



**WORK/STUDY AGENDA
SPRINGVILLE CITY COUNCIL MEETING
DECEMBER 15, 2015 AT 7:00 P.M.**

City Council Chambers
110 South Main Street
Springville, Utah 84663

AMENDED DECEMBER 14, 2015 AT 9:50 A.M.

MAYOR AND COUNCIL DINNER – 4:45 P.M.

The Mayor and Council will meet in the Council Work Room for informal discussion and dinner. No action will be taken on any items.

**CALL TO ORDER- 5:15 P.M.
COUNCIL BUSINESS**

1. Calendar
 - December 17 – City Employee Christmas Luncheon
 - December 24 – Christmas Eve (City Offices Close at Noon)
 - December 25 – Christmas Holiday (City Offices Closed)
 - January 1 – New Year’s Day (City Offices Closed)
 - January 5 – Oath of Office Ceremony 5:30 p.m.
 - January 5 – Work/Study Meeting 6:00 p.m., City Council Meeting 7:00 p.m.
 -
2. **DISCUSSION ON THIS EVENING’S REGULAR MEETING AGENDA ITEMS**
 - a) Invocation – Councilmember Creer
 - b) Pledge of Allegiance – Councilmember Conover
 - c) Consent Agenda
 3. Approval of City purchase orders required to be signed per Springville City Purchasing Code.
 4. Approval of Minutes for the April 21, 2015 and September 15, 2015 Work/Study meetings.
 5. Approval of a **Resolution** creating the Aquatics and Activities Center Design Ad Hoc Committee
 6. Approval of the appointment of Mark Brewer, Marcie Harris, Alan Bird, Lorraine Morris, Harold Davis, Marylyne Whitney, Katie Sosa, Shari Eves, Alyssa Oman and Braydon Bird to the Aquatics and Activities Center Design Ad Hoc Committee
 7. **APPROVAL OF THE APPOINTMENT OF MARK LAMOREAUX TO THE POWER ADVISORY BOARD.**
3. **DISCUSSIONS/PRESENTATIONS**
 - a) Sharp Survey Presentation – Shannon Acor, CTC Coordinator

CERTIFICATE OF POSTING

The undersigned duly appointed City Recorder of Springville City, does hereby certify that the above notice and agenda was posted within the Springville City limits on December 10, 2015 at Springville City Hall, on the City Hall Notice Board, on the Springville City website at www.springville.org/agendasminutes on the Utah Public Notice Website at <http://www.utah.gov/pmn/index.html> and provided to at least one newspaper of general circulation within the geographic jurisdiction of the public body
/s/ Kim Rayburn, City Recorder

In compliance with the Americans with Disabilities Act, the City will make reasonable accommodations to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Recorder at (801) 489-2700 at least three business days prior to the meeting.

THIS AGENDA IS SUBJECT TO CHANGE WITH A MINIMUM OF 24-HOURS NOTICE

- b) Preliminary Design Information on the Hobble Creek Golf Course Club House – Bruce Riddle Assistant City Administrator/Finance Director
- c) Discussion of possible land exchange with Suburban Land Reserve (SLR) and Property Reserve Inc.(PRI) – Troy Fitzgerald, City Administrator

4. MAYOR, COUNCIL, AND ADMINISTRATIVE REPORTS

5. CLOSED SESSION

The Springville City Council may temporarily recess the regular meeting and convene in a closed session to discuss pending or reasonably imminent litigation, and the purchase, exchange, or lease of real property, as provided by Utah Code Annotated §52-4-205

ADJOURNMENT

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AMENDED DECEMBER 14, 2015 AT 9:50 A.M.

CALL TO ORDER

**INVOCATION AND PLEDGE
APPROVAL OF THE MEETING'S AGENDA
MAYOR'S COMMENTS**

PUBLIC COMMENT: *Audience members may bring any item not on the agenda to the Mayor and Council's attention. Please complete and submit a "Request to Speak" form. Comments will be limited to two or three minutes, at the discretion of the Mayor. State Law prohibits the Council from acting on items that do not appear on the agenda.*

CEREMONIAL AGENDA

1. Presentation to Outgoing Councilmember Dean Olsen – Troy Fitzgerald, City Administrator
2. Presentation of the Mayor's Awards – Shannon Acor, CTC Coordinator

CONSENT AGENDA*

3. Approval of City purchase orders required to be signed per Springville City Purchasing Code.
4. Approval of Minutes for the April 21, 2015 and September 15, 2015 Work/Study meeting.
5. Approval of a **Resolution** creating the Aquatics and Activities Center Design Ad Hoc Committee
6. Approval of the appointment of Mark Brewer, Marcie Harris, Alan Bird, Lorraine Morris, Harold Davis, Marylyne Whitney, Katie Sosa, Shari Eves, Alyssa Oman and Braydon Bird to the Aquatics and Activities Center Design Ad Hoc Committee
7. **APPROVAL OF THE APPOINTMENT OF MARK LAMOREAUX TO THE POWER ADVISORY BOARD.**

PUBLIC HEARING

8. Public Hearing for consideration of amendment of the Fiscal Year 2015-2016 Springville City budget – Bruce Riddle, Assistant City Administrator/Finance Director

REGULAR AGENDA

9. Consideration for adoption a **Resolution** of the City Council of Springville City, Utah, authorizing the issuance and sale of not more than \$11,195,000 aggregate principal amount of General Obligation Bonds (Aquatics and Activities Center), Series 2016; and related matters – John Penrod, Assistant City Administrator/City Attorney

This meeting was noticed in compliance with Utah Code 52-4-202 on December 11, 2015. Agendas and minutes are accessible through the Springville City website at www.springville.org/agendasminutes. Council Meeting agendas are available through the Utah Public Meeting Notice website at <http://www.utah.gov/pmn/index.html>. Email subscriptions to Utah Public Meeting Notices are available through their website. s/s - Kim Rayburn, City Recorder

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*The Consent Agenda consists of items that are administrative actions where no additional discussion is needed. When approved, the recommendations in the staff reports become the action of the Council. The Agenda provides an opportunity for public comment. If after the public comment the Council removes an item from the consent agenda for discussion, the item will keep its agenda number and will be added to the regular agenda for discussion, unless placed otherwise by the Council.

THIS AGENDA IS SUBJECT TO CHANGE WITH A MINIMUM OF 24-HOURS NOTICE

10. Presentation of the Springville City Annual Audit and the Spanish Fork/Springville Airport Audit – Bruce Riddle, Finance Director
11. Spanish Fork/Springville Airport Ground Lease Agreement with Imsar Inc. – Bruce Riddle, Assistant City Administrator/Finance Director
12. Discussion of the 950 West Railroad Crossing – Brad Stapley, Public Works Director

MAYOR, COUNCIL AND ADMINISTRATIVE REPORTS

CLOSED SESSION

13. *The Springville City Council may temporarily recess the regular meeting and convene in a closed session to discuss pending or reasonably imminent litigation, and the purchase, exchange, or lease of real property, as provided by Utah Code Annotated §52-4-205*

ADJOURNMENT

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**AGENDA FOR THE WORK / STUDY MEETING
OF THE CITY COUNCIL
OF THE CITY OF SPRINGVILLE, UTAH
COUNCIL CHAMBERS, 110 SOUTH MAIN STREET
APRIL 21, 2015 – 5:15 P.M.**

6

8 The following are the minutes of the Work/Study Meeting of the Springville City
Council. The meeting was held on **Tuesday, April 21, 2015 at 5:15 p.m.** in the Springville City
Civic Center Council Chambers, 110 South Main Street, Springville, Utah. Adequate notice of
10 this meeting, as required by law, was posted in the Civic Center and on the City's website, and
delivered to members of the Council, media, and interested citizens.

12 Mayor Wilford W. Clyde presided. In addition to Mayor Clyde, the following were
present: Councilmember Richard Child, Councilmember Craig Conover, Councilmember Chris
14 Creer, Councilmember Dean Olsen and Councilmember Chris Sorensen City Administrator Troy
Fitzgerald, Assistant City Administrator/City Attorney John Penrod, and City Recorder Kim
16 Rayburn.

Also present were: Public Works Director Brad Stapley, Public Safety Director Scott
18 Finlayson, Building and Grounds Director Alex Roylance, Recreation Director Cory Merideth,
Library Director Pam Vaughn, Museum of Art Director Dr. Rita Wright, Golf Pro Craig
20 Norman, Community Development Director Fred Aegerter and Administrative Services Manager
Rod Oldroyd.

22

MAYOR AND COUNCIL DINNER – 4:45 P.M.

24 *The Mayor and Council will meet in the Council Work Room for informal discussion and
dinner. No action will be taken on any items.*

26

CALL TO ORDER- 5:15 P.M.

28 Mayor Clyde welcomed the Council, staff, and audience as he called the meeting to order
at 5:17 p.m.

30

COUNCIL BUSINESS

32 1) Calendar

- April 22 – Planning Commission Annual Training 6:00 p.m.
- 34 • April 24 – Arbor Day
- April 24, 25 – City Spring Clean Up Days
- 36 • April 28 – City Council Budget Retreat 1:00 p.m.
- May 05 – Work/Study Meeting 5:15 p.m., City Council Meeting 7:00 p.m.
- 38 • May 10 – Mother's Day
- May 12 – Work/Study Meeting 5:15 p.m.
- 40 • May 19 – Work/Study Meeting 5:15 p.m., City Council Meeting 7:00 p.m.

42 Mayor Clyde asked if there were any questions or additions to the calendar. There was
44 none.

- 46 2) Discussion on this evening's Regular Meeting agenda items
- 46 a) Invocation – Councilmember Child
 - 48 b) Pledge of Allegiance – Councilmember Creer
 - 48 c) Consent Agenda
- 50 3. Approval of City purchase orders required to be signed per Springville City Code §2-10-110(5)
 - 52 4. Approval of Minutes – May 13, 2014; August 05, 2014; August 12, 2014; March 17, 2015 Work/Study Meeting and March 17, 2015 Regular City Council
 - 54 5. Approval of a Resolution renewing the Interlocal Cooperation Agreement for NPDES Phase II Storm Water Public Education and Outreach – Juan Garrido, Water Reclamation and Storm Water Superintendent
 - 56 6. Approval of Acceptance of a Partial Road Dedication from The Presiding Bishop of the Church of Jesus Christ of Latter-day Saints for a Future Right-of-Way in the Quail Brook Estates Subdivision – John Penrod, Assistant City Administrator/City Attorney

60 Mayor Clyde asked if there were any questions regarding the regular agenda. City
62 Attorney Penrod reported Craig Peay is the developer on item number six on the Consent
64 Agenda. Councilmember Sorensen asked if the intersection at 900 North Main remained in the
66 master plan for a lighted intersection. Attorney Penrod replied it is in the plan.

66 3) **DISCUSSIONS/PRESENTATIONS**

68 a) **Public Safety Review** – Scott Finlayson, Public Safety Director

68 Public Safety Director Finlayson reported Fire Chief Clinton received final approval from
70 the State to go to a paramedic based facility when available. He stated once supplies and
72 personnel are at the needed level they will make the change and believes this will give them the
74 opportunity to provide better care to citizens.

72 Chief Finlayson reviewed the Uniform Crime Report, a report that gages crime within
74 communities based off of eight types of criteria. He stated the report has been in place for over
76 20 years and remains the standard for crime reporting. Chief Finlayson explained the biggest
78 change is shown by the population growth and a 46% reduction in crime over the last 20 years in
Springville. He expressed we have a great community to live in, the demographics, population of
children and economics can play a large role in the crime rate.

78 Chief Finlayson reported they have over 1800 animal calls per year. He stated since the
law changed this last year not allowing cities to regulate pit bull breeds, they have received
80 reports of two bites by pit bulls. Prior to the law change they had not received any reports of
82 bites by pit bulls and recently one of the Animal Control Officer's was pinned against a vehicle
by a pit bull running at large, requiring Police Officers to provide assistance.

84 Chief Finlayson commented aggravated assaults are reported in the UCR report but not
simple assaults. He went on to report on crimes against children, property crime, traffic accidents
and stated graffiti offenses have been up and down, noting very few individuals commit them,
86 but they do a large quantity of damage. He expressed drug crimes and family issues are reported
in large numbers, along with custody exchanges and domestic violence.

88 Chief Finlayson stated they are seeing more attempted suicides and mental health issues
as well. While they have a detective working on crimes against people and children and DCFS
90 cases, officers are extremely busy. Currently they have five officers on each shift, and are down
two officers. Because of this they have moved traffic officers into patrol until the Department is
92 bolstered back up. He reported every community in Utah County has drug problems, Springville
falls in the middle.

94 In closing Chief Finlayson commented on use of force, he stated for the last ten years
they have been tracking the use of force, and as a Department they promote treating individuals
96 with respect, while safely taking them into custody. He expressed he is very pleased with the
officers; they do a good job treating individuals with respect.

98
100 Mayor Clyde thanked Chief Finlayson for his presentation and excused Councilmember
Sorensen from the meeting at 5:49 p.m. He asked for an update and comments from the
Directors.

102
104 Building and Grounds Director Roylance reported information was distributed
throughout the community for a concessionaire for the Wayne Bartholomew Family Park. He
stated they received only two bids. One from a local vendor and the other from the Hobble Creek
106 Golf Course vendor, the bid from the local vendor was accepted.

108 Director Roylance presented a re-evaluation of the playground equipment for the Wayne
Bartholomew Family Park with a theme of adventure. He explained it would have a modern look
and include a rock adventure. He described the larger playground area with a zip line feature.
110 Director Roylance asked for the Council's feedback, the Council did not voice any concerns and
Director Roylance commented they will keep moving forward.

112
114 b) **Training – John Penrod**, Assistant City Administrator/City Attorney

116 City Attorney Penrod provided information and training regarding Water Rights to the
Mayor and Council. He explained once the City has in its possession control of a water right they
cannot divest themselves of it, one option is they may exchange it for something of equal value.

118 Attorney Penrod recounted an issue that came about regarding an individual who
approached the City about exchanging water shares in Springville Irrigation Company for shares
in another irrigation company. The City said they would look into the matter, and did not
120 promise anything. The individual then proceeded and put the shares in Springville's name.
Attorney Penrod explained the stock certificate was never tendered to the City and the individual
122 has since requested the water shares returned. Attorney Penrod is recommending a letter be sent
to the Irrigation Company stating the City never purchased the water and never required the

124 shares for development; therefore the Irrigation Company would be responsible for the shares.
126 The City Council did not state any concerns with issuing the letter to the irrigation company.

128 Attorney Penrod provided information to the Mayor and Council regarding development
130 areas; RDA Redevelopment Area, CDA Community Development Area, EDA Economic
132 Development Area, URA Urban Renewal Area as well as Tax Increment Project Areas were
134 reviewed.

136
138 **4) MAYOR, COUNCIL, AND ADMINISTRATIVE REPORTS**

132 City Administrator Fitzgerald advised a group of students approached Mayor Clyde
134 regarding their Senior Project. They would like to rename a portion of 900 South as Red Devil
136 Drive. Administrator Fitzgerald stated they will address this in the May City Council meeting for
138 official approval.

140
142 **5) CLOSED SESSION**

138 *The Springville City Council may temporarily recess the regular meeting and convene in
140 a closed session to discuss pending or reasonably imminent litigation, and the purchase,
142 exchange, or lease of real property, as provided by Utah Code Annotated §52-4-205*

144 There was no Closed Session.

146
148 **ADJOURNMENT**

144 COUNCILMEMBER CONOVER MOVED TO ADJOURN THE WORK/STUDY
146 MEETING OF THE SPRINGVILLE CITY COUNCIL AT 6:19 P.M. COUNCILMEMBER
148 CREER SECONDED THE MOTION, ALL VOTED AYE.



2 MINUTES OF THE WORK/STUDY MEETING OF THE SPRINGVILLE CITY COUNCIL
3 HELD ON TUESDAY, SEPTEMBER 15, 2015, AT 5:15 P.M. AT THE CIVIC CENTER, 110
4 SOUTH MAIN STREET, SPRINGVILLE, UTAH.

6 Mayor Wilford W. Clyde presided. In addition to Mayor Clyde, the following were
7 present: Councilmember Richard Child, Councilmember Chris Sorensen, Councilmember Chris
8 Creer, City Administrator Troy Fitzgerald, Assistant City Administrator/Finance Director Bruce
9 Riddle, Assistant City Administrator/City Attorney John Penrod, and Deputy City Recorder
10 Jennifer Grigg.

11 Also present were: Public Works Director Brad Stapley, Water Reclamation and Storm
12 Water Superintendent Juan Garrido, Public Safety Director Scott Finlayson, Building and
13 Grounds Director Alex Roylance, Recreation Director Corey Merideth, Library Director Pam
14 Vaughn, Museum of Art Director Dr. Rita Wright, Community Development Director Fred
15 Aegerter, Golf Pro Craig Norman and Administrative Services Manager Rod Oldroyd.

16 **MAYOR AND COUNCIL DINNER – 4:45 P.M.**

17 *The Mayor and Council will meet in the Council Work Room for informal discussion and*
18 *dinner. No action will be taken on any items.*

20 **CALL TO ORDER**

21 Mayor Clyde welcomed everyone and called the meeting to order at 5:15 p.m.

22 **COUNCIL BUSINESS**

24 1) Calendar

- 25 • September 17 – Historical Society Lecture, Dr. Rita Wright – Museum of Art 7:00
26 p.m.
- 27 • September 16-18 – ULCT Fall Conference, Salt Lake City
- 28 • Sept 18- Chamber of Commerce Golf Tournament
- 29 • September 19 – Heritage Day (You Put The Art In Art City) 11:00 a.m. – 3:00 p.m.
- 30 • September 28-Oct 02 – Public Power Week, Springville Power Department
- 31 • October 06 – Work/Study Meeting 5:15 p.m., City Council Meeting 7:00 p.m.
- 32 • October 13 – Work/Study Meeting 5:15 p.m.

34 Mayor Clyde asked if there were any questions or additions to the calendar. He noted an
35 October 1st public meeting about the Aquatic Activity Center. It will be a question/comment
36 meeting organized as an Eagle Scout project at 7 p.m.

38 Administrator Fitzgerald stated Instagram and Facebook accounts promoting the
Springville Family Aquatic Center started this weekend with over 1000 followers so far.

40 Mayor Clyde conveyed the Aquatic Activity Center Exploratory Committee asked about
a banner across Main Street.

42 Assistant Administrator Penrod answered the State has eliminated political banners.

44 Administrator Fitzgerald added that the major property owner on the 4th South Corridor,
the LDS Church, indicated political signs are not allowed on their property as well.

2) Discussion on this evening's Regular Meeting agenda items

46 a) Invocation – Councilmember Child

48 b) Pledge of Allegiance – Councilmember Creer

c) Consent Agenda

50 1. Approval of City purchase orders required to be signed per Springville City Code
§2-10-110(5)

52 2. Approval of Minutes for the August 11, 2015 and September 01, 2015 Work
Study and September 01, 2015 Regular meetings.

54 3. Approval of a contract between M&M Asphalt the low bidder and Springville
City for the 2015-2016 Crack Seal Project for various Springville City Roads not
to exceed \$151,709.00 for the total project – Brad Stapley, Public Works Director

56 4. Approval to authorize funding and distribution for the Arts Commission grant
awards not to exceed \$25,000.00 – Corey Merideth, Recreation Director

58

Mayor Clyde asked if there were any questions regarding the regular agenda.

60 Councilman Sorensen asked if #3 is a repeat crack seal project that we have already
approved. Director Stapley said this is next year's contract for crack/seal.

62 Mayor Clyde noted a public hearing about a real estate transaction with Spanish Fork.

64 Assistant Administrator Penrod stated the corrected survey shows two additional acres.
Spanish Fork is deciding if they want more acres and amending their budget. Mayor Clyde stated
we don't want to sell 20 acres without selling the 22 acres.

66 Administrator Fitzgerald noted the microphones and council room projector are being
repaired.

68

3) **DISCUSSIONS/PRESENTATIONS**

70 a) **Wastewater Facility Odor Control Measures** – Brad Stapley, Public Works
Director Rod Andrew, Nestle, 29 years, Engineering Manager – presenting about pretreatment
72 facilities

74 Mr. Andrew commented business is good and Nestle/Stouffer's is glad to be part of
Springville City. He is a Power/Water Board member and the Springville plant is 5th nationally

76 for clean water. At Stouffer's, 80% of the water goes down the drain because of the blanchers
and 3rd shift cleaning. The main contaminant in the wastewater is a depletion of oxygen,
78 measured by Biodegradable Oxygen Demand (BOD). Nestle owns its own wastewater facilities
at the Springville City Waste Water property and contracts with Woodard & Curran who manage
80 the facility. The equalizing tanks fill during peak time, which is the 3rd shift, between 1-4 am,
then let the water out slowly during the day. The cleaning process involves taking starches out of
82 the water to keep the BOD down. BOD level increases when starchy water sits in tanks too long.
To combat this, water is now diverted to the Dissolved Air Filtration (DAF) Systems which were
84 installed in 2011. DAF allows less exposure time to the atmosphere which decreases odor. Also,
Stouffer's only use the storage tanks when absolutely necessary which helps the odor situation.

86 There is also BIO-Cube odor control equipment installed in the Sludge/Holding Tanks
which treated the air through carbon polishing unit before air released. Stouffer's only used 80%
88 of the unit's capacity. A project was designed to take odor off the top of tank to increase
capacity.

90 There are some 2016 budgets ideas to continue decreasing odor. An Essential Oil Odor
Reduction System vaporizes oil over the tanks. Oil molecules attached to the odor molecules and
92 because of extra weight, drop the odor out of the air and back into the wastewater. The cost is
less than \$50,000 to purchase oil and install equipment. It would be onsite at the Waste Water
94 Treatment Plant, over the equalization tanks, which would be covered.

Administrator Fitzgerald said the Dissolved Air Filtration Systems (DAF) is on City
96 property, leased by the contractor and utilized by Nestle. The lease is about to expire and will be
discussed this year.

98 Mr. Andrew continued discussing the DAFs which involves installing an exhaust system
to draw 2000 cubic feet out of the building, exhaust system. A more expensive option involves
100 ionizing the air at intake, neutralizing odor by capturing the odor molecule.

Mayor Clyde asked what percentage improvement would be expected. Mr. Andrew had
102 no answer.

Councilman Sorensen asked about water usage. Mr. Andrew answered 900,000 gallons
104 are used per day of which 750,000 gallons returns to the wastewater plant. Lawn watering water
comes from Little Spring Creek.

106 Water Reclamation and Storm Water Superintendent Juan Garrido continued the
discussion by listing the odor sources which include the roughing tower, head works (where
108 sewer lines enter the plant), yard waste compost (when it is turned) and the grit dump (where the
snails are). Once we eliminate the Nestle and City odor, other odors might become more
110 noticeable. GE Water is advising the City on how to deal with this.

Councilman Sorensen asked the definition of Adsorption/Absorption. Superintendent
112 Garrido answered essential water in/water out.

Superintendent Garrido explained the cost estimates are \$15,000 worth of oil per year
114 with \$36,000 vaporizer installation cost.

Mayor Clyde asked to review the sources of odor.

116 Superintendent Garrido stated the 12 x 12 grate will be the location of the vaporizer
which will handle the Head Works and Roughing Tower odors. Councilman Sorensen reviewed
118 the process.

Superintendent Garrido stated the dumpster contains inorganic material like baby wipes
120 which are hauled to the dump.

Mayor Clyde asked if the grit dumpster be tarped. Superintendent Garrido agreed.

122 Mayor Clyde asked about the new plant in Santaquin. Public Works Director Brad
Stapley answered the membrane reverse osmosis in Santaquin has the same solid waste. The
124 Springville plant has a larger problem with snails which are the bulk of the weight of the waste
and have a strong bad odor.

126 Superintendent Garrido stated the snails are accidental and thrive in the trickle filter. The
Santaquin plant uses the same microbe system as every other treatment plant. The snails are not
128 related to the water born mollusks that attach to boats. The snails fill a 2 cubic yard dumpster
every day.

130 b) **Park Impact Fees** – John Penrod, Assistant City Administrator/City Attorney

Assistant Administrator Penrod addressed the possibility of eliminating challenges other
132 cities face concerning businesses complaining about impact fees. Bringing recommended fees
down enough to appease the business community, while funding 90% of the services stipulated
134 in the General Plan, is one solution. This is called Reduced Level of Service or (RLOS).
Businesses are challenging all cities and will always challenge impact fees. Reducing our service
136 level to 5.5 acres per 1000 does not include Canyon acres. Jolley’s Ranch has plenty of acres, but
they are not all accessible to the public.

138 Councilman Sorensen asked if this amount of park acres per 1000 residents is based on
the Springville population at build out. Assistant Administrator Penrod apologized, answering
140 yes; these numbers apply to build out. At build out, the City needs 330 acres of park which is an
additional 88 more acres. Other cities are counting acres that aren’t accessible to the public, like
142 Provo Canyon parks and Salem Pond.

Councilman Sorensen asked if the golf course counts as park acreage. Assistant
144 Administrator Penrod answered it does not, but most of it is not calculated for impact fees.
Jolley’s Ranch and the golf course add only 35 acres that count toward impact fees. Impact fees
146 should try to stick to 90% for wiggle room. Planners want 100% of the impact fees to implement
the General Plan. Builders want a token 10% reduction to feel better about working with
148 Springville. When compared to other cities, we are in the top five or top two for amount of park
acreage.

150 Councilman Sorensen commented 90% would justify complaints. Adding the Golf
Course would make it even more justifiable. Assistant Administrator Penrod stated the Golf
152 Course can only be used for golf legally. It is generally accepted amongst city impact experts
that a regular park is usable by any person. One challenge that comes up is the State Ombudsman

154 considers Jolley's a Regional Park, so it can't count toward impact fee acreage. The Golf Course
is also an enterprise property which is excluded.

156 Councilman Child asked if Canyon parks are included like in other cities. Assistant
Administrator Penrod stated park impact fees are more commonly challenged because each park
158 has different amenities, so other cities are removing questionable acreage.

160 Mayor Clyde pointed out the impact fee reduction justifies the rate to builders when it is
challenged.

162 Administrator Fitzgerald asked if the Council will need to come up with 10% to continue
service level. Assistant Administrator Penrod answered yes. The City isn't collecting 100% of
the impact fees now because a City Council in 2004-2005 reduced park impact fees.

164 Administrator Fitzgerald reminded the law requires service level not be funded by impact
fees levelled on the backs of new development. Increasing the service level must include more
166 money from existing residents.

168 Mayor Clyde stressed buying; developing and caring for park space are three different
types of funding. Possibly we should lower our acreage to take better care of our parks. Current
staff is doing their best, but the grass at Community Park looks hammered and Spring Creek
170 Park has bogs. Building and Grounds Director Alex Roylance will look into it.

172 Mayor Clyde asked if setting the service level at 5.5 acres per thousand is required.
Assistant Administrator Penrod answered no, the acreage can be whatever service level Council
decides, from five to ten acres per thousand residents. The City aims to keep the service level in
174 line with the cities near us and 5.5 acres is in line with our General Plan.

176 Mayor Clyde prefers to finish Bartholomew Park, at a cost of \$1 million

178 Recreation Director Corey Merideth stated \$10 million is needed to finish Community
Park.

180 Assistant Administrator Penrod stated 30,000 more people will move in before build out.
Councilman Child noted the City is short in neighborhood park acreage.

182 Assistant Administrator Penrod stated the City is halfway to buildout in acreage of
Community Parks. Nine acres per thousand includes Regional Canyon Parks and is on the
General Plan. The law states cities can't charge new development for property received for free.

184 c) **Training** – Recreation Corey Meredith **Recreation Draft Rules**

186 Director Meredith described the Recreation draft program and changes to the system.
And stated returning coaches get priority. In the past, head coaches and assistant coaches were
protected picks, meaning they pick their own kids for the team they are coaching. The new draft
188 procedure changes so assistant coaches can't bring the best kids and rock that team. Now, the
assistant coaches kid counts as your first pick, which will eliminate stacking teams with too
190 many talented kids. In the open draft system, the assistant coach is only available through the
draft, along with his or her child. Coaches can't tell staff what team they will coach

192 Assistant Administrator Penrod questioned if assistant coaches will refuse to participate.

Councilman Creer asked for increased or even required participation at the draft.

194 Director Meredith continued no shows will be drawn out of the hat. Siblings will be
drafted automatically back to back. No trading after draft is over; must be in the same grade.
196 Late signups randomly, no requests from parents or coaches allowed.

Councilman Sorensen asked what the maximum number of players on a team. Director
198 Meredith answered the maximum is 11-13 players in Pony League; Fox League 13- 14 players
because of girls camp. No playing up is allowed so older kids get equal time to play. Accelerated
200 players might slip in under the radar. Staff will try to highlight them.

Councilman Sorensen expressed gratitude for a great attempt to make it fair.

202 Councilman Child predicted it will be hard to make it work this year.

Director Meredith revealed that Spanish Fork stacked teams before he changed the rules
204 and created an even league with strong teams. It is as fair and even a draft as possible.

Councilman Creer asked for staff to enforce rules.

206 Assistant Administrator Penrod stressed accelerated players should be equal through the
program.

208 After much discussion, Mayor Clyde and Council heartily agreed with Director
Meredith's plan.

210

4) **MAYOR, COUNCIL, AND ADMINISTRATIVE REPORTS**

212 Assistant Administrator Penrod added the proposed Aquatic Center voter information
pamphlet needs to say Wilford W Clyde Mayor and City Council, not each Councilmembers
214 name.

Councilman Sorensen asked about locking the gate at the Arts Park during Driver's
216 Education. Administrator Fitzgerald clarified the issue has been solved with the administration of
the school district. The principal needs to instruct the driver's education teachers to follow the
218 agreement.

Mayor Clyde asked about parking at the pavilion during driver's education. Councilman
220 Sorensen stated driver's education uses the park 6 days a month, 6 hours each time.

