

Spring City Corporation

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

Spring City Corporation
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June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
Spring City, Utah

Report on the Audit of the Financial Statements

Opinions

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 Spring City, Utah (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on pages 49-50, and pension information on pages 51-52 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated October 27,

2022, 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 solely 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 the effectiveness of Spring City, Utah's 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.

 CPA
Greg Ogden,
Certified Public Accountant
Springville, Utah
October 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

As management of the Spring City Corporation (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$525,024
- *Total unrestricted net position for the City as a whole increased by \$106,577
- *Total net position for governmental activities increased by \$120,669
- *Total net position for business-type activities increased by \$404,355

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, 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 the City is improving or deteriorating.

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 revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the 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 statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

Fund financial statements. 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. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds . These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one major governmental funds, the General Fund.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds . The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses three enterprise funds to account for the operations of the water, sewer, and electric utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

FINANCIAL ANALYSIS

Spring City Corporation's Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and other assets	\$ 882,530	712,400	2,081,518	1,852,734	2,964,048	2,565,134
Net capital assets	3,035,486	2,931,129	3,084,168	2,916,827	6,119,654	5,847,956
Deferred outflows of resources	13,185	8,128	50,585	31,565	63,770	39,693
Total assets and deferred outflows	\$ 3,931,200	3,651,658	5,216,271	4,801,125	9,147,471	8,452,783
Long-term debt outstanding	\$ -	20,000	624,370	686,638	624,370	706,638
Other liabilities	182,998	29,772	117,777	128,173	300,775	157,945
Deferred inflows of resources	120,858	95,211	140,044	56,589	260,902	151,800
Total liabilities and deferred inflows	303,857	144,983	882,190	871,400	1,186,047	1,016,383
Net position:						
Net investment in capital assets	3,035,486	2,911,129	2,459,798	2,230,188	5,495,284	5,141,317
Restricted	149,606	139,941	230,956	176,141	380,562	316,082
Unrestricted	442,252	455,605	1,643,327	1,523,396	2,085,578	1,979,001
Total net position	\$ 3,627,344	3,506,675	4,334,081	3,929,726	7,961,425	7,436,401

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$7,961,425, an increase of \$525,024 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$2,085,578 which represents an increase of \$106,577 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

FINANCIAL ANALYSIS (continued)

Spring City Corporation's Change in Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Program revenues:						
Charges for services	\$ 187,660	216,189	1,148,893	1,122,446	1,336,553	1,338,635
Operating grants and contributions	165,453	197,412	63,910	-	229,362	197,412
Capital grants and contributions	-	-	360,059	300,245	360,059	300,245
General revenues:						
Property taxes	98,548	95,872	-	-	98,548	95,872
Sales tax	252,472	233,331	-	-	252,472	233,331
Other taxes	2,445	2,140	-	-	2,445	2,140
Other revenues	53,518	53,042	1,201	1,621	54,719	54,663
Total revenues	760,095	797,987	1,574,063	1,424,312	2,334,158	2,222,298
Expenses:						
General government	206,298	236,686	-	-	206,298	236,686
Public safety	233,165	225,625	-	-	233,165	225,625
Streets and landfill	102,333	138,364	-	-	102,333	138,364
Parks and recreation	33,474	20,821	-	-	33,474	20,821
Cemetery	63,967	43,100	-	-	63,967	43,100
Interest on long-term debt	189	934	-	-	189	934
Water	-	-	257,958	236,731	257,958	236,731
Sewer	-	-	141,833	128,395	141,833	128,395
Electric	-	-	769,916	623,837	769,916	623,837
Total expenses	639,426	665,531	1,169,708	988,963	1,809,134	1,654,494
Change in net position	\$ 120,669	132,456	404,355	435,348	525,024	567,804

For the City as a whole, total revenues increased by \$111,860 compared to the previous year, while total expenses increased by \$154,640. The total net change of \$525,024 is, in private sector terms, the net income for the year which is \$42,780 less than the previous year.

Governmental activities revenues of \$760,095 is a decrease of \$37,892 from the previous year. This decrease is primarily due to a decrease in operating grants for the year. Governmental activities expenses of \$639,426 is a decrease of \$26,105 from the previous year. While general government and streets and landfill expenses decreased, all other department expenses increased.

Business-type activities revenue of \$1,574,063 is an increase of \$149,751 from the previous year. Service revenues increased by \$26,447, capital grants increased by \$59,814, and operating grants increased by \$63,910. Business-type activities expenses of \$1,169,708 is an increase of \$180,745 from the previous year. Expenses across all departments increased during the year.

Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net position, and any restrictions on those amounts, is described below:

General Fund

The fund balance of \$228,666 reflects a decrease of \$77,784 from the previous year. Total revenues decreased by \$43,055. Tax revenues had a net increase of \$22,121. Intergovernmental revenues decreased by \$31,959. Charges for services decreased by \$32,239. All other revenues had a net decrease of \$978.

Total expenditures increased by \$136,947. General government expenditures decreased by \$55,107, public safety expenditures increased by \$8,331, streets and landfill expenditures increased by \$169,759, parks and recreation expenditures increased by \$12,654, and cemetery expenditures increased by \$1,311.

There were no restrictions on fund balance, resulting in an unassigned fund balance of \$306,450.

Water Fund

The change in net position (net income) was \$390,189. The amount restricted for debt service is \$79,794. Unrestricted net position amounts to \$390,250.

