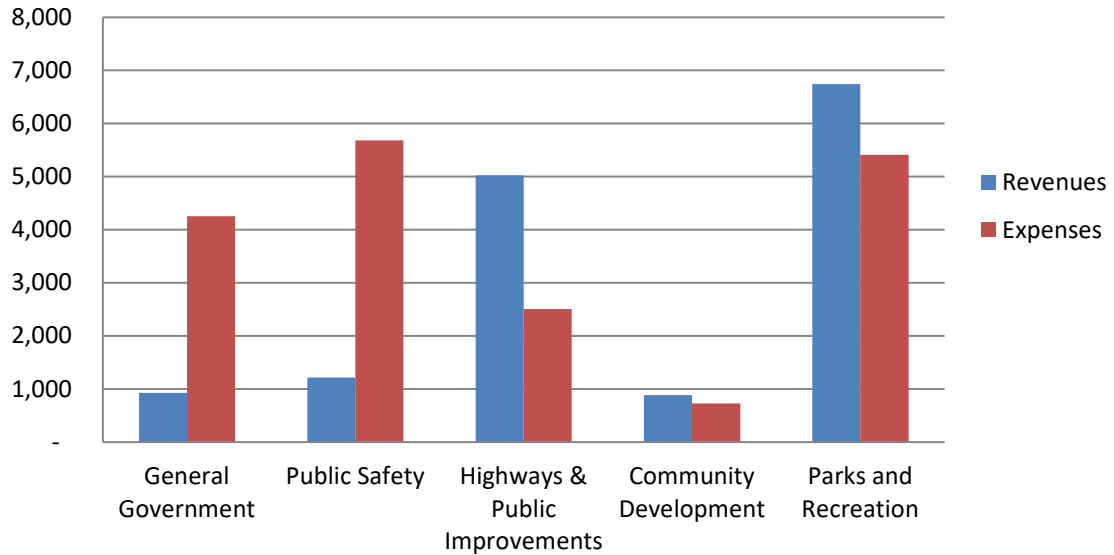
In the Governmental Funds revenue sources showed modest increases compared to last year primarily as a result of natural growth and new development. Sales tax revenues were up in 2018 as a reflection of an expanding economy state wide and new retail development in the City. Capital grants and contributions were up significantly as a result of contributions from the Nebo School District and private donations for the Clyde Recreation Center as well as developer contributions of infrastructure related to new development. The General Government expenditures were up compared to last year primarily reflecting higher labor costs and modest inflation. In the business-type funds, revenue increases are a reflection of system growth, infrastructure contributions from developers, weather and minor rate increases in some utility funds. Expenses reflect labor cost increases and system growth from new development. Finally, a special item entry of approximately \$5.7M is shown to reflect the transfer of the Spanish Fork-Springville Airport to the City of Spanish Fork following a transfer agreement being completed between the two cities. Springville has removed itself from operations of the airport, but part of the transfer agreement includes a reversion clause that would allow Springville to claim its former interests in the airport assets if it ever ceases to function as an airport.

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



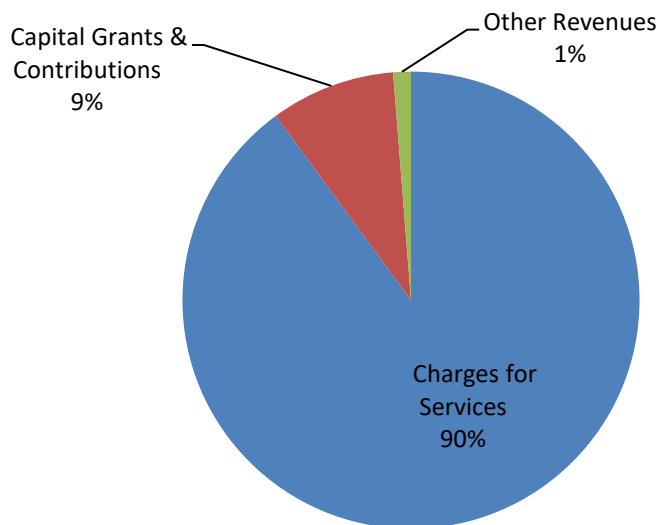
## Program Revenues and Expenses - Governmental Activities

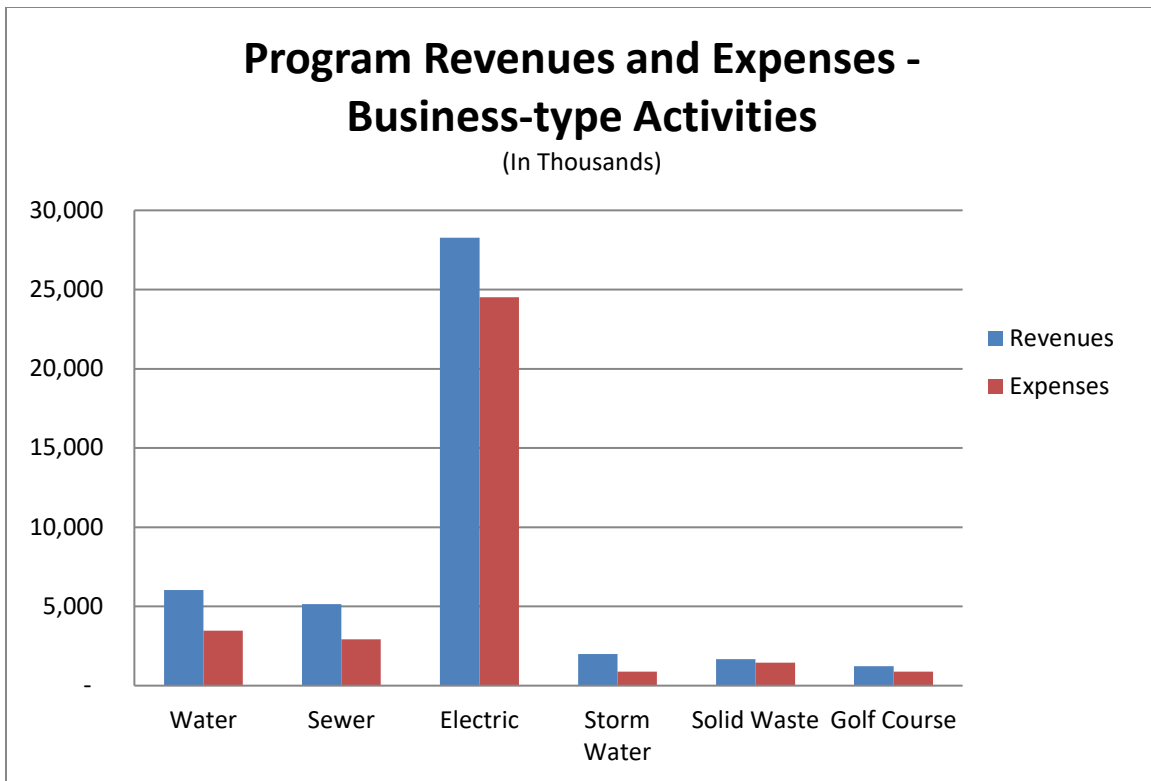
(In Thousands)



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 90% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of grants or infrastructure systems donated to the City via subdivisions or other infrastructure being developed. Expenses for each fund only reflect direct operating costs. The expenses for capital projects, bond principal payments and inter-fund transfers are not included.

## Revenues by Source - Business-type Activities





## FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. As of June 30, 2018, the City’s governmental funds (General, Capital Projects, Debt Service, Special Revenue, and Permanent) reported combined fund balance of \$16,698,319. This represents a decrease of \$1,651,187 from last year’s ending balances. The primary reason for the decrease was the expenditure of bond proceeds for the construction of a new Recreation Center, which opened to the public in May 2018.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund. Taxes continue to be the largest source of revenue in the General Fund. The largest element of taxes is sales and use tax as it has been for the last several years. Sales taxes represent approximately 60 percent of total tax revenues which is essentially unchanged compared to last year’s percentage. Growth in sales tax revenue is a reflection of retail growth in Springville and continued improvement, both locally and at the state level, of the economy.

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund budget was amended from an original budget expenditure total (including transfers) of \$23,322,337 to a final budget of \$24,938,847. The budget increase represented adjustments of unanticipated expenditures primarily related to grants received from various sources as well as an increase in the budget to transfer general fund dollars to the capital improvement fund for previously un-funded projects.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$202,326,058 (net of accumulated depreciation). This investment in capital assets includes land, water shares, buildings and structures, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in capital assets (minus depreciation) for the current year increased by \$16,918,082. Governmental activities' capital assets increased by \$14,947,949 while the business-type activities' capital assets increased by \$1,970,133.

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

- Road Improvements and Reconstruction - \$1,023,038
- Wayne Bartholomew Family Park - \$446,689
- Vehicle Acquisition and Replacement - \$576,610
- 400 South Well (Water Dept.) - \$396,156
- Aquatic and Activity Center Construction - \$12,452,747



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

	Governmental Activities		Business-type Activities	
	<u>2017-2018</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2017</u>
Land	\$ 24,054	\$ 22,294	\$ 1,718	\$ 1,718
Water Shares	-	-	1,375	1,375
Buildings	36,697	36,799	5,592	5,592
System Improvements	77,923	75,533	155,575	150,003
Machinery & Equipment	11,574	11,525	2,834	2,771
Construction in Progress	22,428	9,108	1,705	1,452
Less Accumulated Depreciation	(64,761)	(62,292)	(74,388)	(70,470)
Total	<u>\$ 107,915</u>	<u>\$ 92,967</u>	<u>\$ 94,411</u>	<u>\$ 92,441</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, 2018, the City had total long-term bonded debt balances of \$32,997,586. Of the total, \$9,470,000 is debt secured by specific revenue sources (i.e. revenue bonds within the Water and Sewer Utilities). The remainder is in a Municipal Building Authority Lease Revenue Bond of \$4,540,000, a sales tax revenue bond of \$1,485,000 and general obligation bonds of \$16,880,000. The City also has notes payable totaling \$31,250; unamortized premiums on bonds of \$622,586; accrued compensated absences of \$1,216,264 and net pension liabilities of \$4,392,251 outstanding at June 30, 2018.

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

	Governmental Activities		Business-type Activities	
	<u>2017-2018</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2016-2017</u>
General Obligation Bonds	\$ 16,880	\$ 17,675	\$ -	\$ -
Revenue Bonds	-	-	9,470	10,376
MBA Bonds	4,540	4,800	-	-
Special Assessment Bonds	-	-	-	-
Sales Tax Revenue Bonds	1,485	1,960	-	-
Notes Payable	-	-	31	63
Unamortized Bond Premium	623	657	-	-
Net Pension Liability	2,842	4,348	1,550	2,361
Compensated Absences	734	731	483	496
Total	<u>\$ 27,104</u>	<u>\$ 30,171</u>	<u>\$ 11,534</u>	<u>\$ 13,296</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 \$79,023,724. The City currently has \$16,880,000 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 \$158,047,447. 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 2018 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 3.4 percent compared to a state unemployment rate of 3.0 percent and a national rate of 4.0 percent. (Source: U.S. Bureau of Labor Statistics)
- Expenditures in the General Fund were approximately eight percent higher than the previous year and approximately two percent higher in the Enterprise Funds. These increases are a reflection of modest growth, inflationary factors, increased hiring of previously vacant personnel positions and higher health insurance costs. Actual expenditures for FY 2017-2018 were approximately 18 percent less than budgeted General Fund expenditures because of personnel savings from unfilled positions and other line-item savings.