222 5) **CLOSED SESSION**

*The Springville City Council may temporarily recess the regular meeting and convene in a
224 closed session to discuss pending or reasonably imminent litigation, and the purchase,
exchange, or lease of real property, as provided by Utah Code Annotated §52-4-205*

226

COUNCILMEMBER CHILD MOVED TO ADJOURN THE CITY COUNCIL
228 MEETING AT 6:38 P.M. AND CONVENE IN CLOSED SESSION TO DISCUSS REAL
ESTATE. COUNCILMEMBER CREER SECOND THE MOTION AND THE VOTE IS
230 RECORDED AS FOLLOWS:

COUNCILMEMBER CHILD

AYE

232 COUNCILMEMBER CONOVER AYE
COUNCILMEMBER CREER AYE
234 COUNCILMEMBER OLSEN AYE
COUNCILMEMBER SORENSEN AYE

236

ADJOURNMENT

238 CLOSED SESSION ADJOURNED AND COUNCILMEMBER CHILD MOVED TO
ADJOURN THE WORK/STUDY MEETING OF THE SPRINGVILLE CITY COUNCIL AT
240 6:56 P.M. COUNCILMEMBER CREER SECONDED THE MOTION, ALL VOTED AYE.



STAFF REPORT

DATE: December 11, 2015
TO: Honorable Mayor and City Council
FROM: Troy Fitzgerald, City Administrator
SUBJECT: **AQUATIC ACTIVITY CENTER DESIGN COMMITTEE**

RECOMMENDED MOTION

A Motion to APPROVE Resolution _____ creating an ad hoc committee to assist in the design of the Aquatics and Activities Center for Springville.

GOALS, OBJECTIVES AND STRATEGIES AT ISSUE

Strategy 6A for Parks, Trails and Recreation is to “Work towards construction of a new recreation center that is designed to meet the needs of potential users in a fiscally responsible manner.”

DISCUSSION

The attached resolution establishes an Ad Hoc Committee to assist in the design of an Aquatics and Activities Center. The Committee’s duties will include:

- (1) Assist in the design of the Aquatics and Activities Center by giving feedback to staff and professionals involved in the Aquatics and Activities Center project as the project progresses;
- (2) Give ideas, direction and feedback concerning details of the Center within the assigned budget;
- (3) Assist in public meetings associated with the project; and
- (4) Perform any other duties deemed appropriate and assigned by the Mayor.

ALTERNATIVES

The Council may assign any responsibilities it desires from the committee.

FISCAL IMPACT

The fiscal impact of the Committee is negligible. They will be making recommendations on the \$18,200,000 Aquatics Center Building Budget.

Troy Fitzgerald
Troy Fitzgerald
City Administrator

Attachments

cc:

RESOLUTION NO. _____

A RESOLUTION ESTABLISHING AN AD HOC COMMITTEE TO ASSIST IN DESIGN OF THE AQUATICS AND ACTIVITIES CENTER.

WHEREAS, the community is undertaking the design and construction of an Aquatics and Activity Center; and

WHEREAS, the Mayor desires to have public input and involvement in the design of the facility;

NOW, THEREFORE, be it resolved by the City Council of Springville City that the following Ad Hoc Committee be established as directed.

1: Ad Hoc Committee Established. There is hereby established an Ad Hoc Committee entitled Aquatics and Activities Center Design Committee which shall have between seven (7) and fifteen (15) members from the general public appointed by the Mayor, with the approval of the City Council. Members of the Committee shall serve without compensation, except that the City may make provision for payment of necessary expenses incurred by them in carrying out the duties specified in this Resolution.

One (1) or two (2) members of the City Council to be designated by the Mayor shall be assigned to attend the Committee meetings. City Council members shall serve as non-voting members of the Committee. In addition, selected staff members shall attend committee meetings.

2: Term of Office. Each member of the Committee, except the City Council members who serve on the Board, shall serve until their duties are completed and the facility is built.

3: Organization. The Committee shall have a chair assigned by the Mayor and may adopt rules and regulations for the conduct of its business. The Committee should meet as often as necessary to conduct necessary business. Written minutes shall be kept of each meeting and the minutes shall be forwarded to the City Council for their review.

4: Powers and Duties. The Ad Hoc Committee shall be an advisory board only.

Duties of the Aquatics and Activities Center Design Committee shall include the following:

- (1) Assist in the design of the Aquatics and Activities Center by giving feedback to staff and professionals involved in the Aquatics and Activities Center project as the project progresses;
- (2) Give ideas, direction and feedback concerning details of the Center within the assigned budget;
- (3) Assist in public meetings associated with the project; and
- (4) Perform any other duties deemed appropriate and assigned by the Mayor.

PASSED BY THE CITY COUNCIL OF SPRINGVILLE CITY THIS _____
DAY OF _____, 2015. THIS RESOLUTION BECOMES EFFECTIVE ON THE DAY
FOLLOWING THE DATE OF ADOPTION.

Wilford W. Clyde, Mayor

ATTEST:

Kim Rayburn, City Recorder



STAFF REPORT

DATE: December 15, 2015
TO: Honorable Mayor and City Council
FROM: Bruce Riddle, Finance Director
SUBJECT: FY 2016 BUDGET AMENDMENT

RECOMMENDED MOTION

The Finance Department recommends adopting Resolution _____ to open and amend the General Fund, Special Improvement Fund, Special Revenue Fund, Sewer Fund, and Electric Fund, for operational and capital expenses and applying to the Fiscal Year ending June 30, 2016 as outlined in Exhibit A (attached).

SUMMARY OF ISSUES/FOCUS OF ACTION

The Uniform Fiscal Procedures Act for Utah Cities sets forth the procedures for the governing body to review and increase or decrease the appropriations in operating and capital budgets of the city. The resolution will provide the budget authority for the city to proceed with the projects detailed in the report.

BACKGROUND

Unexpected revenues and expenses have emerged since the beginning of the budget year. In order to proceed with addressing the variations from the original budget, The Council will need to take action through amending the budget.

DISCUSSION

In response to new developments and after reviewing the various fund budgets the Finance Department recommends a number of budget appropriations before closing out the year. Requests for appropriation as well as the funding sources are summarized in Exhibit A (attached). Brief descriptions of the recommended actions are as follows:

- *General Fund.* The following appropriations are recommended in the departments noted:
 - *Engineering, IT and Court.* Appropriate historical utilities budgets, which were inadvertently omitted from the original budget.
 - *Police.* Increase grant expenditure budget by \$6k to appropriate funding from a State grant for communications.
 - *Library.* Increase grant expenditure budget by \$1k to appropriate funding from a State LSTA grant received late in the 2015 budget year, which was expended early in the 2016 budget.

CITY COUNCIL AGENDA

Meeting Date, December 15, 2015

- *Special Improvement Fund.* Additional revenue and associated expense for anticipated prepayment of assessments.
- *Sewer Fund.* Appropriate \$250k in new STM Aerotor project for major repairs required. Funding is coming from Pump Replacement project (\$80k) and Backup Power sinking fund (\$170k).
- *Electric Fund.* Appropriate UDOT grant for LED street lighting on Main Street.

ALTERNATIVES

The Council has the alternative of considering different funding sources than those recommended by staff in Exhibit A. However, taking no action at all on the resolution will leave the staff without the budget authority to proceed with these projects and services.

FISCAL IMPACT

The fiscal impacts of the proposed appropriations are included in Exhibit A.

Note:

By way of information, the original FY 2016 budget resolution included language calling for the re-appropriation of balances from capital project at the end of FY 2015 into the FY 2016 budget. With the conclusion of the audit, those balances have been identified and will be appropriated according to the attached schedule.

Exhibit A
City of Springville
Budget Amendment Form

Fiscal Year Ending June 30, 2016

<i>Item</i>	<i>Fund</i>	<i>Dept.</i>	<i>Acct.</i>	<i>Description</i>	<i>Beginning Budget</i>	<i>Increase</i>	<i>Decrease</i>	<i>Amended Budget</i>	<i>Purpose and Funding Source</i>
Revenues									
3	10	3300	361	Police Grants	8,000	6,000		14,000	State grant for communications
6	21	3100	132	SID Principal	111,797	375,000		486,797	Prepayment of assessments
7	21	3600	621	SID Interest	35,810	24,500		60,310	Prepayment of assessments
12	53	3700	837	Grant Revenue	0	75,000		75,000	UDOT grant for street lights
	Utilize Reserves					116,880			
	Total Revenue Amendments					597,380			
Expenditures									
1	10	4132	260	Utilities	0	1,080		1,080	Budget oversight
2	10	4185	260	Utilities	0	500		500	Budget oversight
3	10	4210	342	General Grants	8,000	6,000		14,000	State Grant for communications
4	10	4250	260	Utilities	0	4,300		4,300	Budget oversight
5	10	4580	243	Library Grant	8,500	1,000		9,500	State library grant received the end of FY2015
6	21	9000	880	SID Bonds – Principal	112,000	375,000		487,000	Prepayment of assessments
7	21	9000	881	SID Bonds – Interest	33,357	24,500		57,857	Prepayment of assessments
8	46	6000	024	Wayne Bartholomew Park	118,309.61	110,000		228,309.61	Additional construction from impact fee reserves
9	52	6150	224	Pump Replacement	192,945.93		80,000	112,945.93	To fund Aerotor project
10	52	6190	237	Back-up Power for WWTP	200,000		170,000	30,000	To fund Aerotor project
11	52	6190	New	STM Aerotor Replacement	0	250,000		250,000	Aerotor replacement
12	53	6050	248	Main St. Lighting	154,080	75,000		229,080	UDOT grant for street lights
	Total Expenditure Amendments					847,380	250,000		

CITY COUNCIL AGENDA

Meeting Date, December 15, 2015

Requested by:

Processed: (Finance Dept. Use Only)

Date: _____

By: _____

JE: _____

Council Approval:

Date: _____

Resolution #: _____

RESOLUTION _____

A RESOLUTION OPENING AND AMENDING THE GENERAL FUND, SPECIAL IMPROVEMENT FUND, SPECIAL REVENUE FUND, SEWER FUND, AND ELECTRIC FUND BUDGETS FOR OPERATIONAL AND CAPITAL EXPENSES AND APPLYING TO THE FISCAL YEAR ENDING JUNE 30, 2016 AS OUTLINED IN EXHIBIT A.

WHEREAS, the City Council has received a recommendation from the Administration that the Springville City General Fund, Special Improvement Fund, Special Revenue Fund, Sewer Fund, and Electric Fund budgets be opened and amended for operational and capital expenses; and,

WHEREAS, on December 15, 2015 the City Council held a duly noticed public hearing to receive public comment and ascertain the facts regarding this matter, which facts and comments are found in the hearing record; and,

WHEREAS, all persons for and against the proposed appropriation were given an opportunity to be heard; and,

WHEREAS, after considering the Administration's recommendation, and facts and comments presented to the City Council, the Council finds the proposed appropriations reasonably further the health, safety, and general welfare of the citizens of Springville City.

NOW, THEREFORE, be it resolved by the City Council of Springville, Utah as follows:

PART I:

The Budget Officer is hereby authorized and directed to amend the budgets in the General Fund, Special Improvement Fund, Special Revenue Fund, Sewer Fund, and Electric Fund budgets for operational and capital expenses as outlined in Exhibit A.

PART II:

This resolution shall take effect immediately.

END OF RESOLUTION.

PASSED AND APPROVED this 15th day of December 2015.

Wilford W. Clyde, Mayor

ATTEST:

Kim Rayburn, City Recorder

Exhibit A
City of Springville
Budget Amendment Form

Fiscal Year Ending June 30, 2016

<i>Item</i>	<i>Fund</i>	<i>Dept.</i>	<i>Acct.</i>	<i>Description</i>	<i>Beginning Budget</i>	<i>Increase</i>	<i>Decrease</i>	<i>Amended Budget</i>	<i>Purpose and Funding Source</i>
Revenues									
3	10	3300	361	Police Grants	8,000	6,000		14,000	State grant for communications
6	21	3100	132	SID Principal	111,797	375,000		486,797	Prepayment of assessments
7	21	3600	621	SID Interest	35,810	24,500		60,310	Prepayment of assessments
12	53	3700	837	Grant Revenue	0	75,000		75,000	UDOT grant for street lights
	Utilize Reserves					116,880			
	Total Revenue Amendments					597,380			
Expenditures									
1	10	4132	260	Utilities	0	1,080		1,080	Budget oversight
2	10	4185	260	Utilities	0	500		500	Budget oversight
3	10	4210	342	General Grants	8,000	6,000		14,000	State Grant for communications
4	10	4250	260	Utilities	0	4,300		4,300	Budget oversight
5	10	4580	243	Library Grant	8,500	1,000		9,500	State library grant received the end of FY2015
6	21	9000	880	SID Bonds – Principal	112,000	375,000		487,000	Prepayment of assessments
7	21	9000	881	SID Bonds – Interest	33,357	24,500		57,857	Prepayment of assessments
8	46	6000	024	Wayne Bartholomew Park	118,309.61	110,000		228,309.61	Additional construction from impact fee reserves
9	52	6150	224	Pump Replacement	192,945.93		80,000	112,945.93	To fund Aerotor project
10	52	6190	237	Back-up Power for WWTP	200,000		170,000	30,000	To fund Aerotor project
11	52	6190	New	STM Aerotor Replacement	0	250,000		250,000	Aerotor replacement
12	53	6050	248	Main St. Lighting	154,080	75,000		229,080	UDOT grant for street lights

Total Expenditure Amendments		847,380	250,000		
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Requested by:

Council Approval:

Date:

Resolution #:

Processed: (Finance Dept. Use Only)

Date:

By:

JE:



STAFF REPORT

DATE: December 10, 2015

TO: The Honorable Mayor and City Council

FROM: John Penrod, City Attorney

SUBJECT: CONSIDERATION OF APPROVING A RESOLUTION THAT AUTHORIZES THE ISSUANCE AND SALE OF NOT MORE THAN \$11,195,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS (AQUATICS AND ACTIVITIES CENTER), SERIES 2016; AND RELATED MATTERS.

RECOMMENDED ACTION

Motion to approve Resolution No. _____ that authorizes the issuance and sale of not more than \$11,195,000 aggregate principal amount of general obligation bonds for the Aquatics and Activities Center, Series 2016, and related matters.

BACKGROUND

On November 3, 2015, a special bond election was held that resulted in the voters approving the issuance and sale of not more than \$11,950,000 of general obligation bonds for the construction of a new aquatics and activities center and related improvements. The proposed resolution authorizes the Mayor, City Administrator or City Finance Director in consultation with George K. Baum & Company, to conduct a competitive sale for the Series 2016 general obligation bonds. If the City Council passes the resolution, the general obligation bonds will be sold and the project will move forward.

The resolution sets certain parameters that must be followed in the issuance and sale of the bonds. Those parameters include:

- Principal Amount of Bonds – The bonds shall not exceed \$11,195,000.
- Maturity Date – The bonds shall not exceed 21 years.
- Interest Rate – The interest rate shall not exceed 5.5% per annum.
- Premium – The discount from par of the bonds shall not exceed 2.0%.

Representatives of George K. Baum & Company, the City's financial advisors, will be present at the City Council meeting to answer any questions related to the resolution and the issuance and sale of the bonds.

CITY COUNCIL AGENDA

FISCAL IMPACT

The City will issue and sale \$11,195,000 in bonds, which amount will be paid over a 20 year period.

Attachments: Proposed Resolution

Springville, Utah

December 15, 2015

The City Council (the “Council”) of Springville City, Utah (the “City”), met in regular public session at the regular meeting place of the Council in Springville City, Utah, on December 15, 2015, at the hour of 7:00 p.m., with the following members of the Council being present:

Wilford W. Clyde	Mayor
Richard J. Child	Councilmember
Craig Conover	Councilmember
Chris Creer	Councilmember
Dean F. Olsen	Councilmember
Chris Sorensen	Councilmember

Also present:

Troy Fitzgerald	City Administrator
Bruce Riddle	Finance Director
Kim Rayburn	City Recorder
John Penrod	City Attorney

Absent:

After the meeting had been duly called to order and after other matters not pertinent to this resolution had been discussed, the City Recorder presented to the Council a Certificate of Compliance With Open Meeting Law with respect to this December 15, 2015 meeting, a copy of which is attached hereto as Exhibit A.

After due deliberation, the following Resolution was considered, fully discussed and, pursuant to motion made by Councilmember _____ and seconded by Councilmember _____, was adopted by the following vote:

AYE:

NAY:

The resolution was then signed by the Mayor in open meeting and recorded in the official records of Springville City, Utah. The resolution is as follows:

SPRINGVILLE CITY, UTAH

Resolution Authorizing the
Issuance and Sale of

Not to Exceed \$11,195,000
General Obligation Bonds
(Aquatics and Activities Center)
Series 2016

Adopted December 15, 2015

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RESOLUTION

A RESOLUTION OF THE CITY COUNCIL (THE "COUNCIL") OF SPRINGVILLE CITY, UTAH (THE "CITY") AUTHORIZING THE ISSUANCE AND SALE OF NOT MORE THAN \$11,195,000 AGGREGATE PRINCIPAL AMOUNT OF THE CITY'S GENERAL OBLIGATION BONDS (AQUATICS AND ACTIVITIES CENTER), SERIES 2016 (THE "SERIES 2016 BONDS"); DELEGATING TO CERTAIN OFFICERS OF THE CITY THE AUTHORITY TO APPROVE THE FINAL TERMS AND PROVISIONS OF THE SERIES 2016 BONDS WITHIN THE PARAMETERS SET FORTH HEREIN; PRESCRIBING THE FORM OF BONDS; PROVIDING FOR THE MANNER OF EXECUTION AND DELIVERY OF THE SERIES 2016 BONDS; PROVIDING HOW THE PROCEEDS OF THE SERIES 2016 BONDS WILL BE USED AND HOW PAYMENT OF THE SERIES 2016 BONDS WILL BE MADE; AUTHORIZING THE PUBLICATION OF A NOTICE OF BONDS TO BE ISSUED; PROVIDING FOR THE RUNNING OF A CONTEST PERIOD; APPROVING THE DISTRIBUTION OF AN OFFICIAL NOTICE OF BOND SALE AND AN OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2016 BONDS; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY FOR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, at a special bond election duly and lawfully called and held in the Springville City Utah (the "City") on November 3, 2015 (the "Election"), the following proposition was submitted to a vote of the qualified registered electors of the City:

Shall the City Council of Springville City, Utah (the "City"), be authorized to issue General Obligation Bonds in an amount not to exceed Eleven Million One Hundred Ninety-Five Thousand Dollars (\$11,195,000) (the "Bonds") for the purpose of paying all or a portion of the costs of constructing and furnishing of a new aquatics and activities center and all related improvements, and for payment of expenses reasonably incurred with the construction of said facilities (the "Project") and the authorization and issuance of the Bonds; said Bonds to be due and payable in not to exceed twenty-one (21) years from the date of issuance of the Bonds?

WHEREAS, the results of the Election were declared by the Council, sitting as a Board of Canvassers, by proceedings duly passed on November 17, 2015, from which it appears that the total number of votes cast at the Election was 5,611, that the total number of votes cast in favor of the issuance of the bonds was 3,373, and that the total number of votes cast against the issuance of the bonds was 2,238; and

WHEREAS, pursuant to the Election and the provisions of the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Act”), the City desires to issue its General Obligation Bonds (Aquatics and Activities Center), Series 2016, in the aggregate principal amount of not to exceed \$11,195,000 (the “Series 2016 Bonds”) (1) to pay all or a portion of the costs of constructing and furnishing of a new aquatics and activities center and all related improvements (the “Improvements”) and (2) to pay expenses reasonably incurred in connection with the authorization and issuance of the Bonds; and

WHEREAS, the Act provides for the publication of a Notice of Bonds to be Issued, and the Council desires to publish such notice at this time in compliance with the Act with respect to the Series 2016 Bonds; and

WHEREAS, a public hearing with respect to the Series 2016 Bonds was held on September 15, 2015; and

WHEREAS, there has been presented to the Council at this meeting a form of Preliminary Official Statement relating to the Series 2016 Bonds (the “Preliminary Official Statement”), including a form of an Official Notice of Bond Sale (the “Official Notice of Bond Sale”); and

WHEREAS, the Council desires to authorize and approve the finalization and use of the Preliminary Official Statement, the Official Notice of Bond Sale, and any other documents deemed necessary in marketing the Series 2016 Bonds; and

WHEREAS, in order to allow flexibility in setting the pricing date of the Series 2016 Bonds, the Council desires to grant to any one of the Mayor, City Administrator or Finance Director (City to confirm) (collectively, the “Designated Officer”), in consultation with the City’s Municipal Advisor, George K. Baum & Company, the authority to: (a) conduct a competitive sale for the Series 2016 Bonds pursuant to the terms of the Official Notice of Bond Sale and, based on the resulting bids, select the purchaser of the Series 2016 Bonds; (b) approve the principal amounts, interest rates, terms, maturities, redemption features, and purchase price at which the Series 2016 Bonds shall be sold; and (c) execute a Terms Certificate setting forth the final terms of the Series 2016 Bonds, provided that such final terms do not exceed the parameters set forth in Article II of this Resolution;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the City Council of Springville City, Utah, as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

1.1 Definitions. As used in this Resolution, the following terms shall have the following meanings:

“Act” means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended.

“Bond Fund” means the fund established under Section 4.2 hereof.

“Bondowner,” “Bondholder,” “Owner” or “Registered Owner” means the registered owner of any Bond as shown on the registration books of the City kept by the Bond Registrar.

“Bond Registrar” means each Person appointed by the City as registrar and agent for the transfer, exchange and authentication of the Series 2016 Bonds pursuant to Section 2.5 hereof. The initial Bond Registrar is U.S. Bank National Association, Salt Lake City, Utah.

“Business Day” means a legal business day on which banking business is transacted in the city in which the Paying Agent has its principal corporate trust office.

“City” means Springville City, Utah.

“City Recorder” means the City Recorder of the City.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Undertaking” means that certain Continuing Disclosure Undertaking to be executed by the City and dated the date of issuance and delivery of the Series 2016 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, in substantially the form attached as Exhibit C hereto.

“Council” means the City Council of the City.

“Designated Officer” means, any one of, the Mayor, the City Administrator and the Finance Director.

“DTC” means The Depository Trust Company as securities depository for the Series 2016 Bonds, or its successors.

“Election” means the special bond election held within the boundaries of the City on November 3, 2015.

“Interest Payment Date” means each May 1 and November 1, commencing as provided in the Terms Certificate.

“Mayor” means the Mayor of the City or any other Mayor Pro Tem or similarly authorized official of the City.

“Official Notice of Bond Sale” means the Official Notice of Bond Sale of the City with respect to the Series 2016 Bonds, in substantially the form of Exhibit D hereto.

“Official Statement” means the Official Statement with respect to the Series 2016 Bonds, in substantially the form attached hereto as Exhibit E.

“Original Issue Date” means the date of delivery of the Series 2016 Bonds.

“Paying Agent” means each Person appointed by the City as paying agent with respect to the Series 2016 Bonds pursuant to Section 2.5 hereof. The initial Paying Agent is U.S. Bank National Association, Salt Lake City, Utah.

“Person” means natural persons, firms, partnerships, associations, corporations, trusts, public bodies and other entities.

“Purchaser” means the purchaser(s) of the Series 2016 Bonds identified in the Terms Certificate.

“Record Date” means (i) with respect to each Interest Payment Date, the fifteenth day immediately preceding such interest payment date, and (ii) with respect to any redemption of any Bond, such Record Date as shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than 15 calendar days before the mailing of such notice of redemption.

“Resolution” means this Resolution authorizing the issuance and sale of the Series 2016 Bonds.

“Series 2016 Bonds” means the General Obligation Bonds (Aquatics and Activities Center), Series 2016, of the City authorized hereby.

“State” means the State of Utah.

“Terms Certificate” means the certificate of the City setting forth the final terms for the Series 2016 Bonds (within the parameters set forth herein), to be executed by the Designated Officer, in substantially the form attached hereto as Exhibit F.

Unless the context clearly indicates to the contrary, the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms as used in this Resolution, refer to this Resolution in its entirety.

1.2 Authority for Resolution. This Resolution is adopted pursuant to the Election and the Act.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

2.1 Authorization of Bonds, Principal Amount, Designation and Series. In accordance with and subject to the terms, conditions and limitations established by the Act and in this Resolution, a series of General Obligation Bonds of the City is hereby authorized to be issued in the aggregate principal amount of not to exceed \$11,195,000. Such series of bonds shall be designated “Springville City, Utah General Obligation Bonds (Aquatics and Activities Center), Series 2016.” The name of the Series 2016 Bonds may be revised in the Terms Certificate. The Series 2016 Bonds may be issued in one or more series and at any time, all within the parameters established hereby.

The Series 2016 Bonds shall be issued as fully registered Bonds, initially in book-entry form.

The Series 2016 Bonds shall be general obligations of the City for the payment of which the full faith, credit and taxing power of the City are hereby pledged, and the City hereby agrees and covenants that it will annually cause to be levied a tax for and on behalf of the City sufficient to pay the principal of, premium, if any, and interest on the Series 2016 Bonds as they fall due and payable and also to constitute a sinking fund to pay the principal, premium, if any, and interest when due.

2.2 Purpose. The Series 2016 Bonds are hereby authorized to be issued for the purpose of (a) paying all or a portion of the costs of constructing and furnishing of a new aquatics and activities center and all related improvements and (b) paying expenses reasonably incurred in connection with the issuance and sale of the Series 2016 Bonds.

2.3 Bond Details; Delegation of Authority. (a) The Series 2016 Bonds shall mature on the date and in the principal amounts, and shall bear interest (calculated on the basis of a year of 360 days comprised of twelve 30-day months) from the Original Issue Date payable on each Interest Payment Date at the per annum rates, all as provided in the Terms Certificate.

(b) There is hereby delegated to the Designated Officer, subject to the parameters set forth in this Resolution, the power to determine the following with respect to the Series 2016 Bonds, and the Designated Officer is hereby authorized to make such determinations:

(i) the principal amount of the bonds necessary to accomplish the purpose of the Series 2016 Bonds set forth in Section 2.2 herein; provided, however, that the aggregate principal amount of the Series 2016 Bonds shall not exceed \$11,195,000;

(ii) the maturity date or dates and principal amount of each maturity of the Series 2016 Bonds to be issued; provided, however, that

the final maturity of all Series 2016 Bonds shall not be later than twenty-one (21) years;

(iii) the interest rate or rates of the Series 2016 Bonds; provided, however, that the interest rate or rates to be borne by any Series 2016 Bond shall not exceed five and one-half percent (5.50%) per annum;

(iv) the Purchaser and the sale of the Series 2016 Bonds to the Purchaser and the purchase price to be paid by the Purchaser for the Series 2016 Bonds; provided, however, that the discount from par of the Series 2016 Bonds shall not exceed two percent (2.0%);

(v) whether the Series 2016 Bonds shall be subject to redemption prior to maturity; and

(vi) any other provisions deemed advisable by the Designated Officer not materially in conflict with the provisions of this Resolution.

Upon award of the Series 2016 Bonds to the Purchaser pursuant to the terms of the Official Notice of Bond Sale, the Designated Officer shall make the determinations provided above in consultation with George K. Baum & Company, as municipal advisor to the City, and shall execute the Terms Certificate containing such terms and provisions on behalf of the City, which execution shall be conclusive evidence as to the matters stated therein.

(c) Each Bond shall accrue interest from the Interest Payment Date next preceding the date on which it is authenticated, unless (i) it is authenticated before the first Interest Payment Date following the Original Issue Date, in which case interest shall accrue from the Original Issue Date, or (ii) it is authenticated upon an Interest Payment Date, in which case interest shall accrue from such Interest Payment Date; provided, however, that if at the time of authentication of any Bond interest is in default, interest shall accrue from the date to which interest has been paid. The Series 2016 Bonds shall bear interest on overdue principal at the aforesaid respective rates.

2.4 Denominations and Numbers. The Series 2016 Bonds shall be issued as fully registered bonds, without coupons, in the denomination of \$5,000, or any integral multiple thereof. The Series 2016 Bonds shall be numbered with the letter prefix "R" and shall be numbered from one (1) consecutively upwards in order of issuance.

2.5 Paying Agent and Bond Registrar. The Council hereby appoints U.S. Bank National Association, to act as Paying Agent and Bond Registrar under the terms and conditions of this Resolution, or any other similarly qualified financial institution approved by the Designated Officer pursuant to the Terms Certificate. The City may remove any Paying Agent and any Bond Registrar, and appoint a successor or successors thereto. The City shall submit to the Paying Agent or Bond Registrar, as the case may be, a notice of such removal at least 30 days prior to the effective date of such removal, and shall specify the date on which such removal shall take effect. Such removal shall take

effect on the date that each successor Paying Agent and Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the City a written acceptance thereof.

The principal of, premium, if any, and interest on the Series 2016 Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts. Principal of, and premium, if any, on the Series 2016 Bonds shall be payable when due to the Registered Owner of each Bond at the principal office of the Paying Agent. Payment of interest on each Bond shall be made by check or draft mailed to the Person which, as of the Record Date, is the Registered Owner of the Bond, at the address of such Registered Owner as it appears on the registration books of the City kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such Owner on or prior to the Record Date.

2.6 Redemption of Series 2016 Bonds.

(a) The Series 2016 Bonds may be non-callable at the option of the City or subject to redemption prior to maturity, at the option of the City, all as specified in the Terms Certificate. If the Terms Certificate specifies that the Series 2016 Bonds are subject to optional redemption, the Series 2016 Bonds shall be callable on the date specified therein (the "First Redemption Date"), and on any date thereafter, prior to maturity, in whole or in part, from such maturities or parts thereof as shall be selected by the City, and by lot within each maturity if less than the full amount of any maturity is to be redeemed, upon not less than 30 days prior notice, at a redemption price equal to 100% of the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption. Series 2016 Bonds maturing prior to the First Redemption Date are not subject to optional redemption.

(b) The Series 2016 Bonds may be subject to mandatory redemption by operation of sinking fund installments as provided in the Terms Certificate. If the Series 2016 Bonds are subject to mandatory sinking fund redemption and less than all of the Series 2016 Bonds then outstanding are redeemed in a manner other than pursuant to a mandatory sinking fund redemption, the principal amount so redeemed shall be credited at 100% of the principal amount thereof by the Bond Registrar against the obligation of the City on such mandatory sinking fund redemption dates for the Series 2016 Bonds in such order as directed by the City.