Sewer Fund

The change in net position (net income) was \$24,975. The amount restricted for debt service was \$151,162. Unrestricted net position amounts to \$350,601.

Electric Fund

The change in net position (net loss) was \$10,809. There were no restrictions on net position. Unrestricted net position amounts to \$902,476.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers, were originally budgeted in the amount of \$553,204. This amount was amended in the final budget to \$701,736. Actual revenues, excluding transfers, amounted to \$723,881.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$538,850. This amount was amended in the final budget to \$854,719. Actual expenditures amounted to \$751,665.

Transfer out to the capital projects were budgeted in the amount of \$50,000 which was equal to the actual transfer out.

Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Spring City Corporation's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Net Capital Assets:						
Land and rights	\$ 1,180,800	1,180,800	7,110	7,110	1,187,910	1,187,910
Buildings	198,390	211,514	-	-	198,390	211,514
Improvements	1,391,403	1,471,937	-	-	1,391,403	1,471,937
Machinery and equipment	50,843	66,878	105,569	129,580	156,412	196,458
Water system	-	-	1,442,068	1,532,483	1,442,068	1,532,483
Sewer system	-	-	624,856	686,096	624,856	686,096
Electric system	-	-	320,565	323,558	320,565	323,558
Construction in progress	214,049	-	584,000	238,000	798,049	238,000
Totals	\$ 3,035,486	2,931,129	3,084,168	2,916,827	6,119,654	5,847,956

The total amount of capital assets, net of depreciation, of \$6,119,654 is an increase of \$271,698 from the previous year.

Governmental activities capital assets, net of depreciation, of \$3,035,486 is an increase of \$104,356 from the previous year.

Business-type activities capital assets, net of depreciation, of \$3,084,168 is an increase of \$167,341 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Spring City Corporation
Management's Discussion and Analysis
June 30, 2022

Spring City Corporation's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
2014 Lease Revenue Bonds	\$ -	20,000
Total business-type	\$ -	20,000
Business-type activities:		
1998B Water Revenue Bonds	\$ 195,166	203,905
2008 Water Revenue Bonds	165,236	187,236
1990B Sewer Revenue Bonds	114,975	126,504
2018 Water Revenue Bonds	148,993	168,993
Total business-type	\$ 624,370	686,638
Total outstanding debt	\$ 624,370	706,638

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Spring City Corporation'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:

Budget Officer
Spring City
150 East Center
P.O. Box 189
Spring City, UT 84662

BASIC FINANCIAL STATEMENTS

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Spring City Corporation
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 374,933	1,595,439	1,970,372
Accounts receivable, net	117,741	152,134	269,874
Other current assets	288	-	288
Total current assets	492,962	1,747,573	2,240,535
Non-current assets:			
Restricted cash and cash equivalents	362,191	230,956	593,147
Capital assets:			
Not being depreciated	1,394,849	591,110	1,985,959
Net of accumulated depreciation	1,640,637	2,493,058	4,133,695
Net pension asset	27,377	102,989	130,366
Total non-current assets	3,425,054	3,418,113	6,843,167
Total assets	3,918,016	5,165,686	9,083,701
Deferred outflows of resources - pensions	13,185	50,585	63,770
Total assets and deferred outflows of resources	\$ 3,931,200	5,216,271	9,147,471
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 180,567	83,783	264,350
Compensated absences	2,432	3,839	6,271
Customer security deposits	-	29,117	29,117
Accrued interest payable	-	1,038	1,038
Revenue bonds due within one year	-	63,587	63,587
Total current liabilities	182,998	181,364	364,362
Non-current liabilities:			
Revenue bonds due after one year	-	560,783	560,783
Total non-current liabilities	-	560,783	560,783
Total liabilities	182,998	742,146	925,145
Deferred inflows of resources - property taxes	83,659	-	83,659
Deferred inflows of resources - pensions	37,199	140,044	177,243
Total liabilities and deferred inflows of resources	303,857	882,190	1,186,047
NET POSITION:			
Net investment in capital assets	3,035,486	2,459,798	5,495,284
Restricted for:			
Cemetery endowments	149,606	-	149,606
Debt service	-	230,956	230,956
Unrestricted	442,252	1,643,327	2,085,578
Total net position	3,627,344	4,334,081	7,961,425
Total liabilities, deferred inflows of resources and net position	\$ 3,931,200	5,216,271	9,147,471

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 206,298	34,875	-	-	(171,422)
Public safety	233,165	61,618	29,771	-	(141,776)
Streets and landfill	102,333	31,607	135,681	-	64,955
Parks and recreation	33,474	11,710	-	-	(21,764)
Cemetery	63,967	47,850	-	-	(16,117)
Interest on long-term debt	189	-	-	-	(189)
Total governmental activities	639,426	187,660	165,453	-	(286,313)
Business-type activities:					
Water	257,958	244,905	63,910	338,934	389,791
Sewer	141,833	166,056	-	-	24,223
Electric	769,916	737,931	-	21,125	(10,860)
Total business-type activities	1,169,708	1,148,893	63,910	360,059	403,154
Total primary government	\$ 1,809,134	1,336,553	229,362	360,059	116,841

(continued on next page)