## **REQUESTS FOR INFORMATION**

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

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

**SPRINGVILLE CITY CORPORATION**  
**Statement of Net Position**  
**June 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 16,059,929	\$ 22,710,855	\$ 38,770,784
Receivables:			
Accounts, net	473,730	2,843,783	3,317,513
Property taxes	4,005,681	-	4,005,681
Other taxes	1,776,902	-	1,776,902
Prepays	2,805	-	2,805
Inventory	-	896,792	896,792
Internal balances	(2,937,141)	2,937,141	-
Restricted cash and cash equivalents	5,598,407	2,868,799	8,467,206
Equity investments in joint venture	-	2,007,803	2,007,803
Net pension asset	25,332	13,309	38,641
Capital assets			
Non depreciable	46,482,811	4,797,521	51,280,332
Depreciable assets, net of depreciation	61,431,850	89,613,876	151,045,726
<b>Total assets</b>	<b>132,920,306</b>	<b>128,689,879</b>	<b>261,610,185</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred loss on refunding	48,939	-	48,939
Deferred outflows related to pensions	2,377,771	1,297,759	3,675,530
<b>Total deferred outflows of resources</b>	<b>2,426,710</b>	<b>1,297,759</b>	<b>3,724,469</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	864,834	3,349,487	4,214,321
Accrued liabilities	362,295	85,720	448,015
Accrued interest payable	141,619	134,595	276,214
Developer and customer deposits	1,192,717	549,142	1,741,859
Unearned revenue	125,000	65,272	190,272
Noncurrent liabilities:			
Due within one year	1,941,861	1,207,521	3,149,382
Due in more than one year	22,319,446	8,776,272	31,095,718
Net pension liability	2,841,887	1,550,364	4,392,251
<b>Total liabilities</b>	<b>29,789,659</b>	<b>15,718,373</b>	<b>45,508,032</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred revenue-property taxes	3,953,825	-	3,953,825
Deferred inflows related to pensions	2,136,978	1,160,036	3,297,014
<b>Total deferred inflows of resources</b>	<b>6,090,803</b>	<b>1,160,036</b>	<b>7,250,839</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	84,436,014	84,910,148	169,346,162
Restricted for:			
Debt service	165,679	2,319,657	2,485,336
Impact fees	3,156,050	-	3,156,050
Capital projects	981,336	-	981,336
Unrestricted	10,727,475	25,879,424	36,606,899
<b>Total net position</b>	<b>\$ 99,466,554</b>	<b>\$ 113,109,229</b>	<b>\$ 212,575,783</b>

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

**SPRINGVILLE CITY CORPORATION**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	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
<b>Primary government:</b>							
<b>Governmental activities</b>							
General government	\$ 4,255,776	\$ 927,992	\$ -	\$ -	\$ (3,327,784)		\$ (3,327,784)
Public safety	5,679,724	628,736	521,338	67,847	(4,461,803)		(4,461,803)
Community development	729,843	730,627	152,922	-	153,706		153,706
Highways and public improvements	2,506,188	43,140	1,249,687	3,729,645	2,516,284		2,516,284
Parks and recreation	5,413,858	1,393,233	419,668	4,932,954	1,331,997		1,331,997
Interest on long-term debt	858,890	-	-	-	(858,890)		(858,890)
<b>Total governmental activities</b>	<b>19,444,279</b>	<b>3,723,728</b>	<b>2,343,615</b>	<b>8,730,446</b>	<b>(4,646,490)</b>		<b>(4,646,490)</b>
<b>Business-type activities</b>							
Water	3,476,606	4,655,641	-	1,385,420		\$ 2,564,455	2,564,455
Sewer	2,921,175	4,150,242	-	999,541		2,228,608	2,228,608
Electric	24,525,059	27,569,800	-	704,831		3,749,572	3,749,572
Storm Water	879,727	1,120,177	-	874,756		1,115,206	1,115,206
Solid Waste	1,440,979	1,668,334	-	-		227,355	227,355
Golf	884,187	911,987	-	321,000		348,800	348,800
<b>Total business-type activities</b>	<b>34,127,733</b>	<b>40,076,181</b>	<b>-</b>	<b>4,285,548</b>		<b>10,233,996</b>	<b>10,233,996</b>
<b>Total primary government</b>	<b>\$ 53,572,012</b>	<b>\$ 43,799,909</b>	<b>\$ 2,343,615</b>	<b>\$ 13,015,994</b>	<b>(4,646,490)</b>	<b>10,233,996</b>	<b>5,587,506</b>
<b>General Revenues:</b>							
Taxes							
Property					4,429,768	-	4,429,768
Sales					7,827,425	-	7,827,425
Other taxes					806,326	-	806,326
Investment earnings					427,827	348,570	776,397
Miscellaneous					105,884	-	105,884
Equity investment income					-	212,807	212,807
Special item - transfer of airport assets to other government					(5,681,814)	-	(5,681,814)
Gain on sale and disposal of assets					1,132,068	-	1,132,068
Transfers - net					5,638,269	(5,638,269)	-
<b>Total general revenue</b>					<b>14,685,753</b>	<b>(5,076,892)</b>	<b>9,608,861</b>
<b>Change in net position</b>					<b>10,039,263</b>	<b>5,157,104</b>	<b>15,196,367</b>
<b>Net position - beginning</b>					<b>89,427,291</b>	<b>107,952,125</b>	<b>197,379,416</b>
<b>Net position - ending</b>					<b>\$ 99,466,554</b>	<b>\$ 113,109,229</b>	<b>\$ 212,575,783</b>

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

**SPRINGVILLE CITY CORPORATION**  
**Balance Sheet – Governmental Funds**  
**June 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 3,137,858	\$ 5,627,446	\$ 2,434,507	\$ 11,199,811
Receivables:				
Property taxes	3,839,474	-	166,207	4,005,681
Other taxes and grants	1,776,902	-	-	1,776,902
Special assessment	-	-	10,241	10,241
Other, net	463,183	-	306	463,489
Due from other funds	-	-	2,869	2,869
Prepays	2,805	-	-	2,805
Restricted cash and cash equivalents	2,174,053	-	3,424,354	5,598,407
<b>Total assets</b>	<b>\$ 11,394,275</b>	<b>\$ 5,627,446</b>	<b>\$ 6,038,484</b>	<b>\$ 23,060,205</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 351,051	\$ 360,667	\$ 20,696	\$ 732,414
Accrued liabilities	355,061	-	-	355,061
Due to other funds	-	-	2,869	2,869
Developer and customer deposits	1,192,717	-	-	1,192,717
Unearned revenue	-	125,000	-	125,000
<b>Total liabilities</b>	<b>1,898,829</b>	<b>485,667</b>	<b>23,565</b>	<b>2,408,061</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue-property taxes	3,787,618	-	166,207	3,953,825
<b>Total deferred inflows of resources</b>	<b>3,787,618</b>	<b>-</b>	<b>166,207</b>	<b>3,953,825</b>
<b><u>FUND BALANCES</u></b>				
Nonspendable	2,805	-	1,205,000	1,207,805
Restricted:				
Debt service	-	-	165,679	165,679
Museum donations	6,153	-	-	6,153
B & C roads	981,336	-	-	981,336
Impact fees	-	-	3,156,050	3,156,050
Assigned:				
Capital projects	-	5,141,779	-	5,141,779
Community improvements	-	-	1,314,611	1,314,611
Unassigned	4,717,534	-	7,372	4,724,906
<b>Total fund balances</b>	<b>5,707,828</b>	<b>5,141,779</b>	<b>5,848,712</b>	<b>16,698,319</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,394,275</b>	<b>\$ 5,627,446</b>	<b>\$ 6,038,484</b>	<b>\$ 23,060,205</b>

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, 2018**

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

Total fund balances for governmental funds (page 16)	\$ 16,698,319
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	107,914,661
Other long-term assets are not available for current period expenditures and, therefore, are not reported in the funds balance sheet.	2,452,041
The proprietary funds cumulative allocation of the internal service funds net income based on use of service are included in the entitywide statements.	(2,937,140)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not recorded in the funds.	(141,619)
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.	(24,261,307)
Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds balance sheet.	(4,978,865)
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.	<u>4,720,464</u>
Net position of governmental activities (page 14)	<u><u>\$ 99,466,554</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 – Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>				
Taxes	\$ 13,035,421	\$ -	\$ 28,098	\$ 13,063,519
Licenses and permits	880,980	-	-	880,980
Intergovernmental	1,750,625	2,712,009	152,922	4,615,556
Charges for services	2,691,465	-	100,707	2,792,172
Impact fees	-	-	1,054,830	1,054,830
Fines and forfeitures	415,896	-	-	415,896
Interest	103,201	182,847	74,730	360,778
Donations and reimbursements	74,748	1,000,000	500,000	1,574,748
Miscellaneous	65,805	-	40,079	105,884
Change in joint venture investment	(131,997)	-	-	(131,997)
<b>Total revenues</b>	<b>18,886,144</b>	<b>3,894,856</b>	<b>1,951,366</b>	<b>24,732,366</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	3,894,797	-	-	3,894,797
Public safety	5,734,514	-	-	5,734,514
Community development	747,644	-	-	747,644
Highways and public improvements	1,391,612	-	-	1,391,612
Park, recreation, and public property	4,789,404	-	-	4,789,404
RDA expenditures	-	-	37,728	37,728
Capital outlay	-	13,735,264	447,531	14,182,795
Debt service:				
Principal	-	-	1,530,000	1,530,000
Interest and fiscal expenses	-	-	884,646	884,646
<b>Total expenditures</b>	<b>16,557,971</b>	<b>13,735,264</b>	<b>2,899,905</b>	<b>33,193,140</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,328,173</b>	<b>(9,840,408)</b>	<b>(948,539)</b>	<b>(8,460,774)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of capital assets	-	1,171,318	-	1,171,318
Transfers in	2,338,269	6,214,873	2,566,344	11,119,486
Transfers out	(4,966,957)	-	(514,260)	(5,481,217)
<b>Total other financing sources (uses)</b>	<b>(2,628,688)</b>	<b>7,386,191</b>	<b>2,052,084</b>	<b>6,809,587</b>
<b>Net change in fund balances</b>	<b>(300,515)</b>	<b>(2,454,217)</b>	<b>1,103,545</b>	<b>(1,651,187)</b>
<b>Fund balances, beginning</b>	<b>6,008,343</b>	<b>7,595,996</b>	<b>4,745,167</b>	<b>18,349,506</b>
<b>Fund balances, ending</b>	<b>\$ 5,707,828</b>	<b>\$ 5,141,779</b>	<b>\$ 5,848,712</b>	<b>\$ 16,698,319</b>