(c) If fewer than all of the Series 2016 Bonds of any maturity are called for redemption, the Series 2016 Bonds to be redeemed shall be selected by lot by the Bond Registrar, in such manner as the Bond Registrar may deem fair and appropriate, each \$5,000 or principal amount of the Series 2016 Bonds being counted as one Series 2016 Bond for this purpose. If a portion of a Series 2016 Bond shall be called for redemption, a new Series 2016 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon presentation and surrender thereof.

2.7 Notice of Redemption.

(a) In the event any Series 2016 Bonds are to be redeemed, the City shall cause notice of such redemption to be given as provided in this Section 2.7. Notice of redemption shall be given by the Bond Registrar by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each Registered Owner of the Series 2016 Bonds to be redeemed, at the address shown on the registration books of the City maintained by the Bond Registrar on the Record Date specified in the notice of redemption, which Record Date shall be not less than fifteen (15) calendar days before the mailing of such notice, or at such other address as is furnished to the Bond Registrar in writing by such Registered Owner on or prior to such Record Date. Each notice of redemption shall state (i) the identification numbers, as established hereunder and the CUSIP numbers, if any, of the Series 2016 Bonds being redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Series 2016 Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Series 2016 Bonds; (ii) any other descriptive information needed to identify accurately the Series 2016 Bonds being redeemed, including, but not limited to, the original issuance date and maturity date of, and interest rate on, such Series 2016 Bonds; (iii) the Record Date; (iv) the redemption date; (v) the redemption price; (vi) the place of redemption; (vii) the total principal amount of Series 2016 Bonds to be redeemed; (viii) if less than all, the distinctive numbers of the Series 2016 Bonds or portions of Series 2016 Bonds to be redeemed and, if less than all of any Series 2016 Bond, the principal amount of each Series 2016 Bond that is to be redeemed; and (ix) that the interest on the Series 2016 Bonds or portion of Series 2016 Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Series 2016 Bonds or portions of Series 2016 Bonds the redemption price thereof and interest accrued thereon to the redemption date. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. Failure to give such notice or any defect therein with respect to any Bond shall not affect the validity of the proceedings for redemption with respect to any other Bond.

(b) In addition to the foregoing notice, further notice of redemption shall be given by the Bond Registrar, at least two (2) business days in advance of the mailed notice to Registered Owners of Series 2016 Bonds to be redeemed, by electronic transmission in accordance with the current operating standards of DTC and to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2016 Bonds, and to one or more national information services that disseminate notices of redemption of obligations such as the Series 2016 Bonds. Such further notice shall contain the information required in the immediately preceding paragraph.

Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

For so long as a book-entry system is in effect with respect to the Series 2016 Bonds, the Bond Registrar will mail notices of redemption to Cede & Co. (DTC's partnership nominee) or its successor. Any failure of DTC to convey such notice to any DTC Participants or any failure of DTC Participants or Indirect Participants to convey such notice to any beneficial owner will not affect the sufficiency or the validity of the redemption of Series 2016 Bonds.

Each notice of optional redemption may further state that such redemption shall be conditional upon the receipt by the Paying Agent, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2016 Bonds to be redeemed and that if such moneys shall not have been so received said notice shall be of no force and effect and the City shall not be required to redeem such Series 2016 Bonds. If such condition is included in the notice of redemption and if sufficient moneys have not been deposited on the date fixed for redemption, then a notice stating sufficient moneys were not deposited and that no redemption occurred on that date shall be sent within a reasonable time thereafter, in like manner, to the registered owners of each Bond which was sent the notice of redemption.

If notice of redemption shall have been given as described above and the foregoing condition, if any, shall have been met, the Series 2016 Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all the Series 2016 Bonds to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Series 2016 Bonds shall cease to accrue and become payable.

2.8 Partially Redeemed Series 2016 Bonds. In case any Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the City shall execute and the Bond Registrar shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the City, a Series 2016 Bond or Series 2016 Bonds of the same series, interest rate and maturity, in aggregate principal amount equal to the unredeemed portion of such registered Bond. A portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof and in selecting portions of such Series 2016 Bonds for redemption, each such Bond shall be treated as representing that number of Series 2016 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2016 Bonds by \$5,000.

2.9 Book-Entry System.

(a) Unless otherwise specified in the Terms Certificate and except as provided in paragraphs (b) and (c) of this Section 2.9, the registered holder of all Bonds shall be, and the Series 2016 Bonds shall be registered in the name of Cede

& Co. (“Cede”), as nominee of DTC. Payment of interest for any Bond, as applicable, shall be made in accordance with the provisions of this Resolution to the account of Cede on the interest payment date for the Series 2016 Bonds at the address indicated for Cede in the registration books of the Bond Registrar.

(b) The Series 2016 Bonds shall be initially issued in the form of a separate single fully registered Bond in the amount of each separate stated maturity of the Series 2016 Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books of the City kept by the Bond Registrar, in the name of Cede, as nominee of DTC. With respect to Bonds so registered in the name of Cede, the City, the Bond Registrar and any Paying Agent shall have no responsibility or obligation to any DTC participant or to any beneficial owner of any of such Bonds. Without limiting the immediately preceding sentence, the City, the Bond Registrar and any Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant with respect to any beneficial ownership interest in the Series 2016 Bonds, (ii) the delivery to any DTC participant, beneficial owner or other person, other than DTC, of any notice with respect to the Series 2016 Bonds, including any notice of redemption, or (iii) the payment to any DTC participant, beneficial owner or other person, other than DTC, of any amount with respect to the principal or redemption price of, or interest on, any of the Series 2016 Bonds. The City, the Bond Registrar and any Paying Agent may treat DTC as, and deem DTC to be, the absolute owner of each Bond for all purposes whatsoever, including (but not limited to) (1) payment of the principal or redemption price of, and interest on, each such Bond, (2) giving notices of redemption and other matters with respect to such Bonds and (3) registering transfers with respect to such Bonds. So long as the Series 2016 Bonds are registered in the name of Cede, the Paying Agent shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to satisfy fully and discharge the City’s obligations with respect to such principal or redemption price, and interest, to the extent of the sum or sums so paid. Except as provided in paragraph (c) of this Section 2.9, no person other than DTC shall receive a Bond evidencing the obligation of the City to make payments of principal or redemption price of, and interest on, any such Bond pursuant to this Resolution. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Resolution, the word “Cede” in this Resolution shall refer to such new nominee of DTC.

Except as provided in paragraph (c)(iii) of this Section 2.9, and notwithstanding any other provisions of this Resolution, the Series 2016 Bonds may be transferred, in whole but not in part, only to a nominee of DTC, or by a nominee of DTC to DTC or a nominee of DTC, or by DTC or a nominee of DTC to any successor securities depository or any nominee thereof.

(c) (i) DTC may determine to discontinue providing its services with respect to the Series 2016 Bonds at any time by giving written notice to the City, the Bond Registrar, and the Paying Agent, which notice shall certify that DTC has discharged its responsibilities with respect to the Series 2016 Bonds under applicable law.

(ii) The City, in its sole discretion and without the consent of any other person, may, by notice to the Bond Registrar, terminate the services of DTC with respect to the Series 2016 Bonds if the City determines that the continuation of the system of book-entry-only transfers through DTC is not in the best interests of the beneficial owners of the Series 2016 Bonds or the City; and the City shall, by notice to the Bond Registrar, terminate the services of DTC with respect to the Series 2016 Bonds upon receipt by the City, the Bond Registrar, and the Paying Agent of written notice from DTC to the effect that DTC has received written notice from DTC participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then outstanding Bonds to the effect that: (1) DTC is unable to discharge its responsibilities with respect to the Series 2016 Bonds; or (2) a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC, is not in the best interests of the beneficial owners of the Series 2016 Bonds.

(iii) Upon the termination of the services of DTC with respect to the Series 2016 Bonds pursuant to subsection (c)(ii)(2) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Series 2016 Bonds pursuant to subsection (c)(i) or subsection (c)(ii)(1) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the City, is willing and able to undertake the functions of DTC hereunder upon reasonable and customary terms, the Series 2016 Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC. In such event, the City shall execute and the Bond Registrar shall authenticate Bond certificates as requested by DTC of like principal amount, maturity and Series, in authorized denominations to the identifiable beneficial owners in replacement of such beneficial owners' beneficial interest in the Series 2016 Bonds.

(iv) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or redemption price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the representation letter of the City addressed to DTC and DTC's operational arrangement.

(v) In connection with any notice or other communication to be provided to Holders of Bonds registered in the name of Cede pursuant to this Resolution by the City or the Bond Registrar with respect to any consent or other action to be taken by such Holders, the City shall establish a record date for such consent or other action by such Holders and give DTC notice of such record date not less than fifteen (15) days in advance of such record date to the extent possible.

2.10 Sale of Series 2016 Bonds. The sale of the Series 2016 Bonds is hereby approved and the Series 2016 Bonds shall be sold to the Purchaser at an aggregate price as shall be determined pursuant to the authority delegated under Section 2.3 hereof, on the terms and conditions to be set forth in the Official Notice of Bond Sale, and upon receipt of the Purchaser's bid to purchase the Series 2016 Bonds on the basis of the representations therein set forth. The Council hereby ratifies, confirms and approves all actions heretofore taken on behalf of the City by the Designated Officer, the City Recorder, and all other officials of the City in connection with the sale of the Series 2016 Bonds.

2.11 Continuing Disclosure Undertaking. The Mayor is hereby authorized, empowered and directed to execute and deliver, and the City Recorder to seal, countersign and attest, the Continuing Disclosure Undertaking in substantially the same form as now before the Council and attached hereto as Exhibit C, or with such changes therein as the Mayor shall approve, his or her execution thereof to constitute conclusive evidence of approval of such changes. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the City as herein provided, the Continuing Disclosure Undertaking will be binding on the City and the officers, employees and agents of the City, and the officers, employees and agents of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Resolution, the sole remedies for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Series 2016 Bond to seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Undertaking.

2.12 Execution of Bonds. The Series 2016 Bonds shall be executed on behalf of the City by the Mayor and attested by the City Recorder (the signatures of the Mayor and City Recorder being either manual and/or by facsimile), and the corporate seal of the City or a facsimile thereof shall be impressed or imprinted thereon. The use of such facsimile signatures of the Mayor and City Recorder and such facsimile of the seal of the City on the Series 2016 Bonds is hereby authorized, approved and adopted by the Council as the authorized and authentic execution, attestation and sealing of the Series 2016 Bonds by said officials. The Series 2016 Bonds shall then be delivered to the Bond Registrar for manual authentication by it. The Certificate of Authentication shall be substantially in the form provided in Section 5.1 hereof. Only such of the Series 2016 Bonds as shall bear thereon a Certificate of Authentication, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of

this Resolution, and such certificate of the Bond Registrar shall be conclusive evidence that the Series 2016 Bonds so certified have been duly registered and delivered under, and are entitled to the benefits of this Resolution and that the Registered Owner thereof is entitled to the benefits of this Resolution. The Certificate of Authentication of the Bond Registrar on any Bond shall be deemed to have been executed by it if (i) such Bond is signed by the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication on all of the Series 2016 Bonds issued hereunder or that all of the Series 2016 Bonds hereunder be certified as registered by the same Bond Registrar, and (ii) the date of authentication of the Bond is inserted in the place provided therefor on the Certificate of Authentication.

The Mayor and City Recorder are authorized to execute, attest, countersign and seal from time to time, in the manner described above, Bonds (the "Exchange Bonds") to be issued and delivered for the purpose of effecting transfers and exchanges of Bonds pursuant to Article III hereof. At the time of the execution, attestation and sealing of the Exchange Bonds by the City, the payee, principal amount, CUSIP number, if any, maturity and interest rate shall be in blank. Upon any transfer or exchange of Bonds pursuant to Article III hereof, the Bond Registrar shall cause to be inserted in appropriate Exchange Bonds the appropriate payee, principal amount, CUSIP number, if any, maturity and interest rate. The Bond Registrar is hereby authorized and directed to hold the Exchange Bonds, and to complete, certify as to registration and authenticate and deliver the Exchange Bonds, for the purpose of effecting transfers and exchanges of Bonds; provided, however, that any Exchange Bonds registered, authenticated and delivered by the Bond Registrar shall bear the same series, maturity and interest rate as Bonds delivered to the Bond Registrar for exchange or transfer, and shall bear the name of such payee as the Registered Owner requesting an exchange or transfer shall designate; and provided further that upon the delivery of any Exchange Bonds by the Bond Registrar a like principal amount of Bonds submitted for transfer or exchange, and of like series and having like maturities and interest rates, shall be canceled. The execution, attestation and sealing by the City and delivery to the Bond Registrar of any Exchange Bond shall constitute full and due authorization of such Bond containing such payee, principal amount, CUSIP number, if any, maturity and interest rate as the Bond Registrar shall cause to be inserted, and the Bond Registrar shall thereby be authorized to authenticate and deliver such Exchange Bond in accordance with the provisions hereof.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bond (including any Exchange Bond) shall cease to be such officer before the issuance or delivery of such Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until such issuance or delivery, respectively.

2.13 Delivery of Bonds; Application of Proceeds. The Series 2016 Bonds shall be delivered to the Purchaser at such time and place as provided in the Official Notice of Bond Sale. The City Recorder is hereby authorized and instructed to make delivery of the Series 2016 Bonds to the Purchaser and to receive payment therefor in accordance with the terms of the Official Notice of Bond Sale, and to deposit the proceeds of sale as follows (details to be included in the Terms Certificate):

(a) into a separate construction fund of the City; and

(b) into a separate account and used to pay the costs of issuance of the Series 2016 Bonds, provided that any moneys remaining in such account sixty (60) days subsequent to the date of the initial delivery of the Series 2016 Bonds shall be deposited into the Bond Fund.

2.14 Further Authority. The Designated Officer, the City Recorder and such other officials of the City as may be required, are hereby authorized and directed to execute all certificates, documents, and other instruments and make such elections under the Code as may be necessary or advisable to provide for the issuance, sale, registration, and delivery of the Series 2016 Bonds and to comply with applicable provisions of the Code.

ARTICLE III

TRANSFER AND EXCHANGE OF BONDS; BOND REGISTRAR

3.1 Transfer of Bonds.

(a) Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar pursuant to Section 3.3 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Bond Registrar. The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever.

(b) Whenever any Bond or Bonds shall be surrendered for transfer, the Bond Registrar shall authenticate and deliver a new fully registered Bond or Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount. The Bond Registrar shall require the payment by the Registered Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. With respect to each Bond, no such transfer shall be required to be made (i) with respect to any Interest Payment Date after the Record Date to and including such Interest Payment Date, or (ii) with respect to any redemption of any Bond, after such Record Date as shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than 15 calendar days before the mailing of such notice of redemption.

(c) The City shall not be required to register the transfer of or exchange any Bond selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part.

3.2 Exchange of Bonds. Bonds may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of fully registered Bonds of the same series, designation, maturity and interest rate of other authorized denominations. The Bond Registrar shall require the payment by the Registered Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. With respect to each Bond, no such exchange shall be required to be made (i) with respect to any Interest Payment Date after the Record Date to and including such Interest Payment Date, or (ii) with respect to any redemption of any Bond, after such Record Date as shall be specified by the Bond Registrar in the notice of redemption,

provided that such Record Date shall not be less than 15 calendar days before the mailing of such notice of redemption.

3.3 Bond Registration Books. This Resolution shall constitute a system of registration within the meaning and for all purposes of the Registered Public Obligations Act, Title 15, Chapter 7, Utah Code Annotated 1953, as amended. The Bond Registrar shall keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Series 2016 Bonds, which shall at all times be open to inspection by the City, and upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein provided.

3.4 List of Registered Owners. The Bond Registrar shall maintain a list of the names and addresses of the Owners of all Bonds and upon any transfer shall add the name and address of the new Registered Owner and eliminate the name and address of the transferor Registered Owner.

3.5 Duties of Bond Registrar. The obligations and duties of the Bond Registrar hereunder include the following:

- (a) to act as bond registrar, authenticating agent, paying agent, and transfer agent as provided herein;
- (b) to maintain a list of Registered Owners as set forth herein and to furnish such list to the City upon request, but otherwise to keep such list confidential;
- (c) to give notice of redemption of Bonds as provided herein;
- (d) to cancel and/or destroy Bonds which have been paid at maturity or submitted for exchange or transfer;
- (e) to furnish the City at least annually a certificate with respect to Bonds canceled and/or destroyed; and
- (f) to furnish the City at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Series 2016 Bonds.

ARTICLE IV

COVENANTS AND UNDERTAKINGS

4.1 Covenants of City. All covenants, statements, representations and agreements contained in the Series 2016 Bonds, and all recitals and representations in this Resolution are hereby considered and understood and it is hereby resolved that all said covenants, statements, representations and agreements of the City, are the covenants, statements, representations and agreements of the City.

4.2 Levy of Taxes. The Council covenants and agrees to establish a Bond Fund to pay the interest falling due on the Series 2016 Bonds as the same become due and also to provide for the payment of the principal of the Series 2016 Bonds at maturity or by prior redemption. There shall be levied on all taxable property in the City in addition to all other taxes, a direct annual tax sufficient to pay the interest on the Series 2016 Bonds and to pay and retire the Series 2016 Bonds. Said taxes shall be deposited in the Bond Fund and applied solely for the purpose of the payment of said interest and principal on the Series 2016 Bonds, respectively, and for no other purpose whatsoever until the indebtedness so contracted under this Resolution, principal and interest, shall have been fully paid, satisfied and discharged, but nothing herein contained shall be so construed as to prevent the City from applying any other funds that may be in the City's treasury and available for that purpose to the payment of said interest and principal as the same respectively mature, and the levy or levies herein provided for may thereupon to that extent be diminished, and the sums herein provided for to meet the interest on the Series 2016 Bonds and to discharge the principal thereof when due, are hereby appropriated for that purpose and the required amount for each year shall be included by the City in its annual budget and its statement and estimate as certified to the Auditor of Utah County, Utah in each year. Principal or interest falling due at any time when there shall not be available from the proceeds of said levies money sufficient for the payment thereof shall, to the extent of such deficiency, be paid from other funds of the City available for such purpose, and such other funds reimbursed when the proceeds of said levies become available. The City shall transfer from the Bond Fund to the Paying Agent at least fifteen days prior to each principal and/or interest payment date or redemption date on the Series 2016 Bonds, sufficient moneys to pay all principal and interest falling due on said payment or redemption date. The City has established the Bond Fund primarily to achieve a proper matching of revenues and debt service on the Series 2016 Bonds. The Bond Fund shall be depleted at least once each year by the City except for a reasonable carryover amount not to exceed the greater of one year's earnings on the Bond Fund or one-twelfth of the annual debt service on the Series 2016 Bonds.

4.3 Bonds in Registered Form. The City recognizes that Section 149 of the Code requires the Series 2016 Bonds to be issued and to remain in fully registered form in order that interest thereon be excludible from gross income for federal income tax purposes under laws in force at the time the Series 2016 Bonds are delivered. In this connection, the City agrees that neither it nor the City will take any action to permit the Series 2016 Bonds to be issued in, or converted into, bearer or coupon form.

4.4 Tax Covenants. The City further covenants and agrees to and for the benefit of the Bondholders that the City (i) will not take any action that would cause interest on the Series 2016 Bonds to become subject to federal income taxation, (ii) will not omit to take or cause to be taken, in timely manner, any action, which omission would cause the interest on the Series 2016 Bonds to become subject to federal income taxation, and (iii) will, to the extent possible, comply with any other requirements of federal tax law applicable to the Series 2016 Bonds in order to preserve the exemption from federal income taxation of interest on the Series 2016 Bonds. Pursuant to this covenant, the City obligates itself to comply throughout the term of the Series 2016 Bonds with the requirements of Section 148 of the Code and the regulations proposed or promulgated thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised.

ARTICLE V

FORM OF BONDS

5.1 Form of Bonds. Each Bond shall be in substantially the following form, with such insertions or variations as to any redemption or amortization provisions and such other insertions or omissions, endorsements and variations as may be required:

[FORM OF BOND]

Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

Registered

Registered

UNITED STATES OF AMERICA
STATE OF UTAH
SPRINGVILLE CITY, UTAH
GENERAL OBLIGATION BOND
(AQUATICS AND ACTIVITIES CENTER)
SERIES 2016

Number R-____ \$_____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
____%	May 1, ____	_____, 2016	_____

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS****

Springville City Utah (the "City"), a duly organized and existing political subdivision of the State of Utah, acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above (subject to redemption prior to maturity, as provided herein), upon presentation and surrender hereof, the Principal Amount identified above, and to pay the Registered Owner hereof interest on the balance of said Principal Amount from time to time remaining unpaid at the Interest Rate per annum identified above (calculated on the basis of a year of 360 days comprised of twelve 30-day months), which interest shall be payable on May 1 and November 1 of each year, commencing _____ (each an "Interest Payment Date"), until all of the principal shall have been paid.

Interest on this Bond shall accrue from the Interest Payment Date next preceding the date on which it is authenticated, unless (i) it is authenticated before the first Interest Payment Date following the Original Issue Date identified above, in which case interest shall accrue from the Original Issue Date, or (ii) it is authenticated on an Interest Payment

Date, in which case interest shall accrue from such Interest Payment Date; provided, however, that if interest on the hereinafter defined Bonds shall be in default, interest on the Series 2016 Bonds issued in exchange for Bonds surrendered for transfer or exchange shall be payable from the date to which interest has been paid in full on the Series 2016 Bonds surrendered. This Bond shall bear interest on overdue principal at the Interest Rate. Principal and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Principal of this Bond shall be payable upon surrender of this Bond at the principal corporate trust office of U.S. Bank National Association, as Paying Agent, and payment of the semiannual interest hereon shall be made by check or draft mailed to the person who is the Registered Owner of record hereof as of the fifteenth day immediately preceding each Interest Payment Date at the address of such Registered Owner as it appears on the registration books kept by the hereinafter defined Bond Registrar, or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar as provided in the hereinafter defined Resolution.

This Bond is one of the General Obligation Bonds (Aquatics and Activities Center), Series 2016 of the City (the "Series 2016 Bonds") limited to the aggregate principal amount of \$_____, and issued pursuant to (a) authorization given by a majority of the qualified registered electors of the City voting at a special bond election held in the City on November 3, 2015, (b) the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the "Act") and (c) a resolution of the Council adopted on December 15, 2015 (the "Resolution"). The Series 2016 Bonds are authorized to be issued for the purpose of (i) financing all or a portion of the costs of constructing and furnishing of a new aquatics and activities center and all related improvements and (ii) paying expenses reasonably incurred in connection with the issuance and sale of the Series 2016 Bonds.

U.S. Bank National Association, Salt Lake City, Utah is the initial bond registrar and paying agent with respect to the Series 2016 Bonds. Said bond registrar and paying agent, together with any successor bond registrar or paying agent, respectively, is referred to herein as the "Bond Registrar" and the "Paying Agent."

The City covenants and is by law required to levy annually a sufficient tax to constitute a Bond Fund to pay the interest on this Bond as it falls due and also to provide for the payment of the principal hereof as the same falls due; provided, however, that the City may apply other funds available to the City to the payment of said principal and interest in which case the levy herein described may to that extent be diminished.

This Bond is transferable, as provided in the Resolution, only upon the books of the City kept for that purpose at the principal office of the Bond Registrar, by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Registered Owner or such duly authorized attorney, and thereupon the City shall issue in the name of the transferee a new registered Bond or Bonds of authorized denominations of the same aggregate principal amount, series, designation, maturity and interest rate as the surrendered Bond, all as provided in the

Resolution and upon the payment of the charges therein prescribed. No transfer of this Bond shall be effective until entered on the registration books kept by the Bond Registrar. The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name this Bond is registered on the registration books kept by the Bond Registrar as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes whatsoever, and neither the City, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary.

The City is not required to transfer or exchange any Bond (a) after the Record Date with respect to any Interest Payment Date to and including such Interest Payment Date, and (b) with respect to any redemption of any Bond, after such Record Date as shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than 15 calendar days before the mailing of such notice of redemption.

The Series 2016 Bonds are issuable solely in the form of fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

[The Series 2016 Bonds shall be subject to redemption prior to maturity, at the election of the City, on _____ (the "First Redemption Date") and on any date thereafter, prior to maturity, in whole or in part, from such maturities or parts thereof as shall be selected by the City, and by lot within each maturity if less than the full amount of any maturity is to be redeemed, upon not less than 30 days prior notice, at a redemption price equal to 100% of the principal amount of the Series 2016 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption. Series 2016 Bonds maturing prior to the First Redemption Date are not subject to optional redemption.

The Series 2016 Bonds are subject to mandatory redemption by operation of sinking fund installments at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, on the dates and in the principal amounts as follows:

Notice of redemption shall be given by the Bond Registrar by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each Registered Owner of the Series 2016 Bonds to be redeemed, at the address shown on the registration books of the City maintained by the Bond Registrar, all as provided in the Resolution.

If notice of redemption shall have been given as described above, the Series 2016 Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all the Series 2016 Bonds to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Series 2016 Bonds shall cease to accrue and become payable.

In case any Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the City shall execute and the Bond Registrar shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the City, a Series 2016 Bond or Series 2016 Bonds of the same series, interest rate and maturity, in aggregate principal amount equal to the unredeemed portion of such registered Bond. A portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof and in selecting portions of such Series 2016 Bonds for redemption, each such Bond shall be treated as representing that number of Series 2016 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2016 Bonds by \$5,000.]

This Bond and the issue of Bonds of which it is a part are issued in conformity with and after full compliance with the Constitution of the State of Utah and pursuant to the provisions of the Act and all other laws applicable thereto. It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Utah and by the Act and the Resolution to exist, to have happened or to have been performed precedent to or in connection with the issuance of this Bond exist, have happened and have been performed and that the issue of Bonds, together with all other indebtedness of the City, is within every debt and other limit prescribed by said Constitution and statutes, and that the full faith and credit of the City are hereby irrevocably pledged to the punctual payment of the principal of and interest on this Bond, according to its terms.

This Bond shall not be valid until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

IN WITNESS WHEREOF, the City has caused this Bond to be signed in its name and on its behalf by its Mayor and attested by its City Recorder (the signatures of said Mayor and City Recorder being by facsimile or manual signature), and has caused its corporate seal to be affixed hereto.

SPRINGVILLE CITY, UTAH

(SEAL)

By: _____ (Do Not Sign)
Mayor

ATTEST:

By: _____ (Do Not Sign)
City Recorder

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2016 Bonds described in the within mentioned Resolution and is one of the General Obligation Bonds (Aquatics and Activities Center), Series 2016 of Springville City Utah.

U.S. Bank National Association,
as Bond Registrar

By: _____

Date of Registration and Authentication: _____

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM – as tenants in common
TEN ENT – as tenants by the entireties
JT TEN – as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT _____
(Cust.)

Custodian for _____
(Minor)

Under Uniform Gifts to Minors Act of _____
(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, _____,
the undersigned sells, assigns and transfers unto:

(Social Security or Other Identifying Number of Assignee)

(Please Print or Typewrite Name and Address of Assignee)

the within Bond and hereby irrevocably constitutes and appoints

attorney to register the transfer of said Bond on the books kept for registration thereof,
with full power of substitution in the premises.

Dated: _____

Signature: _____

NOTICE: The signature on this assignment must correspond with the name(s) of the Registered owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed by an “eligible guarantor institution” that is a member of or a participant in a “signature guarantee program” (e.g., the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program).

ARTICLE VI

MISCELLANEOUS

6.1 Preliminary Official Statement Deemed Final. The use and distribution of the Official Statement in preliminary form (the “Preliminary Official Statement”), in substantially the form presented at this meeting and in the form attached hereto as Exhibit E, is hereby authorized and approved, with such changes, omissions, insertions and revisions as the Mayor shall deem advisable. The Mayor is hereby authorized to do or perform all such acts and to execute all such certificates, documents and other instruments as may be necessary or advisable to deem final the Preliminary Official Statement within the meaning and for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission, subject to completion thereof with the information established at the time of the sale of the Series 2016 Bonds.

6.2 Official Statement. The Official Statement of the City is hereby authorized in substantially the form presented at this meeting and in the form attached hereto as Exhibit E, with such changes, omissions, insertions and revisions as the Designated Officer shall deem advisable, including the completion thereof with the information established at the time of the sale of the Series 2016 Bonds by the Designated Officer and set forth in the Terms Certificate. The Mayor shall sign and deliver the Official Statement to the Purchaser for distribution to prospective purchasers of the Series 2016 Bonds and other interested persons. The approval of the Mayor of any such changes, omissions, insertions and revisions shall be conclusively established by the Mayor’s execution of the Official Statement.

6.3 Changes to Forms. The form of Series 2016 Bonds and the other documents authorized and approved hereby are authorized and approved with such additions, modifications, deletions and changes thereto as may be deemed necessary or appropriate and approved by the Mayor and/or City Manager, whose execution or approval thereof on behalf of the City shall conclusively establish such necessity, appropriateness and approval with respect to all such additions, modifications, deletions and changes incorporated therein.

6.4 Notice of Bonds to be Issued. In accordance with the provisions of the Act, the City Recorder will cause a “Notice of Bonds to Be Issued” to be (a) published one (1) time in The Daily Herald, a newspaper of general circulation in the City and the City, (b) posted on the Utah Public Notice Website (<http://pmn.utah.gov>), and (c) posted on the Utah Legal Notices website (www.utahlegals.com) created under Section 45-1-101, Utah Code Annotated 1953, as amended, and has caused a copy of this Resolution to be kept on file in the City Recorder’s office in Springville City, Utah, for public examination during the regular business hours of the City until at least thirty (30) days from and after the date of publication thereof. The “Notice of Bonds to be Issued” is in substantially the form set forth in Exhibit G attached hereto.

6.5 Ratification. All proceedings, resolutions and actions of the City and its officers taken in connection with the sale and issuance of the Series 2016 Bonds are hereby ratified, confirmed and approved.

6.6 Severability. It is hereby declared that all parts of this Resolution are severable, and if any section, paragraph, clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause or provision shall not affect the remaining provisions of this Resolution.

6.7 Conflict. All resolutions, orders and regulations or parts thereof heretofore adopted or passed which are in conflict with any of the provisions of this Resolution are, to the extent of such conflict, hereby repealed. This repealer shall not be construed so as to revive any resolution, order, regulation or part thereof heretofore repealed.

6.8 Captions. The headings herein are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or sections of this Resolution.