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2022

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (286,313)	403,154	116,841
General revenues:			
Property taxes	98,548	-	98,548
Sales tax	252,472	-	252,472
Other taxes	2,445	-	2,445
Unrestricted investment earnings	10,437	1,201	11,638
Donations	20,383	-	20,383
Miscellaneous	22,698	-	22,698
Total general revenues	406,982	1,201	408,184
Change in net position	120,669	404,355	525,024
Net position - beginning	3,506,675	3,929,726	7,436,401
Net position - ending	\$ 3,627,344	4,334,081	7,961,425

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

		Nonmajor Governmental Funds			
	General Fund	Old School Restoration Fund	Capital Projects Fund	Cemetery Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 374,933	-	-	-	374,933
Receivables:					
Accounts receivable	6,937	-	-	70	7,007
Property tax receivable	87,196	-	-	-	87,196
Due from other governments	23,537	-	-	-	23,537
Other assets	288	-	-	-	288
Restricted cash and cash equivalents	-	865	211,790	149,536	362,191
TOTAL ASSETS	\$ 492,892	865	211,790	149,606	855,153
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities:					
Accounts payable	\$ 178,864	-	-	-	178,864
Accrued liabilities	1,703	-	-	-	1,703
Unearned revenue	-	-	-	-	-
Total liabilities	180,567	-	-	-	180,567
Deferred inflows of resources:					
Property tax	83,659	-	-	-	83,659
Total deferred inflows of resources	83,659	-	-	-	83,659
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	264,226	-	-	-	264,226
FUND BALANCES:					
Nonspendable:					
Endowments	-	-	-	149,606	149,606
Assigned for:					
Community improvements	-	865	211,790	-	212,655
Unassigned	228,666	-	-	-	228,666
TOTAL FUND BALANCES	228,666	865	211,790	149,606	590,928
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 492,892	865	211,790	149,606	855,153

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2022

	Nonmajor Governmental Funds				Total
	General	Old School	Capital	Cemetery	Governmental
	Fund	Restoration	Projects	Fund	Funds
		Fund	Fund		
REVENUES:					
Taxes:					
Property	\$ 98,548	-	-	-	98,548
Sales	252,472	-	-	-	252,472
Other taxes	2,445	-	-	-	2,445
License and permits	17,203	-	-	-	17,203
Intergovernmental revenues	165,453	-	-	-	165,453
Charges for services	152,534	-	-	12,900	165,434
Fines and forfeitures	5,023	-	-	-	5,023
Interest	7,506	-	2,065	866	10,437
Donations	-	20,383	-	-	20,383
Miscellaneous revenue	22,698	-	-	-	22,698
Total revenues	723,881	20,383	2,065	13,766	760,095
EXPENDITURES:					
General government	151,431	-	-	-	151,431
Public safety	230,327	-	-	-	230,327
Streets and landfill	280,498	-	-	-	280,498
Parks and recreation	33,228	-	-	-	33,228
Cemetery	56,182	-	-	4,100	60,282
Debt service:					
Principal	-	20,000	-	-	20,000
Interest	-	383	-	-	383
Total expenditures	751,665	20,383	-	4,100	776,148
Excess (Deficiency) of Revenues over (Under) Expenditures	(27,784)	-	2,065	9,666	(16,053)
Other financing sources and (uses):					
Transfers in	-	-	50,000	-	50,000
Transfers out	(50,000)	-	-	-	(50,000)
Total other financing sources and (uses)	(50,000)	-	50,000	-	-
Fund balances - beginning of year	306,450	865	159,725	139,941	606,981
Fund balance - end of year	\$ 228,666	865	211,790	149,606	590,928

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
June 30, 2022

Total Fund Balance for Governmental Funds	<u>\$ 590,928</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	6,086,666
Less accumulated depreciation	<u>(3,051,180)</u>
Net capital assets	<u>3,035,486</u>
Net pension asset	<u>27,377</u>
Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	<u>13,185</u>
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
Compensated absences	<u>(2,432)</u>
Certain revenue is deferred in governmental funds but not in the statement of net position because it qualifies for recognition under the economic resources measurement focus.	
Deferred inflows of resources - pensions	<u>(37,199)</u>
Total Net Position of Governmental Activities	<u><u>\$ 3,627,344</u></u>

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (16,053)</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost so allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	214,049
Depreciation expense	(109,693)
Net	<u>104,356</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements.	<u>11,934</u>
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-term debt principal repayments	<u>20,000</u>
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Accrued interest for long-term debt is not reported as an expenditures for the current period, while it is recorded in the statement of activities.

Change in accrued interest	<u>194</u>
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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.

Change in compensated absences	<u>238</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 120,669</u></u>
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The notes to the financial statements are an integral part of this statement.