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, 2018**

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

Net change in fund balances for governmental funds (page 18)	\$ (1,651,187)
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	14,177,385
Depreciation expense	(2,500,121)
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.	
	3,463,607
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	1,530,000
Amortization of bond premiums and deferred loss on refunding	18,274
The City's equity investment in the airport is reflected in the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. It is reflected in the government-wide statements using the economic resources measurement focus and the accrual basis of accounting. The is the current year difference in the change in equity.	
	(5,549,817)
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.	
	238,944
Governmental assets deleted during the year with the respective gain (loss) on disposal are not shown in governmental funds.	
	(39,250)
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	7,482
Compensated absences	(2,403)
The proprietary funds allocation of the internal service fund net gain is based on use of service included in the entity-wide statements.	
	(279,300)
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.	
	625,649
Change in net position of governmental activities (page 15)	<u>\$ 10,039,263</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$ 12,606,400	\$ 12,606,400	\$ 13,035,421	\$ 429,021
Licenses and permits	916,000	916,000	880,980	(35,020)
Intergovernmental	1,766,534	1,787,534	1,750,625	(36,909)
Charges for services	2,843,955	2,888,055	2,691,465	(196,590)
Fines and forfeitures	397,500	397,500	415,896	18,396
Interest	202,000	202,000	103,201	(98,799)
Donations	145,000	145,000	74,748	(70,252)
Miscellaneous	53,000	53,000	65,805	12,805
Changes in joint venture investment	-	-	(131,997)	(131,997)
<b>Total revenues</b>	<b>18,930,389</b>	<b>18,995,489</b>	<b>18,886,144</b>	<b>(109,345)</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General government:				
City administrator	1,006,765	1,006,765	531,171	475,594
Information systems	384,994	384,994	257,247	127,747
Engineering	879,326	904,326	238,873	665,453
Cemetery	247,697	247,697	196,736	50,961
Mayor and city council	149,129	149,129	73,858	75,271
Finance and treasury	993,230	993,230	289,883	703,347
Nondepartmental	2,010,961	2,280,961	2,018,375	262,586
Legal services	508,920	508,920	288,654	220,266
Total general government	<b>6,181,022</b>	<b>6,476,022</b>	<b>3,894,797</b>	<b>2,581,225</b>
Public safety:				
Police	4,370,335	4,416,335	4,193,361	222,974
Fire	1,262,817	1,266,817	1,250,609	16,208
Court	306,904	306,904	290,544	16,360
Total public safety	<b>5,940,056</b>	<b>5,990,056</b>	<b>5,734,514</b>	<b>255,542</b>
Highways and public improvements:				
Public works	295,014	334,014	89,670	244,344
Streets	1,298,258	1,415,668	1,301,942	113,726
Total highways and public improvements	<b>1,593,272</b>	<b>1,749,682</b>	<b>1,391,612</b>	<b>358,070</b>

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation:				
Parks	1,434,478	1,444,578	1,265,238	179,340
Recreation	884,245	886,245	847,705	38,540
Art museum	958,544	930,544	841,569	88,975
Swimming pool	944,715	944,715	711,277	233,438
Library	1,024,860	1,024,860	1,002,406	22,454
Senior citizens	99,415	99,415	97,770	1,645
Arts commission	33,200	33,200	23,439	9,761
Total parks and recreation	<u>5,379,457</u>	<u>5,363,557</u>	<u>4,789,404</u>	<u>574,153</u>
Community development:				
Building inspection	308,240	335,240	325,417	9,823
Planning and zoning	442,313	442,313	422,227	20,086
Total community development	<u>750,553</u>	<u>777,553</u>	<u>747,644</u>	<u>29,909</u>
<b>Total expenditures</b>	<u>19,844,360</u>	<u>20,356,870</u>	<u>16,557,971</u>	<u>3,798,899</u>
<b>Excess (deficiency) of revenues         over (under) expenditures</b>	<u>(913,971)</u>	<u>(1,361,381)</u>	<u>2,328,173</u>	<u>3,689,554</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	4,505,038	4,505,038	2,338,269	(2,166,769)
Transfers out	<u>(3,552,937)</u>	<u>(4,695,937)</u>	<u>(4,966,957)</u>	<u>(271,020)</u>
<b>Net other financing sources (uses)</b>	<u>952,101</u>	<u>(190,899)</u>	<u>(2,628,688)</u>	<u>(2,437,789)</u>
<b>Net change in fund balance</b>	<u>\$ 38,130</u>	<u>\$ (1,552,280)</u>	<u>(300,515)</u>	<u>\$ 1,251,765</u>
<b>Fund balance, beginning of year</b>			<u>6,008,343</u>	
<b>Fund balance, end of year</b>			<u>\$ 5,707,828</u>	

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

**SPRINGVILLE CITY CORPORATION**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>	<b>Governmental Activities Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Nonmajor Enterprise Funds</b>		
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 4,575,711	\$ 3,994,716	\$ 12,233,994	\$ 1,906,434	\$ 22,710,855	\$ 4,860,118
Accounts receivable, net	492,532	413,129	1,659,168	278,954	2,843,783	-
Inventory	106,980	-	789,812	-	896,792	-
<b>Total current assets</b>	<b>5,175,223</b>	<b>4,407,845</b>	<b>14,682,974</b>	<b>2,185,388</b>	<b>26,451,430</b>	<b>4,860,118</b>
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents	120,627	585,893	528,472	1,633,807	2,868,799	-
Capital assets:						
Land	201,267	40,860	273,498	1,202,282	1,717,907	-
Water shares	1,374,919	-	-	-	1,374,919	-
Construction in progress	589,159	18,093	875,900	221,543	1,704,695	-
Buildings	399,906	-	2,626,812	2,565,581	5,592,299	-
Improvements other than buildings	44,603,050	37,464,343	69,139,036	4,369,165	155,575,594	-
Machinery and equipment	465,690	922,433	653,198	792,845	2,834,166	7,068,133
Accumulated depreciation	(13,925,048)	(15,976,590)	(41,281,233)	(3,205,311)	(74,388,182)	(4,723,340)
Net capital assets	33,708,943	22,469,139	32,287,211	5,946,105	94,411,398	2,344,793
Other assets:						
Equity investment in joint venture	-	-	-	2,007,803	2,007,803	-
Net pension asset	2,164	1,672	7,515	1,958	13,309	962
Total other assets	2,164	1,672	7,515	2,009,761	2,021,112	962
<b>Total noncurrent assets</b>	<b>33,831,734</b>	<b>23,056,704</b>	<b>32,823,198</b>	<b>9,589,673</b>	<b>99,301,309</b>	<b>2,345,755</b>
<b>Total assets</b>	<b>39,006,957</b>	<b>27,464,549</b>	<b>47,506,172</b>	<b>11,775,061</b>	<b>125,752,739</b>	<b>7,205,873</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	204,928	166,926	732,767	193,138	1,297,759	21,378
<b>Total deferred outflows of resources</b>	<b>204,928</b>	<b>166,926</b>	<b>732,767</b>	<b>193,138</b>	<b>1,297,759</b>	<b>21,378</b>

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

**SPRINGVILLE CITY CORPORATION**  
**Statement of Net Position – Proprietary Funds (Continued)**  
**June 30, 2018**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
<b><u>LIABILITIES</u></b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 165,381	\$ 57,963	\$ 3,009,018	\$ 117,125	\$ 3,349,487	\$ 132,420
Accrued liabilities	14,839	10,290	44,782	15,809	85,720	7,234
Deposits	20,670	-	528,472	-	549,142	-
Accrued interest payable	21,840	89,423	-	23,332	134,595	-
Unearned revenue	-	-	65,272	-	65,272	-
Compensated absences	26,350	39,621	154,515	20,785	241,271	-
Bonds payable	165,000	770,000	-	-	935,000	-
Notes payable	-	-	-	31,250	31,250	-
<b>Total current liabilities</b>	<b>414,080</b>	<b>967,297</b>	<b>3,802,059</b>	<b>208,301</b>	<b>5,391,737</b>	<b>139,654</b>
<b>Noncurrent liabilities:</b>						
Compensated absences	26,349	39,621	154,515	20,787	241,272	-
Bonds payable	1,707,000	6,828,000	-	-	8,535,000	-
Net pension liability	241,904	204,658	900,963	202,839	1,550,364	-
<b>Total noncurrent liabilities</b>	<b>1,975,253</b>	<b>7,072,279</b>	<b>1,055,478</b>	<b>223,626</b>	<b>10,326,636</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,389,333</b>	<b>8,039,576</b>	<b>4,857,537</b>	<b>431,927</b>	<b>15,718,373</b>	<b>139,654</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>						
Deferred inflows related to pensions	186,003	145,086	637,391	191,556	1,160,036	78,921
<b>Total deferred inflows of resources</b>	<b>186,003</b>	<b>145,086</b>	<b>637,391</b>	<b>191,556</b>	<b>1,160,036</b>	<b>78,921</b>
<b><u>NET POSITION</u></b>						
Net investment in capital assets	31,836,943	14,871,139	32,287,211	5,914,855	84,910,148	2,366,171
Restricted for debt service	99,957	585,893	-	1,633,807	2,319,657	-
Unrestricted	4,699,649	3,989,781	10,456,800	3,796,054	22,942,284	4,642,505
<b>Total net position</b>	<b>\$ 36,636,549</b>	<b>\$ 19,446,813</b>	<b>\$ 42,744,011</b>	<b>\$ 11,344,716</b>	<b>\$ 110,172,089</b>	<b>\$ 7,008,676</b>
					Net position (proprietary funds)	\$ 110,172,089
					Amounts reported for business activities in the statement of net position are different because:	
					Internal service funds are used by management to charge the costs of vehicles and fleet services to other funds. The net revenue associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.	
						<u>2,937,140</u>
					Net position (proprietary funds/entity-wide)	<u>\$ 113,109,229</u>