6.9 Certification of Fulfillment of Conditions. The Council hereby finds and certifies that upon the execution of the Terms Certificate, all conditions precedent to the issuance of the Series 2016 Bonds will have been satisfied and fulfilled.

6.10 Maintenance of Records; Copies. A copy of this Resolution and every amendatory or supplemental resolution or other official action relating to the Series 2016 Bonds shall be kept on file with the City Recorder at 110 South Main, Springville City, Utah, where the same shall be made available for inspection by any Registered Owner of the Series 2016 Bonds, or his, its or their agents for so long as any of the Series 2016 Bonds remain outstanding and unpaid. Upon payment of the reasonable cost for preparing the same, a certified copy of this Resolution, or any amendatory or supplemental resolution, will be furnished to any Registered Owner of the Series 2016 Bonds.

6.11 Effective Date. This Resolution shall take effect immediately upon its approval and adoption by the Council.

6.12 Resolution Irrepealable. Upon the execution of the Terms Certificate, this Resolution shall be and remain irrepealable until the principal of, premium, if any, and interest on the Series 2016 Bonds are paid in accordance with the terms and provisions hereof.

APPROVED AND ADOPTED this December 15, 2015.

SPRINGVILLE CITY, UTAH

Mayor

ATTEST AND COUNTERSIGN:

City Recorder

(SEAL)

(Other business not pertinent to the foregoing appears in the minutes of the meeting.)

The meeting was then adjourned.

Mayor

ATTEST AND COUNTERSIGN:

City Recorder

STATE OF UTAH)
 : ss.
COUNTY OF UTAH)

I, Kim Rayburn, the duly qualified City Recorder of Springville City, Utah (the “Council”), do hereby certify according to the records of the Council in my official possession that the foregoing constitutes a true and correct copy of the minutes of the meeting of the Council held on December 15, 2015, including a resolution (the “Resolution”) adopted at said meeting as said minutes and Resolution are officially of record in my possession.

I further certify that the Resolution, with all exhibits attached, was deposited in my office on December 15, 2015.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of the City, this December 15, 2015.

City Recorder

(SEAL)

EXHIBIT A

CERTIFICATE OF COMPLIANCE WITH
OPEN MEETING LAW

I, Kim Rayburn, the undersigned City Recorder of Springville City, Utah (the “City”), do hereby certify, according to the records of the City in my official possession, and upon my own knowledge and belief, that in accordance with the requirements of Section 52-4-202, Utah Code Annotated, 1953, as amended, I gave not less than twenty-four (24) hours public notice of the agenda, date, time and place of the December 15, 2015 public meeting held by the City Council (the “Council”) of the City, as follows:

(a) By causing a Notice, in the form attached hereto as Schedule 1, to be posted at the City’s principal offices on December ____, 2015, at least twenty-four (24) hours prior to the convening of the meeting, said Notice having continuously remained so posted and available for public inspection until the completion of the meeting;

(b) By causing a copy of such Notice, in the form attached hereto as Schedule 1, to be posted on the Utah Public Notice Website (<http://pmn.utah.gov>) at least twenty-four (24) hours prior to the convening of the meeting; and

(c) By causing a copy of such Notice, in the form attached hereto as Schedule 1, delivered to The Daily Herald pursuant to its subscription to the Utah Public Notice Website (<http://pmn.utah.gov>) at least twenty-four (24) hours prior to the convening of the meeting.

In addition, the Notice of 2015 Annual Meeting Schedule for the City (attached hereto as Schedule 2) was given specifying the date, time and place of the regular meetings of the Council to be held during the year, by causing said Notice to be (i) posted on January 7, 2015 at the principal office of said Council, (ii) posted on the Utah Public Notice Website (<http://pmn.utah.gov>) during the current calendar year and (iii) provided to at least one newspaper of general circulation within the City pursuant to its subscription to the Utah Public Notice Website (<http://pmn.utah.gov>).

IN WITNESS WHEREOF, I have hereunto subscribed my official signature this 15th day of December, 2015.

City Recorder

(SEAL)

SCHEDULE 1

NOTICE OF MEETING

SCHEDULE 2

ANNUAL MEETING SCHEDULE

EXHIBIT B

LETTER OF REPRESENTATIONS

(See Transcript Document No. ____)

EXHIBIT C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See Transcript Document No. ____)

EXHIBIT D

FORM OF OFFICIAL NOTICE OF BOND SALE

(See Transcript Document No. ____)

EXHIBIT E

FORM OF OFFICIAL STATEMENT

(See Transcript Document No. ____)

EXHIBIT F

FORM OF TERMS CERTIFICATE

(See Transcript Document No. ____)

EXHIBIT G

NOTICE OF BONDS TO BE ISSUED

NOTICE IS HEREBY GIVEN pursuant to the provisions of the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, that on December 15, 2015, the City Council (the "Council") of Springville City, Utah (the "Issuer") adopted a resolution (the "Resolution") in which it authorized the issuance of its General Obligation Bonds (Aquatics and Activities Center), Series 2016 (to be issued in one or more series and from time to time, with any other title or series designation) (the "Bonds").

PURPOSE FOR ISSUING THE BONDS

Pursuant to the Resolution, the Bonds are to be issued for the purpose of (a) paying all or a portion of the costs of constructing and furnishing a new aquatics and activities center and all related improvements and (b) paying related expenses.

PARAMETERS OF THE BONDS

The Issuer intends to issue the Bonds in the aggregate principal amount of not to exceed Eleven Million One Hundred Ninety-Five Thousand Dollars (\$11,195,000), to mature in not more than twenty-one (21) years, to be sold at a price not less than ninety-eight percent (98%) of the total principal amount thereof, and bearing interest at a rate or rates not to exceed five and one-half percent (5.50%) per annum.

The Bonds are to be issued and sold by the Issuer pursuant to the Resolution, with such final terms and provisions as may be deemed appropriate by authorized officers of the Issuer, provided that said final terms shall not exceed the maximums set forth above.

SECURITY PLEDGED FOR THE BONDS

The Bonds are general obligations of the Issuer secured by the full faith and credit and taxing power of the Issuer.

OUTSTANDING BONDS

Other than the proposed Bonds, the Issuer currently has \$7,975,000 of General Obligation Bonds currently outstanding.

OTHER OUTSTANDING BONDS OF THE ISSUER

Additional information regarding the Issuer's outstanding bonds or obligations may be found in the Issuer's financial report (the "Financial Report") at: <http://auditor.utah.gov/accountability/financial-reports-of-local-governments/>. For additional information, including any information more recent than as of the date of the Financial Report, please contact Bruce Riddle, Finance Director at (801) 489-2700.

TOTAL ESTIMATED COST

Based on the Issuer's current plan of finance and a current estimate of interest rates, the total principal and interest cost of the Bonds if held until maturity is \$15,190,389.

A copy of the Resolution is on file in the office of the City Recorder at the Issuer's offices located at 110 South Main, Springville, Utah, where they may be examined during regular business hours from 8:00 a.m. to 5:00 p.m. for a period of at least thirty (30) days from and after the date of publication of this notice.

NOTICE IS FURTHER GIVEN that a period of thirty (30) days from and after the date of the publication of this notice is provided by law during which any person in interest shall have the right to contest the legality of the Resolution or the Bonds, or any provision made for the security and payment of the Bonds, and that after such time, no one shall have any cause of action to contest the regularity, formality or legality thereof for any cause whatsoever.

DATED this 15th day of December, 2015.

/s/ Kim Rayburn
City Recorder



STAFF REPORT

DATE: December 15, 2015
TO: Honorable Mayor and City Council
FROM: Bruce Riddle, Finance Director
SUBJECT: FY 2015 AUDIT REPORT

RECOMMENDED MOTION

The Finance Department recommends approving a motion to (1) accept the Springville City FY 2015 Independent Auditor's Report as presented; (2) authorize the City Recorder to advertise and make available for public inspection the Independent Auditor's Report; and (3) authorize the Finance Director to submit the Independent Auditor's Report to the State Auditor as required by law.

A separate, identical motion is needed for the Spanish Fork/Springville Airport FY 2015 Independent Auditor's Report.

SUMMARY OF ISSUES/FOCUS OF ACTION

Utah State Code, Title 51, Chapter 2a requires an independent audit of all cities to be performed within 180 days after the close of each fiscal period. Additionally, the independent audit reports are required to be made available for public inspection and are to be filed with the State Auditor.

BACKGROUND

Springville City has retained the services of Mr. Greg Ogden, CPA to prepare the city's financial statements and perform the independent audit. Mr. Ogden has performed these services for the City for the last several years and is familiar with the organizational structure and accounting practices of the City.

DISCUSSION

The Financial Statements, Independent Auditor's Report, and Management Letter have been provided as attachments to this report. The Management's Discussion and Analysis section of the report provides a narrative overview of the financial activities of the City during FY 2015.

ALTERNATIVES

The Council can make comments and suggestions to the report and may chose not to accept it; however, the City is required to prepare acceptable financial statements and submit an independent auditor's report to the State Auditor by December 31, 2015.

FISCAL IMPACT

None.

CITY COUNCIL AGENDA

Meeting Date – December 15, 2015

**SPRINGVILLE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2015**

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
Springville City, Utah

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springville City, Utah (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, and budgetary comparison information and pension information on pages 57-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated December 4, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Greg Ogden,
Certified Public Accountant
December 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Springville City, we offer readers of Springville City's financial statements this narrative overview and analysis of the financial activities of Springville City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position of Springville City increased \$10,344,164 to \$177,452,321. The governmental net position increased by \$2,520,436 and the business-type net position increased by \$7,823,728.
- The total net position of \$177,452,321 is made up of \$145,230,485 in capital assets net of depreciation and related outstanding debt and \$32,221,836 in other net position.
- Total long-term liabilities of the City increased by \$2,670,907.
- The General Fund (the primary operating fund) had its fund equity increase by \$658,338 to \$5,252,146. The increase was the primarily the result of expenditure budget savings.

REPORTING THE CITY AS A WHOLE

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

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

- *The Statement of Net Position* presents information on all of Springville City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Springville City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The Statement of Activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Springville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on Page 14-16 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

- *Proprietary funds* - Springville City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Springville City uses enterprise funds to account for its Electric Utility, Water Utility, Sewer Utility, Storm Water Utility, Solid Waste Collection, and Golf Course. Internal service funds are an accounting device used to accumulate and allocate costs internally among Springville City's various functions. The City uses internal service funds for procurement and maintenance of its vehicles and equipment. Because these services primarily benefit governmental activities, they have been included with governmental activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.
- *Fiduciary funds* - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to

support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Springville City, assets exceed liabilities by \$177,452,321.

The largest portion of Springville City's net position (\$145,230,485) 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)

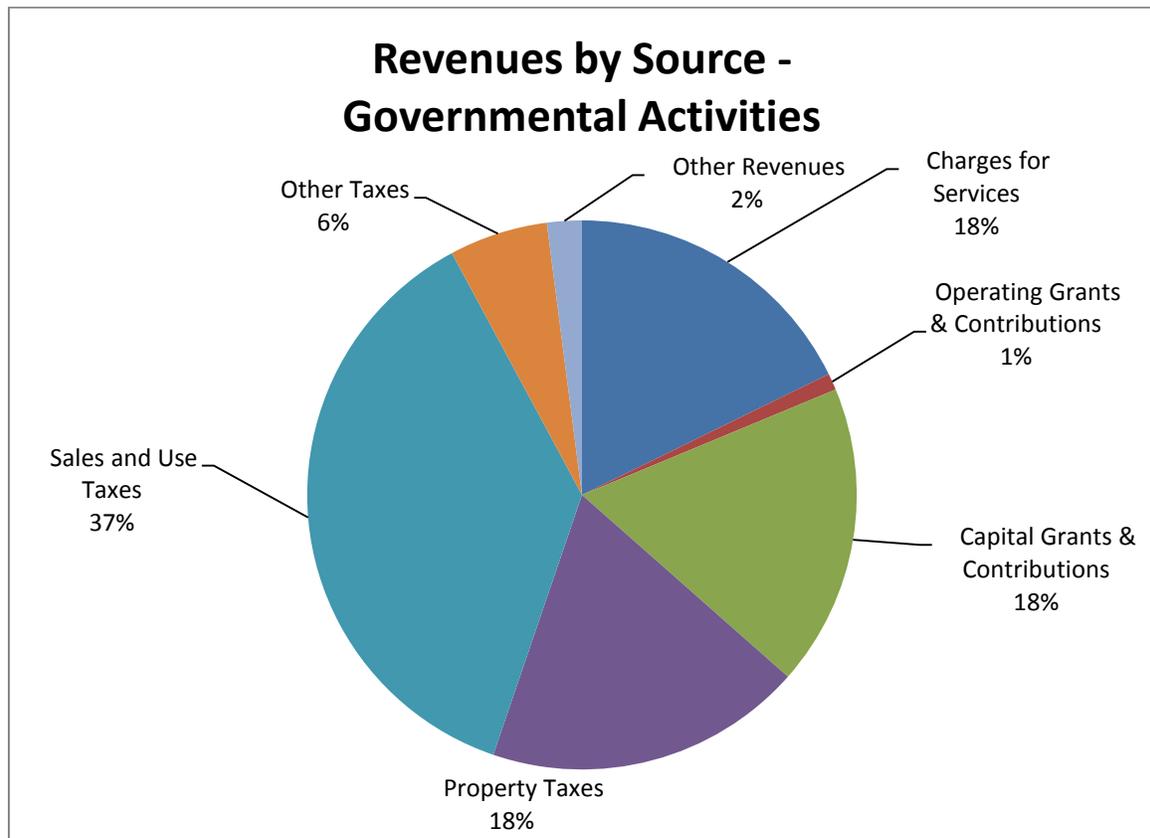
	Governmental Activities		Business-type Activities	
	2014-2015	2013-2014	2014-2015	2013-2014
Current and Other Assets	15,888	9,925	28,180	22,858
Capital Assets	90,218	94,355	88,708	84,670
Total Assets	106,106	104,280	116,888	107,528
Deferred Outflows of Resources	764	0	361	0
Total Assets and Deferred Outflows of Resources	106,870	104,280	117,249	107,528
Long-term Debt Outstanding	20,383	18,498	14,419	13,633
Other Liabilities	2,849	3,140	5,153	1,606
Total Liabilities	23,232	21,638	19,572	15,239
Deferred Inflow of Resources	3,603	3,051	260	-
Total Liabilities and Deferred Inflow of Resources	26,835	24,689	19,832	15,239
Net Position:				
Net Investment in Capital				
Assets	68,760	69,801	76,470	69,843
Restricted	3,000	4,118	1,685	2,268
Unrestricted	8,275	5,672	19,262	20,177
Total Net Position	80,035	79,591	97,417	92,288

CHANGES IN NET POSITION (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2014-2015</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014</u>
Revenues				
Program Revenues:				
Charges for Services	3,105	4,747	35,641	35,277
Operating Grants and Contributions	171	151		
Capital Grants and Contributions	3,112	2,874	6,531	4,707
General Revenues:				
Property Taxes	3,275	3,185		
Sales and Use Taxes	6,458	6,338		
Change in Joint Venture	286	1,024	(241)	(4)
Other Taxes	1,016	1,046		
Other Revenues	358	347	32	33
Total Revenues	<u>17,781</u>	<u>19,712</u>	<u>41,963</u>	<u>40,013</u>
Expenses				
General Government	3,331	4,452		
Public Safety	5,166	5,129		
Streets	2,737	2,299		
Community Development	877	1,390		
Community Services	4,394	4,451		
Cemetery	204	255		
Interest on Long-Term Debt	740	812		
Electric			22,927	22,163
Water			3,037	3,178
Wastewater Collection & Treatment			2,984	2,694
Storm Water			812	798
Solid Waste Collections			1,328	1,162
Golf Course & Restaurant			864	823
Total Expenses	<u>17,449</u>	<u>18,788</u>	<u>31,952</u>	<u>30,818</u>
Increase in Net Position Before Transfers	332	924	10,011	9,195
Transfers	2,188	1,645	(2,188)	(1,645)
Change in Net Position	<u>2,520</u>	<u>2,570</u>	<u>7,823</u>	<u>7,550</u>
Net Position Beginning	79,592	77,023	92,289	84,838
Prior Period Adjustment	(2,077)		(2,695)	(99)
Net Position Ending	<u>80,035</u>	<u>79,592</u>	<u>97,417</u>	<u>92,289</u>

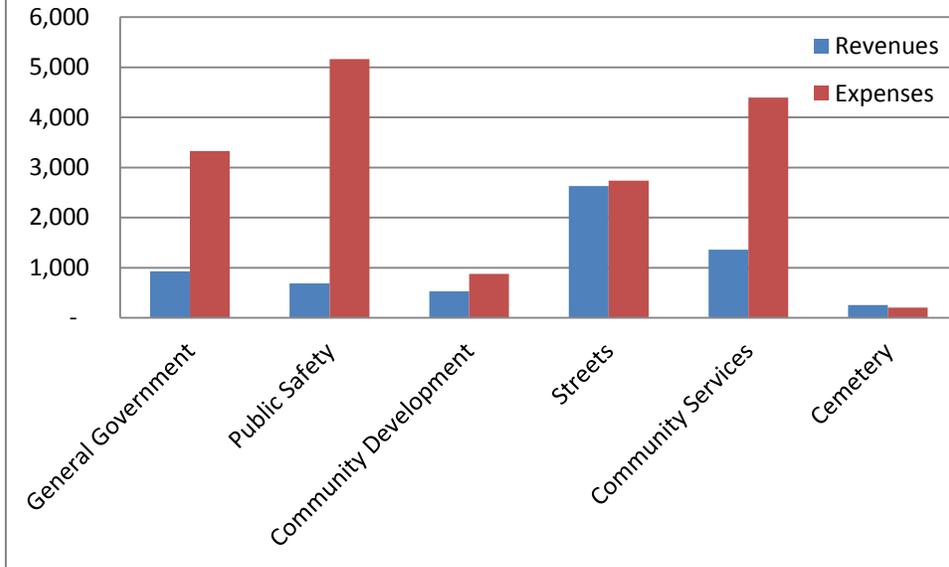
In the Governmental Funds, Charges for Services were down compared to last year primarily as a result of an accounting change required by the State Auditor. In prior years, administrative services provided by the General Fund departments to the Enterprise Funds were accounted for with a charge to the Enterprise Funds that was recognized as revenue in the General Fund. Following the implementation of the accounting guidance provided by the State Auditor, those services are recognized as a reduction in expense in the General Fund rather than as revenue. Revenues from Property Taxes were up slightly reflecting moderate growth through the last tax year. Sales tax revenues were up slightly in 2015 as a reflection of the continued recovery in the economy. The General Government expenditures were down compared to last year for the reason explained above regarding the handling of accounting for administrative services to the Enterprise Funds. In the business-type funds, revenue increases are primarily a reflection of modest system growth including new development. Expenses reflect inflationary increases and modest system growth.

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



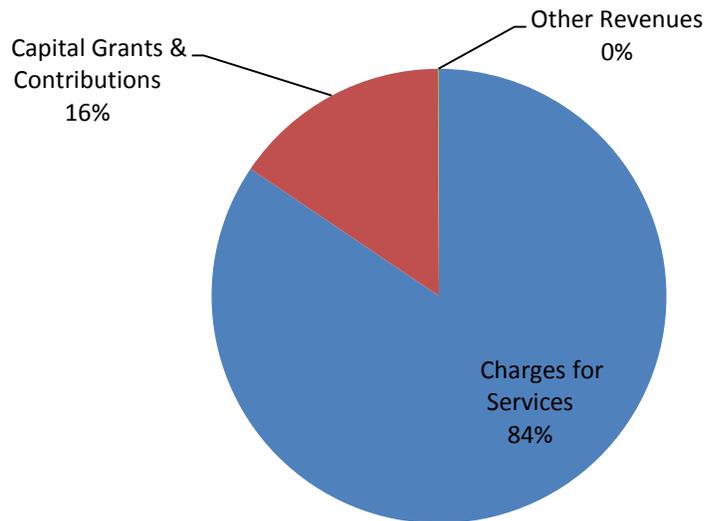
Program Revenues and Expenses - Governmental Activities

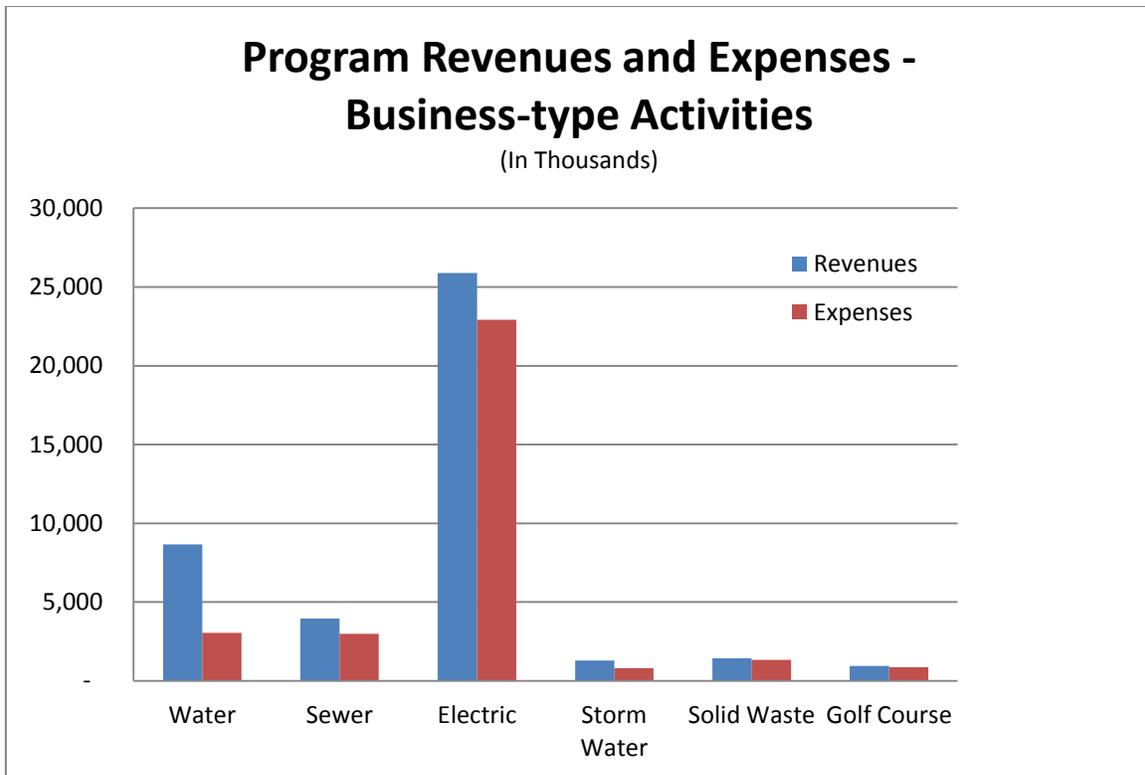
(In Thousands)



As can be seen from the following charts, the majority of revenues in the business-type activities are from charges for services with approximately 84% 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, 2015, the City’s governmental funds (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$9,988,665. This represents a decrease of \$795,770 from last year’s ending balances. The primary reason for the decrease was the utilization of fund balance in the Special Revenue Fund for construction of the Wayne Bartholomew Family Park.

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund budget was amended from an original budget expenditure total of \$16,989,018 to a final budget of \$17,133,518. The budget increase represented minor adjustments of unanticipated expenditures related to grants received from various sources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Springville City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$174,075,484 (net of accumulated depreciation). This investment in capital assets includes land, water shares, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The City's investment in capital assets (minus depreciation) for the current year increased by \$9,878,608. Governmental activities' capital assets increased by \$2,355,945 while the business-type activities' capital assets increased by \$7,522,663.

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

- Road Improvements and Reconstruction - \$1,135,335
- Vehicle Acquisition and Replacement - \$795,892
- North Main St. Water Line - \$80,779
- Pressurized Irrigation System Phase II - \$3,253,191
- 900 South Sewer Replacement - \$796,127
- 46kV Line Expansion - \$1,226,207
- Transmission and Distribution Circuit Upgrades - \$230,736
- Industrial Park Underground Upgrade - \$278,808

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

	Governmental Activities		Business-type Activities	
	<u>2014-2015</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014</u>
Land	21,580	20,844	1,598	1,598
Water Shares			1,200	1,200
Buildings	36,741	36,742	5,436	5,423
System Improvements	70,710	68,280	134,417	128,035
Machinery & Equipment	10,393	9,959	2,871	2,963
Construction in Progress	1,895	141	7,022	2,743
Less Accumulated Depreciation	<u>(55,952)</u>	<u>(52,955)</u>	<u>(63,836)</u>	<u>(60,776)</u>
Total	<u>85,367</u>	<u>83,011</u>	<u>88,708</u>	<u>81,186</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, 2015, the City had total long-term bonded debt balances of \$28,720,000. Of the total, \$457,000 is special assessment debt which the City is liable for in the event of default by the property owners subject to the assessment and \$12,113,000 is debt secured by specific revenue sources (i.e. revenue bonds within the Water and Sewer Utilities). The remainder is in a Municipal Building Authority Lease Revenue Bond of \$5,290,000, a sales tax revenue bond of \$2,885,000 and a general obligation bond of \$7,975,000. The City also has notes payable totaling \$125,000; accrued compensated absences of \$1,284,061 and net pension liabilities of \$4,672,579 outstanding at June 30, 2015.

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

	Governmental Activities		Business-type Activities	
	<u>2014-2015</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2013-2014</u>
General Obligation Bonds	7,975	8,360		
Revenue Bonds			12,113	12,946
MBA Bonds	5,290	5,520		
Special Assessment Bonds	457	696		
Sales Tax Revenue Bonds	2,885	3,200		
Notes Payable			125	135
Net Pension Liability	3,036		1,636	
Compensated Absences	740	722	544	552
Total	<u>20,383</u>	<u>18,498</u>	<u>14,418</u>	<u>13,633</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 \$58,670,000. The City currently has \$7,975,000 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 \$117,340,000. The City has issued significantly fewer bonds than this debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The June, 2015 unemployment rate for the Provo/Orem Metropolitan Area (of which Springville City is a part) was 3.6 percent compared to a state unemployment rate of 3.5 percent and a national rate of 5.3 percent. (Source: U.S. Bureau of Labor Statistics)
- While expenditures in the General Fund for FY 2014-2015 reflect a decrease of approximately eight percent compared to actual General Fund expenditures for FY 2013-2014, this is primarily due to the implementation of the State Auditor's guidance regarding accounting for administrative charges to the enterprise funds explained in an earlier section of this management discussion. Adjusting for these accounting procedures reveals an increase of expenditures in the General Fund over the prior year of approximately four percent, which reflects primarily inflationary increases and across all departments of the General Fund. Actual expenditures for FY 2014-2015 are approximately three percent less than budgeted General Fund expenditures for FY 2015-2016.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 18,252,914	\$ 4,497,364	\$ 22,750,278
Accounts Receivable, Net of Allowance for Uncollectibles	5,371,027	4,361,029	9,732,056
Prepaid Expenses	109,270	-	109,270
Inventory	5,424	632,801	638,225
Internal Balances	(15,565,490)	15,565,490	-
TOTAL CURRENT ASSETS	8,173,145	25,056,684	33,229,829
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	7,686,608	1,610,863	9,297,471
Capital Assets			
Non Depreciable	23,475,231	9,819,483	33,294,714
Depreciable Assets (net of Depreciation)	61,892,038	78,888,733	140,780,771
Net Pension Asset	27,546	14,845	42,391
Other Assets			
Investment in Joint Ventures	4,851,007	1,497,608	6,348,615
TOTAL NONCURRENT ASSETS	97,932,430	91,831,532	189,763,962
TOTAL ASSETS	106,105,575	116,888,216	222,993,791
DEFERRED OUTFLOWS OF RESOURCES			
	764,068	361,303	1,125,371
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	106,869,643	117,249,519	224,119,162
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	2,328,863	5,088,356	7,417,219
Contingent Liabilities	50,000	-	50,000
Unearned Revenues	469,644	65,272	534,916
TOTAL CURRENT LIABILITIES	2,848,507	5,153,628	8,002,135
NONCURRENT LIABILITIES			
Due Within One Year	1,573,523	1,431,512	3,005,035
Due in more than One Year	18,809,518	12,987,087	31,796,605
TOTAL NONCURRENT LIABILITIES	20,383,041	14,418,599	34,801,640
TOTAL LIABILITIES	23,231,548	19,572,227	42,803,775
DEFERRED INFLOW OF RESOURCES			
	3,603,370	259,696	3,863,066
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	26,834,918	19,831,923	46,666,841
<u>NET POSITION</u>			
Net Investment in Capital Assets Restricted for	68,760,269	76,470,216	145,230,485
Community Improvements	2,722,099	1,109,252	3,831,351
Debt Service	278,074	576,058	854,132
Unrestricted	8,274,283	19,262,070	27,536,353
TOTAL NET POSITION	\$ 80,034,725	\$ 97,417,596	\$ 177,452,321

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 3,330,949	\$ 924,885	\$ -	\$ -
Public Safety	5,166,426	495,727	138,131	52,903
Community Development	876,992	528,582	-	-
Streets	2,736,814	208,205	-	2,425,198
Community Services	4,394,005	693,242	33,073	634,296
Cemetery	203,667	254,005	-	-
Interest on Long-Term Debt	740,411	-	-	-
Total Governmental Activities	17,449,264	3,104,646	171,204	3,112,397
Business-type Activities				
Water	3,037,237	3,443,083	-	5,221,474
Sewer	2,983,859	3,506,513	-	447,337
Electric	22,926,623	25,379,754	-	516,884
Storm Water	811,802	948,642	-	345,271
Solid Waste	1,327,825	1,427,579	-	-
Golf/Restaurant	864,292	935,807	-	-
Total Business-type Activities	31,951,638	35,641,378	-	6,530,966
TOTAL PRIMARY GOVERNMENT	\$ 49,400,902	\$ 38,746,024	\$ 171,204	\$ 9,643,363