Spring City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

	Water Fund	Sewer Fund	Electric Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Current assets:				
Cash and cash equivalents	\$ 372,556	329,731	893,152	1,595,439
Accounts receivable, net	84,814	19,368	47,952	152,134
Total current assets	<u>457,370</u>	<u>349,099</u>	<u>941,104</u>	<u>1,747,573</u>
Non-current assets:				
Restricted cash and cash equivalents	79,794	151,162	-	230,956
Capital assets:				
Not being depreciated	591,110	-	-	591,110
Net of accumulated depreciation	1,442,803	626,945	423,310	2,493,058
Net pension asset	19,555	11,733	71,701	102,989
Total non-current assets	<u>2,133,262</u>	<u>789,840</u>	<u>495,012</u>	<u>3,418,113</u>
Total assets	<u>2,590,632</u>	<u>1,138,938</u>	<u>1,436,115</u>	<u>5,165,686</u>
Deferred outflows of resources - pensions	9,353	5,915	35,318	50,585
Total assets and deferred outflows of resources	<u>\$ 2,599,985</u>	<u>1,144,853</u>	<u>1,471,433</u>	<u>5,216,271</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 62,000	-	21,783	83,783
Compensated absences	176	176	3,488	3,839
Customer security deposits	6,250	-	22,867	29,117
Accrued interest payable	1,038	-	-	1,038
Revenue bonds, current portion	51,468	12,119	-	63,587
Total current liabilities	<u>120,931</u>	<u>12,295</u>	<u>48,137</u>	<u>181,364</u>
Non-current liabilities:				
Revenue bonds, long-term	457,927	102,856	-	560,783
Total non-current liabilities	<u>457,927</u>	<u>102,856</u>	<u>-</u>	<u>560,783</u>
Total liabilities	<u>578,858</u>	<u>115,151</u>	<u>48,137</u>	<u>742,146</u>
Deferred inflows of resources - pensions	26,564	15,970	97,509	140,044
Total liabilities and deferred inflows of resources	<u>605,422</u>	<u>131,121</u>	<u>145,647</u>	<u>882,190</u>
NET POSITION:				
Net investment in capital assets	1,524,518	511,970	423,310	2,459,798
Restricted for:				
Debt service	79,794	151,162	-	230,956
Unrestricted	390,250	350,601	902,476	1,643,327
Total net position	<u>1,994,563</u>	<u>1,013,732</u>	<u>1,325,786</u>	<u>4,334,081</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,599,985</u>	<u>1,144,853</u>	<u>1,471,433</u>	<u>5,216,271</u>

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2020

	Water Fund	Sewer Fund	Electric Fund	Total Enterprise Funds
Operating income:				
Charges for sales and service	\$ 225,458	166,056	598,255	989,769
Connection fees	18,447	-	91,824	110,272
Other operating income	1,000	-	47,852	48,852
Total operating income	244,905	166,056	737,931	1,148,893
Operating expenses:				
Purchased product	-	-	340,684	340,684
Personnel services	56,337	43,713	171,617	271,667
Repair and maintenance	38,465	6,123	175,519	220,107
Utilities	22,376	2,276	6,796	31,447
Other supplies and expenses	23,599	16,670	16,855	57,124
Insurance	10,534	5,267	15,800	31,601
Depreciation expense	92,103	63,210	42,645	197,958
Total operating expense	243,413	137,259	769,916	1,150,588
Net operating income (loss)	1,492	28,798	(31,985)	(1,695)
Non-operating income (expense):				
Impact fees	20,434	-	21,125	41,559
Grant income	63,910	-	-	63,910
Interest income	399	752	51	1,201
Interest on long-term debt	(14,545)	(4,575)	-	(19,119)
Total non-operating income (expense)	70,198	(3,823)	21,176	87,551
Income (loss) before capital contributions and transfers	71,689	24,975	(10,809)	85,855
Capital contributions	318,500	-	-	318,500
Change in net position	390,189	24,975	(10,809)	404,355
Net position - beginning	1,604,373	988,757	1,336,595	3,929,726
Net position - ending	\$ 1,994,563	1,013,732	1,325,786	4,334,081

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	Water Fund	Sewer Fund	Electric Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers - service	\$ 243,603	163,115	757,596	1,164,314
Cash paid to suppliers	(61,451)	(30,416)	(592,323)	(684,190)
Cash paid to employees	(65,542)	(49,653)	(204,772)	(319,968)
Net cash provided (used) in operating activities	116,610	83,045	(39,500)	160,156
Cash flows from noncapital financing activities:				
Net cash provided (used) in noncapital financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Cash from impact fees	20,434	-	21,125	41,559
Cash from grant income	63,910	-	-	63,910
Cash from capital grants	348,500	-	-	348,500
Cash payments for capital assets	(346,000)	-	(19,300)	(365,300)
Cash payments for long-term debt principal	(50,739)	(11,529)	-	(62,269)
Cash payments for long-term debt interest	(14,813)	(4,575)	-	(19,388)
Net cash provided (used) in capital and related financing activities	21,291	(16,104)	1,826	7,012
Cash flows from investing activities:				
Cash received from interest earned	399	752	51	1,201
Net cash provided (used) in investing activities	399	752	51	1,201
Net increase (decrease) in cash	138,300	67,694	(37,624)	168,369
Cash balance, beginning	314,050	413,199	930,776	1,658,026
Cash balance, ending	\$ 452,350	480,893	893,152	1,826,395
Cash reported on the statement of net position:				
Cash and cash equivalents	\$ 372,556	329,731	893,152	1,595,439
Non-current restricted cash	79,794	151,162	-	230,956
Total cash and cash equivalents	\$ 452,350	480,893	893,152	1,826,395