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

**SPRINGVILLE CITY CORPORATION**  
**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
<b><u>OPERATING REVENUES</u></b>						
Sales and charges for services	\$ 4,567,664	\$ 4,141,442	\$ 27,324,454	\$ 3,685,365	\$ 39,718,925	\$ 2,485,799
Connection fees	82,389	-	190,362	-	272,751	-
Miscellaneous income	5,588	8,800	54,984	15,133	84,505	-
<b>Total operating revenues</b>	<b>4,655,641</b>	<b>4,150,242</b>	<b>27,569,800</b>	<b>3,700,498</b>	<b>40,076,181</b>	<b>2,485,799</b>
<b><u>OPERATING EXPENSES</u></b>						
Salaries and benefits	931,351	767,888	3,261,952	1,099,342	6,060,533	590,923
Administrative	1,486,496	1,075,999	19,371,817	2,031,332	23,965,644	682,266
Depreciation	1,047,124	885,567	1,987,199	149,852	4,069,742	745,143
<b>Total operating expenses</b>	<b>3,464,971</b>	<b>2,729,454</b>	<b>24,620,968</b>	<b>3,280,526</b>	<b>34,095,919</b>	<b>2,018,332</b>
<b>Operating income</b>	<b>1,190,670</b>	<b>1,420,788</b>	<b>2,948,832</b>	<b>419,972</b>	<b>5,980,262</b>	<b>467,467</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>						
Equity income of joint venture	-	-	-	212,807	212,807	-
Impact fees	351,090	259,467	704,831	189,188	1,504,576	-
Grants	-	-	-	321,000	321,000	-
Interest income	57,488	51,262	183,346	56,474	348,570	67,049
Interest and fiscal expenses	(57,313)	(247,968)	-	(5,833)	(311,114)	-
Gain/(loss) on disposal of assets	-	-	-	-	-	91,133
<b>Total nonoperating revenues (expenses)</b>	<b>351,265</b>	<b>62,761</b>	<b>888,177</b>	<b>773,636</b>	<b>2,075,839</b>	<b>158,182</b>
<b>Income (loss) before contributions and transfers</b>	<b>1,541,935</b>	<b>1,483,549</b>	<b>3,837,009</b>	<b>1,193,608</b>	<b>8,056,101</b>	<b>625,649</b>
Capital contributions	1,034,330	740,074	-	685,568	2,459,972	-
Transfers in	-	60,000	-	-	60,000	-
Transfers out	(284,965)	(249,098)	(4,661,754)	(502,452)	(5,698,269)	-
<b>Change in net position</b>	<b>2,291,300</b>	<b>2,034,525</b>	<b>(824,745)</b>	<b>1,376,724</b>	<b>4,877,804</b>	<b>625,649</b>
<b>Total net position, beginning</b>	<b>34,345,249</b>	<b>17,412,288</b>	<b>43,568,756</b>	<b>9,967,992</b>	<b>105,294,285</b>	<b>6,383,027</b>
<b>Total net position, ending</b>	<b>\$ 36,636,549</b>	<b>\$ 19,446,813</b>	<b>\$ 42,744,011</b>	<b>\$ 11,344,716</b>	<b>\$ 110,172,089</b>	<b>\$ 7,008,676</b>
Change in net position (proprietary funds)					\$ 4,877,804	
Amounts reported for business activities in the statement of activities are different because:						
Internal service funds are used by management to charge the costs of vehicles and fleet services to other funds. The net revenue associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.						
					279,300	
Change in net position (proprietary funds/entity-wide)					<u>\$ 5,157,104</u>	

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

**SPRINGVILLE CITY CORPORATION**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				Total Enterprise Funds	Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds		Activities Internal Service Fund
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$4,630,648	\$4,145,892	\$27,702,384	\$3,700,133	\$40,179,057	\$ 2,485,799
Payments to suppliers	(1,571,397)	(1,025,438)	(18,284,448)	(1,990,485)	(22,871,768)	(989,004)
Payments to employees	(950,786)	(781,316)	(3,353,512)	(1,117,750)	(6,203,364)	(542,088)
<b>Net cash provided by operating activities</b>	<b>2,108,465</b>	<b>2,339,138</b>	<b>6,064,424</b>	<b>591,898</b>	<b>11,103,925</b>	<b>954,707</b>
<b>Cash flows from noncapital financing activities</b>						
Transfers from other funds	-	60,000	-	-	60,000	-
Transfers to other funds	(284,965)	(249,098)	(4,661,754)	(502,452)	(5,698,269)	-
<b>Net cash used by noncapital financing activities</b>	<b>(284,965)</b>	<b>(189,098)</b>	<b>(4,661,754)</b>	<b>(502,452)</b>	<b>(5,638,269)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>						
Aquisition of capital assets	(994,788)	(338,074)	(2,013,541)	(256,296)	(3,602,699)	(601,487)
Proceeds from sale of assets	-	-	-	22,797	22,797	101,149
Impact fees received	351,090	259,467	704,831	189,188	1,504,576	-
Grants received	-	-	-	321,000	321,000	-
Principal paid on capital debt	(160,000)	(746,000)	-	(31,250)	(937,250)	-
Interest paid on capital debt	(59,180)	(257,421)	-	-	(316,601)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(862,878)</b>	<b>(1,082,028)</b>	<b>(1,308,710)</b>	<b>245,439</b>	<b>(3,008,177)</b>	<b>(500,338)</b>
<b>Cash flows from investing activities</b>						
Interest received	57,488	51,262	183,346	56,474	348,570	67,049
<b>Net cash provided by investing activities</b>	<b>57,488</b>	<b>51,262</b>	<b>183,346</b>	<b>56,474</b>	<b>348,570</b>	<b>67,049</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,018,110</b>	<b>1,119,274</b>	<b>277,306</b>	<b>391,359</b>	<b>2,806,049</b>	<b>521,418</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,678,228</b>	<b>3,461,335</b>	<b>12,485,160</b>	<b>3,148,882</b>	<b>22,773,605</b>	<b>4,338,700</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$4,696,338</b>	<b>\$4,580,609</b>	<b>\$12,762,466</b>	<b>\$3,540,241</b>	<b>\$25,579,654</b>	<b>\$ 4,860,118</b>
<b>Unrestricted cash</b>	<b>\$4,575,711</b>	<b>\$3,994,716</b>	<b>\$12,233,994</b>	<b>\$1,906,434</b>	<b>\$22,710,855</b>	<b>\$ 4,860,118</b>
<b>Restricted cash</b>	<b>120,627</b>	<b>585,893</b>	<b>528,472</b>	<b>1,633,807</b>	<b>2,868,799</b>	<b>-</b>
<b>Total cash and cash equivalents</b>	<b>\$4,696,338</b>	<b>\$4,580,609</b>	<b>\$12,762,466</b>	<b>\$3,540,241</b>	<b>\$25,579,654</b>	<b>\$ 4,860,118</b>

(Continued)

**SPRINGVILLE CITY CORPORATION**  
**Statement of Cash Flows – Proprietary Fund (Continued)**  
**For the Year Ended June 30, 2018**

	Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Nonmajor Enterprise Funds		
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income	\$ 1,190,670	\$ 1,420,788	\$ 2,948,832	\$ 419,972	\$ 5,980,262	\$ 467,467
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,047,124	885,567	1,987,199	149,852	4,069,742	745,143
Changes in assets and liabilities:						
Accounts receivable	(29,463)	(4,350)	128,067	(365)	93,889	-
Prepays	(106,980)	-	(221,845)	-	(328,825)	-
Accounts payable	22,079	50,561	1,309,214	40,847	1,422,701	(306,738)
Accrued liabilities	(1,356)	(2,560)	(15,309)	(5,615)	(24,840)	4,201
Deposits	4,470	-	4,517	-	8,987	-
Compensated absences	(1,136)	2,026	(19,353)	5,048	(13,415)	-
Net pension liability	(16,943)	(12,894)	(56,898)	(17,841)	(104,576)	44,634
<b>Net cash provided by operating activities</b>	<b>\$ 2,108,465</b>	<b>\$ 2,339,138</b>	<b>\$ 6,064,424</b>	<b>\$ 591,898</b>	<b>\$ 11,103,925</b>	<b>\$ 954,707</b>
<b>Noncash investing, capital and financing activities</b>						
Capital contributions - developers	\$ 1,034,330	\$ 740,074	\$ -	\$ 685,568	\$ 2,459,972	\$ -
Equity investment adjustment for net income and ownership changes	\$ -	\$ -	\$ -	\$ 212,807	\$ -	\$ -

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements**  
**June 30, 2018**

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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 \$291,080 for governmental funds and \$83,500 for proprietary funds, which is estimated based on historical trends related to collections.

Other receivables at June 30, 2018, consist of property taxes, franchise taxes, sales tax, grants and accounts (billings for user charged services, including unbilled utility services) and are shown net of an allowance for uncollectibles. The utility billings for charged services are billed to customers monthly.

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

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

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

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

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

<b>Assets</b>	<b>Years</b>
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 on a monthly basis 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.

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows and Outflows of Resources In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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 as of June 30, 2018.

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The City also has deferred outflows relating to pensions as of June 30, 2018.

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

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

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance and Net Position (Continued)

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

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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



**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Data (Continued)

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution. A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets or proprietary fund types may be increased by resolution without an additional hearing.

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

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

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

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

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as term deposits. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds. The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act (UMMA) that relate to the deposit and investment of public funds.

The City's follows the requirements of UMMA (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository, which is defined as a financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. UMMA defines types of securities authorized as appropriate investments for the City's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

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

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

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value of Investments

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

- Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instruments. The prices are determined using significant unobservable inputs or valuation techniques. Quoted prices for identical investments in active markets.

At June 30, 2018, the City had the following recurring fair value measurements.

	06/30/18	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
PTIF	\$42,062,054	\$ -	\$42,062,054	\$ -
Total debt securities	<u>\$42,062,054</u>	<u>\$ -</u>	<u>\$42,062,054</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, 2018, \$4,939,543 of the City’s \$5,189,543 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. UMMA does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. UMMA requires that the City keep deposits in a qualified depository, which the City has done.

*Custodial credit risk – investments* is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. Of the City’s investment in the Utah Public Treasurer’s Investment Fund (PTIF) of \$42,062,454, the government has no custodial credit risk exposure as the PTIF is an external investment pool managed by the Utah State Treasurer and is not categorized as to custodial credit risk.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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

*Interest rate risk* is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2018, the City’s investments had the following maturities and ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>Quality Ratings</u>
		<u>Less Than 1</u>	<u>1-5</u>	
PTIF	\$ 42,062,054	\$42,062,054	\$ -	Unrated
	<u>\$ 42,062,054</u>	<u>\$42,062,054</u>	<u>\$ -</u>	

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

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

For the year ended June 30, 2018, the City had investments of \$42,062,454 with the PTIF. The fair value of these investments was \$42,221,785 using a fair value factor of 1.00378796.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Following are the City's cash and investments at June 30, 2018:

	<b>Carrying Value</b>
<b>Cash on hand and on deposit:</b>	
Cash on hand	\$ 5,550
Cash on deposit	5,170,386
PTIF accounts	42,062,054
Total cash on hand and deposit	<u>\$47,237,990</u>

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 2,338,269	\$ 4,966,957
Capital Projects Fund	6,214,873	-
Nonmajor Governmental Funds	2,566,344	514,260
Water Fund	-	284,965
Sewer Fund	60,000	249,098
Electric Fund	-	4,661,754
Nonmajor Proprietary Funds	-	502,452
	<u>\$11,179,486</u>	<u>\$ 11,179,486</u>

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

5. CAPITAL ASSETS

Capital asset activity of the governmental activities, including the internal service fund, for the year ended June 30, 2018 was as follows:

	6/30/2017	Increases	Decreases	06/30/18
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 22,293,921	\$ 1,770,987	\$ (10,530)	\$ 24,054,378
Construction in progress	9,107,775	13,329,853	(9,195)	22,428,433
Total capital assets, not being depreciated	31,401,696	15,100,840	(19,725)	46,482,811
Capital assets, being depreciated:				
Buildings and structures	36,799,566	-	(102,362)	36,697,204
Improvements	75,532,618	2,389,749	-	77,922,367
Machinery, equipment, and vehicles	11,524,624	765,651	(716,757)	11,573,518
Total capital assets, being depreciated	123,856,808	3,155,400	(819,119)	126,193,089
Less accumulated depreciation	(62,291,792)	(3,245,264)	775,817	(64,761,239)
Total capital assets being depreciated, net	61,565,016	(89,864)	(43,302)	61,431,850
Governmental capital assets, net	<u>\$ 92,966,712</u>	<u>\$ 15,010,976</u>	<u>\$ (63,027)</u>	<u>\$ 107,914,661</u>

Capital asset activity of the business-type activities for the year ended June 30, 2018 was as follows:

	6/30/2017	Increases	Decreases	06/30/18
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,717,907	\$ -	\$ -	\$ 1,717,907
Construction in progress	1,452,378	1,561,615	(1,309,298)	1,704,695
Water shares	1,374,919	-	-	1,374,919
Total capital assets, not being depreciated	4,545,204	1,561,615	(1,309,298)	4,797,521
Capital assets, being depreciated:				
Buildings and structures	5,592,299	-	-	5,592,299
System improvements	150,003,372	5,572,222	-	155,575,594
Machinery, equipment, and vehicles	2,771,319	238,134	(175,288)	2,834,165
Total capital assets, depreciated	158,366,990	5,810,356	(175,288)	164,002,058
Less accumulated depreciation	(70,470,930)	(4,069,742)	152,490	(74,388,182)
Total capital assets being depreciated, net	87,896,060	1,740,614	(22,798)	89,613,876
Business-type capital assets, net	<u>\$ 92,441,264</u>	<u>\$ 3,302,229</u>	<u>\$ (1,332,096)</u>	<u>\$ 94,411,397</u>

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 382,065
Public safety	176,917
Community development	2,239
Highways and public improvements	1,202,085
Parks and recreation	736,815
Internal service funds	745,143
Total depreciation expense - governmental activities	<u>\$ 3,245,264</u>
Business-type activities:	
Water Fund	\$ 1,047,124
Sewer Fund	885,567
Electric Fund	1,987,199
Storm Water Fund	93,694
Solid Waste Fund	17,586
Golf Course Fund	38,572
Total depreciation expense - business-type activities	<u>\$ 4,069,742</u>

6. INVESTMENT IN JOINT VENTURES

Spanish Fork/Springville Airport

The City was party to a joint venture with Spanish Fork City, a neighboring municipality, in the Spanish Fork/Springville Airport (the Airport). The joint venture was organized under an interlocal agreement per Section 11-13 of the Utah Code. It was created to provide airport services for both communities. Each city owned 50% of the joint venture.

On October 3, 2017, the City withdrew from the operating agreement with Spanish Fork City with an effective date of July 1, 2017. As part of terminating the operating agreement, the City transferred title of airport vehicles and approximately 300 acres of airport property to Spanish Fork City. However, this was agreed upon with a reverter clause for the City, that if the airport ceases to operate on the property transferred, the property automatically deeds back to the City as the City is maintaining its interest rights in the property. In addition, the City was indemnified by Spanish Fork City from all liabilities associated with the airport from July 1, 2017 forward and all grant and lease responsibilities associated with the airport were assumed by Spanish Fork City. As part of the transfer of assets, the City recognized a transfer to other government in the statement of activities in the amount of \$5,681,814.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

6. INVESTMENT IN JOINT VENTURES (CONTINUED)

South Utah Valley Solid Waste District

The City is party to a joint venture with five other municipalities in the South Utah Valley Solid Waste District (the District). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's solid waste revenue comes from these governmental entities. The District is owned by Springville City (15.00%), Provo City (69.75%), Spanish Fork City (11.75%), Mapleton City (2.00%) and Salem City (1.50%).

The District is governed by a board of directors, which is comprised of six members. The mayor and city council of each member city appoints one director. All decisions by the board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo City to prevail in a tie vote, they would need one additional city to vote with them. The District's board of directors governs the operations of the District through management employed by the board. The District is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting, and financing.

Annually, the City recognizes its pro-rata share of the District's operating income or loss. For fiscal year 2018, the District reported an increase in net position of \$1,418,715. The City recognized its 15% of the District's income as equity income of a joint venture of \$212,807 in the Solid Waste Fund. The complete financial statements for Utah Valley Solid Waste District are available at the District's offices, 2450 West 400 South, Springville, Utah.

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2018:

	<u>6/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/18</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
General obligation bonds	\$ 17,675,000	\$ -	\$ (795,000)	\$ 16,880,000	\$ 820,000
Sales tax revenue bonds	1,960,000	-	(475,000)	1,485,000	485,000
Municipal Building Authority					
lease revenue bonds	4,800,000	-	(260,000)	4,540,000	270,000
Plus: unamortized premiums	657,174	-	(34,588)	622,586	-
Total bonds payable	25,092,174	-	(1,564,588)	23,527,586	1,575,000
Compensated absences	731,318	368,062	(365,659)	733,721	366,861
Governmental activities, long-term liabilities	<u>\$ 25,823,492</u>	<u>\$ 368,062</u>	<u>\$ (1,930,247)</u>	<u>\$ 24,261,307</u>	<u>\$ 1,941,861</u>



**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

7. LONG-TERM DEBT (CONTINUED)

Long-term debt and obligations for governmental activities payable at June 30, 2018 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	\$ 270,000	\$ 4,270,000
Sales Tax Revenue Refunding Bonds, Date December 31, 2014 (original amount - \$2,885,000)	1.85%	2021	485,000	1,000,000
Taxable General Obligation Build America Bonds, Series 2010 (original amount - \$9,800,000)	1.00% to 5.30%	2031	425,000	6,345,000
General Obligation Bonds, Series 2016 (original amount - \$10,785,000)	2.00% to 5.00%	2036	395,000	9,715,000
Unamortized Premium on Bond				622,586
Total Governmental Activities Long-term Debt			<u>\$ 1,575,000</u>	<u>\$ 21,952,586</u>

The 2008 Municipal Building Authority lease revenue bonds were issued for the construction of the new civic center. The property note was used to purchase land at 1300 east to be used for the east fire substation. The City pledges general revenues of the City to repay this note through the maturity date listed above. On December 11, 2014, the City transacted a current refund on their 2008 lease revenue bonds with interest rates ranging between 4.10% and 5.25%. The new interest rate resulting from the current refunding is 2.55%.

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

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

7. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2018:

	<u>6/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/18</u>	<u>Due in One Year</u>
<u>Business-type activities</u>					
Water and sewer revenue bonds	\$ 10,376,000	\$ -	\$ (906,000)	9,470,000	\$ 935,000
Notes payable	62,500	-	(31,250)	31,250	31,250
Compensated absences	495,958	234,564	(247,979)	482,543	241,271
Business-type activities, long-term liabilities	<u>\$ 10,934,458</u>	<u>\$ 234,564</u>	<u>\$ (1,185,229)</u>	<u>\$ 9,983,793</u>	<u>\$ 1,207,521</u>

Long-term debt and obligations for business-type activities payable at June 30, 2018 were as follows:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-Term Balance</u>
Sewer Revenue Bonds, dated February 1, 1998 (original amount - \$1,500,000)	4.50%	2019	\$ 110,000	\$ -
Water and Sewer Revenue Refunding Bonds, Dated April 22, 2008 (original amount - \$15,135,000)	2.80%	2028	825,000	8,535,000
Golf Cart Note Payable (original amount - \$135,000)	0.00%	2018	<u>31,250</u>	<u>-</u>
Total Business-type Activities Long-term Debt			<u>\$ 966,250</u>	<u>\$ 8,535,000</u>

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

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
2019	1,575,000	839,851	966,250	272,863	\$ 2,541,250	\$ 1,112,714
2020	1,625,000	785,601	845,000	238,980	2,470,000	1,024,581
2021	1,680,000	729,005	870,000	215,320	2,550,000	944,325
2022	1,225,000	659,955	895,000	190,960	2,120,000	850,915
2023	1,275,000	606,568	920,000	165,900	2,195,000	772,468
2024-2028	7,185,000	2,190,638	5,005,000	428,120	12,190,000	2,618,758
2029-2033	6,235,000	849,490	-	-	6,235,000	849,490
2034-2036	2,105,000	127,650	-	-	2,105,000	127,650
	<u>\$ 22,905,000</u>	<u>\$ 6,788,758</u>	<u>\$ 9,501,250</u>	<u>\$ 1,512,143</u>	<u>\$32,406,250</u>	<u>\$ 8,300,901</u>

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

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

	<b>Water Revenue Bonds</b>	<b>Sewer Revenue Bonds</b>
Net revenues		
Operating revenues	\$4,655,641	\$ 4,150,242
Operating expenses (excluding depreciation and amortization)	(2,417,847)	(1,843,887)
Impact fees	351,090	259,467
Interest income	57,488	51,262
Net revenues	<u>\$2,646,372</u>	<u>\$ 2,617,084</u>
Maximum Aggregate Debt Service	<u>\$ 211,000</u>	<u>\$ 844,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>1254%</u>	<u>310%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

8. CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2018, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$135,718.

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.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

9. RETIREMENT PLANS (CONTINUED)

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

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4%
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%

\*with actuarial reductions

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

Contributions As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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, 2018 are as follows:

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

9. RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

Utah Retirement Systems

	<b>Employee Paid</b>	<b>Employer Contribution Rates</b>	<b>Employer Rate for 401(k) Plan</b>
Contributory System			
11 - Local Government Division Tier 1	6.00%	14.46%	N/A
111 - Local Governmental Division Tier 2	N/A	15.11%	1.580%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety Retirement System			
43 - Other Division A Noncontributory with 2.5% COLA	N/A	34.04%	N/A
122 - Tier 2 DB Hybrid Public Safety Contributory	N/A	22.57%	1.26%
Firefighters Retirement System			
31 Other Division A	15.05%	3.93%	N/A
132 Tier 2 DB Hybrid Firefighters	N/A	10.82%	1.26%
Tier 2 DC Only			
211- Local Government	N/A	6.69%	10.00%
222-Public Safety	N/A	11.83%	12.00%
232-Firefighters	N/A	0.08%	12.00%

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

For fiscal year ended June 30, 2018, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 1,169,372	N/A
Public Safety System	294,671	-
Firefighters System	6,018	-
Tier 2 Public Employees System	324,744	-
Tier 2 Public Safety and Firefighter System	125,570	-
Tier 2 DC Only System	2,708	N/A
Tier 2 DC Public Safety and Firefighter System	5,020	N/A
Total Contributions	<u>\$ 1,928,103</u>	<u>\$ -</u>

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

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

9. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2018, the City reported a net pension asset of \$38,641 and a net pension liability of \$4,392,251.