General Revenues
 Property Taxes
 Vehicle Taxes
 Sales and Use Taxes
 Other Taxes
 Unrestricted Investment Earnings
 Miscellaneous
 Change in Joint Venture Equity
 Transfers
 Total General Revenues and Transfers
 Change in Net Position
 Net Position - Beginning
 Prior Period Adjustment
 Net Position - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,406,064)	-	\$ (2,406,064)
(4,479,665)	-	(4,479,665)
(348,410)	-	(348,410)
(103,411)	-	(103,411)
(3,033,394)	-	(3,033,394)
50,338	-	50,338
(740,411)	-	(740,411)
<u>(11,061,017)</u>	<u>-</u>	<u>(11,061,017)</u>
-	5,627,320	5,627,320
-	969,991	969,991
-	2,970,015	2,970,015
-	482,111	482,111
-	99,754	99,754
-	71,515	71,515
<u>-</u>	<u>10,220,706</u>	<u>10,220,706</u>
<u>(11,061,017)</u>	<u>10,220,706</u>	<u>(840,311)</u>
3,275,263	-	3,275,263
268,713	-	268,713
6,458,003	-	6,458,003
748,540	-	748,540
141,681	31,648	173,329
216,304	-	216,304
285,494	(241,171)	44,323
<u>2,187,455</u>	<u>(2,187,455)</u>	<u>-</u>
<u>13,581,453</u>	<u>(2,396,978)</u>	<u>11,184,475</u>
2,520,436	7,823,728	10,344,164
79,591,592	92,288,581	171,880,173
<u>(2,077,303)</u>	<u>(2,694,713)</u>	<u>(4,772,016)</u>
<u>\$ 80,034,725</u>	<u>\$ 97,417,596</u>	<u>\$ 177,452,321</u>

SPRINGVILLE CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental-type Activities			Total Governmental Funds
	General	Debt Service	Nonmajor Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 15,325,460	\$ -	\$ 4,949	\$ 15,330,409
Accounts Receivable	189,660	-	-	189,660
Property Taxes Receivable	3,185,337	-	-	3,185,337
Special Assessments Receivable	-	-	453,751	453,751
Other Receivables	1,542,279	-	-	1,542,279
Due from Special Services Fund	63,366	-	-	63,366
Due from Other Fund	-	151,319	860,425	1,011,744
Prepaid Expenses	109,270	-	-	109,270
Inventory	5,424	-	-	5,424
Restricted Cash	861,271	-	8,948,048	9,809,319
Investment in Joint Venture	119,962	-	-	119,962
TOTAL ASSETS	\$ 21,402,029	\$ 151,319	\$ 10,267,173	\$ 31,820,521
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 1,282,811	\$ 150	\$ 183,341	\$ 1,466,302
Due to General Fund	-	-	63,366	63,366
Due to Other Fund	10,959,277	-	4,971,049	15,930,326
Development and Other Bonds	730,716	-	-	730,716
Contingent Liabilities	50,000	-	-	50,000
Unearned Revenue	5,577	-	464,067	469,644
TOTAL LIABILITIES	13,028,381	150	5,681,823	18,710,354
DEFERRED INFLOW OF RESOURCES	3,121,502	-	-	3,121,502
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	16,149,883	150	5,681,823	21,831,856
FUND BALANCE				
Nonspendable				
Prepaid Expenses	109,270	-	-	109,270
Inventory	5,424	-	-	5,424
Endowments	-	-	1,050,612	1,050,612
Restricted for				
Impact Fees	-	-	1,860,828	1,860,828
Class C Roads	861,271	-	-	861,271
Joint Venture	119,962	-	-	119,962
Debt Service	-	13,510	126,905	140,415
Build America Bonds Subsidy	-	137,659	-	137,659
Assigned for				
Community Improvements	-	-	1,547,005	1,547,005
Unassigned	4,156,219	-	-	4,156,219
TOTAL FUND EQUITY	5,252,146	151,169	4,585,350	9,988,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	\$ 21,402,029	\$ 151,319	\$ 10,267,173	\$ 31,820,521

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 9,988,665
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Long-term receivables are not recognized as revenues in the current period and therefore, are not reported in the funds.	
Net Pension Asset	27,546
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	86,969,249
Deferred outflows of resources related to pensions and bond refundings represent a consumption of net position that applies to future periods and therefore, are not reported in the funds.	764,068
Two internal service funds are used by management to charge the costs of purchasing, operating and maintaining vehicles and equipment. The assets and liabilities of the internal services funds are included in the governmental activities section of the statement of net position.	3,262,012
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(20,494,944)
Deferred inflows of resources related to pensions represent a source of resources that applies to future periods and therefore, are not reported in the funds.	(481,868)
Rounding	<u>(3)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 80,034,725</u>

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental-type Activities			Total Governmental Funds
	General	Debt Service	Nonmajor Governmental Funds	
REVENUES				
Taxes	\$ 10,642,193	\$ -	\$ 108,326	\$ 10,750,519
Licenses and Permits	622,708	-	-	622,708
Intergovernmental	1,181,874	-	-	1,181,874
Charges for Services	1,678,769	-	342,270	2,021,039
Fines and Forfeitures	460,896	-	-	460,896
Interest	68,743	-	68,862	137,605
Miscellaneous	117,931	-	5,328	123,259
TOTAL REVENUES	14,773,114	-	524,786	15,297,900
EXPENDITURES				
General Government	3,081,207	-	4,786	3,085,993
Public Safety	5,123,092	-	-	5,123,092
Community Development	945,419	-	-	945,419
Streets	1,058,384	-	450,803	1,509,187
Community Services	3,701,453	-	7,500	3,708,953
Cemetery	180,544	-	-	180,544
Debt Service				
Principal	-	3,585,000	469,000	4,054,000
Interest and Finance Charges	-	588,446	257,604	846,050
Capital Outlay	-	-	2,680,644	2,680,644
TOTAL EXPENDITURES	14,090,099	4,173,446	3,870,337	22,133,882
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	683,015	(4,173,446)	(3,345,551)	(6,835,982)
OTHER FINANCING SOURCES (USES)				
Impact Fees	-	-	950,040	950,040
Proceeds from Bonds	-	2,885,000	-	2,885,000
Change in Joint Venture Equity	17,717	-	-	17,717
Transfers from Other Funds	2,287,455	1,288,446	1,543,618	5,119,519
Transfers to Other Funds	(2,329,849)	-	(602,215)	(2,932,064)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	658,338	-	(1,454,108)	(795,770)
BEGINNING FUND BALANCE	4,593,808	151,169	6,039,458	10,784,435
ENDING FUND BALANCE	\$ 5,252,146	\$ 151,169	\$ 4,585,350	\$ 9,988,665

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES
OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ (795,770)

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

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period. 1,161,686

Issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. 1,262,667

The City's equity investment in the airport is reflected in the governmental
funds using the current financial resources measurement focus and the
modified accrual basis of accounting. It is reflected in the government-wide
statements using the economic resources measurement focus and the
accrual basis of accounting. This is the current year difference in the change
in equity. 267,777

The general revenues and net income or loss from the internal service funds is
allocated between governmental and business-type activities based on amounts
charged. This is the amount allocated to the governmental activities. 204,806

Some revenues and expenses reported in the statement of activities do not
add to or require the use of current financial resources and, therefore, are
not reported as revenues or expenditures in the governmental funds. 419,274

Rounding (4)

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS \$ 2,520,436

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal
						Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 74,385	\$ 112,284	\$ 3,831,292	\$ 479,403	4,497,364	\$ 799,794
Accounts Receivable, Net of Allowance for Uncollectibles	2,196,476	338,763	1,588,634	237,156	4,361,029	-
Due from Other Fund	1,703,049	1,278,992	9,116,939	1,197,057	13,296,037	1,622,548
Inventory	-	-	632,801	-	632,801	-
TOTAL CURRENT ASSETS	3,973,910	1,730,039	15,169,666	1,913,616	22,787,231	2,422,342
NONCURRENT ASSETS						
Restricted Assets						
Cash and Cash Equivalents	99,030	479,429	-	1,032,404	1,610,863	-
Capital Assets						
Land	201,267	20,700	258,498	1,117,169	1,597,634	-
Construction in Progress	6,940,470	-	65,907	15,553	7,021,930	-
Water Shares	1,199,919	-	-	-	1,199,919	-
Buildings and Structures	399,906	-	2,626,812	2,409,353	5,436,071	-
Improvements	34,057,041	35,886,689	61,081,181	3,392,144	134,417,055	-
Machinery, Equipment and Vehicles	415,041	830,339	840,455	785,405	2,871,240	6,039,557
Less Accumulated Depreciation	(11,020,382)	(13,459,848)	(36,553,313)	(2,802,090)	(63,835,633)	(2,910,492)
Net Pension Asset	2,352	1,920	8,504	2,069	14,845	-
Other Assets						
Investment in Joint Venture	-	-	-	1,497,608	1,497,608	-
TOTAL NONCURRENT ASSETS	32,294,644	23,759,229	28,328,044	7,449,615	91,831,532	3,129,065
TOTAL ASSETS	36,268,554	25,489,268	43,497,710	9,363,231	114,618,763	5,551,407
DEFERRED OUTFLOWS OF RESOURCES						
	57,259	46,736	206,960	50,348	361,303	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	36,325,813	25,536,004	43,704,670	9,413,579	114,980,066	5,551,407
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
CURRENT LIABILITIES						
Accounts Payable	2,515,901	39,556	1,789,423	91,690	4,436,570	19,942
Accrued Interest Payable	27,300	101,456	-	-	128,756	-
Due to Other Fund	-	-	-	-	-	-
Unearned Revenue	-	-	65,272	-	65,272	-
Customer Deposits	22,900	-	500,130	-	523,030	-
Compensated Absences	48,758	90,955	304,538	100,011	544,262	-
Current Portion of Long-Term Debt	152,000	704,000	-	31,250	887,250	-
TOTAL CURRENT LIABILITIES	2,766,859	935,967	2,659,363	222,951	6,585,140	19,942
NONCURRENT LIABILITIES						
Net Pension Liability	259,328	211,668	937,319	228,022	1,636,337	-
Bonds Payable	2,161,000	9,096,000	-	-	11,257,000	-
Notes Payable	-	-	-	93,750	93,750	-
TOTAL NONCURRENT LIABILITIES	2,420,328	9,307,668	937,319	321,772	12,987,087	-
TOTAL LIABILITIES	5,187,187	10,243,635	3,596,682	544,723	19,572,227	19,942
DEFERRED INFLOWS OF RESOURCES						
	41,157	33,593	148,758	36,188	259,696	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,228,344	10,277,228	3,745,440	580,911	19,831,923	19,942
NET POSITION						
Net Investment in Capital Assets	29,880,262	13,477,880	28,319,540	4,792,534	76,470,216	3,129,065
Restricted						
Community Improvements	-	-	-	1,109,252	1,109,252	-
Debt Service	96,629	479,429	-	-	576,058	-
Designated for Construction	-	-	-	77,998	77,998	-
Unrestricted	1,120,578	1,301,467	11,639,690	2,852,884	16,914,619	2,402,400
TOTAL NET POSITION	\$ 31,097,469	\$ 15,258,776	\$ 39,959,230	\$ 8,832,668	\$ 95,148,143	\$ 5,531,465

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES						
Charges for Services	\$ 3,404,654	\$ 3,498,978	\$ 25,193,876	\$ 3,286,488	\$ 35,383,996	\$ 1,172,895
Connection Fees	25,435	-	74,300	-	99,735	-
Miscellaneous	12,994	7,535	111,578	25,540	157,647	-
TOTAL OPERATING REVENUES	3,443,083	3,506,513	25,379,754	3,312,028	35,641,378	1,172,895
OPERATING EXPENSES						
Salaries and Benefits	751,816	624,084	2,885,046	1,044,913	5,305,859	153,403
Operations	1,454,720	1,216,206	18,386,887	1,859,101	22,916,914	63,336
Depreciation	776,271	873,769	1,677,400	133,398	3,460,838	769,623
TOTAL OPERATING EXPENSES	2,982,807	2,714,059	22,949,333	3,037,412	31,683,611	986,362
OPERATING INCOME	460,276	792,454	2,430,421	274,616	3,957,767	186,533
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	4,826,756	-	-	-	4,826,756	-
Impact Fees	218,268	197,557	516,884	75,855	1,008,564	-
Interest Income	617	2,797	21,261	6,973	31,648	4,076
Change in Joint Venture Equity	-	-	-	(241,171)	(241,171)	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	93,045
Interest Expense	(63,793)	(283,082)	-	-	(346,875)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,981,848	(82,728)	538,145	(158,343)	5,278,922	97,121
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	5,442,124	709,726	2,968,566	116,273	9,236,689	283,654
Developer Contributions	176,450	249,780	-	269,416	695,646	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(236,191)	(228,950)	(1,594,375)	(127,939)	(2,187,455)	-
CHANGE IN NET POSITION	5,382,383	730,556	1,374,191	257,750	7,744,880	283,654
TOTAL NET POSITION AT BEGINNING OF YEAR	25,682,878	14,754,468	40,841,983	8,818,647	90,097,976	5,247,811
PRIOR PERIOD ADJUSTMENT	32,208	(226,248)	(2,256,944)	(243,729)	(2,694,713)	-
TOTAL NET POSITION AT END OF YEAR	\$ 31,097,469	\$ 15,258,776	\$ 39,959,230	\$ 8,832,668	95,148,143	\$ 5,531,465

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

2,269,453

Change in Net Position of Business-type Activities

\$ 97,417,596

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
Receipts from Customers	\$ 4,051,886	\$ 3,473,036	\$ 25,608,625	\$ 3,296,957	\$ 36,430,504	\$ 1,172,895
Payments to Suppliers	(1,634,847)	(1,230,077)	(18,317,024)	(1,933,558)	(23,115,506)	(50,653)
Payments to Employees	(788,983)	(646,502)	(3,002,311)	(1,104,818)	(5,542,614)	(153,403)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,628,056	1,596,457	4,289,290	258,581	7,772,384	968,839
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>						
Due from Other Funds	(485,893)	300,246	(1,777,014)	357,676	(1,604,985)	(265,992)
Due to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(236,191)	(228,950)	(1,594,375)	(127,939)	(2,187,455)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(722,084)	71,296	(3,371,389)	229,737	(3,792,440)	(265,992)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>						
Impact Fees	218,268	197,557	516,884	75,855	1,008,564	-
Central Utah Project Water Grant	3,000,000	-	-	-	3,000,000	-
Proceeds from Sale of Capital Assets	44,011	-	-	-	44,011	93,045
Acquisition of Capital Assets	(4,010,914)	(876,887)	(2,672,712)	(32,081)	(7,592,594)	(795,892)
Bond Payments	(148,000)	(685,000)	-	-	(833,000)	-
Note Payments	-	-	-	(10,000)	(10,000)	-
Interest Expense	(65,520)	(307,220)	-	-	(372,740)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(962,155)	(1,671,550)	(2,155,828)	33,774	(4,755,759)	(702,847)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
Interest Income	617	2,797	21,261	6,973	31,648	4,076
NET CASH FLOWS FROM INVESTING ACTIVITIES	617	2,797	21,261	6,973	31,648	4,076
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,566)	(1,000)	(1,216,666)	529,065	(744,167)	4,076
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	228,981	592,713	5,047,958	982,742	6,852,394	795,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 173,415	\$ 591,713	\$ 3,831,292	\$ 1,511,807	\$ 6,108,227	\$ 799,794

See the accompanying notes to the financial statements

SPRINGVILLE CITY CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Water	Sewer	Electric	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities
						Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income	\$ 460,276	\$ 792,454	\$ 2,430,421	\$ 274,616	\$ 3,957,767	\$ 186,533
Adjustments						
Depreciation	776,271	873,769	1,677,400	133,398	3,460,838	769,623
Changes in Assets and Liabilities						
Accounts Receivable, Net	608,803	(33,477)	228,871	(15,071)	789,126	-
Net Pension Asset	(2,103)	(1,717)	(7,604)	(1,849)	(13,273)	-
Deferred Outflows	(9,019)	(7,362)	(32,602)	(7,932)	(56,915)	-
Inventory	-	-	(86,718)	-	(86,718)	-
Accounts Payable	(189,177)	(13,871)	128,416	(74,457)	(149,089)	12,683
Compensated Absences	(850)	7,225	14,006	(27,971)	(7,590)	-
Customer Deposits	9,050	-	28,165	-	37,215	-
Unearned Revenue	-	-	-	-	-	-
Net Pension Liability	(66,352)	(54,157)	(239,823)	(58,341)	(418,673)	-
Deferred Inflows	41,157	33,593	148,758	36,188	259,696	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,628,056	\$ 1,596,457	\$ 4,289,290	\$ 258,581	\$ 7,772,384	\$ 968,839

Noncash Financing and Investing

Transaction						
Change in Investment in Joint Venture	\$ -	\$ -	\$ -	\$ (241,171)	\$ (241,171)	\$ -
Developer Contributions of Fixed Assets	\$ 176,450	\$ 249,780	\$ -	\$ 269,416	\$ 695,646	\$ -

See the accompanying notes to the financial statements

SPRINGVILLE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

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

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

Development Services: Planning and Zoning and Code Enforcement.

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

Electric: Distribution, Generation and Street Lighting

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

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

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

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

NOTE 1 – (CONTINUED)

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

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

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

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

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

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

Basis of Presentation

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

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

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

NOTE 1 – (CONTINUED)

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

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

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

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

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

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

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

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

The City reports the following major governmental 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 *debt service fund* is used to account for the activity of long-term debt issued and being repaid by the City.

NOTE 1 – (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

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

Internal Service Funds – The internal service funds account for the costs of procurement and maintenance of vehicles and equipment owned by the City.

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

Measurement Focus

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

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

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

Basis of Accounting

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

NOTE 1 – (CONTINUED)

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

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

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales tax, property tax, grants, and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale taxes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected by June 30, 2015 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

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

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

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

Assets, Liabilities and Fund Equity

Cash, cash equivalents, and investments

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

NOTE 1 – (CONTINUED)

Restricted assets

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

Receivables

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

Interfund Balances

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

Inventories and prepaid items

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

Capital assets

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

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

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

NOTE 1 – (CONTINUED)

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

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

Compensated absences

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

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

Long-term liabilities

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

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

Pensions

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

Fund equity

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

NOTE 1 – (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTE 1 – (CONTINUED)

Operating Revenues and Expenses

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

Contributions of Capital

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

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as operating transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

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

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

Estimates and Assumptions

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

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

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

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

Capital Asset Differences

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

JOINT VENTURE CAPITAL ASSETS	
Airport Improvements	\$ 4,731,045
SPRINGVILLE CITY CAPITAL ASSETS	
Land	21,580,629
Construction in Progress	1,894,602
Buildings and Structures	36,741,418
Improvements	70,710,110
Machinery, Equipment and Vehicles	4,353,150
Less Accumulated Depreciation	<u>(53,041,705)</u>
Net Capital Asset Difference	<u>\$ 86,969,249</u>

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

Cash and Cash Equivalents	\$ 799,794
Machinery, Equipment and Vehicles	6,039,557
Accumulated Depreciation	(2,910,492)
Accounts Payable	(19,942)
Due from Other Fund	1,622,548
Internal Balances	<u>(2,269,453)</u>
Net Difference	<u>\$ 3,262,012</u>

Long-Term Liability Differences

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

Accrued Interest Payable	\$ (111,903)
Revenue and General Obligation Bonds Payable	(15,401,000)
Current Portion of Long-Term Debt	(1,206,000)
Compensated Absences	(739,799)
Net Pension Liability	<u>(3,036,242)</u>
Total Long-Term Liability Difference	<u>\$ (20,494,944)</u>

NOTE 2 – (CONTINUED)

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

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

Capital Outlay and Depreciation Differences

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

Disposal of Capital Assets	\$ (2,083)
Developer Contributions	1,135,225
Capital Outlay	2,680,644
Depreciation Expense	<u>(2,652,100)</u>
Net Difference	<u>\$ 1,161,686</u>

Long-Term Debt Issuance and Repayment Differences

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

Issuance of Refunding Bonds	\$ (2,885,000)
Bonds Refunded	2,800,000
Deferred Amount on Refunding	93,667
Principal Repayments	
Bonds	<u>1,254,000</u>
Net Difference	<u>\$ 1,262,667</u>

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

Interest	\$ 4,076
Miscellaneous Revenue	93,045
Allocation of Internal Service Fund Charges	<u>107,685</u>
Net Allocation	<u>\$ 204,806</u>

NOTE 2 – (CONTINUED)

Other Revenue and Expense Differences

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

Change in Pension Benefits	\$ 425,220
Change in Compensated Absences	(17,918)
Change in Accrued Interest Payable	<u>11,972</u>
Net Difference	<u>\$ 419,274</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

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

NOTE 3 – (CONTINUED)

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are 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, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2015, none of the City's bank balances of \$5,003,869 was uninsured and uncollateralized.

Credit Risk

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

NOTE 4 – (CONTINUED)

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

The following are the City's investments at June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 25,987,284
U.S. Treasuries	<u>923,917</u>
Total Investments	<u>\$ 26,911,201</u>

Interest Rate Risk

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

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

Deposits	\$ 5,132,248
Investments	26,911,201
Cash on Hand	<u>4,300</u>
Total	<u>\$ 32,047,749</u>
Cash and Cash Equivalents	\$ 22,750,278
Restricted Cash and Cash Equivalents	<u>9,297,471</u>
Total	<u>\$ 32,047,749</u>

NOTE 5 – RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2015 are presented in the schedule below.

Property taxes are levied on January 1 of 2015, are due in November of 2015, and are budgeted for the 2015 fiscal year. Even though they are not intended to fund the 2015 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

NOTE 5 – (CONTINUED)

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

The following is a summary of receivables at June 30, 2015:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 573,955	\$ 2,617,773	\$ 3,191,728
Allowance for Uncollectibles	(384,295)	(83,500)	(467,795)
Grants Receivable	-	1,826,756	1,826,756
Property Taxes Receivable	3,185,337	-	3,185,337
Special Assessments Receivable	453,751	-	453,751
Other Receivables	<u>1,542,279</u>	<u>-</u>	<u>1,542,279</u>
Total	<u>\$ 5,371,027</u>	<u>\$ 4,361,029</u>	<u>\$ 9,732,056</u>

The City constructed the East Fire Substation with public safety impact fees and with a loan from the general fund to the special services fund. The outstanding balance as of June 30, 2015 of this interfund loan is reported in the financial statements at follows:

<u>General Fund</u>		
Due from Special Services Fund		<u>\$ 63,366</u>
<u>Special Services Fund</u>		
Due to General Fund		<u>\$ 63,366</u>

NOTE 6 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities, including the internal service funds, for the year ended June 30, 2015:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 20,844,165	\$ 736,464	\$ -	\$ 21,580,629
Construction in Progress	140,755	1,864,743	(110,896)	1,894,602
Capital Assets being Depreciated				
Buildings and Structures	36,741,418	-	-	36,741,418
Improvements	68,280,280	1,131,252	1,298,577	70,710,109
Machinery, Equipment and Vehicles	<u>9,959,445</u>	<u>879,303</u>	<u>(446,041)</u>	<u>10,392,707</u>
Total	135,966,063	4,611,762	741,640	141,319,465
Less Accumulated Depreciation	<u>(52,954,829)</u>	<u>(3,421,723)</u>	<u>424,356</u>	<u>(55,952,196)</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,011,234</u>	<u>\$ 1,190,039</u>	<u>\$ 1,165,996</u>	<u>\$ 85,367,269</u>

NOTE 6 – (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2015:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,597,634	\$ -	\$ -	\$ 1,597,634
Construction in Progress	2,743,035	6,353,086	(2,074,191)	7,021,930
Water Shares	1,199,919	-	-	1,199,919
Capital Assets being Depreciated				
Buildings and Structures	5,423,326	12,745	-	5,436,071
Improvements	128,034,592	4,352,285	2,030,178	134,417,055
Machinery, Equipment and Vehicles	<u>2,962,720</u>	<u>-</u>	<u>(91,480)</u>	<u>2,871,240</u>
Total	141,961,226	10,718,116	(135,493)	152,543,849
Less Accumulated Depreciation	<u>(60,775,674)</u>	<u>(3,460,840)</u>	<u>400,880</u>	<u>(63,835,634)</u>
Business-type Activities Capital Assets, Net	<u>\$ 81,185,552</u>	<u>\$ 7,257,276</u>	<u>\$ 265,387</u>	<u>\$ 88,708,215</u>

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

Government Activities	
General Government	\$ 413,309
Public Safety	171,305
Community Development	15,858
Streets	1,251,905
Community Services	771,365
Cemetery	28,358
Internal Service Funds	<u>769,623</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,421,723</u>
Business-type Activities	
Water	\$ 776,272
Sewer	873,769
Electric	1,677,400
Storm Water	78,145
Solid Waste	28,675
Golf Course	<u>26,579</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 3,460,840</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City reports a deferred amount on refunding of \$93,667 related to the refunding of two bond series in 2015. The deferred amount on refunding resulted from the difference in the carrying value of refunded debt and their acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources related to pensions of \$361,303 in the business-type funds and activities as well as \$670,401 in the governmental activities.

NOTE 7 – (CONTINUED)

Property taxes of \$3,121,502, to be collected in November, were unavailable in the current fiscal year. Accordingly, these property taxes are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Also, the City reported deferred inflows of resources related to pensions of \$259,696 in the business-type funds and activities as well as \$481,868 in the governmental activities.

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

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Deferred Outflows of Resources	\$ 764,068	\$361,303
Deferred Inflows of Resources	\$3,603,370	\$259,696

NOTE 8 – INVESTMENT IN JOINT VENTURES

Spanish Fork/Springville Airport

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

- a. Participants and their percentage shares:

Springville City	50.0%
Spanish Fork City	50.0%

- b. The Airport is governed by the City Councils of the two participating cities. It also has an Oversight Board, which is selected from members of the participants' City Councils and other citizens of the two communities.
- c. The Airport Oversight Board oversees the operations of the airport through management employed by the Board. The Airport is subject to the same laws as the creating entities, therefore, it must follow Utah State laws for cities in the areas of fiscal management, budgeting and financing. As the governing board is made up of the participants' city councils and appointees, each participant has indirect control over these matters.
- d. Summary financial information from the government-wide statements, as of the joint venture's last year end of June 30, 2015, is as follows:

	<u>Spanish Fork/ Springville Airport</u>	<u>Springville City's Share</u>
Total Assets	\$10,397,471	\$ 5,198,736
Total Liabilities	<u>(695,457)</u>	<u>(347,729)</u>
Net Position	<u>\$ 9,702,014</u>	<u>\$ 4,851,007</u>
Program Revenues	\$ 906,580	\$ 453,290
General Revenues	1,315	658
Program Expenses	<u>(336,908)</u>	<u>(168,454)</u>
Change in Net Position	<u>\$ 570,987</u>	<u>\$ 285,494</u>

NOTE 8 – (CONTINUED)

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

South Utah Valley Solid Waste District

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

- a. Participants and their percentage shares:

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

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

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

NOTE 8 – (CONTINUED)

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

	<u>South Utah Valley Solid Waste District</u>	<u>Springville City's Share</u>
Closure and Postclosure Liability	\$ 2,549,524	\$ 382,429
Capital Leases	148,771	22,316
Notes Payable	3,015,335	452,300
Net Pension Liability	542,595	81,389
Accrued Compensated Absences	<u>215,408</u>	<u>32,311</u>
Total Long-Term Liabilities	<u>\$ 6,471,633</u>	<u>\$ 970,745</u>

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

NOTE 9 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities of the City at June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Revenue Bonds					
2005 Special Assessment	\$ 696,000	\$ -	\$ (239,000)	\$ 457,000	\$ 116,000
2006 Sales Tax	3,200,000	-	(3,200,000)	-	-
2008 Municipal Building Authority Lease	5,520,000	-	(230,000)	5,290,000	240,000
2014 Sales Tax Refunding	-	2,885,000	-	2,885,000	460,000
General Obligation Bonds					
2010 Build America Bonds	8,360,000	-	(385,000)	7,975,000	390,000
Other Liabilities					
Net Pension Liability	3,813,095	70,148	(847,001)	3,036,242	-
Compensated Absences	<u>721,881</u>	<u>39,721</u>	<u>(21,803)</u>	<u>739,799</u>	<u>367,523</u>
	<u>\$22,310,976</u>	<u>\$ 2,994,869</u>	<u>\$ (4,922,804)</u>	<u>\$20,383,041</u>	<u>\$ 1,573,523</u>

NOTE 9 – (CONTINUED)

Long-term debt and obligations for governmental activities payable at June 30, 2015 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Special Assessment Bonds, dated December 8, 2005 (original amount--\$5,269,604)	5.05% to 6.00%	2020	\$ 116,000	\$ 341,000
Municipal Building Authority Lease Revenue Bonds, Series 2008, (original amount--\$6,435,000)	2.55%	2031	240,000	5,050,000
Sales Tax Revenue Refunding Bonds, Dated December 30, 2014 (original amount--\$2,885,000)	1.85%	2021	460,000	2,425,000
Taxable General Obligation Build America Bonds, series 2010 (original amount--\$9,800,000)	1.00% to 5.30%	2031	390,000	7,585,000
Net Pension Liability				3,036,242
Compensated Absences			<u>367,523</u>	<u>372,276</u>
Total Governmental Activities Long-term Debt			<u>\$ 1,573,523</u>	<u>\$ 18,809,518</u>

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

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

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

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

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

The current refunding reduced the total debt service payments over the next sixteen years by \$788,234. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$732,742.

NOTE 9 – (CONTINUED)

On December 30, 2014, the City issued \$2,885,000 in sales tax revenue refunding bonds with an interest rate of 1.85%. The City issued the bonds to advance refund \$2,800,000 of the remaining 2006 sales tax revenue bonds with interest rates ranging between 4.0% and 5.0%. The City used the net proceeds of the 2014 bonds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2006 series bonds. As a result, the refunded portion mentioned above is considered defeased and the City has removed the liabilities from its accounts.

The advance refunding reduced the total debt service payments over the next seven years by \$194,299. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$189,008.