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2022

**Reconciliation of Operating Income to Net Cash
Provided (Used) in Operating Activities:**

	Water Fund	Sewer Fund	Electric Fund	Total Enterprise Funds
Net operating income (expense)	\$ 1,492	\$ 28,798	\$ (31,985)	(1,695)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	92,103	63,210	42,645	197,958
Changes in assets and liabilities:				
(Increase) decrease in receivables	(2,002)	(2,941)	17,518	12,575
(Increase) decrease in net pension asset	(19,555)	(11,733)	(71,701)	(102,989)
(Increase) decrease in deferred outflows	(3,612)	(2,167)	(13,242)	(19,021)
Increase (decrease) in payables	33,523	(81)	(36,669)	(3,227)
Increase (decrease) in customer deposits	700	-	2,146	2,846
Increase (decrease) in compensated absences	(772)	(453)	(793)	(2,018)
Increase (decrease) in net pension liability	(1,113)	(1,095)	(5,521)	(7,728)
Increase (decrease) in deferred inflows	15,846	9,508	58,101	83,455
Net cash provided (used) in operating activities	\$ 116,610	83,045	(39,500)	160,156

The notes to the financial statements are an integral part of this statement.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Spring City Corporation (the City), a municipal corporation incorporated under the laws of the State of Utah and located in Sanpete County, Utah, operates under a Mayor-Council form of government.

The accompanying financial statements of the City have been prepared to conform with generally accepted account principles (GAAP) as applicable to state and local governments. The Governmental Account Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City applies the criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City has no component units included within its reporting entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The *statement of net position* reports the financial position of the governmental and business-type activities of the City and its discretely presented component units (if any) at year-end.

The *statement of activities* reports the expenses of a given function offset by program revenues directly connected with 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. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following nonmajor governmental funds:

The *old school restoration fund* accounts for financial resources used for the restoration of the old school.

The *capital projects fund* accounts for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *cemetery fund* accounts for financial resources used for the maintenance and upkeep of the cemetery.

Proprietary funds

The City reports the following major proprietary funds:

The *water fund* is used to account for the activities of the City's culinary water distribution system.

The *sewer fund* is used to account for the activities of the City's sewer treatment and collection operations.

The *electric fund* is used to account for the activities of the City's electric generation and distribution operations.

1-E. Assets, Liabilities, and Net Position or Equity

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 3.

1-E-2. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-E-3. *Receivables and Payables (continued)*

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. *Restricted Assets*

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-5. *Inventories and Prepaid items*

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

1-E-6. *Capital Assets*

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-E-6. Capital Assets (continued)

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	7-40
Infrastructure	7-40
Machinery and equipment	5-15

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

1-E-8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for these compensated absences is reported in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

1-E-9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Property taxes 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. The City also reports deferred inflows of resources related to pensions as required by GASB 68.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-E-10. Fund Equity

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

Net investment in capital assets - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

In the fund financial statements governmental fund equity is classified as fund balance. Governmental fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

Descriptions of each follow:

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The City reports endowments and prepaid assets as nonspendable.

Restricted fund balance - 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 the government or b) imposed by law through constitutional provisions or enabling legislation. The City does not currently carry a restricted fund balance.

Committed fund balance - Amounts that can only be used for specific purposes established by formal action of the City Council, with 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 fund balance - 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 category includes remaining positive balances for governmental funds other than the General Fund.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary fund equity is classified the same as in the government-wide statements.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1-E-11. Pensions

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

1-E-12. Estimates

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 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the City from creating a deficit fund balance by making expenditures in excess of amounts budgeted. Any deficit so created must be made up in the following fiscal year. Deficits arising from emergencies, however, may be retired over five years. The maximum amount held in the general fund may not exceed 25% of the actual revenue of the fund for the current year.

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2022 consist of the following:

	<u>Fair Value</u>
Deposits:	
Cash on hand	\$ 1,402
Demand deposits - checking	181,230
Investments:	
Deposits - PTIF	<u>2,380,887</u>
Total deposits and investments	<u>\$ 2,563,520</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 1,970,372
Restricted cash and cash equivalents (non-current)	593,147
Total cash and cash equivalents	<u>\$ 2,563,520</u>

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

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

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of bank failure, the City's deposit may not be returned to it. 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, 2022, all of the City's demand deposits were covered by FDIC insurance.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-A. Deposits and investments (continued)

Investments

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s, bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer’s office.

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 participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2022 the government had the following investment and maturities:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 2,380,887	2,380,887	-	-	-
Total Fair Value	<u>\$ 2,380,887</u>	<u>2,380,887</u>	<u>-</u>	<u>-</u>	<u>-</u>

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy-for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

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

Fair value of investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2021, the City had \$2,380,887 invested in the PTIF, which uses a Level 2 fair value measurement.

At June 30, 2022 the City had the following investments and quality ratings:

	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 2,380,887	-	-	-	2,380,887
Total Fair Value	\$ 2,380,887	-	-	-	2,380,887

3-B. Receivables

The allowance policy is described in Note 1-E-3. All receivable amounts are deemed collectible, so there is no allowance. Receivables as of year-end for the City's funds are shown below:

	Governmental Activities		Business-type Activities			Total
	General Fund	Cemetery Fund	Water Fund	Sewer Fund	Electric Fund	
Customer accounts	\$ 6,937	70	22,814	19,368	47,952	97,141
Property taxes	87,196	-	-	-	-	87,196
Due from other governments	23,537	-	62,000	-	-	85,537
Total receivables	\$ 117,670	70	84,814	19,368	47,952	269,874