	<u>Measurement Date: December 31, 2017</u>				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2016</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$3,308,873	0.7552263%	0.7984120%	-0.0431857%
Contributory System	-	-	0.0000000%	0.2191155%	-0.2191155%
Public Safety System	-	1,065,665	0.6793483%	0.7358229%	-0.0564746%
Firefighters System	32,856	-	0.5260681%	0.4948301%	0.0312380%
Tier 2 Public Employees System	-	17,713	0.2009037%	0.1565131%	0.0443906%
Tier 2 Public Safety and Firefighter	5,785	-	0.5000307%	0.5275480%	-0.0275173%
Total Net Pension Asset / Liability	<u>\$38,641</u>	<u>\$4,392,251</u>			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018, the City recognized pension expense of \$1,627,331.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 77,490	\$ 390,913
Changes in assumptions	1,662,300	104,863
Net difference between projected and actual earnings on pension plan investments	932,604	2,453,477
Changes in proportion and differences between contributions and proportionate share of contributions	31,211	347,761
Contributions subsequent to the measurement date	971,925	-
Total	<u>\$ 3,675,530</u>	<u>\$ 3,297,014</u>

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

9. RETIREMENT PLANS (CONTINUED)

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

\$971,925 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, 2017.

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:

<b>Year Ended December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2018	\$ 80,450
2019	221,968
2020	(407,996)
2021	(529,862)
2022	2,253
Thereafter	39,778

Actuarial assumptions

The total pension liability in the December 31, 2017 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 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.



**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

9. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

<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	40%	6.15%	2.46%
Debt securities	20%	40.00%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	<u>Inflation</u>		<u>2.50%</u>
	<u>Expected arithmetic nominal return</u>		<u>7.25%</u>

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from the 7.20 percent from the prior measurement period.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

9. RETIREMENT PLANS (CONTINUED)

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

<u>System</u>	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 8,948,745	\$ 3,308,873	\$ (1,380,401)
Public Safety System	2,684,997	1,065,665	(246,785)
Firefighters System	140,186	(32,856)	(172,676)
Tier 2 Public Employees System	208,564	17,713	(129,460)
Tier 2 Public Safety and Firefighter System	51,236	(5,786)	(49,351)
Total	<u>\$12,033,728</u>	<u>\$ 4,353,609</u>	<u>\$ (1,978,673)</u>

Pension Plan Fiduciary Net Position

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

10. DEFINED CONTRIBUTION SAVINGS PLAN

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 2%, depending on the employees' contributions. The rate of City participation can be changed by the City Council.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

10. DEFINED CONTRIBUTION SAVINGS PLAN (CONTINUED)

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

401(k) Plan	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer contributions	\$ 194,262	\$ 192,567	\$ 213,742
Employee contributions	407,792	262,451	257,787

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>2018</u>	<u>2017</u>	<u>2016</u>
Employee contributions	\$ 41,339	\$ 35,820	\$ 42,980

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>2018</u>	<u>2017</u>	<u>2016</u>
Employer contributions	\$ 81,270	\$ 62,225	\$ 27,192
Employee contributions	23,400	15,300	-

11. REDEVELOPMENT AGENCY OF SPRINGVILLE CITY

In accordance with Utah State law, the City makes the following disclosures relative to the Redevelopment Agency of Springville City (RDA): The RDA collected \$181,020 of tax increment monies for its project areas of which \$0 was paid for development incentives. During 2018, the RDA expended \$0 for administrative costs.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

12. TAX ABATEMENTS

As of June 30, 2018, 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:

<b>Tax Abatement Program</b>	<b>Taxes Abated in 2018</b>	<b>Taxes Abated in Prior Years</b>	<b>Total Maximum Tax Abatement</b>	<b>Primary Purpose of Abatement</b>	<b>Abatement Expires</b>
Redevelopment Agency of Springville City					
Frontage Road Neighborhood HWP Properties, LLC	\$ 3,502	\$ -	Property tax: 100% through 2020, then reducing 10% per year.	Sales and Property Tax generations	2025
HWP Properties, LLC	\$ 17,650	\$ 13,463	Sales tax: \$200,000	Sales and Property Tax generations	2022

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

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, 2018, the City purchased power totaling approximately \$16.7 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 \$47,010,000 (City portion - \$8,985,914) in revenue bonds outstanding at June 30, 2018, 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 5.21% of the total project debt service of approximately \$87,515,000 (City portion - \$4,554,309) outstanding at June 30, 2018, 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, 2018**

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future Commitments and Contingencies

San Juan – An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2005. The four megawatts represents approximately 11.43% of the UAMPS entitlement to the plant's capacity and Springville City is obligated for 14.87% of the 2011 (1998 refunding) bonded debt and 16.39% of the 2008 bonded debt. The total outstanding 2011 (1998 refunding) and 2008 bond principal amounts as of June 30, 2018 were \$10,155,000 and \$825,000 respectively, with the City's portions being \$1,510,038 and \$135,246. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. The average cost of a delivered kilowatt hour of power from the San Juan project was \$0.06818 for FY2018. Springville City expects to receive approximately 25-30.0 million kilowatt hours of energy over the course of an average year.

Blue Mountain Biogas PPA – This is a Renewable Power Purchase and Sale Agreement between the City of Springville and Blue Mountain Biogas, LLC, a special purpose subsidiary of Alpentel Energy Partners, LLC (Seller). The Seller has developed a nominal 3.2 MW biogas fueled renewable energy project in Beaver County, Utah (Project). The City is purchasing all of the unit contingent capacity and electric energy that can be delivered from the Project. The Seller retains all of the Green attributes associated with the Project. The City began receiving capacity and energy from the Project in November 2012. From that effective date the City is obligated to buy the seller's output for 12 term years. The City accepted a fixed price for the first term year with an escalation of 1% on the first day of the remaining 7 term years.

South Utah Valley Municipal Water Association Land Purchase

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

Aquatic and Activity Center

Springville City entered into an agreement with Hogan & Associates Construction for construction management and general contractor services related to a new Aquatic and Activity Center. On November 3, 2015, a special bond election was held wherein Springville voters approved the City to issue general obligation bonds in an amount not to exceed \$11,195,000 for the construction of a new Aquatic and Activity Center. Subsequently, in January 2016, the City sold bonds in a competitive sale with a par amount of \$10,785,000. Design and construction of the facility was substantially completed by May 2018, however, the contractor still had several projects tasks to complete for final City acceptance. The project has a budget of \$21,600,000, being funded with a combination of bond proceeds, interagency contributions, land sales, and utilization of reserves.

**SPRINGVILLE CITY CORPORATION**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2018**

14. RELATED PARTY TRANSACTIONS

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

The City's Mayor is the President of Child Enterprises, Inc., a local contracting company. Child Enterprises, Inc. is periodically awarded bids to act as a City contractor and/or subcontractor to the City's contractor. The total that Springville City paid to Child Enterprises, Inc. in the 2018 fiscal year was \$2,236.

15. RISK MANAGEMENT

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

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

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

**Required Supplementary Information**



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

	As of December 31,	Proportion of Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of its Covered- Employee Payroll
Noncontributory System	2014	0.8173763%	\$ 3,549,240	\$ 7,022,000	50.50%	90.20%
	2015	0.8157080%	4,615,673	6,986,652	66.06%	87.80%
	2016	0.7984120%	5,126,782	6,917,208	74.12%	87.30%
	2017	0.7552263%	3,308,873	6,311,269	52.43%	91.90%
Contributory System	2014	0.2162152%	\$ 62,366	\$ 115,606	53.90%	94.00%
	2015	0.1624709%	114,193	69,227	164.96%	85.70%
	2016	0.2191155%	71,894	52,575	136.75%	92.90%
Public Safety System	2014	0.8436610%	\$ 1,060,974	\$ 1,277,517	83.00%	90.50%
	2015	0.7830661%	1,402,668	1,190,697	117.80%	87.10%
	2016	0.7358229%	1,493,188	1,122,930	132.97%	86.50%
	2017	0.6793483%	1,065,665	1,009,058	105.61%	90.20%
Firefighters System	2014	0.0048448%	\$ (27,646)	\$ 127,036	-21.80%	103.50%
	2015	0.5238695%	(9,488)	140,853	-6.74%	101.00%
	2016	0.4948301%	(3,901)	139,102	-2.80%	100.40%
	2017	0.5260681%	(32,856)	153,906	-21.35%	103.00%
Tier 2 Public Employees System	2014	0.1155009%	\$ (3,500)	\$ 566,929	-0.60%	103.50%
	2015	0.1220505%	(266)	788,707	-0.03%	100.20%
	2016	0.1565131%	17,459	1,283,531	1.36%	95.10%
	2017	0.2009037%	17,713	1,966,429	0.90%	97.40%
Tier 2 Public Safety and Firefighter System	2014	0.7602135%	\$ (11,246)	\$ 314,072	-3.60%	120.50%
	2015	0.6507001%	(9,507)	387,183	-2.46%	110.70%
	2016	0.5275480%	(4,579)	435,875	-1.05%	103.60%
	2017	0.5000307%	(5,786)	527,821	-1.10%	103.00%

**Note:**

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

**SPRINGVILLE CITY CORPORATION**  
**Schedule of Pension Contributions**  
**Last Ten Fiscal Years**

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Noncontributory System	2014	\$ 1,239,038	\$ 1,239,038	\$ -	\$7,232,984	17.13%
	2015	1,275,631	1,275,631	-	6,925,081	18.42%
	2016	1,290,326	1,290,326	-	700,657	18.43%
	2017	1,215,101	1,215,101	-	6,606,911	18.39%
	2018	1,169,372	1,169,372	-	6,368,944	18.36%
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%
	2018	-	-	-	-	0.00%
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%
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%
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%
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%
Tier 2 Public Employees DC Only System*	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	2,041	2,041	-	30,377	6.72%
	2016	2,142	2,142	-	32,016	6.69%
	2017	4,289	4,289	-	64,118	6.69%
	2018	2,708	2,708	-	40,476	6.69%
Tier 2 DC Public Safety and Firefighter DC Only System*	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	741	741	-	6,262	11.83%
	2018	5,020	5,020	-	75,634	6.64%

**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, 2018**

1. CHANGES IN ASSUMPTIONS

As a result of an experience study conducted on December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the total pension liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the total pension liability (and the actuarial accrued liability).