Long-term debt and obligations for business-type activities payable at June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Revenue Bonds					
1998 Sewer	\$ 506,000	\$ -	\$ (93,000)	\$ 413,000	\$ 96,000
2008 Water and Sewer	12,440,000	-	(740,000)	11,700,000	760,000
Notes Payable					
2006 Golf Carts	135,000	-	(10,000)	125,000	31,250
Other Liabilities					
Net Pension Liability	2,055,011	37,805	(456,479)	1,636,337	-
Compensated Absences	<u>551,852</u>	<u>22,743</u>	<u>(30,333)</u>	<u>544,262</u>	<u>544,262</u>
	<u>\$ 15,687,863</u>	<u>\$ 60,548</u>	<u>\$ (1,329,812)</u>	<u>\$ 14,418,599</u>	<u>\$ 1,431,512</u>

The following is a summary of changes in long-term debt for business-type activities of the City at June 30, 2015:

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Bonds Payable				
Sewer Revenue Bonds, dated February 1, 1998, (original amount--\$1,500,000)				
	4.50%	2019	\$ 96,000	\$ 317,000
Water and Sewer Revenue Refunding Bonds, Dated April 22, 2008, (original amount--\$15,135,000)				
	2.80%	2028	760,000	10,940,000
Golf Cart Note Payable (original amount--\$135,000)				
	0.00%	Unknown	31,250	93,750
Net Pension Liability				
				1,636,337
Compensated Absences				
			<u>544,262</u>	<u>-</u>
			<u>\$ 1,431,512</u>	<u>\$ 12,987,087</u>

NOTE 9 – (CONTINUED)

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,206,000	\$ 551,229	\$ 887,250	\$ 346,185	\$ 2,093,250	\$ 897,414
2017	1,235,000	525,378	912,250	320,585	2,147,250	845,963
2018	1,277,000	497,476	937,250	294,200	2,214,250	791,676
2019	1,274,000	457,306	966,250	267,030	2,240,250	724,336
2020	1,215,000	426,141	845,000	238,980	2,060,000	665,121
2021-2025	4,505,000	1,689,544	4,605,000	826,000	9,110,000	2,515,544
2026-2030	4,815,000	813,931	3,085,000	174,300	7,900,000	988,231
2031	1,080,000	39,530	-	-	1,080,000	39,530
	<u>\$16,607,000</u>	<u>\$ 5,000,535</u>	<u>\$ 12,238,000</u>	<u>\$ 2,467,280</u>	<u>\$ 28,845,000</u>	<u>\$ 7,467,815</u>

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

	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>
Net Revenues		
Operating Revenues	\$ 3,443,083	\$ 3,506,513
Operating Expenses (excluding depreciation and amortization)	(2,206,536)	(1,840,290)
Impact Fees	218,268	197,557
Interest Income	<u>617</u>	<u>2,797</u>
Net revenues	<u>\$ 1,455,432</u>	<u>\$ 1,866,577</u>
Maximum Aggregate Debt Service	<u>\$ 211,000</u>	<u>\$ 844,000</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>690%</u>	<u>221%</u>
Minimum Ratio	<u>130%</u>	<u>130%</u>

NOTE 10 – CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2015 there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$814,306.

NOTE 11 – FUND EQUITY

Net Investment in Capital Assets – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2015 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$ 141,319,465	\$ 152,543,849
Less accumulated depreciation	<u>(55,952,196)</u>	<u>(63,835,634)</u>
Book value	85,367,269	88,708,215
Less capital-related debt	<u>(16,607,000)</u>	<u>(12,238,000)</u>
Net investment in capital assets	<u>\$ 68,760,269</u>	<u>\$ 76,470,215</u>

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

NOTE 12 – RETIREMENT PLANS

General Information about the Pension Plan

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

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

NOTE 12 – (CONTINUED)

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) are multiple employer, cost sharing, public employee retirement systems.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

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

Summary of Benefits by System

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

*with actuarial reductions

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

NOTE 12 – (CONTINUED)

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

Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System			
111 - Local Governmental Division Tier 1	N/A	6.000%	14.460%
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%
Firefighters System			
31 - Division A Tier 1	N/A	15.050%	3.820%
132 - Division B Tier 2	N/A	N/A	10.800%

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

At December 31, 2014, we reported a net pension asset of \$42,392 and a net pension liability of \$4,672,580.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.8173763%	\$ -	\$3,549,240
Contributory System	0.2162152%	-	62,366
Public Safety System	0.8436610%	-	1,060,974
Firefighters System	0.4844785%	27,646	-
Tier 2 Public Employees System	0.1155009%	3,500	-
Tier 2 Public Safety and Firefighter System	0.7602135%	11,246	-
Total Net Pension Asset/Liability		<u>\$42,392</u>	<u>\$4,672,580</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

NOTE 12 – (CONTINUED)

For the year ended December 31, 2014, we recognized pension expense of \$1,215,067. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 367	\$ 230,856
Change in assumptions	-	510,708
Net difference between projected and actual earnings on pension plan investments	111,360	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>919,977</u>	<u>-</u>
Total	<u>\$1,031,704</u>	<u>\$ 741,564</u>

\$919,977 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	\$(72,537)
2016	\$(164,911)
2017	\$(161,796)
2018	\$(116,863)
2019	\$(3,817)
Thereafter	\$(9,914)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTE 12 – (CONTINUED)

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Public Safely and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUF = Constructed mortality table based on actual experience of male educators multiplied by a given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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

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

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

NOTE 12 – (CONTINUED)

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

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

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of			
Net pension (asset)/liability	\$11,509,144	\$4,630,188	(\$1,063,427)

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

NOTE 13 – DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 2.25%, depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2015, contributions totaling \$222,178 were made to the plan by employees and \$163,662 by the City.

The City sponsors a defined contribution deferred compensation plan administered by The Benefit Source under the Internal Revenue Code Section 457 for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to certain permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's total payroll in the fiscal year ended June 30, 2015, was \$11,242,538. Of that amount, \$715,953 was eligible to participate in the plan. During the year ended June 30, 2015, contributions totaling \$44,599 were made to the plan by employees.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Utah Associated Municipal Power System (UAMPS)

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements and contracts with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable. During the year ended June 30, 2015, the City purchased power totaling approximately \$14.5 million.

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

UAMPS Payson Nebo Generation Plant

In June 2002, the City entered into a power service contract with UAMPS which expires on the later of (1) the date the principal, premium, if any, and interest on all of the UAMPS Payson Nebo Generation Plant revenue bonds have been paid or (2) the final shutdown date of the Payson Nebo Generation Plant. The contract entitles the City to approximately 18.07 percent of the output of the Payson Nebo Generation Plant. The City is obligated for 19.12 percent of the total project debt service of approximately \$60,675,000 in revenue bonds outstanding at June 30, 2015, issued to finance construction of the plant.

UAMPS - Horse Butte Wind Project

In August of 2010 the City entered into Power Sales Contract with UAMPS to take delivery of energy from a 57.6 MW nameplate capacity wind farm located 16 miles east of the City of Idaho Falls in Bonneville County, Idaho. The PSC entitles the City to approximately 5.26% of the daily output associated with the 32 Vestas V-100 1.8 MW wind turbines installed on the project site. Construction of the Facility was completed in August of 2013 and commenced commercial operation. The City is obligated for 5.18% of the total project debt service of approximately \$87,555,000 outstanding at June 30, 2015, issued to finance a prepayment for a specified supply of electricity to be delivered over a 20-year term.

Future Commitments and Contingencies

San Juan – An equity purchase of 4 megawatts of energy from the San Juan coal-fired plant started in July 2005. The four megawatts represents approximately 11.43% of the UAMPS entitlement to the plant’s capacity and Springville City is obligated for 14.87% of the 2011 (1998 refunding) bonded debt and 16.39% of the 2008 bonded debt. The total outstanding 2011 (1998 refunding) and 2008 bond principal amounts as of June 30, 2015 were \$15,600,000 and \$1,345,000 respectively. This power is a base load project, meaning that power is delivered 24 hours per day whenever the plant is operating. The average cost of a delivered kilowatt hour of power from the San Juan project was \$0.0690 for FY2015. Springville City expects to receive approximately 30.0 million kilowatt hours of energy over the course of an average year.

Blue Mountain Biogas PPA – This is a Renewable Power Purchase and Sale Agreement between the City of Springville and Blue Mountain Biogas, LLC, a special purpose subsidiary of Alpentel Energy Partners, LLC (Seller). The Seller has developed a nominal 3.2 MW biogas fueled renewable energy project in Beaver County, Utah (Project). The City is purchasing all of the unit contingent capacity and electric energy that can be delivered from the Project. The Seller retains all of the Green attributes associated with the Project. The City began receiving capacity and energy from the Project in November 2013. From that effective date the City is obligated to buy the seller’s output for 12 term years. The City accepted a fixed price for the first term year with an escalation of 1% on the first day of the remaining 11 term years.

NOTE 14 – (CONTINUED)

South Utah Valley Municipal Water Association Land Purchase

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

NOTE 15 – RELATED PARTY TRANSACTIONS

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

The City's Mayor is the President and CEO of Clyde Companies, Inc., the parent company of W.W. Clyde & Co., Geneva Rock Products, Sunroc, Gorge Rock and Beehive Insurance. Clyde Companies, Inc. and its subsidiaries are periodically awarded bids to act as a City contractor and/or subcontractor to the City's contractor, and regularly provides materials for contractors and subcontractors in Springville. W.W. Clyde & Co. and Sunroc have places of business in Springville that are often used to purchase supplies for the City. The total that Springville City paid to these businesses in the 2015 fiscal year was \$119,446.

A City Councilman owns Audio Visions which occasionally provides sound services to the City. The total paid to this business in the 2015 fiscal year was \$5,850.

A City Councilman owns Child Enterprises which is periodically awarded bids small construction projects for the City. The total paid to this business in the 2015 fiscal year was \$29,975.

NOTE 16 – OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>Out</u>	<u>In</u>
Governmental Funds		
General Fund	\$ 2,329,849	\$ 2,287,455
Special Revenue Fund	750,000	-
Debt Service Fund	-	1,288,446
Municipal Building Authority Fund	-	443,124
Capital Projects Fund	-	1,100,494
Special Services Fund	602,215	750,000
Business-Type Funds		
Water	236,191	-
Sewer	228,950	-
Electrical	1,594,375	-
Storm Water	60,424	-
Solid Waste	67,515	-
	<u>\$ 5,869,519</u>	<u>\$ 5,869,519</u>

NOTE 16 – (CONTINUED)

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

NOTE 17 – SPRINGVILLE REDEVELOPMENT AGENCY

Project Area Summary

Springville's Redevelopment Agency's "Frontage Road Neighborhood Development Plan" was adopted in late 1999. This is the only active project area within the Agency's boundaries and consists of approximately 96.65 acres. To date, all blighted structures within the project area have been demolished, approximately 1.6 miles of fully improved streets and sidewalks have been installed, utilities have been installed, and a drainage ditch has been enhanced. In 2012, an approximate 32,500 square foot commercial building was built on the north end of the project area, and in 2015, an approximate 5,376 square foot commercial building was built on the south end of the project area.

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

The project area was originally owned by Spring Pointe Development LLC. Spring Pointe Development LLC had a number of approved development projects but backed out before pulling permits for the projects. The ownership of the property has since changed hands.

In 2010, Sam Dexy Properties LLC became owner of the northern approximate 20.5 acres of the project area. The owners of Sam Dexy Properties LLC subdivided the 20.5 acres and built a 32,500 square foot building for Infomercial, Inc. on a 9.12 acre lot. The owner has talked about asking the Agency to enter into a participation agreement for future development but has not yet done so.

In 2013, The Olds 2002 Family Trust became the owner of the remaining approximate 76.15 acres of the project area. The Olds 2002 Family Trust is working towards putting together a proposal for the Agency to consider in the near future that would possibly include a large industrial manufacturing building.

In 2015, The Olds 2002 Family Trust sold 1.47 acres to HWP Properties, LLC. HWP Properties, LLC has constructed a 5,376 square foot Tracker Boat dealership on the property. The Agency and HWP Properties, LLC entered into a participation agreement whereby the Agency agreed to pay to HWP Properties, LLC 100% of the tax increment generated by HWP Properties, LLC's increased property values and actually collected by the Agency for five years. After the first five years, HWP Properties, LLC will receive tax increment over five more years at a ten percent (10%) reduction over the previous year. Tax increment will first be paid to HWP Properties, LLC for tax year 2016.

HWP Properties, LLC is in the process of purchasing 2.45 more acres of property from The Olds 2002 Family Trust to develop an automobile dealership.

NOTE 17 – (CONTINUED)

The tax rate within the project area is 0.012725. The Agency received \$108,326.14 in tax increment from the project area for tax year 2014. Tax increment received by the Agency is being used and/or held in reserve for project area improvements and low income housing as required by the project area plan.

Economic Update

The total project encompasses 96.65 acres of which approximately 10.59 acres (10.96%) have been developed. The businesses in the project area include Infomercial, Inc. and Tracker Boats. An automobile dealership is planned to locate within the project area in the near future.

Taxable values within the project area have increased from \$389,535 in its base year to approximately \$8,864,903 after the 2014 valuation; a 2275% increase. The estimated assessed value for 2015 is approximately \$9,998,400.

The Agency has not passed any tax increment associated with the project area through to other taxing entities.

- (a) **Estimate of Tax Increment for Current Calendar Year Ending December 31, 2015:** The Agency estimates that the tax increment to be paid to the Agency for this calendar year ending December 31 is approximately \$129,952.
- (b) **Estimate of Tax Increment for Year Beginning January 1, 2016:** The Agency estimates that the tax increment to be paid to the agency for the calendar year beginning this next January 1 will be more than \$138,752.65

Project Timeline

Base Year 1999	Trigger Year 2013	Term 15 years	Remaining Term 13 years
---------------------------	------------------------------	--------------------------	------------------------------------

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

1.	The tax increment collected by the agency	\$ 108,326
2.	The amount of tax increment paid to Springville City	\$ -
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ -
4.	The actual amount expended for:	
	Acquisition of property	\$ -
	Site Improvements	-
	Installation of public utilities and roads	-
	Administration costs	-
	TOTAL EXPENDED	\$ _____

NOTE 18 – RISK MANAGEMENT

In fiscal year 2014 the City joined the Utah Local Governments Trust (Trust). Founded in 1974, the Utah Local Governments Trust is licensed in Utah as a public agency insurance mutual. Trust policies are designed specifically for government agencies, including cities, towns, counties, special service districts, and school districts.

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

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

NOTE 19 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 8, 2015, the date the financial statements were available to be issued.

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

The City adopted Governmental Accounting Standards Board Statement No. 68 during the 2015 fiscal year which resulted in adjustments to prior period net positions in various funds. These adjustments resulted from the requirement to recognize the opening balances of a Net Pension Asset, a Net Pension Liability, and Deferred Inflows and Outflows of Resources Related to Pensions.

Additionally, in the Water Fund \$309,400 of depreciation expense on construction in progress which was mistakenly recorded in the 2014 fiscal year depreciation schedule was removed in the 2015 fiscal year. A one-time adjustment of \$1,255,061 was made in the Electric Fund beginning net position to accurately reflect payment of the Utah Associated Municipal Power Systems bills in the months in which service was provided to the City.

The adjustments to beginning net positions are as follows:

	<u>Net Position Beginning</u>	<u>Prior Period Adjustments</u>	<u>Net Position Restated</u>
Governmental Activities	\$79,591,592	\$(2,077,303)	\$77,514,289
Water Fund	25,682,878	32,208	25,715,086
Sewer Fund	14,754,468	(226,248)	14,528,220
Electric Fund	40,841,983	(2,256,944)	38,585,039
Storm Water Fund	4,613,437	(46,448)	4,566,989
Solid Waste Fund	3,726,403	(87,403)	3,639,000
Golf Course Fund	478,807	(109,878)	368,929

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 10,774,880	\$ 10,774,880	\$ 10,642,193	\$ (132,687)
Licenses and Permits	695,000	695,000	622,708	(72,292)
Intergovernmental	1,268,700	1,317,700	1,181,874	(135,826)
Charges for Services	3,488,720	3,486,220	1,678,769	(1,807,451)
Fines and Forfeitures	515,000	515,000	460,896	(54,104)
Interest	69,000	69,000	68,743	(257)
Miscellaneous	60,000	60,000	117,931	57,931
TOTAL REVENUES	16,871,300	16,917,800	14,773,114	(2,144,686)
<u>EXPENDITURES</u>				
General Government	4,951,391	4,955,391	3,081,207	1,874,184
Public Safety	5,229,443	5,290,443	5,123,092	167,351
Community Development	1,411,938	1,461,938	945,419	516,519
Streets	1,156,259	1,156,259	1,058,384	97,875
Community Services	3,983,584	4,013,084	3,701,453	311,631
Cemetery	256,403	256,403	180,544	75,859
TOTAL EXPENDITURES	16,989,018	17,133,518	14,090,099	3,043,419
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(117,718)	(215,718)	683,015	898,733
<u>OTHER FINANCING SOURCES (USES)</u>				
Change in Joint Venture Equity	-	-	17,717	17,717
Transfers from Other Funds	2,238,655	2,248,655	2,287,455	38,800
Transfers to Other Funds	(2,339,830)	(2,339,830)	(2,329,849)	9,981
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(218,893)	(306,893)	658,338	965,231
FUND BALANCE ALLOCATION	218,893	306,893	-	(306,893)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ 658,338	\$ 658,338

SPRINGVILLE CITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

Budgetary Comparison Schedule

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

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

SPRINGVILLE CITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY UTAH RETIREMENT SYSTEMS DECEMBER 31, 2014

Last 10 Fiscal Years *

	<u>Non- contributory System</u>	<u>Contributory System</u>	<u>Public Safety System</u>
Proportion of the net pension liability (asset)	0.8173763%	0.2162152%	0.8436610%
Proportionate share of the net pension liability (asset)	\$ 3,549,240	\$ 62,366	\$ 1,060,974
Covered employee payroll	\$ 7,022,000	\$ 115,606	\$ 17,277,517
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	50.5%	53.9%	83.0%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	94.0%	90.5%
	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Proportion of the net pension liability (asset)	0.4844785%	0.1155009%	0.7602135%
Proportionate share of the net pension liability (asset)	\$ (27,646)	\$ (3,500)	\$ (11,246)
Covered employee payroll	\$ 127,036	\$ 566,929	\$ 314,072
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	21.8%	0.6%	3.6%
Plan fiduciary net position as a percentage of the total pension liability	103.5%	103.5%	120.5%

* In accordance with paragraph 80.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in the required supplementary information. The 10-year schedule will be built prospectively. The schedule above is only for the current year.

SPRINGVILLE CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014

Last 10 Fiscal Years *

	<u>Non- contributory System</u>	<u>Contributory System</u>	<u>Public Safety System</u>
Contractually required contribution	\$ 1,284,687	\$ 16,044	\$ 415,549
Contributions in relation to the contractually required contribution	<u>(1,284,687)</u>	<u>(16,044)</u>	<u>(415,549)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,022,000	\$ 115,606	\$ 1,277,517
Contributions as a percentage of covered-employee payroll **	18.30%	13.88%	32.53%

	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Contractually required contribution	\$ 4,319	\$ 47,653	\$ 34,255
Contributions in relation to the contractually required contribution	<u>(4,319)</u>	<u>(47,653)</u>	<u>(34,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 127,036	\$ 566,929	\$ 314,072
Contributions as a percentage of covered-employee payroll **	3.40%	8.41%	10.91%

* Amounts presented were determined as of calendar year January 1 - December 31. The City will be required to prospectively develop this table in future years to show 10 years of information. The schedule above is only for the current year.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

SPRINGVILLE CITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

UTAH RETIREMENT SYSTEMS

DECEMBER 31, 2014

Changes of Assumptions

There were no reported changes to actuarial assumptions at December 31, 2014.

SUPPLEMENTARY INFORMATION

SPRINGVILLE CITY CORPORATION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2015

	Special Revenue		Capital Projects			Debt Service		Total Nonmajor Governmental Funds
	Special Improvement District	Redevelop- ment Agency	Community Theater	Capital Projects	Special Services	Municipal Building Authority	Permanent Fund	
ASSETS								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,949	\$ 4,949
Special Assessment Receivable	453,751	-	-	-	-	-	-	453,751
Due from Other Fund	-	219,287	14,933	-	100,985	2,996	522,224	860,425
Restricted Cash	93,888	-	-	6,287,003	1,991,451	-	575,706	8,948,048
TOTAL ASSETS	\$ 547,639	\$ 219,287	\$ 14,933	\$ 6,287,003	\$ 2,092,436	\$ 2,996	\$ 1,102,879	\$ 10,267,173
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts Payable	\$ -	\$ -	\$ -	\$ 15,099	\$ 168,242	\$ -	\$ -	\$ 183,341
Due to General Fund	-	-	-	-	63,366	-	-	63,366
Due to Other Fund	84,663	-	-	4,886,386	-	-	-	4,971,049
Unearned Revenue	339,067	-	-	125,000	-	-	-	464,067
TOTAL LIABILITIES	423,730	-	-	5,026,485	231,608	-	-	5,681,823
FUND BALANCE								
Nonspendable Endowments	-	-	-	-	-	-	1,050,612	1,050,612
Restricted for								
Impact Fees	-	-	-	-	1,860,828	-	-	1,860,828
Debt Service	123,909	-	-	-	-	2,996	-	126,905
Assigned for								
Community Improvements	-	219,287	14,933	1,260,518	-	-	52,267	1,547,005
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND EQUITY	123,909	219,287	14,933	1,260,518	1,860,828	2,996	1,102,879	4,585,350
TOTAL LIABILITIES AND FUND EQUITY	\$ 547,639	\$ 219,287	\$ 14,933	\$ 6,287,003	\$ 2,092,436	\$ 2,996	\$ 1,102,879	\$ 10,267,173

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		Capital Projects			Debt Service		Total Nonmajor Governmental Funds
	Special Improvement District	Redevelop- ment Agency	Community Theater	Capital Projects	Special Services	Municipal Building Authority	Permanent Fund	
REVENUES								
Taxes	\$ -	\$ 108,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,326
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	184,055	-	-	85,050	-	-	73,165	342,270
Interest	25,742	-	-	32,546	9,560	-	1,014	68,862
Miscellaneous	-	-	-	-	5,328	-	-	5,328
TOTAL REVENUES	209,797	108,326	-	117,596	14,888	-	74,179	524,786
EXPENDITURES								
General Government	-	-	-	4,786	-	-	-	4,786
Streets	-	-	-	-	450,803	-	-	450,803
Community Services	-	-	-	-	-	-	7,500	7,500
Debt Service								
Principal	239,000	-	-	-	-	230,000	-	469,000
Interest and Finance Charges	44,480	-	-	-	-	213,124	-	257,604
Capital Outlay	-	-	-	1,540,072	1,140,572	-	-	2,680,644
TOTAL EXPENDITURES	283,480	-	-	1,544,858	1,591,375	443,124	7,500	3,870,337
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(73,683)	108,326	-	(1,427,262)	(1,576,487)	(443,124)	66,679	(3,345,551)
OTHER FINANCING SOURCES								
Impact Fees	-	-	-	-	950,040	-	-	950,040
Transfers From Other Funds	(750,000)	-	-	1,100,494	750,000	443,124	-	1,543,618
Transfers to Other Funds	-	-	-	-	(602,215)	-	-	(602,215)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(823,683)	108,326	-	(326,768)	(478,662)	-	66,679	(1,454,108)
BEGINNING FUND BALANCE	947,592	110,961	14,933	1,587,286	2,339,490	2,996	1,036,200	6,039,458
ENDING FUND BALANCE	\$ 123,909	\$ 219,287	\$ 14,933	\$ 1,260,518	\$ 1,860,828	\$ 2,996	\$ 1,102,879	\$ 4,585,350

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2015

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
<u>OF RESOURCES</u>				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 479,403	\$ -	\$ 479,403
Accounts Receivable, Net of Allowance for Uncollectibles	92,992	144,164	-	237,156
Due from Other Fund	639,211	371,543	186,303	1,197,057
TOTAL CURRENT ASSETS	732,203	995,110	186,303	1,913,616
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	1,032,404	-	-	1,032,404
Capital Assets				
Land	288,216	487,433	341,520	1,117,169
Construction in Progress	-	-	15,553	15,553
Buildings and Structures	-	850,266	1,559,087	2,409,353
Improvements	3,392,144	-	-	3,392,144
Machinery, Equipment and Vehicles	84,497	285,114	415,794	785,405
Less Accumulated Depreciation	(486,482)	(549,295)	(1,766,313)	(2,802,090)
Net Pension Asset	394	742	933	2,069
Other Assets				
Investment In Joint Venture	-	1,497,608	-	1,497,608
TOTAL NONCURRENT ASSETS	4,311,173	2,571,868	566,574	7,449,615
TOTAL ASSETS	5,043,376	3,566,978	752,877	9,363,231
DEFERRED OUTFLOWS OF RESOURCES	9,595	18,055	22,698	50,348
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,052,971	3,585,033	775,575	9,413,579
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
<u>OF RESOURCES</u>				
CURRENT LIABILITIES				
Accounts Payable	7,016	56,681	27,993	91,690
Compensated Absences	8,481	20,182	71,348	100,011
Current Portion of Long-Term Debt	-	-	31,250	31,250
TOTAL CURRENT LIABILITIES	15,497	76,863	130,591	222,951
NONCURRENT LIABILITIES				
Net Pension Liability	43,455	81,770	102,797	228,022
Notes Payable	-	-	93,750	93,750
TOTAL NONCURRENT LIABILITIES	43,455	81,770	196,547	321,772
TOTAL LIABILITIES	58,952	158,633	327,138	544,723
DEFERRED INFLOWS OF RESOURCES	6,897	12,977	16,314	36,188
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,849	171,610	343,452	580,911
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,278,769	2,571,868	441,574	6,292,211
Restricted				
Community Improvements	1,109,252	-	-	1,109,252
Designated for Construction	-	-	77,998	77,998
Unrestricted	599,101	841,555	(87,449)	1,353,207
TOTAL NET POSITION	\$ 4,987,122	\$ 3,413,423	\$ 432,123	\$ 8,832,668

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Storm Water	Solid Waste	Golf Course	Total Nonmajor Enterprise Funds
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 933,690	\$ 1,427,579	\$ 925,219	\$ 3,286,488
Miscellaneous	14,952	-	10,588	25,540
TOTAL OPERATING REVENUES	948,642	1,427,579	935,807	3,312,028
<u>OPERATING EXPENSES</u>				
Salaries and Benefits	205,004	332,546	507,363	1,044,913
Operations	534,738	985,692	338,671	1,859,101
Depreciation	78,144	28,675	26,579	133,398
TOTAL OPERATING EXPENSES	817,886	1,346,913	872,613	3,037,412
OPERATING INCOME (LOSS)	130,756	80,666	63,194	274,616
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Impact Fees	75,855	-	-	75,855
Interest Income	4,530	2,443	-	6,973
Change in Joint Venture Equity	-	(241,171)	-	(241,171)
TOTAL NON-OPERATING REVENUES	80,385	(238,728)	-	(158,343)
INCOME (LOSS) BEFORE CONTRIBUTIONS				
AND TRANSFERS	211,141	(158,062)	63,194	116,273
Developer Contributions	269,416	-	-	269,416
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(60,424)	(67,515)	-	(127,939)
CHANGE IN NET POSITION	420,133	(225,577)	63,194	257,750
TOTAL NET POSITION AT BEGINNING				
OF YEAR	4,613,437	3,726,403	478,807	8,818,647
PRIOR PERIOD ADJUSTMENT	(46,448)	(87,403)	(109,878)	(243,729)
TOTAL NET POSITION AT END OF YEAR	\$ 4,987,122	\$ 3,413,423	\$ 432,123	\$ 8,832,668

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers	\$ 945,495	\$ 1,415,655	\$ 935,807	\$ 3,296,957
Payments to Suppliers	(631,473)	(973,696)	(328,389)	(1,933,558)
Payments to Employees	(210,299)	(343,903)	(550,616)	(1,104,818)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>103,723</u>	<u>98,056</u>	<u>56,802</u>	<u>258,581</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Due from Other Funds	406,720	(17,795)	(31,249)	357,676
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(60,424)	(67,515)	-	(127,939)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>346,296</u>	<u>(85,310)</u>	<u>(31,249)</u>	<u>229,737</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Impact Fees	75,855	-	-	75,855
Note Payment	-	-	(10,000)	(10,000)
Acquisition of Capital Assets	(3,782)	(12,746)	(15,553)	(32,081)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>72,073</u>	<u>(12,746)</u>	<u>(25,553)</u>	<u>33,774</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	4,530	2,443	-	6,973
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>4,530</u>	<u>2,443</u>	<u>-</u>	<u>6,973</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	526,622	2,443	-	529,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>505,782</u>	<u>476,960</u>	<u>-</u>	<u>982,742</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,032,404</u>	<u>\$ 479,403</u>	<u>\$ -</u>	<u>\$ 1,511,807</u>

SPRINGVILLE CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Storm Water</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING				
INCOME TO NET CASH FLOWS				
FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 130,756	\$ 80,666	\$ 63,194	\$ 274,616
Adjustments				
Depreciation	78,144	28,675	26,579	133,398
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows				
Accounts Receivable, Net	(3,147)	(11,924)	-	(15,071)
Net Pension Asset	(352)	(663)	(834)	(1,849)
Deferred Outflows	(1,512)	(2,844)	(3,576)	(7,932)
Accounts Payable	(96,735)	11,996	10,282	(74,457)
Compensated Absences	790	95	(28,856)	(27,971)
Net Pension Liability	(11,118)	(20,922)	(26,301)	(58,341)
Deferred Inflows	6,897	12,977	16,314	36,188
	<u>\$ 103,723</u>	<u>\$ 98,056</u>	<u>\$ 56,802</u>	<u>\$ 258,581</u>
NET CASH FLOWS FROM OPERATING				
ACTIVITIES				
Noncash Financing and Investing				
Transaction				
Change in Investment in Joint Venture	\$ -	\$ (241,171)	\$ -	\$ (241,171)
Developer Contributions of Fixed Assets	\$ 269,416	\$ -	\$ -	\$ 269,416

STATE COMPLIANCE REPORT

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

- COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS
- COMPLIANCE FOR EACH MAJOR STATE PROGRAM
- INTERNAL CONTROL OVER COMPLIANCE
- SCHEDULE OF EXPENDITURES OF STATE AWARDS

Honorable Mayor
Members of the City Council
Springville City, Utah

***REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND FOR
EACH MAJOR STATE PROGRAM***

I have audited Springville City, Utah's (City) compliance with the applicable general and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, which could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2015.