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land rights	\$ 1,180,800	-	-	1,180,800
Construction in progress	-	214,049	-	214,049
Total capital assets, not being depreciated	1,180,800	214,049	-	1,394,849
Capital assets, being depreciated:				
Buildings	498,604	-	-	498,604
Improvements other than buildings	3,780,912	-	-	3,780,912
Machinery and equipment	412,300	-	-	412,300
Total capital assets, being depreciated	4,691,817	-	-	4,691,817
Less accumulated depreciation for:				
Buildings	287,090	13,124	-	300,215
Improvements other than buildings	2,308,975	80,534	-	2,389,509
Machinery and equipment	345,422	16,034	-	361,457
Total accumulated depreciation	2,941,488	109,693	-	3,051,180
Total capital assets being depreciated, net	1,750,329	(109,693)	-	1,640,637
Governmental activities capital assets, net	\$ 2,931,129	104,356	-	3,035,486

Depreciation expense was charged to functions/programs of the primary government governmental activities was follows:

Governmental activities:	
General government	\$ 56,327
Public safety	2,838
Streets	46,595
Parks and recreation	247
Cemetery	3,686
Total	\$ 109,693

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-C. Capital Assets (continued)

Capital asset activity for the business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land and water shares	\$ 7,110	-	-	7,110
Construction in progress	238,000	346,000	-	584,000
Total capital assets, not being depreciated	245,110	346,000	-	591,110
Capital assets, being depreciated:				
Water system	3,497,172	-	-	3,497,172
Sewer system	2,483,295	-	-	2,483,295
Electric system	891,859	19,300	-	911,159
Machinery and equipment	497,079	-	-	497,079
Total capital assets, being depreciated	7,369,405	19,300	-	7,388,705
Less accumulated depreciation for:				
Water system	1,964,689	90,415	-	2,055,103
Sewer system	1,797,199	61,240	-	1,858,439
Electric system	568,301	22,292	-	590,594
Machinery and equipment	367,499	24,011	-	391,510
Total accumulated depreciation	4,697,688	197,958	-	4,895,647
Total capital assets being depreciated, net	2,671,717	(178,659)	-	2,493,058
Business-type activities capital assets, net	\$ 2,916,827	167,341	-	3,084,168

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-type activities:	
Water system	\$ 92,103
Sewer system	63,210
Electric system	42,645
Total	\$ 197,958

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-D. Long-term debt

Long-term debt activity for the governmental activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 Lease Revenue Bonds							
Matured 2022	\$ 325,000	2.50	\$ 20,000	-	20,000	-	-
Total governmental activity							
long-term liabilities			\$ 20,000	-	20,000	-	-

The 2014 Lease Revenue Bonds were used for the restoration of the historic Old School. The City pledged revenues to repay the bonds and has paid them in full as of year end.

The City has no unused lines of credit as of June 30, 2022.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-D. Long-term debt (continued)

Long-term debt activity for the business-type activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1998B Water Revenue Bonds							
Matures 2037	\$ 344,000	4.50	\$ 203,905	-	8,739	195,166	9,468
2008 Water Revenue Bonds							
Matures 2029	410,000	2.50	187,236	-	22,000	165,236	22,000
1990B Sewer Revenue Bonds							
Matures 2030	300,500	5.00	126,504	-	11,529	114,975	12,119
2018 Water Revenue Bonds							
Matures 2030	419,000	1.00	168,993	-	20,000	148,993	20,000
Total business-type activity							
long-term liabilities			\$ 686,638	-	62,268	624,370	63,587

The 1998 Water Revenue Bonds were used for water system improvements. The 2008 Water Revenue Bonds were used for the construction of a new water tank. The 2018 Water Revenue Bonds were used for the redevelopment of springs. The City pledges income derived from the water system to repay the revenue bonds through the maturity dates listed above. Annual principal and interest payments are expected to require less than sixty-five percent of the total water income.

The 1990 Sewer Revenue Bonds were used for the sewer system improvements. The City pledges income derived from the sewer system to repay the revenue bonds through the maturity dates listed above. Annual principal and interest payments are expected to required less than forty percent of the total sewer income.

Bond debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2023	\$ 63,587	22,865	86,452
2024	65,642	21,060	86,702
2025	66,749	19,178	85,927
2026	68,910	17,242	86,152
2027	70,128	15,224	85,352
2028 - 2032	211,043	42,804	253,848
2033 - 2037	78,311	15,409	93,720
Total	\$ 624,370	153,783	778,153

The City has direct borrowings related to business-type activities totaling \$624,370. The outstanding bonds are secured with their respective water and sewer revenues.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3-D. Long-term debt (continued)

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensated absences:			
Governmental	\$ 2,670	(238)	2,432
Business-type	5,857	(2,018)	3,839
Total	\$ 8,527	(2,256)	6,271
Net pension liability:			
Governmental	\$ 1,685	(1,685)	-
Business-type	7,728	(7,728)	-
Total	\$ 9,413	(9,413)	-

3-E. Interfund receivable, payables, and transfers

The General Fund transferred \$50,000 to the Capital Projects fund for future capital projects.

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans

General Information about the Pension Plan

Plan description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust funds:

Defined Benefit Plans

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system;

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system.