## **Supplementary Information**

**SPRINGVILLE CITY CORPORATION**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Debt Service</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Special Improvement District</u>	<u>Redevelopment Agency</u>	<u>Community Theater</u>	<u>Special Services</u>	<u>Debt Service</u>	<u>Municipal Building Authority</u>		
<b><u>ASSETS</u></b>								
Cash and cash equivalents	\$ -	\$ 653,638	\$ 15,142	\$ 333,012	\$ 159,969	\$ 3,244	\$ 1,269,502	\$ 2,434,507
Receivables:								
Accounts	-	-	-	-	-	-	306	306
Special assessment	10,241	-	-	-	-	-	-	10,241
Property taxes	-	166,207	-	-	-	-	-	166,207
Due from other funds	-	-	-	2,869	-	-	-	2,869
Restricted cash and cash equivalents	-	-	-	2,824,088	2,666	-	597,600	3,424,354
<b>Total assets</b>	<b>\$ 10,241</b>	<b>\$ 819,845</b>	<b>\$ 15,142</b>	<b>\$3,159,969</b>	<b>\$ 162,635</b>	<b>\$ 3,244</b>	<b>\$ 1,867,408</b>	<b>\$ 6,038,484</b>
<b><u>LIABILITIES</u></b>								
Accounts payable	\$ -	\$ 16,577	\$ -	\$ 3,919	\$ 200	\$ -	\$ -	\$ 20,696
Due to other funds	2,869	-	-	-	-	-	-	2,869
<b>Total liabilities</b>	<b>2,869</b>	<b>16,577</b>	<b>-</b>	<b>3,919</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>23,565</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>								
Unavailable revenue-property taxes	-	166,207	-	-	-	-	-	166,207
Total deferred inflows of resources	-	166,207	-	-	-	-	-	166,207
<b><u>FUND BALANCES</u></b>								
Nonspendable endowments	-	-	-	-	-	-	1,205,000	1,205,000
Restricted:								
Impact fees	-	-	-	3,156,050	-	-	-	3,156,050
Debt Service	-	-	-	-	162,435	3,244	-	165,679
Assigned	-	637,061	15,142	-	-	-	662,408	1,314,611
Unassigned	7,372	-	-	-	-	-	-	7,372
<b>Total fund balances</b>	<b>7,372</b>	<b>637,061</b>	<b>15,142</b>	<b>3,156,050</b>	<b>162,435</b>	<b>3,244</b>	<b>1,867,408</b>	<b>5,848,712</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,241</b>	<b>\$ 819,845</b>	<b>\$ 15,142</b>	<b>\$3,159,969</b>	<b>\$ 162,635</b>	<b>\$ 3,244</b>	<b>\$ 1,867,408</b>	<b>\$ 6,038,484</b>

**SPRINGVILLE CITY CORPORATION**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue		Capital Projects		Debt Service			Total
	Special Improvement District	Redevelopment Agency	Community Theater	Special Services	Debt Service	Municipal Building Authority	Permanent Fund	Nonmajor Governmental Funds
<b>REVENUES</b>								
Property tax	\$ -	\$ 28,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,098
Charges for services	5,280	-	-	-	-	-	95,427	100,707
Intergovernmental	-	152,922	-	-	-	-	-	152,922
Impact fees	-	-	-	1,054,830	-	-	-	1,054,830
Interest	447	7,847	-	49,061	2,710	-	14,665	74,730
Donations	-	-	-	-	-	-	500,000	500,000
Miscellaneous	-	-	209	39,870	-	-	-	40,079
<b>Total revenues</b>	<b>5,727</b>	<b>188,867</b>	<b>209</b>	<b>1,143,761</b>	<b>2,710</b>	<b>-</b>	<b>610,092</b>	<b>1,951,366</b>
<b>EXPENDITURES</b>								
Current:								
Debt service:								
Principal	-	-	-	-	1,270,000	260,000	-	1,530,000
Interest and fiscal expenses	70	-	-	-	764,239	120,337	-	884,646
Capital outlay	-	37,728	-	447,531	-	-	-	485,259
<b>Total expenditures</b>	<b>70</b>	<b>37,728</b>	<b>-</b>	<b>447,531</b>	<b>2,034,239</b>	<b>380,337</b>	<b>-</b>	<b>2,899,905</b>
<b>Excess of revenues over (under) expenditures</b>	<b>5,657</b>	<b>151,139</b>	<b>209</b>	<b>696,230</b>	<b>(2,031,529)</b>	<b>(380,337)</b>	<b>610,092</b>	<b>(948,539)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	115,000	37,728	-	-	2,033,031	380,585	-	2,566,344
Transfers out	-	-	-	(514,260)	-	-	-	(514,260)
<b>Total other financing sources (uses)</b>	<b>115,000</b>	<b>37,728</b>	<b>-</b>	<b>(514,260)</b>	<b>2,033,031</b>	<b>380,585</b>	<b>-</b>	<b>2,052,084</b>
<b>Net change in fund balance</b>	<b>120,657</b>	<b>188,867</b>	<b>209</b>	<b>181,970</b>	<b>1,502</b>	<b>248</b>	<b>610,092</b>	<b>1,103,545</b>
<b>Fund balance, beginning of year</b>	<b>(113,285)</b>	<b>448,194</b>	<b>14,933</b>	<b>2,974,080</b>	<b>160,933</b>	<b>2,996</b>	<b>1,257,316</b>	<b>4,745,167</b>
<b>Fund balance, end of year</b>	<b>\$ 7,372</b>	<b>\$ 637,061</b>	<b>\$ 15,142</b>	<b>\$3,156,050</b>	<b>\$ 162,435</b>	<b>\$ 3,244</b>	<b>\$ 1,867,408</b>	<b>\$ 5,848,712</b>

**SPRINGVILLE CITY CORPORATION**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Nonmajor Enterprise Funds</b>
	<b>Storm Water</b>	<b>Solid Waste</b>	<b>Golf Course</b>	
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,186,603	\$ 545,372	\$ 174,459	\$ 1,906,434
Accounts receivable, net	110,592	167,209	1,153	278,954
<b>Total current assets</b>	<b>1,297,195</b>	<b>712,581</b>	<b>175,612</b>	<b>2,185,388</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	1,633,807	-	-	1,633,807
Capital assets:				
Land	373,329	487,433	341,520	1,202,282
Construction in progress	32,223	-	189,320	221,543
Buildings	-	850,266	1,715,315	2,565,581
Improvements other than buildings	4,369,165	-	-	4,369,165
Machinery and equipment	98,350	303,651	390,844	792,845
Accumulated depreciation	(757,435)	(605,771)	(1,842,105)	(3,205,311)
Net capital assets	4,115,632	1,035,579	794,894	5,946,105
Other assets:				
Equity investment in joint venture	-	2,007,803	-	2,007,803
Net pension asset	344	764	850	1,958
Total other assets	344	2,008,567	850	2,009,761
<b>Total noncurrent assets</b>	<b>5,749,783</b>	<b>3,044,146</b>	<b>795,744</b>	<b>9,589,673</b>
<b>Total assets</b>	<b>7,046,978</b>	<b>3,756,727</b>	<b>971,356</b>	<b>11,775,061</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows related to pensions	38,018	69,963	85,157	193,138
<b>Total deferred outflows of resources</b>	<b>38,018</b>	<b>69,963</b>	<b>85,157</b>	<b>193,138</b>

**SPRINGVILLE CITY CORPORATION**  
**Combining Statement of Net Position (Continued)**  
**Nonmajor Enterprise Funds**  
**June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Storm Water</b>	<b>Solid Waste</b>	<b>Golf Course</b>	<b>Total</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 17,259	\$ 70,971	\$ 28,895	\$ 117,125
Accrued liabilities	2,549	4,953	8,307	15,809
Accrued interest payable	-	-	23,332	23,332
Compensated absences	-	10,165	10,620	20,785
Notes payable	-	-	31,250	31,250
<b>Total current liabilities</b>	<b>19,808</b>	<b>86,089</b>	<b>102,404</b>	<b>208,301</b>
<b>Noncurrent liabilities:</b>				
Compensated absences	-	10,166	10,621	20,787
Net pension liability	40,325	67,786	94,728	202,839
<b>Total noncurrent liabilities</b>	<b>40,325</b>	<b>77,952</b>	<b>105,349</b>	<b>223,626</b>
<b>Total liabilities</b>	<b>60,133</b>	<b>164,041</b>	<b>207,753</b>	<b>431,927</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows related to pensions	36,888	74,023	80,645	191,556
<b>Total deferred outflows of resources</b>	<b>36,888</b>	<b>74,023</b>	<b>80,645</b>	<b>191,556</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	4,115,632	1,035,579	763,644	5,914,855
Restricted for community improvements	1,633,807	-	-	1,633,807
Unrestricted	1,238,536	2,553,047	4,471	3,796,054
<b>Total net position</b>	<b>\$ 6,987,975</b>	<b>\$ 3,588,626</b>	<b>\$ 768,115</b>	<b>\$ 11,344,716</b>



**SPRINGVILLE CITY CORPORATION**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total</b>
	<b>Storm Water</b>	<b>Solid Waste</b>	<b>Golf Course</b>	
<b><u>OPERATING REVENUES</u></b>				
Sales and charges for services	\$ 1,105,225	\$ 1,668,334	\$ 911,806	\$ 3,685,365
Miscellaneous income	14,952	-	181	15,133
<b>Total operating revenues</b>	<b>1,120,177</b>	<b>1,668,334</b>	<b>911,987</b>	<b>3,700,498</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and benefits	199,531	394,393	505,418	1,099,342
Administrative	592,313	1,075,676	363,343	2,031,332
Depreciation	93,694	17,586	38,572	149,852
<b>Total operating expenses</b>	<b>885,538</b>	<b>1,487,655</b>	<b>907,333</b>	<b>3,280,526</b>
<b>Operating income</b>	<b>234,639</b>	<b>180,679</b>	<b>4,654</b>	<b>419,972</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Equity income of joint venture	-	212,807	-	212,807
Impact fees	189,188	-	-	189,188
Grants	-	-	321,000	321,000
Interest income	43,849	11,187	1,438	56,474
Interest and fiscal expenses	-	-	(5,833)	(5,833)
<b>Total nonoperating revenues (expenses)</b>	<b>233,037</b>	<b>223,994</b>	<b>316,605</b>	<b>773,636</b>
<b>Income (loss) before contributions and transfers</b>	<b>467,676</b>	<b>404,673</b>	<b>321,259</b>	<b>1,193,608</b>
Capital contributions	685,568	-	-	685,568
Transfers out	(69,702)	(432,750)	-	(502,452)
<b>Change in net position</b>	<b>1,083,542</b>	<b>(28,077)</b>	<b>321,259</b>	<b>1,376,724</b>
<b>Total net position, beginning</b>	<b>5,904,433</b>	<b>3,616,703</b>	<b>446,856</b>	<b>9,967,992</b>
<b>Total net position, ending</b>	<b>\$ 6,987,975</b>	<b>\$ 3,588,626</b>	<b>\$ 768,115</b>	<b>\$ 11,344,716</b>