The general compliance requirements applicable to the City are identified as follows:

Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Restricted Taxes
Open and Public Meetings Act

The City received state funding from the following program classified as a major program for the year ended June 30, 2015:

Class C Road Funds (Department of Transportation)

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the compliance requirements referred to above. I conducted my audit in accordance with auditing

standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with general state compliance requirements and for each major state program. However, my audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In my opinion, Springville City, Utah, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the schedule of findings and questioned costs in the management letter as items 2015-1, 2015-2, and 2015-3. My opinion on compliance is not modified with respect to these matters.

Springville, Utah's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

I noted no matters involving internal control over compliance which are required to be reported.

Purpose of Report

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

Report on Schedule of Expenditures of State Awards as required by the *State Compliance Audit Guide*

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. I issued my report thereon dated December 4, 2015, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.


Greg Ogden,
Certified Public Accountant
December 4, 2015

SPRINGVILLE CITY CORPORATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>State Grantor/Program Title</u>	<u>Award/ Contract Number</u>	<u>Year of Last Audit</u>	<u>Expenditures</u>
<u>Utah Department of Transportation</u>			
Class C Road	N/A	2014	\$ <u>992,541</u>
Subtotal - Utah Department of Transportation			<u>992,541</u>
<u>Various State Agencies</u>			
Miscellaneous Non-Major Grants	N/A	N/A	<u>131,160</u>
Subtotal – Various State Agencies			<u>131,160</u>
 Total Grant, Contract and Loan Fund Expenditures			 <u>\$1,123,701</u>

GOVERNMENT AUDITING STANDARDS REPORT

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Springville City, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 4, 2015.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the schedule of findings and questioned costs in the management letter that I consider to be significant deficiencies. They are listed under the heading of Internal Control Deficiencies as findings #2015-1 and #2015-2.

Compliance and Other Matters

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

Springville, Utah's Response to Findings

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

Purpose of this Report

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



Greg Ogden
Certified Public Accountant
December 4, 2015

**SPRINGVILLE CITY, UTAH
MANAGEMENT LETTER
JUNE 30, 2015**

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

December 4, 2015

Honorable Mayor
Members of the City Council
Springville City, Utah

Council Members:

While planning and performing my audit of the basic financial statements of Springville City, Utah (City) for the year ended June 30, 2015, I noted matters regarding compliance with requirements of the *Utah Code* and the City's internal control over financial reporting which need to be addressed by the City's management.

My findings from the audit are attached. If the weaknesses and deficiencies noted in the schedule of findings and questioned costs are left uncorrected, an unacceptable amount of errors could occur without detection.

This report is intended solely for the use of the management of Springville City. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the City during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss any of these matters with you at your convenience and, if desired, to assist you in implementing any of these suggestions.



Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCIES

2015-1 FINDING - DRAFT FINANCIAL STATEMENTS

The City currently hires the auditor, with oversight from management to draft the City's basic financial statements and related footnotes. Management then reviews, approves and accepts responsibility for the financial statements.

RECOMMENDATION

Management should continue to carefully review the financial statements so they can feel confident approving and accepting responsibility for them.

RESPONSE - SPRINGVILLE CITY

The ideal would be to have the financial statements and related footnotes prepared internally by the City employees. However, the time required combined with the continuing changes in audit standards makes this difficult. Thus, it is expected these documents will continue to be prepared by the auditor with close review by City management. The alternative would be to engage another audit firm to prepare the needed documents which would then be audited by the primary auditor. The cost of retaining two auditors would be prohibitive so it is unlikely the City will pursue this course of action.

2015-2 FINDING – ACCOUNTS PAYABLE NOT ACCRUED PROPERLY

The audit revealed large amounts paid for construction performed or purchases made prior to the end of the fiscal year which were not properly accrued as accounts payable. The total of these unrecognized accounts payable amounts was \$2,651,361.

RECOMMENDATION

The invoices related to these accounts payable amounts were received well after the end of the fiscal year, but in all cases the dates of the work performed or purchases made were clearly indicated. Management should carefully review invoices received subsequent to the end of the fiscal year and accrue as accounts payable any that are for purchases or services performed prior to the end of the fiscal year.

RESPONSE - SPRINGVILLE CITY

The City agrees to review invoices received subsequent to the end of the fiscal year and accrue as accounts payable any that are for purchases or services performed prior to the end of the fiscal year.

STATE COMPLIANCE FINDINGS

2015-1 FINDING – ONE ELIGIBLE EMPLOYEE WAS NOT INCLUDED FOR RETIREMENT

The City is required to ensure that all eligible employees are enrolled in the applicable Utah State Retirement (URS) plan as soon as they are hired. One eligible employee who was hired last November has not been properly enrolled in the applicable URS plan.

RECOMMENDATION

Care should be taken to ensure that all eligible employees are enrolled during the hiring process. I encourage you to make certain that the missing employee be enrolled as soon as possible and that URS be contacted to determine and pay the required amounts for his retirement.

RESPONSE - SPRINGVILLE CITY

The City will review and improve its processes to ensure better coordination between the Human Resource Department and the Payroll Department and introduce checks to ensure that errors are detected sooner.

2015-2 FINDING – NO LETTERS WERE SENT TO URS FOR EMPLOYEES ON LEAVE

The City is required to send letters of notification to the URS when any employee starts or ends leave. No letters were sent during the year even though employees started and ended leave.

RECOMMENDATION

The responsibility for sending these letters needs to be clearly assigned to a City employee. I recommend that a copy of the letters also be given to that employee's supervisor so they can ensure that they are being done properly.

RESPONSE - SPRINGVILLE CITY

The City will review and improve its processes to ensure better coordination between the Human Resource Department and the Payroll Department and introduce checks to ensure that errors are detected sooner.

2015-3 FINDING – EXPENDITURES EXCEEDED BUDGETED APPROPRIATIONS IN THREE FUNDS

The Special Improvement District Fund budget was exceeded by \$115,658 mainly as a result of an unplanned principal prepayment of \$110,000 on the special improvement bond. The Debt Service Fund budget was exceeded by \$2,845,359 as a result of refunding \$2,800,000 of the 2006 sales tax revenue bonds and the related bond issuance costs. The Special Services was exceeded by \$50,534 due to costs on the Wayne Bartholomew Park project coming in sooner than anticipated at year-end.

RECOMMENDATION

A fund's budget is the legal spending limit. The situations which resulted in exceeding budgeted appropriations this year were unusual, however you should continue to take care to ensure that all expenditures are properly budgeted in advance.

RESPONSE - SPRINGVILLE CITY

The City will take additional care to ensure that budgets are amended so that expenditures are properly budgeted in advance.

**SPANISH FORK/SPRINGVILLE AIRPORT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2015**

SPANISH FORK/SPRINGVILLE AIRPORT

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INDEPENDENT AUDITOR'S REPORT

November 16, 2015

Airport Board of Directors
Spanish Fork/Springville Airport

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Spanish Fork/Springville Airport (Airport), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Airport as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated November 16, 2015, on my consideration of the Airport's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spanish Fork/Springville Airport, we offer readers of the Airport's financial statements this narrative overview and analysis of the financial activities of Spanish Fork/Springville Airport for the fiscal year ended June 30, 2015. 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 Spanish Fork/Springville Airport increased by \$570,987 to \$9,702,014.
- The total net position of \$9,702,014 consists of \$9,462,090 in capital assets net of related debt and \$239,924 in unrestricted net position.

REPORTING THE AIRPORT AS A WHOLE

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

The Government-wide Financial Statements are designed to provide readers with a broad overview of Spanish Fork/Springville Airport's finances in a manner similar to a private-sector business. As such, the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

- *The Statement of Net Position* presents information on all of Spanish Fork/Springville Airport'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 Spanish Fork/Springville Airport is improving or deteriorating. However, the reader will need to consider other non-financial factors.
- *The Statement of Activities* presents information showing how the Airport'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. The cost of capital assets is allocated over their estimated useful life as depreciation expense.

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 Spanish Fork/Springville Airport, assets exceed liabilities by \$9,702,014.

The majority of Spanish Fork/Springville Airport's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Airport uses these capital assets to provide services; consequently, these assets are not available for future spending.

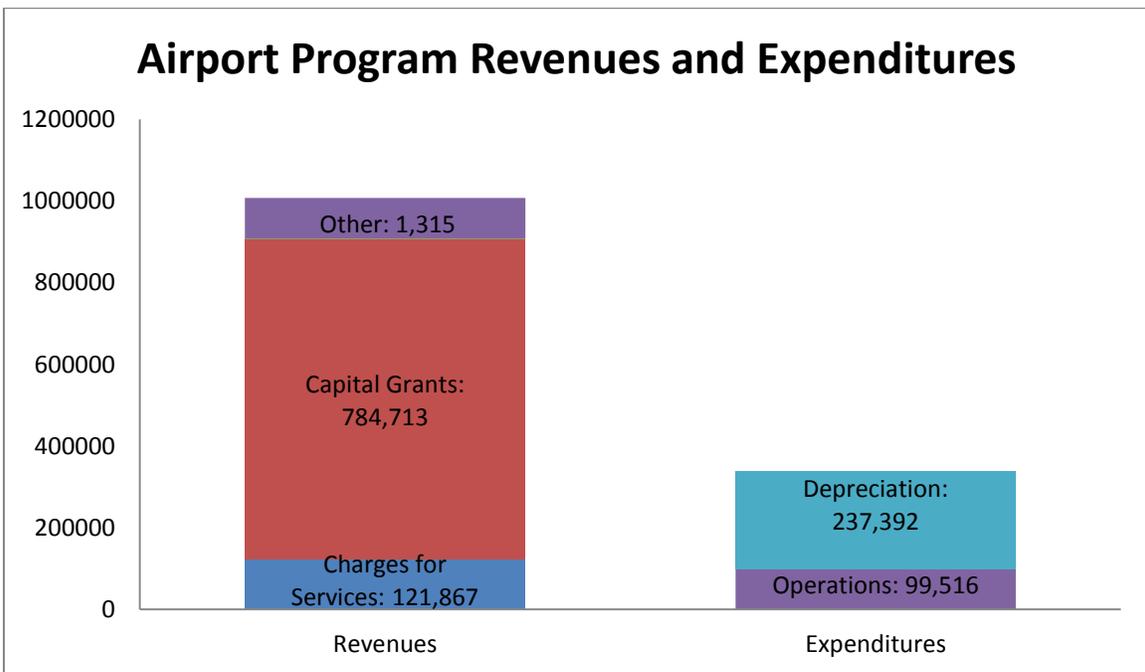
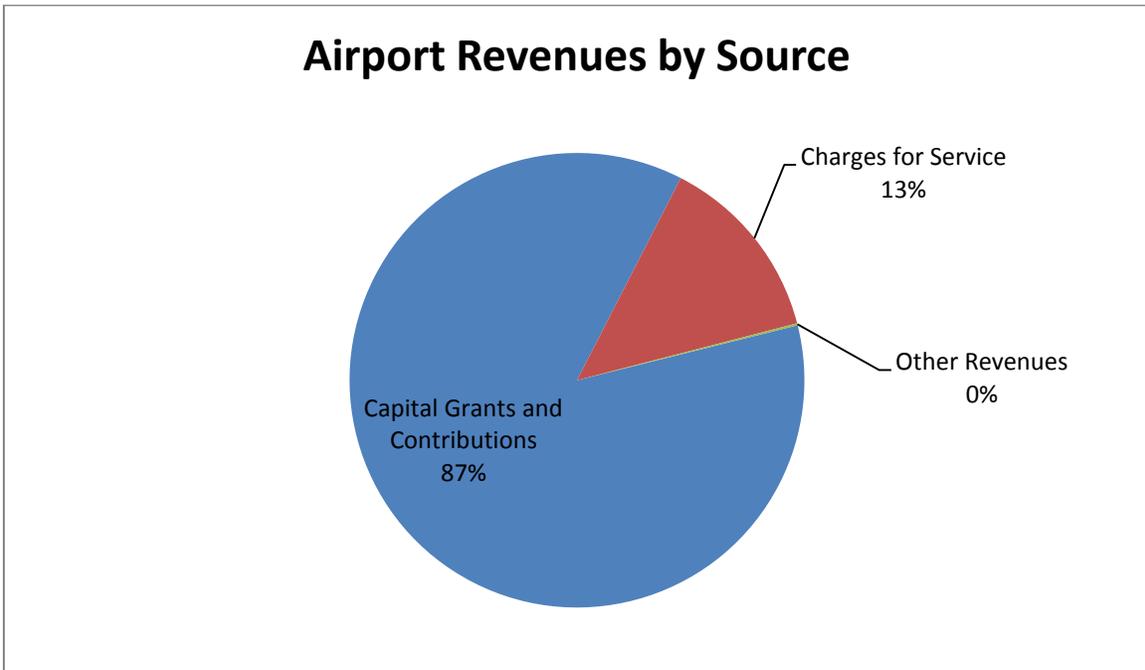
STATEMENT OF NET POSITION (In dollars)

	Airport Activities	
	2014-2015	2013-2014
Current and Other Assets	\$ 935,381	\$ 1,567,612
Capital Assets	9,462,090	8,926,537
Total Assets	<u>10,397,471</u>	<u>10,494,149</u>
Long-term Debt Outstanding		
Other Liabilities	695,457	1,363,122
Total Liabilities	<u>695,457</u>	<u>1,363,122</u>
Net Position:		
Net Investment in Capital Assets	9,462,090	8,926,537
Unrestricted	239,924	204,490
Total Net Position	<u>\$ 9,702,014</u>	<u>\$ 9,131,027</u>

STATEMENT OF ACTIVITIES (In dollars)

	Airport Activities	
	2014-2015	2013-2014
Program Revenues:		
Charges for Services	\$ 121,867	\$ 101,117
Operating Grants and Contributions	0	0
Capital Grants and Contributions	784,713	2,267,640
General Revenues:		
Other Revenues	1,315	2,035
Total Revenues	<u>907,895</u>	<u>2,370,792</u>
Airport Expenses	336,908	323,794
Total Expenses	<u>336,908</u>	<u>323,794</u>
Change in Net Position	570,987	2,046,998
Net Position Beginning	9,131,027	7,084,029
Net Position Ending	<u>\$ 9,702,014</u>	<u>\$ 9,131,027</u>

The following graphs display the Airport activities from the Entity-wide Statement of Activities reported in the above tables.



In FY 2014-2015 the airport utilized FAA and State of Utah grants available to further work on the runway re-alignment and expansion project. Revenues for the year exceeded expenditures by \$570,987, which is reflected as an increase in net position. This increase is the result of capital outlays exceeding depreciation expense for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Spanish Fork/Springville Airport's investment in capital assets as of June 30, 2015 was \$9,462,090 (net of debt and accumulated depreciation). This investment in capital assets includes land and improvements. The Airport's investment in capital assets for the current year increased by \$535,553.

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

- Engineering, land acquisition and construction related to the runway shift and expansion.

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

BUDGETARY HIGHLIGHTS

The original operating expense budget was \$87,900 and was amended during the year to accommodate unforeseen expenses to a final budget of \$99,516. Actual operating expenses were \$99,516.

NEXT YEAR'S BUDGET

The Airport budget for the fiscal year ending June 30, 2015 reflects no significant changes in operations, but accounts for capital outlays scheduled by the FAA for the planned runway expansion.

REQUESTS FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of Spanish Fork/Springville Airport'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 South Main Street, Springville, UT 84663.

BASIC FINANCIAL STATEMENTS

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 916,171
Accounts Receivable	2,605
Grants Receivable	16,605
Capital Assets	
Non Depreciable	2,399,809
Depreciable Assets (net of Depreciation)	<u>7,062,281</u>
TOTAL ASSETS	<u>10,397,471</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	<u>695,457</u>
TOTAL CURRENT LIABILITIES	<u>695,457</u>
TOTAL LIABILITIES	<u>695,457</u>
<u>NET POSITION</u>	
Investment in Capital Assets, Net of Related Debt	9,462,090
Unrestricted	<u>239,924</u>
TOTAL NET POSITION	<u>\$ 9,702,014</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>FUNCTIONS/PROGRAMS</u>					
Governmental Activities					
Airport	\$ 336,908	\$ 121,867	\$ -	\$ 784,713	\$ 569,672
 Total Governmental Activities	 <u>\$ 336,908</u>	 <u>\$ 121,867</u>	 <u>\$ -</u>	 <u>\$ 784,713</u>	 <u>569,672</u>
		General Revenues			
			Unrestricted Investment Earnings		635
			Miscellaneous		<u>680</u>
			 Total General Revenues		 <u>1,315</u>
			 Change in Net Position		 570,987
			 Net Position - Beginning		 <u>9,131,027</u>
			 Net Position - Ending		 <u>\$ 9,702,014</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 694,564	\$ 221,607	\$ 916,171
Accounts Receivable	2,605	-	2,605
Grants Receivable	-	16,605	16,605
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 697,169</u>	<u>\$ 238,212</u>	<u>\$ 935,381</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts Payable	\$ 667,207	\$ 28,250	\$ 695,457
EQUITY			
Assigned for Capital Projects	-	209,962	209,962
Unassigned	29,962	-	29,962
	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>\$ 697,169</u>	<u>\$ 238,212</u>	<u>\$ 935,381</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 239,924

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

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the funds. 9,462,090

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,702,014

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
REVENUES			
State and Federal Grants	\$ -	\$ 784,713	\$ 784,713
Contributions from Cities	-	-	-
Charges for Services	121,867	-	121,867
Interest	635	-	635
Miscellaneous	680	-	680
	<u>123,182</u>	<u>784,713</u>	<u>907,895</u>
TOTAL REVENUES			
	<u>123,182</u>	<u>784,713</u>	<u>907,895</u>
EXPENDITURES			
Administration	30,501	-	30,501
Professional Fees	62,128	-	62,128
Insurance	6,887	-	6,887
Capital Outlay	-	772,945	772,945
	<u>99,516</u>	<u>772,945</u>	<u>872,461</u>
TOTAL EXPENDITURES			
	<u>99,516</u>	<u>772,945</u>	<u>872,461</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES			
	<u>23,666</u>	<u>11,768</u>	<u>35,434</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Other Fund	-	70,000	70,000
Transfers to Other Fund	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
NET OTHER FINANCING SOURCES (USES)			
	<u>(70,000)</u>	<u>70,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE			
	(46,334)	81,768	35,434
BEGINNING FUND BALANCE			
	<u>76,296</u>	<u>128,194</u>	<u>204,490</u>
ENDING FUND BALANCE			
	<u>\$ 29,962</u>	<u>\$ 209,962</u>	<u>\$ 239,924</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

EXCESS OF REVENUES OVER EXPENDITURES \$ 35,434

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

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

535,553

CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS \$ 570,987

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>REVENUES</u>				
Charges for Services	\$ 103,300	\$ 110,300	\$ 121,867	\$ 11,567
Interest	600	600	635	35
Miscellaneous	-	-	680	680
	<u>103,900</u>	<u>110,900</u>	<u>123,182</u>	<u>12,282</u>
<u>EXPENDITURES</u>				
Airport Operating Costs and Improvements	<u>87,900</u>	<u>99,516</u>	<u>99,516</u>	<u>-</u>
	<u>87,900</u>	<u>99,516</u>	<u>99,516</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>16,000</u>	<u>11,384</u>	<u>23,666</u>	<u>12,282</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	16,000	(58,616)	(46,334)	12,282
FUND BALANCE ALLOCATION	<u>(16,000)</u>	<u>54,000</u>	<u>-</u>	<u>(54,000)</u>
EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ (4,616)</u>	<u>\$ (46,334)</u>	<u>\$ (41,718)</u>

See the accompanying notes to the financial statements

SPANISH FORK/SPRINGVILLE AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Spanish Fork/Springville Airport (Airport) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant of the Airport's accounting policies.

Financial Reporting Entity

Spanish Fork/Springville Airport is owned by the City of Spanish Fork and the City of Springville and is run through an interlocal agreement per Section 11-13 of the Utah Code. The Airport accounts for its operations as a governmental-type fund; activities are financed and the costs of services are recovered primarily through user charges, grants, and equal direct payments from the member cities.

The Airport is governed by the city councils of the two participating cities. It also has an oversight board, which is selected from members of the participants' city councils and other citizens of the two communities.

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

Basis of Presentation

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

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the Airport as a whole.

The statement of net position presents the financial position of the governmental activities of the Airport at year-end.

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

NOTE 1 – (CONTINUED)

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

Interest and other revenue sources not properly included with program revenues are reported as general revenues of the Airport. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Airport.

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

Fund Accounting – The Airport uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Airport uses only the governmental category of funds.

The Airport reports the following 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 improvement fund* accounts for major construction projects at the airport.

Measurement Focus

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

NOTE 1 – (CONTINUED)

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

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On both the fund financial statements and the government-wide financial statements grant amounts to be reimbursed are recorded as unearned revenues.

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

Assets, Liabilities and Fund Equity

A. Cash, cash equivalents, and investments

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

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

NOTE 1 – (CONTINUED)

B. Capital assets

General capital assets, which include land and airport improvements, are reported in the government-wide financial statements. The Airport does not report these assets in the governmental fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, if purchased and at fair market value at the date of the gift, if donated. Improvements to capital assets are capitalized. Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

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

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

<u>Classification</u>	<u>Range of Lives</u>
Improvements	10-30 years
Vehicles and Equipment	5-15 years

C. Fund Equity

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

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

Non-spendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained. Fund balance amounts related to inventory and prepaid expenses would be classified as non-spendable.

Restricted – This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Airport's remaining balances unspent grant proceeds would be restricted.

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

NOTE 1 – (CONTINUED)

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

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

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

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

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

Contributions of Capital

Contributions of capital reported in the government-wide financial statements arise from outside contributions of capital assets and grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates and Assumptions

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

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

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

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

NOTE 2 – (CONTINUED)

Capital Asset Differences

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

Land	\$ 2,399,809
Improvements	10,754,088
Vehicles and Equipment	58,788
Less Accumulated Depreciation	<u>(3,750,595)</u>
Net Capital Asset Difference	<u>\$ 9,462,090</u>

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

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

Capital Outlay and Depreciation Differences

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

Capital Outlay	\$ 772,945
Depreciation Expense	<u>(237,392)</u>
Net Difference	<u>\$ 535,553</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meetings of the two member city councils in May, the Oversight Board submits to the city councils a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the two member city councils review and adjust the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

Under Utah State law, the Airport's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events. A public hearing must be held to increase the total appropriations the governmental fund.

The budgets are adopted on a basis consistent with GAAP for all governmental fund types.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Airport’s deposits may not be recovered. The Airport’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Airport to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2015, \$541,681 of the Airport’s bank balances of \$791,681 was uninsured and uncollateralized.

Credit Risk

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

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

The following are the Airport’s investments at June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah Public Treasurer’s Investment Fund (PTIF)	\$ <u>124,490</u>

Interest Rate Risk

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

NOTE 4 – (CONTINUED)

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

Deposits	\$ 791,681
Investments	<u>124,490</u>
Total	<u>\$ 916,171</u>
Cash and Cash Equivalents	<u>\$ 916,171</u>

NOTE 5 – CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2015.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets not being Depreciated</u>				
Land and Easements	\$ 2,399,809	\$ -	\$ -	\$ 2,399,809
<u>Capital Assets being Depreciated</u>				
Improvements	9,981,143	772,945	-	10,754,088
Vehicles and Equipment	58,788	-	-	58,788
Less Accumulated Depreciation	<u>(3,513,203)</u>	<u>(237,392)</u>	<u>-</u>	<u>(3,750,595)</u>
Capital Assets, Net	<u>\$ 8,926,537</u>	<u>\$ 535,553</u>	<u>\$ -</u>	<u>\$ 9,462,090</u>

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Airport currently has no deferred outflows of resources.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Airport currently has no deferred inflows of resources.

NOTE 7 – FUND EQUITY

Net Investment in Capital Assets – The net investment in capital assets reported on the government-wide statement of net position as of June 30, 2015 is as follows:

Cost of capital assets	\$13,212,685
Less accumulated depreciation	<u>(3,750,595)</u>
Net investment in capital assets	<u>\$ 9,462,090</u>

NOTE 8 – ECONOMIC DEPENDENCY

The Airport depends upon the continued financial support of both the City of Spanish Fork and the City of Springville. The two cities generally each remit funds sufficient to cover the operating expenses of the Airport.

NOTE 9 – RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Airport carries insurance. Liability insurance is carried by the Airport through the Fred A. Moreton Company. The policy has a limit of \$10,000,000 for any one occurrence.

NOTE 10 – SUBSEQUENT EVENTS

In preparing these financial statements, the Airport has evaluated events and transactions for potential recognition or disclosure through November 16, 2015, the date the financial statements were available to be issued.

SINGLE AUDIT REPORTS

GREG OGDEN, CPA
1761 EAST 850 SOUTH
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

November 16, 2015

Airport Board of Directors
Spanish Fork/Springville Airport

Report on Compliance for Each Major Federal Program

I have audited Spanish Fork/Springville Airport's (Airport) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended June, 30, 2015. The Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Airport's compliance.

Opinion on Each Major Federal Program

In my opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Airport's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Greg Ogden
Certified Public Accountant

**SPANISH FORK/SPRINGVILLE AIRPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL EXPENDI- TURES</u>
<u>U.S. Department of Transportation</u>			
Passed through Utah Department of Transportation			
Division of Aeronautics			
Airport Improvement Program	20.106	3-49-0034-19	\$ 49,114
Airport Improvement Program	20.106	3-49-0034-20	27,473
Airport Improvement Program	20.106	3-49-0034-21	647,282
Airport Improvement Program	20.106	3-49-0034-22	<u>8,882</u>
Total Department of Transportation			<u>732,751</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 732,751</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Spanish Fork/Springville Airport under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Spanish Fork/Springville Airport, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Spanish Fork/Springville Airport.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* through December 26, 2014, and in the Uniform Guidance thereafter, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**SPANISH FORK/SPRINGVILLE AIRPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Spanish Fork/Springville Airport were prepared in accordance with GAAP.
2. No significant deficiencies related to the audit of the financial statements are reported in the management letter. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Spanish Fork/Springville Airport, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Spanish Fork/Springville Airport expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported in accordance with 2 CFR section 200.516(a), as reported in Section C of this schedule.
7. The program tested as a major program was: Airport Improvement Program - CFDA number 20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Spanish Fork/Springville Airport was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None Reported.

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.

STATE COMPLIANCE REPORT

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

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

November 16, 2015

Airport Board of Directors
Spanish Fork/Springville Airport

REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS

I have audited Spanish Fork/Springville Airport's (Airport) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, which could have a direct and material effect on the Airport for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

Budgetary Compliance
Fund Balance
Open and Public Meetings Act

The Airport did not have any state funding classified as a major program during the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on the Airport's compliance based on my audit of the compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Airport occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with general state compliance requirements. However, my audit does not provide a legal determination of the Airport's compliance.

Opinion

In my opinion, the Spanish Fork/Springville Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Airport for the year ended June 30, 2015.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *State of Utah Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of Report

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


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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

November 16, 2015

Airport Board of Directors
Spanish Fork/Springville Airport

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Spanish Fork/Springville Airport (Airport) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued my report thereon dated November 16, 2015

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a deficiency in internal control, described in the management letter that I consider to be a significant deficiency. It is listed under the heading of Internal Control Deficiencies as finding #2015-1.

Compliance and Other Matters

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

Spanish Fork/Springville Airport's Response to Findings

Spanish Fork/Springville Airport's response to the findings identified in my audit is described in the accompanying management letter. I did not audit Spanish Fork/Springville Airport's response and, accordingly, I express no opinion on it.

Purpose of this Report

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


Greg Ogden,
Certified Public Accountant

**SPANISH FORK/SPRINGVILLE AIRPORT
MANAGEMENT LETTER
JUNE 30, 2015**

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2015

Airport Board of Directors
Spanish Fork/Springville Airport

Council Members:

While planning and performing my audit of the basic financial statements of Spanish Fork/Springville Airport for the year ended June 30, 2015, I noted matters regarding compliance with requirements of the *Utah Code* and the Airport's internal control over financial reporting which need to be addressed by the Airport's management.

My findings from the audit are attached. If the weaknesses and deficiencies noted in this management letter are left uncorrected, an unacceptable amount of errors could occur without detection.

This report is intended solely for the use of the management of Spanish Fork/Springville Airport. However, this report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses and problems. This focus should not be understood to mean that there are not also various strengths and accomplishments. I appreciate the courtesy and assistance extended to me by the personnel of the Airport during the course of my audit, and I look forward to a continuing professional relationship. I would be pleased to discuss any of these matters with you at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCY

2015-1 FINDING - DRAFT FINANCIAL STATEMENTS

The Airport hires the auditor, with oversight from management to draft the Airport's basic financial statements and related footnotes. Management then reviews, approves and accepts responsibility for financial statements.

RECOMMENDATION

Management should continue to carefully review the financial statements so they can feel confident approving and accepting responsibility for them.

RESPONSE - SPANISH FORK/SPRINGVILLE AIRPORT

The ideal would be to have the financial statements and related footnotes prepared internally by City employees. However, the time required combined with the continuing changes in audit standards makes this difficult. Thus, it is expected these documents will continue to be prepared by the auditor with close review by Springville City Management. The alternative would be to engage another audit firm to prepare the needed documents which would then be audited by the primary auditor. The cost of retaining two auditors would be prohibitive so it is unlikely the City will pursue this course of action.



SPANISH FORK-SPRINGVILLE AIRPORT

Cris Child/Manager
2050 N 300 W
Spanish Fork, Utah 84660
(801) 420-8888

December 11, 2015

Staff Report

To: Honorable Mayors and City Councils

From: Cris Child Airport Manager on behalf of the Spanish Fork/Springville Airport Board

Subject: Airport Ground Lease Agreement with ImSAR, LLC.

Recommended Motion: Authorize the Mayors to execute the attached Ground Lease Agreement with ImSAR, LLC.