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:

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage 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%
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%

* with actuarial reductions

** All past-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.

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans (continued)

Contributions Rate Summary:

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

Contribution rates as of June 30, 2022 are as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k) Plan
Contributory System			
11 - Local Government Div - Tier 1	6.00	14.46	N/A
111 - Local Government Div - Tier 2	N/A	16.07	0.62
Noncontributory System			
15 - Local Government Div - Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69	10.00

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

For the fiscal year ended June 30, 2022, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 39,739	N/A
Public Safety System	1,362	-
Tier 2 Public Employee System	1,822	-
Tier 2 DC Only System	2,991	N/A
Total Contributions	\$ 45,913	\$ -

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

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

At June 30, 2022, we reported a net pension asset of \$130,366 and a net pension liability of \$0.

	(Measurement Date): December 31, 2021			Proportionate Share 12/31/2020	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share		
Noncontributory System	\$ 129,957	\$ -	0.0226916%	0.0181223%	0.0045693%
Tier 2 Public Employees System	409	-	0.0009668%	0.0008176%	0.0001492%
Total	\$ 130,366	\$ -			

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans (continued)

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, we recognize pension expense of (\$12,214).

At June 30, 2022, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,811	\$ 53
Changes in assumptions	12,579	843
Net difference between projected and actual earnings on pension plan investments	-	175,981
Changes in proportion and differences between contributions and proportionate share of contributions	14,453	366
Contributions subsequent to the measurement date	22,927	-
Total	\$ 63,770	\$ 177,243

\$22,927 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, 2021.

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:

<u>Year Ended December 31,</u>	Net Deferred Outflows (Inflows) of Resources
2022	\$ (21,192)
2023	(44,235)
2024	(42,047)
2025	(29,195)
2026	58
Thereafter	210

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans (continued)

Actuarial assumptions:

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2021, valuation were based on the results of an actuarial experience study for the five year period ending December, 31, 2019.

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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Assets class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	37%	6.58%	2.43%
Debt securities	20%	-0.28%	-0.06%
Real assets	15%	5.77%	0.87%
Private equity	12%	9.85%	1.18%
Absolute return	16%	2.91%	0.47%
Cash and cash equivalents	0%	-1.01%	0.00%
Totals	100.00%		4.89%
	Inflation		2.50%
	Expected arithmetic nominal return		7.39%

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

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans (continued)

Discount rate:

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 69,882	\$ (129,957)	\$ (296,684)
Tier 2 Public Employees System	2,438	(409)	(2,595)
Total	\$ 72,320	\$ (130,366)	\$ (299,279)

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The City participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

Spring City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

4-C. Pension Plans (continued)

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

	2022	2021	2020
401(k) Plan			
Employer Contributions	\$ 4,614	\$ 2,186	\$ 31
Employee Contributions	5,200	5,200	5,200
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	6,900	7,800	4,751

4-D. Subsequent events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 27, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Spring City Corporation
Notes to Required Supplementary Information
June 30, 2022

Budgetary Comparison Schedules

The Budgetary Comparison Schedule presented in this section of the report is for the City's 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 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

For the year ended June 30, 2022, expenditures were below budgeted amounts, except for the cemetery fund, which exceeded its budget by \$4,682.

Changes in Assumptions Related to Pensions

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

Spring City Corporation
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Property	\$ 96,644	103,892	98,548	(5,344)
Sales	192,000	233,479	252,472	18,993
Other taxes	2,200	2,445	2,445	-
License and permits	20,650	21,293	17,203	(4,090)
Intergovernmental revenues	95,500	164,771	165,453	682
Charges for services	113,910	141,615	152,534	10,919
Fines and forfeitures	7,000	7,000	5,023	(1,977)
Interest	7,300	5,000	7,506	2,506
Miscellaneous revenue	18,000	22,241	22,698	457
Total revenues	553,204	701,736	723,881	22,146
EXPENDITURES:				
General government	130,886	168,442	151,431	17,011
Public safety	222,464	241,569	230,327	11,242
Streets and landfill	125,800	358,249	280,498	77,751
Parks and recreation	13,200	34,959	33,228	1,731
Cemetery	46,500	51,500	56,182	(4,682)
Total expenditures	538,850	854,719	751,665	103,054
Excess (deficiency) of revenues over (under) expenditures	14,354	(152,983)	(27,784)	125,199
Other financing sources and (uses):				
Transfers out	-	(50,000)	(50,000)	-
Total other financing sources and (uses)	-	(50,000)	(50,000)	-
Excess of revenues and other financing sources over expenditures and uses	\$ 14,354	(202,983)	(77,784)	125,199

Spring City Corporation
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2022
Last 10 Fiscal Years*

	As of December 31,							
	2022	2021	2019	2018	2017	2016	2015	2014
Noncontributory Retirement System								
Proportion of the net pension liability (asset)	0.0226916%	0.0181223%	0.0165985%	0.0164096%	0.0183135%	0.0164843%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ (129,957)	\$ 9,296	\$ 62,558	\$ 120,836	\$ 80,237	\$ 105,849	\$ -	\$ -
Covered employee payroll	\$ 205,731	\$ 175,504	\$ 155,592	\$ 143,288	\$ 157,912	\$ 141,936	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-63.17%	5.30%	40.21%	84.33%	50.81%	75.57%	0.00%	0.00%
Plan fiduciary net position as a percentage of the liability (asset)	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	0.00%	0.00%
Contributory Retirement System								
Proportion of the net pension liability (asset)	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0801076%	0.3357934%	0.3160759%
Proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,284	\$ 236,014	\$ 91,170
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,221	\$ 143,078	\$ 168,700
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	136.75%	164.96%	54.00%
Plan fiduciary net position as a percentage of the liability (asset)	0.00%	0.00%	0.00%	0.00%	0.00%	92.90%	85.70%	94.00%
Tier 2 Public Employees Retirement System								
Proportion of the net pension liability (asset)	0.0009668%	0.0008176%	0.0012626%	0.0029294%	0.0034451%	0.0035513%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ (409)	\$ 118	\$ 284	\$ 1,255	\$ 304	\$ 396	\$ -	\$ -
Covered employee payroll	\$ 17,989	\$ 13,012	\$ 17,664	\$ 34,144	\$ 33,713	\$ 29,124	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-2.27%	0.91%	1.61%	3.68%	0.90%	1.36%	0.00%	0.00%
Plan fiduciary net position as a percentage of the liability (asset)	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%	0.00%	0.00%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will be built prospectively.