**SPRINGVILLE CITY CORPORATION**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2018**

	<b>Storm Water</b>	<b>Solid Waste</b>	<b>Golf Course</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 1,119,570	\$ 1,669,729	\$ 910,834	\$ 3,700,133
Payments to suppliers	(582,863)	(1,055,687)	(351,935)	(1,990,485)
Payments to employees	(204,497)	(399,394)	(513,859)	(1,117,750)
<b>Net cash provided (used) by operating activities</b>	<b>332,210</b>	<b>214,648</b>	<b>45,040</b>	<b>591,898</b>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	(69,702)	(432,750)	-	(502,452)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(69,702)</b>	<b>(432,750)</b>	<b>-</b>	<b>(502,452)</b>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(66,976)	-	(189,320)	(256,296)
Proceeds from sale of assets	22,797	-	-	22,797
Impact fees received	189,188	-	-	189,188
Grants received	-	-	321,000	321,000
Principal paid on capital debt	-	-	(31,250)	(31,250)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>145,009</b>	<b>-</b>	<b>100,430</b>	<b>245,439</b>
<b>Cash flows from investing activities</b>				
Interest received	43,849	11,187	1,438	56,474
<b>Net cash provided by investing activities</b>	<b>43,849</b>	<b>11,187</b>	<b>1,438</b>	<b>56,474</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>451,366</b>	<b>(206,915)</b>	<b>146,908</b>	<b>391,359</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,369,044</b>	<b>752,287</b>	<b>27,551</b>	<b>3,148,882</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,820,410</b>	<b>\$ 545,372</b>	<b>\$ 174,459</b>	<b>\$ 3,540,241</b>
<b>Unrestricted cash</b>	<b>\$ 1,186,603</b>	<b>\$ 545,372</b>	<b>\$ 174,459</b>	<b>\$ 1,906,434</b>
<b>Restricted cash</b>	<b>1,633,807</b>	<b>-</b>	<b>-</b>	<b>1,633,807</b>
<b>Total cash and cash equivalents</b>	<b>\$ 2,820,410</b>	<b>\$ 545,372</b>	<b>\$ 174,459</b>	<b>\$ 3,540,241</b>

**SPRINGVILLE CITY CORPORATION**  
**Combining Statement of Cash Flows (Continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2018**

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income	\$ 234,639	\$ 180,679	\$ 4,654	\$ 419,972
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	93,694	17,586	38,572	149,852
Changes in assets and liabilities:				
Accounts receivable	(607)	1,395	(1,153)	(365)
Accounts payable	9,450	19,989	11,408	40,847
Accrued liabilities	(1,610)	(1,349)	(2,656)	(5,615)
Compensated absences	-	3,451	1,597	5,048
Net pension liability	(3,356)	(7,103)	(7,382)	(17,841)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 332,210</u>	<u>\$ 214,648</u>	<u>\$ 45,040</u>	<u>\$ 591,898</u>
<b>Noncash investing, capital and financing activities</b>				
Capital contributions - developers	\$ 685,568	\$ -	\$ -	\$ 685,568
Equity investment adjustment for net income and ownership changes	\$ -	\$ 212,807	\$ -	\$ 212,807

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Intergovernmental	\$ -	\$ 745,000	\$ 2,712,009	\$ 1,967,009
Interest	45,000	45,000	182,847	137,847
Donations	-	1,000,000	1,000,000	-
<b>Total revenues</b>	<b>45,000</b>	<b>1,790,000</b>	<b>3,894,856</b>	<b>2,104,856</b>
<b><u>EXPENDITURES</u></b>				
Capital outlay	4,625,000	15,781,675	13,735,264	2,046,411
<b>Total expenditures</b>	<b>4,625,000</b>	<b>15,781,675</b>	<b>13,735,264</b>	<b>2,046,411</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4,580,000)</b>	<b>(13,991,675)</b>	<b>(9,840,408)</b>	<b>4,151,267</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of capital assets	-	-	1,171,318	1,171,318
Transfers in	4,884,873	5,912,873	6,214,873	302,000
<b>Net other financing sources (uses)</b>	<b>4,884,873</b>	<b>5,912,873</b>	<b>7,386,191</b>	<b>1,473,318</b>
<b>Net change in fund balance</b>	<b>\$ 304,873</b>	<b>\$(8,078,802)</b>	<b>(2,454,217)</b>	<b>\$ 5,624,585</b>
<b>Fund balance, beginning of year</b>			<b>7,595,996</b>	
<b>Fund balance, end of year</b>			<b>\$ 5,141,779</b>	

**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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>				
Charges for services	\$ -	\$ -	\$ 5,280	\$ 5,280
Interest	-	-	447	447
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>5,727</b>	<b>5,727</b>
<b><u>EXPENDITURES</u></b>				
Debt service:				
Interest and fiscal expenses	-	-	70	(70)
Total debt service	-	-	70	(70)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>(70)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>5,657</b>	<b>5,657</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	115,000	115,000	-
<b>Net other financing sources (uses)</b>	<b>-</b>	<b>115,000</b>	<b>115,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 115,000</b>	<b>120,657</b>	<b>\$ 5,657</b>
<b>Fund balance, beginning of year</b>			<b>(113,285)</b>	
<b>Fund balance, end of year</b>			<b>\$ 7,372</b>	

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Property tax	\$ -	\$ 125,000	\$ 28,098	\$ (96,902)
Intergovernmental	-	-	152,922	152,922
Interest	-	-	7,847	7,847
<b>Total revenues</b>	<b>-</b>	<b>125,000</b>	<b>188,867</b>	<b>63,867</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Capital Outlay	-	76,000	37,728	38,272
<b>Total expenditures</b>	<b>-</b>	<b>76,000</b>	<b>37,728</b>	<b>38,272</b>
<b>Excess of revenues</b> <b>under expenditures</b>	<b>-</b>	<b>49,000</b>	<b>151,139</b>	<b>102,139</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	60,000	37,728	(22,272)
<b>Net other financing sources (uses)</b>	<b>-</b>	<b>60,000</b>	<b>37,728</b>	<b>(22,272)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 109,000</b>	<b>188,867</b>	<b>\$ 79,867</b>
<b>Fund balance, beginning of year</b>			<b>448,194</b>	
<b>Fund balance, end of year</b>			<b>\$ 637,061</b>	

**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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>				
Impact fees	\$ 1,095,000	\$ 1,095,000	\$ 1,054,830	\$ (40,170)
Interest	12,750	12,750	49,061	36,311
Miscellaneous	-	-	39,870	39,870
<b>Total revenues</b>	<u>1,107,750</u>	<u>1,107,750</u>	<u>1,143,761</u>	<u>36,011</u>
<b><u>EXPENDITURES</u></b>				
Capital outlay	-	2,048,514	447,531	1,600,983
<b>Total expenditures</b>	<u>-</u>	<u>2,048,514</u>	<u>447,531</u>	<u>1,600,983</u>
<b>Excess of revenues over expenditures</b>	<u>1,107,750</u>	<u>(940,764)</u>	<u>696,230</u>	<u>1,636,994</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers out	(514,260)	(514,260)	(514,260)	-
<b>Net other financing sources (uses)</b>	<u>(514,260)</u>	<u>(514,260)</u>	<u>(514,260)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ 593,490</u>	<u>\$(1,455,024)</u>	<u>181,970</u>	<u>\$ 1,636,994</u>
<b>Fund balance, beginning of year</b>			<u>2,974,080</u>	
<b>Fund balance, end of year</b>			<u>\$ 3,156,050</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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>				
Interest	\$ -	\$ -	\$ 2,710	\$ 2,710
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>2,710</u>	<u>2,710</u>
<b><u>EXPENDITURES</u></b>				
Debt service:				
Principal	1,270,000	1,270,000	1,270,000	-
Interest and fiscal expenses	771,739	771,739	764,239	7,500
Total debt service	<u>2,041,739</u>	<u>2,041,739</u>	<u>2,034,239</u>	<u>7,500</u>
<b>Total expenditures</b>	<u>2,041,739</u>	<u>2,041,739</u>	<u>2,034,239</u>	<u>7,500</u>
<b>Excess of revenues over expenditures</b>	(2,041,739)	(2,041,739)	(2,031,529)	10,210
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	2,041,739	2,041,739	2,033,031	(8,708)
<b>Net other financing sources (uses)</b>	<u>2,041,739</u>	<u>2,041,739</u>	<u>2,033,031</u>	<u>(8,708)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,502</u>	<u>\$ 1,502</u>
<b>Fund balance, beginning of year</b>			<u>160,933</u>	
<b>Fund balance, end of year</b>			<u>\$ 162,435</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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b><u>EXPENDITURES</u></b>				
Debt service:				
Principal	-	260,000	260,000	-
Interest and fiscal expenses	-	120,585	120,337	248
Total expenditures	-	380,585	380,337	248
Excess of revenues over expenditures	-	(380,585)	(380,337)	248
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	380,585	380,585	380,585	-
Net other financing sources (uses)	380,585	380,585	380,585	-
Net change in fund balance	<u>\$ 380,585</u>	<u>\$ -</u>	248	<u>\$ 248</u>
Fund balance, beginning of year			2,996	
Fund balance, end of year			<u>\$ 3,244</u>	

**SPRINGVILLE CITY CORPORATION**  
**Schedule of the Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual – Permanent Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>				
Charges for services	\$ 75,000	\$ 75,000	\$ 95,427	\$ 20,427
Interest	1,075	1,075	14,665	13,590
Donations	-	500,000	500,000	-
<b>Total revenues</b>	76,075	576,075	610,092	34,017
<b>Net change in fund balance</b>	\$ 76,075	\$ 576,075	610,092	\$ 34,017
<b>Fund balance, beginning of year</b>			1,257,316	
<b>Fund balance, end of year</b>			\$ 1,867,408	

## **Compliance Section**

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South  
Bountiful, Utah 84010  
801-296-0200  
Fax 801-296-1218

E. Lynn Hansen, CPA  
Clarke R. Bradshaw, CPA  
Gary E. Malmrose, CPA  
Edwin L. Erickson, CPA  
Michael L. Smith, CPA  
Jason L. Tanner, CPA  
Robert D. Wood, CPA  
Aaron R. Hixson, CPA  
Ted C. Gardiner, CPA

Jeffrey B. Miles, CPA  
Donald M. Jack, CPA

*Members of the  
American Institute  
of Certified Public  
Accountants*

*Members of the  
Private Company  
Practice Section*

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City Corporation, Utah ("the City"), as of and for the year ended June 30, 2018, 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, 2018.

### ***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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.

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

December 12, 2018

# Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South  
Bountiful, Utah 84010  
801-296-0200  
Fax 801-296-1218

E. Lynn Hansen, CPA  
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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

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

### ***Report On Compliance***

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, 2018.

State compliance requirements were tested for the year ended June 30, 2018 in the following areas:

Budgetary Compliance	Restricted Taxes and Related Revenues
Fund Balance	Open and Public Meetings Act
Justice Courts	Enterprise Fund Transfers,
Utah Retirement Systems	Reimbursements, Loans, & Services
Treasurer's Bond	Tax Levy Revenue Recognition

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

### ***Opinion on 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, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance or other matters, which are required to be reported in accordance with the *State Compliance Audit Guide*.

### ***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Purpose of Report***

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

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

December 12, 2018



**HANSEN, BRADSHAW, MALMROSE & ERICKSON, P.C.**  
**559 West 500 South**  
**Bountiful, Utah 84010**  
**801-296-0200**  
**[www.HBME.com](http://www.HBME.com)**