Background/Discussion: ImSAR, LLC. has been manufacturing Synthetic Aperture Radar imaging devices in Spanish Fork and Springville for many years. They have experienced significant growth over the last several years and they are anxious to consolidate their flight testing, engineering and manufacturing programs at a single location on the Spanish Fork/Springville Airport. ImSAR has proposed to Lease land from the Airport for their facilities as follows:

- 1- To initially Construct a 60,000 square foot Building on Airport land fronting on Spanish Fork Main Street which will house Manufacturing, Engineering and Office personnel with an additional 25,000 square foot Aircraft Hangar to house Aircraft and Flight Testing personnel attached to the West end of the Building. The site is shown on the attached diagram.
- 2- To have a first right of refusal to Lease additional land for a potential 40,000 square foot future expansion on the Airport directly South of the proposed initial site.
- 3- Basic Terms of the Lease Agreement include:
 - a. An initial term of 20 years with an automatic renewal for an additional 20 years.
 - b. An initial Lease Rate of \$.34 per square foot of building space per year. This rate includes a \$.03 premium over the basic rate being charged on other Airport Hangar Ground Leases.
 - c. A credit against the lease payment for several years to reimburse ImSAR's costs related to the installation of offsite improvements and taxiways that will benefit other current and future Airport patrons and businesses.

The Airport Board recommends:

- 1- The general location be as shown on the attached diagram with parallel sides and the frontage less than the depth.
- 2- The total land area being leased be limited to 3.8 times the building footprint which would limit the land area on the initial proposal to 7.41 acres.
- 3- That the agreement be subject to FAA approval so as not to jeopardize the Airport's Federal and State Grants.
- 4- That the city councils retain the right without limitation to annually adjust all ground lease rates on the Airport to reflect fair market value.
- 5- That the lease include a clause allowing the Cities the option to not renew the lease without cause after the initial 40 year term. (This option is necessary in order to satisfy FAA requirements.)
- 6- Credits for constructing Taxiways shall be limited to portions that will serve other current and future Airport patrons and businesses.

Alternatives: Continue negotiations on the terms of the lease. However, ImSAR is working against a deadline of next November to acquire a new facility on an Airport.

Fiscal Impact: Once the credits for land improvements have expired, this ground lease will provide roughly \$30,000.00 in additional revenues to help offset the costs of operating the Airport.

HANGAR # «Hanger_»

**HANGAR GROUND LEASE AGREEMENT
SPANISH FORK/SPRINGVILLE AIRPORT
LESSOR: SPANISH FORK/SPRINGVILLE CITY**

LESSEE: **IMSAR LLC** H «Home_Phone»
 c/o «CO» C «Cell_Phone»
 «Street_Address» W 801-798-8440
 «City», «State» «Zip» «Email_Address»

DATED: «Effective_Date»

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HANGAR GROUND LEASE AGREEMENT

LEASE AGREEMENT made «Effective Date - When Building Permit is Issued», between SPANISH FORK CITY and SPRINGVILLE CITY through the SPANISH FORK/SPRINGVILLE AIRPORT BOARD, herein called Lessor, and IMSAR of «City», «State», herein called Lessee.

RECITALS

A. Lessor owns and operates the SPANISH FORK/SPRINGVILLE AIRPORT located in Utah County, State of Utah, herein called Airport.

B. Lessee desires to lease a parcel of land on the Airport premises for the purpose of erecting and/or maintaining an aeronautical related manufacturing facility owned by Lessor.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

I. PREMISES. Lessor hereby leases to Lessee the Parcel of land only which is known as the IMSAR site at the Spanish Fork/Springville Airport, as per the official drawing held by Spanish Fork City.

II. TERM. Subject to all other provisions of this Agreement regarding termination reserved herein, the term of this lease shall commence on «Effective_Date» and end after 20 years.

III. LEASE RENEWAL. Lessee may renew this Agreement for one (1) term of twenty (20) years if Lessee is not in default hereunder at the time of such renewal. The one (1) term renewal shall be automatic at the expiration of the initial term provided the Lessee is not in default and Lessee has not

opted out of the renewal. Lessee may opt out of the automatic one (1) term of renewal upon providing a minimum of thirty (30) days written notice to the Lessor prior to the expiration of the initial term stating the desire against renewal. Lessor may opt out of this automatic renewal upon providing documentation that Lessee is in default of any Obligations of Lessee specified in Section VIII, for more than thirty (30) days which have been not been remedied thirty (30) days prior to the termination date of the lease. After any such renewal, Lessor, in its sole discretion, may determine to permit any subsequent extensions of this Agreement on terms offered by the Lessor when agreed to by both parties in writing. The terms and conditions contained herein shall govern any renewal of this lease unless otherwise agreed between the parties hereto.

IV. LESSEE'S RIGHT TO REMOVE IMPROVEMENTS. Upon the termination of this lease, Lessee shall have the right to sell any improvements owned or erected by Lessee on the premises during the lease term or any renewal to Lessor, or any third party with whom Lessor has signed a lease agreement covering the demised premises following the termination of this lease; however, Lessor shall have first right of refusal to purchase the subject improvements under the same terms and conditions as being offered to the Lessee by the purchasing third-party. If Lessee fails to reach an agreement for the sale of the improvements, it may remove the improvements.. Lessee, upon removal of any improvements, shall restore the land to as good condition as it was in prior to the erection of any improvements thereon. Lessee hereby consents and agrees that any improvements remaining on the premises after the sixty (60) day removal period shall be deemed abandoned and owned by Lessor without any claim or right whatsoever in Lessee. Notwithstanding any of the foregoing, any improvements for which Lessee has received credited rent pursuant to paragraph V(F), below, shall be the property of Lessor upon termination of this lease, and Lessee shall neither sell nor remove these improvements at termination.

V. RENTALS, FEES AND CHARGES. Subject to renegotiation and change of rental rates as hereinafter provided, the Lessee agrees to pay the City for the use of the premises, facilities, rights, services and privileges granted herein, the following rental, payable to Springville City, on an annual basis.

A. Rental for the above described parcel shall be at the current rate plus \$0.03 per square foot of building space (currently this is \$0.31 plus \$0.03 for a total of \$0.34 cents per square foot of building space). The building space is based upon the outside dimensions of the building facility including hangar space which is currently proposed to be «Sq_Footage» Square Feet. The initial rental rate for the renewal period, and any subsequent renewals, shall be at the current airport land lease rate as of the renewal date as established by the Airport Board plus \$0.03 per square foot, unless otherwise agreed to in writing by both parties. The renewal rate may then be increased by up to 3% per year as described in Paragraph V.C.

B. Rent shall commence on «Effective_Date». In the event the Lease term commences on some date other than January 1, the first years annual rent will be pro-rated to reflect the actual first year occupancy period of this agreement.

C. The rent of the above described land for each following year of the agreement shall be set by the Spanish Fork/Springville Airport Board on an annual basis provided the lease may not increase more than 3% per year, and is due and payable to Springville City in advance, on the first day of each calendar year of the Agreement. The City Councils may increase the rent by up to 5% per annum to reflect market conditions.

D. All payments due Lessor under this lease, including rent, that are not paid on or before thirty (30) days from the due date shall incur a late fee of one (1%) percent per month (12% per annum) or \$5.00, whichever is greater.

E. All payments due Lessor under this lease shall be delivered to Springville City 110 South Main Springville, Utah 84663 or as otherwise directed in writing by Lessor.

F. Due to issues of wetlands mitigation and the need for taxiway and roadway improvements for the location Lessee has selected at the airport, the Lessor will allow Lessee credit toward lease payments for those payments made for wetlands mitigation, taxiway and roadway improvements. Eligible roadway lease credit improvements include those made from the back of sidewalk into the right of way only. Lessee shall submit proof of expenses to Springville City for the credits. Lessee may only have credit toward the lease payments for those payments listed above.

VI. USE OF PREMISES. The leased premises and any and all improvements located thereupon shall include aeronautical related uses such as:

A. Fabrication, certification, repair, maintenance of aircraft or aircraft related equipment.

B. Aircraft storage.

C. Non-Aviation activities which are required for Lessee's normal business operation.

Lessee acknowledges that the premises may not be used for commercial purposes beyond the scope of this agreement unless Tenant negotiates a supplemental agreement allowing the expanded use of the premises.

VII. CONSTRUCTION - IMPROVEMENTS. Lessee will maintain improvements on the premises as an industrial business facility or facilities.

VIII. OBLIGATIONS OF LESSEE.

A. Lessee agrees to notify the airport manager, in writing, within ten (10) days of its basing, of the registration number of the aircraft and the person(s) responsible for it, including off hours emergency phone numbers, for all aircraft stored on the leased premises.

B. Lessee shall be solely responsible for all costs or charges for utility services required by the Lessee during the term of this lease.

C. Lessee agrees to repair and maintain the demised premises in a reasonably neat, orderly and safe condition, and free from waste, rubbish, snow or other hazards throughout the term of this Lease. Lessee shall not store or let stand any equipment or property belonging to the Lessee or under the Lessee's custody, outside the boundaries of the leased areas without prior consent of the Lessor's Airport Manager, except when such equipment or property is in the process of being loaded or unloaded. Should the Lessee fail to repair and maintain the leased premises in proper condition, the Lessor's Airport Manager shall so notify the Lessee in writing. If the Lessee then fails to make such repair or maintenance within ten (10) days after the notice has been sent the Lessor may cause such repair or maintenance service to be made. Lessee agrees to pay all Lessors costs incurred thereby and reimburse Lessor therefore on demand. If said costs and expenses are not paid within fifteen (15) days after demand therefore, this Lease shall be deemed to be in default and the Lessor shall be entitled to all legal remedies provided hereunder, including termination of this Lease.

D. Lessee shall exercise due and reasonable caution to prevent fire, accidents, hazards or nuisances on the premises. Lessee shall not, and shall not permit any Tenant Related Parties to use, store, generate, release, or dispose of Hazardous Materials in, on, about, or from the Property in violation of applicable law.

The term "Hazardous Materials" shall mean any substance:

(a) which is flammable, explosive, radioactive, toxic, corrosive, infectious, carcinogenic, mutagenic, or otherwise hazardous and which is or becomes regulated by any governmental authority, agency, department, commission, board or instrumentality of the United States, the state in which the Property is located or any political subdivision thereof;

(b) which contains asbestos, organic compounds known as polychlorinated biphenyls; chemicals known to cause cancer or reproductive toxicity or petroleum, including crude oil or any fraction thereof; or which is or becomes defined as a pollutant, contaminant, hazardous waste, hazardous substance, hazardous material or toxic substance under the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§ 6901-6992k; the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §§ 9601-9657; the Hazardous Materials Transportation Authorization Act of 1994, 49 U.S.C. §§ 5101-5127; the Clean Water Act, 33 U.S.C. §§ 1251-1387 the Clear Air Act, 42 U.S.C. §§ 7401-7671q; the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2692; the Safe Drinking Water Act, 42 U.S.C. §§ 300f to 300j- 26; the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §§ 11001-11050; and title 19, chapter 6 of the Utah Code, as any of the same have been or from time to time may be amended; and any similar federal, state and local laws, statutes, ordinances, codes, rules, regulations, orders or decrees relating to environmental conditions, industrial hygiene or Hazardous Materials on the Property, including all interpretations, policies, guidelines and/or directives of the various governmental authorities responsible for administering any of the foregoing, now in effect or hereafter adopted, published and/or promulgated;

(c) the presence of which on the Property requires investigation or remediation under any federal, state, or local statute, regulation, ordinance, order, action, policy, or common law; or

(d) the presence of which on the Property causes or threatens to cause a nuisance on the Property or to adjacent properties or poses or threatens to pose a hazard to the health and safety of persons on or about the Property.

If Lessee discovers that any spill, leak, or release of any quantity of any Hazardous Materials has occurred on, in or under the Property, Lessee shall promptly notify Landlord. Lessee shall (or shall cause others to) promptly and fully investigate, cleanup, remediate and remove all such Hazardous Materials as may remain and so much of any portion of the environment as shall have become contaminated, all in accordance with applicable government requirements, and shall replace any removed portion of the environment (such as soil) with uncontaminated material of the same character as existed prior to contamination. Within twenty (20) days after any such spill, leak, or release, the party responsible for the remediation of such release shall give the Lessor a detailed written description of the event and of such responsible parties investigation and remediation efforts to date. Within twenty (40) days after the event, such responsible party shall provide the Lessor with a copy of any reports or analytical results relating to any such spill, leak, or release. In the event of a release of Hazardous Material in, on, or under the Property by the Tenant Related Parties, Tenant shall not be entitled to an abatement of Rent during any period of abatement.

Should the Lessee fail to remove or abate said hazard or nuisance after notified to do so, the City may abate said hazard or nuisance and charge the cost thereof to the Lessee as provided in paragraph C above.

E. Lessee agrees, at its own expense, to cause the premises and improvements and appurtenances thereto to be maintained in a presentable condition consistent with good maintenance practices. This shall include, although not be limited to, the obligations of the Lessee to maintain the

premises in a clean, neat and orderly condition at all times, and to perform any necessary mowing, including weed removal, pavement maintenance and snow removal within the IMSAR site.

F. Lessee shall not erect, install, or cause to permit to be erected, installed or operated upon the premises herein any sign or advertising device without first having obtained the City's consent thereto as to size, construction, location and general appearance, G. Lessee agrees to keep the demised premises free of any mechanic's or materialmen's liens or other lien of any kind or nature for any work done, labor performed or material furnished thereon at instance or occasion of the Lessee and the Lessee further agrees to indemnify and save the Lessor harmless from and against any and all claims, demands, costs and expenses of any nature whatsoever from any such work done, labor performed or materials furnished.

H. Lessee shall obey all applicable rules, regulations, ordinances and laws that may be from time to time promulgated by the City, State and Federal Government or agency thereof.

I. Lessee agrees to cause to be removed from the premises, at its own expense, all waste, garbage, and rubbish and agrees not to deposit same, except temporarily in connection with collection for removal in Airport designated locations, on any part of the premises or other property of the city constituting the Airport.

J. The Lessee shall provide the City with a copy of the bond to protect mechanics and materialmen as required by Utah Code Ann. §14-1-5 as amended, during the course of construction of any improvements on the leased land.

IX INDEMNIFICATION AND HOLD HARMLESS. Lessee expressly agrees to defend, protect, indemnify and hold harmless the Lessor, its officers, agents and employees free and harmless from and against any and all claims, demands, damages, expenses, losses or liability of any kind or nature whatsoever which the Lessor, its officers, agents or employees may sustain or incur or which may

be imposed upon them for injury to or death of persons or damages to property arising out of or resulting from the negligent acts or negligent omissions of the Lessee, its officers, agents or employees use or misuse of the premises. Lessee agrees to defend at its own cost, expense and risk all claims or legal actions that may be instituted against either the Lessee or the Lessor, which arise out of the negligent acts or omissions of the Lessee. If any claim or legal action is brought arising out of the negligent acts or omissions of the Lessee and is also brought against the Lessor, the Lessor agrees to cooperate with the defense of the claim or legal action. In such claim or legal action wherein the defense of Lessor is in conflict with the defense of Lessee, the Lessor may have its own attorney to defend such action. If after written notice of such conflict Lessee is unable or unwilling to defend such claim or legal action the Lessor may defend such a claim or legal action at the expense of the Lessee. Any settlement of any claim or lawsuit made by the Lessor or Lessee that results in liability against either party is subject to written approval of the Lessee or Lessor and will not affect the claims or lawsuits still pending against the against the other party. Lessee agrees to pay any settlement entered into and satisfy any judgment that may be rendered against either the Lessee or the Lessor as a result of any negligent injuries or damages which have resulted from or are connected with this Lease or the occupancy or use of the premises by the Lessee, or its officers, agents, employees or licensees, including reasonable attorney fees.

This indemnity clause is not valid wherein the loss or claim is the result of actions the Lessee took at the Direction of the Lessor or the loss or claim is the result of a negligent act or omission made by the Lessor.

X. CHAPTER 7.12 SPANISH FORK CITY ORDINANCES. Lessee hereby acknowledges the applicability of Chapter 7.12 Spanish Fork City Municipal Code to this Lease Agreement. Lessee hereby acknowledges notice of the terms, conditions and requirements presently contained therein

and agrees, so far as said ordinance applies to persons such as Lessee herein, to comply with such ordinance as now in effect or as it may be amended during the term of this Lease or any renewal.

XI. INSURANCE. Concurrent with the execution of this Lease and as partial performance of the obligations assumed under Clause IX, (INDEMNIFICATION AND HOLD HARMLESS) hereof, the Lessee shall, have from a reliable insurance company or companies authorized to do business in the State of Utah, liability insurance in the minimum amount of \$1,000,000.00 or such other minimum amount as may be required by the Spanish Fork/Springville Airport Board pursuant to reasonable exercise of its municipal powers.

The above insurance policy or policies shall contain an endorsement which provides that the Lessor is named as an additional insured as it pertains to said leasehold. Lessee shall provide Lessor with written evidence of said insurance at all times this Lease is in effect.

All insurance policies secured by the Lessee providing the coverages which affect the leasehold premises required under this Lease shall require each insurer to notify the Lessor by registered or certified mail of any modification, termination or cancellation of any policy of insurance that affects the leasehold premises no less than thirty (30) days prior to the effective date of such modification, termination or cancellation. Notice by the insurer shall be effective upon the receipt of said notice by the Lessor. In addition to any other requirements of this Lease, the Lessee shall notify the Lessor of any modification which affects the leasehold premises, termination or cancellation of any policy of insurance secured by the Lessee pursuant to this paragraph as soon as the Lessee learns of any such modification, termination or cancellation. Each of said policies shall stipulate that the policy provided coverage is not subordinate to nor contributing with any other insurance coverage held or maintained by the Lessor. The procuring of such policy or policies of insurance shall not be construed to be a limitation upon the Lessee's liability or a waiver of performance on the Lessee's part of the indemnification and hold harmless provisions of this

Lease; and the Lessee understands and agrees that notwithstanding any policy or policies of insurance it remains the Lessee's obligation to protect, indemnify and hold harmless the Lessor hereunder for the full and total amount of any damage, injuries, loss, expense, costs or liabilities, including attorneys fees, caused by or in any manner connected with or attributed to the negligent acts or omissions of the Lessee, its officers, agents, employees, licensees or the operations conducted by the Lessee, or the Lessee's use, misuse or neglect of the premises described herein.

XII PERMITS, LICENSES AND CERTIFICATES. Lessee shall obtain any and all permits, licenses and certificates which may be required in connection with the improvement and use of the demised premises and aircraft operations. Lessee shall comply with all applicable federal, state and local laws and regulations and the Lessee shall keep in effect any and all licenses, permits, notices and certificates as are required.

XIII ASSIGNMENT. Lessee shall not assign this Lease, or sublease any part of the premises without prior written approval of the Lessor, which approval shall not be unreasonably withheld. Lessor hereby agrees that this Lease may be assigned as security for any loan required by Lessee, provided that such assignment permits Lessee to remain in possession except in the event of foreclosure. In the event of foreclosure or forfeiture by the holder of such security, the Lessor consents to further assignment to any person, firm or corporation which is fully competent and has the necessary facilities, experience and financial resources to perform the obligations contained in this agreement on the part of the Lessee to be performed, provided such proposed assignee shall expressly assume said obligations in writing.

XIV RIGHT OF ENTRY AND INSPECTION. Lessor hereby reserves the right to enter into and upon the leased premises and any improvements thereon at all reasonable times and for all reasonable purposes with seven (7) days prior notice to the Lessee. Lessor will also provide the Lessee with

the opportunity to be present when entry is made upon the leased premises. The airport manager or his designated representative shall exercise this right.

XV RULES AND REGULATIONS. The Lessor shall have the right to adopt and enforce reasonable rules and regulations with respect to the use of the airport and the public terminal building and appurtenances, provided that such rules and regulations shall not be inconsistent with safety and with rules and regulations of the Federal Aviation Administration with respect to aircraft operations at the airport.

XVI GOVERNMENTAL RESERVATIONS AND RESTRICTIONS.

A. During the time of war or national emergency, the Lessor shall have the right to lease the landing area, or any part thereof, to the United States Government for military or naval use, and if such lease is executed, the provisions of this instrument, insofar as they are inconsistent with the provisions of the lease to the government, shall be suspended.

B. The Lessor reserves the right to further develop or improve the airport as it sees fit, regardless of the desires or views of the Lessee and without interference or hindrance from Lessee.

C. There is hereby reserved to the Lessor, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises hereby leased, together with the right to cause such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using said airspace or landing at, taking off from or operating on the airport.

D. The Lessor reserves the right to take any action it considers necessary to protect the aerial approaches of the airport against obstructions together with the right to prevent the Lessee from erecting, or permitting to be erected, or maintaining any building or other structure on or adjacent to the airport which, in the opinion of the Lessor, would limit the usefulness of the airport or constitute a

hazard to aircraft. It is understood and agreed that nothing in this Lease shall be construed to grant or authorize the granting of any exclusive rights to Lessee within the meaning of the civil Aeronautics Act.

XVII LESSOR'S RIGHT OF CANCELLATION. In addition to all other remedies reserved by Lessor, this agreement, shall be subject to cancellation by the Lessor should one or more of the following events occur:

A. If the Lessee fails to pay when due the whole or any part of the amounts agreed upon for rents and charges and such default continues for ten (10) days after the Lessor has demanded payment in writing.

B. If the Lessee shall fail to perform or keep and observe any of the covenants and conditions contained in this contract to be performed, kept and observed by Lessee, and Lessee fails to correct any breach hereof after thirty (30) days written notice from Lessor, then and in such event the Lessor shall have the right at once to declare this contract terminated.

XVIII LESSEE'S RIGHT OF CANCELLATION. In addition to all other remedies available to the Lessee, this agreement shall be subject to cancellation by the Lessee should any one or more of the following events occur:

A. The permanent and complete abandonment of the airport as an aviation facility.

B. The issuance by any court of competent jurisdiction of an injunction in any way preventing or restricting the use of the airport and the remaining in force of such injunction for at least thirty (30) days.

C. The breach by the Lessor of any terms, conditions and covenants of this agreement to be kept, performed and observed by the Lessor and the failure to remedy such a breach for a period of thirty (30) days after written notice from the Lessee of the existence of such a breach.

D. The assumption by the United States Government, or any authorized agents of the same, of the operation, control or use of the airport and its facilities, in such a manner as to substantially restrict the Lessee from normal use, if such restriction is continued for a period of ninety (90) days or more.

XIX FORCE MAJEURE. If either party hereto shall be delayed or prevented from the performance of any act required hereunder by reason or act of God, flood, hurricane, tornado, earthquake, strikes, lockouts, which are beyond the control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay and the period of the performance of any such act shall be extended for a period equivalent to the period of such delays; provided, however, nothing in this clause shall excuse the Lessee from the prompt payment of rental or other charges required hereunder to be paid by Lessee except as may expressly be provided elsewhere in this Lease.

XX DESTRUCTION OF PREMISES. Should the improvements to the demised premises be damaged or destroyed in whole or in part, by fire, earthquake or any other casualty at any time during the term of this Lease so that the same cannot be repaired within ninety (90) working days to substantially the same condition it was in immediately prior to the happening of such casualty, and should the Lessee fail to initiate reconstruction of the improvements on the demised premises to substantially the same condition in which they were prior to the casualty within that ninety (90) day period, then either the Lessor or the Lessee may, within fifteen (15) working days after the ninety (90) working days after the happening of such casualty, terminate this Lease as of the date of said casualty. . In no event shall the Lessor be liable to the Lessee for any damages resulting to the Lessee from the happening of such fire or other casualty or from the repair or construction of the demised premises or from the termination of this Lease as herein provided, nor shall the Lessee be released thereby from any of its obligations hereunder except as expressly stated in this clause.

XXI COSTS OF SUSTAINING AN ACTION FOR BREACH OR DEFAULT. In the event either the Lessor or the Lessee commences legal action against the other claiming a breach or default of this Lease, the prevailing party in such litigation shall be entitled to recover from the other reasonable attorney fees and all costs connected with said litigation.

XXII PARTIAL INVALIDITY. If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

XXIII ABANDONMENT. If the Lessee shall abandon or be dispossessed by process of law or otherwise, any personal property belonging to the Lessee and left on the premises after such abandonment or dispossession shall be deemed to have been transferred to the Lessor; and the Lessor shall have the right to remove and to dispose of the same without liability to account therefore to the Lessee or to any person claiming under the Lessee.

XXIV AFFIRMATIVE ACTION. The Lessee assures that it will undertake and comply with the program as required by Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, to insure that no person shall on the grounds of race, creed, color, national origin, sex or other prescribed ground, be excluded from participation in any employment activities covered in said Title 49. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by the subpart. The Lessee assures that it will require assurances from their sub-organizations to provide assurance to the Lessor that they similarly will undertake and comply with the Title 49 programs and laws.

XXV UNLAWFUL USE. Lessee agrees that no improvement shall be erected, placed upon, operated or maintained on the demised premises, nor shall business be conducted or carried on therein in violation of the terms of this Lease or any applicable law, statute, ordinance, regulation, rule or order of any governmental agency having jurisdiction thereover.

XXVI NONDISCRIMINATION In the operations to be conducted pursuant to the provisions of this Lease and otherwise in the use of the airport, the Lessee will not discriminate or permit discrimination against any person or class of persons by reason of race, color, creed, sex, national origin or other prescribed ground, in any manner prohibited by Title 49, Code of Federal Regulations, Subtitle A, Part 21 or any amendments thereto. Lessee shall make its accommodations and/or services available to the public on a fair, reasonable and nondiscriminatory price for each item, article, unit or service; provided that the Lessee may be allowed to make reasonable and non-discriminating discounts, rebates or other similar type of price reduction to volume purchasers. Noncompliance with provisions of this clause shall constitute a material breach thereof; and in the event of such noncompliance, the Lessor shall have the right to terminate this Lease and the estate hereby created without liability therefore, or at the election of the Lessor or the United States, either or both said governments shall have the right to judicially enforce said provisions.

XXVII LEASE SUBORDINATE TO AGREEMENTS WITH U.S.A. This Lease shall be subordinate to the provisions of any existing or future agreement between Lessor and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditures of Federal funds for the development of the Airport.

XXVIII WAR OR NATIONAL EMERGENCY. This Lease and all of the provisions hereof shall be subject to whatever right the United States Government has or may have affecting the control, operation and taking over of said Airport, or the exclusive or nonexclusive use of the Airport by the United

States during the time of war or national emergency. In such event, the parties' obligations to each other under this Lease thereby made inconsistent shall be suspended.

XXIX DEVELOPMENT OF AIRPORT. Lessor reserves the right to further develop or improve the Airport as it sees fit, regardless of the desires or views of the Lessee and without interference or hindrance by the Lessee.

XXX AIRPORT FACILITIES. Lessee is hereby granted the nonexclusive right, in common with all present and future users, to the use of such of the Lessor's Spanish Fork/Springville Airport public facilities as are designated by the Airport Manager from time to time. As an incident to all the other uses provided for in this Lease, the Lessee, its employees, authorized representatives, invitees, permittees, licensees, customers and patrons shall have the right to use all public waiting rooms and public lavatories provided such use shall be in common with others and may be suspended during any period when maintenance, repairs or improvements are being made thereto.

XXXI BANKRUPTCY. Should the Lessee make an assignment for the benefit of creditors or should a voluntary or involuntary petition of bankruptcy or for reorganization or any arrangement be filed by or against the Lessee, or if the Lessee should become bankrupt or insolvent or if a receiver be appointed at the request of the Lessee's creditors (except as a receiver appointed at the request of the Lessor) such action shall constitute a breach of this Lease for which the Lessor at its option, may terminate all rights of the Lessee or Lessee's successors in interest under this Lease.

XXXII TAXES AND ASSESSMENTS. Lessee shall pay before delinquency, all taxes, license fees, assessments and other charges which are levied and assessed against and upon the premises, fixtures, equipment or other property caused or suffered by the Lessee to be installed, located or placed upon the leased premises. The Lessee shall furnish the Lessor with satisfactory evidence of these payments upon demand from the Lessor. Lessee acknowledges that this Lease may create a possessory interest subject

to property taxation and that the Lessee may be subject to the payment of property taxes levied on such interest. Lessee agrees to assume and pay any such assessment.

XXXIII MARGINAL CAPTIONS. The various headings and numbers herein and the grouping of the provisions of this Lease into separate section, paragraphs and clauses are for the purpose of convenience only and shall not be considered a part thereof.

XXXIV AMENDMENTS TO BE IN WRITING. This Lease sets forth all of the agreements and understandings of the parties and is not subject to modification except in writing, duly executed by the legally authorized representatives of each of the parties.

XXXV SUCCESSORS IN INTEREST. The covenants herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto; and all of the parties shall be jointly and severally liable hereunder.

XXXVI NONEXCLUSIVE RIGHTS. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 1349, of the United States Code.

XXXVII WAIVER OF RIGHTS. The failure of the Lessor to insist upon strict enforcement of any of the terms, conditions and covenants herein shall not be deemed a waiver of any rights or remedies that the Lessor may have and shall not be deemed a waiver of any subsequent breach or default by Lessee of the terms, conditions and covenants herein contained.

XXXVIII NOTICES. All notices given or to be given, by either party to the other shall be given in writing and shall be addressed or delivered to the parties at the addresses hereinafter set forth or at such other addresses as the parties may by written notice hereafter designate. Notices to the Lessor and the Lessee shall be addressed as follows:

TO: LESSEE

«**IMSAR LLC**»

c/o J. Douglas Yarrington»
P.O. Box 528
Springville, UT 84663

C 801-830-5056
W 801-798-8440 X105
dyarrington@imsar.com

TO: LESSOR
Airport Manager
2050 N 300 W
Spanish Fork, UT 84660

XXXIX HOLDOVER. In the event the Lessee shall hold over after the term granted herein, then such holding over shall be construed to be a tenancy from month-to-month only. Prepayment of rent beyond one month shall not be construed to alter or change the month-to-month status of any holdover tenancy. Lessee agrees to comply and abide with all other terms and conditions of this Lease in the event Lessee holds over after the term provided in this Lease expires.

XXXX TIME. Time is of the essence of this Lease.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed, in triplicate, with all the formalities required by law on the respective dates set forth opposite their signatures to be effective the day and year first above written.

SPANISH FORK CITY, by

Date:
STEVE LEIFSON, Mayor

ATTEST:

Date:
KENT CLARK, Recorder

RECOMMENDED FOR APPROVAL

Date:
CRIS CHILD, Airport Manager

SPRINGVILLE City by,

Date: _____

WILFORD W. CLYDE, Mayor

ATTEST:

Date: _____

Kim Rayburn, Recorder

Lessee:

Date: _____

Ryan Smith, President and CEO of IMSAR LLC