Spring City Corporation
SCHEDULE OF CONTRIBUTIONS
June 30, 2022
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory Retirement System	2016	\$ 9,354	\$ 9,354	\$ -	\$ 51,417	18.19%
	2017	31,123	31,123	-	168,508	18.47%
	2018	26,067	26,067	-	141,132	18.47%
	2019	28,565	28,565	-	154,654	18.47%
	2020	29,365	29,365	-	158,990	18.47%
	2021	36,962	36,962	-	200,120	18.47%
	2022	39,739	39,739	-	215,152	18.47%
Contributory System	2014	21,218	21,218	-	159,774	13.28%
	2015	24,288	24,288	-	169,757	14.31%
	2016	13,136	13,136	-	90,842	14.46%
Public Safety System	2022	1,362	1,362	-	14,001	9.73%
Tier 2 Public Employees Retirement System**	2016	2,434	2,434	-	15,612	15.59%
	2017	4,542	4,542	-	30,462	14.91%
	2018	5,001	5,001	-	33,100	15.11%
	2019	5,637	5,637	-	36,274	15.54%
	2020	457	457	-	2,925	15.64%
	2021	3,274	3,274	-	20,720	15.80%
	2022	1,822	1,822	-	1,855	15.37%
Tier 2 Public Employees DC Only System**	2021	1,205	1,205	-	18,013	6.69%
	2022	2,991	2,991	-	44,705	6.69%

* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will be built prospectively.

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

OTHER REPORTS

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**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,
Spring City, Utah

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, each major fund, and the aggregate remaining fund information of Spring City, Utah (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 27, 2022.

Report on 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) as a basis for designing 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 have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spring City, Utah's financial statements are free from 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 financial statements. However, providing an opinion on

compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

 CPA
Greg Ogden,
Certified Public Accountant
Springville, Utah
October 27, 2022

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 COMPLIANCE AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE***

Honorable Mayor
Members of the City Council
Spring City, Utah

REPORT ON COMPLIANCE

I have audited Spring City, Utah's (City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2022.

State compliance requirements were tested for the year ended June 30, 2022 in the following areas:

Budgetary Compliance
Fund Balance
Justice Courts
Restricted Taxes and Related Revenues
Fraud Risk Assessment
Government Fees
Cash Management
Impact Fees
Utah Retirement Systems
Public Treasurer's Bond

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Compliance

In my opinion, Spring City, Utah complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2022.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in my management letter dated October 24, 2022 as item 2022-1 under the State Compliance Finding heading. My opinion on compliance is not modified with respect to this matter.

City's Response to Findings

The City's response to the noncompliance finding identified in my audit is described in the accompanying management letter. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 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 state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

 CPA
Greg Ogden,
Certified Public Accountant
Springville, Utah
October 27, 2022

**SPRING CITY, UTAH
MANAGEMENT LETTER
JUNE 30, 2022**

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor
Members of the City Council
Spring City, Utah

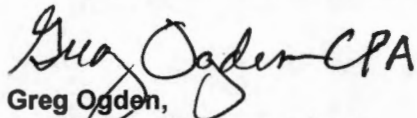
Council Members:

While planning and performing my audit of the basic financial statements of Spring City, Utah (City) for the year ended June 30, 2022, 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 finding from the audit is attached. If the weaknesses and deficiencies noted in this 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 Spring 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.

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is fluid and cursive, with the "CPA" part written in a slightly different style than the name.

Greg Ogden,
Certified Public Accountant
Springville, Utah
October 24, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDING

2022-1 CONDITION – IMPACT FEE REPORTING ISSUES

The City's impact fee report did not include all of the unspent impact fees held by the City at June 30, 2022. The report did not include plans for the future use of the impact fees.

CRITERIA

The City is required to submit an annual report detailing all unspent balances of impact fees.

CAUSE

The City had prepaid large amounts for water and electric system expansion projects. The newly collected impact fees were intended to offset those prior expenses. In years in which that was the case, the City was only required to report the details of impact fees collected in the current year. That had been the case for both types until 2021, when all of the prior electric expenses were offset, resulting in an unspent balance.

EFFECT

The City's impact fee reporting was missing required information.

RECOMMENDATION

I recommend that the impact fee reporting be updated to include the details of all unspent electric impact fees and the City's plans for the future use of those impact fees.

RESPONSE – SPRING CITY

We, and specifically our Treasurer, will do our best to more accurately report our impact fee revenue and expenditures, especially those of the electric department. We will update both our office procedures and our oversight practices so that we can correct this issue.