

**COTTONWOOD HEIGHTS (A CITY), UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016**



Cottonwood Heights, Utah
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016
With
Independent Auditor's Report

Prepared by

Cottonwood Heights Finance

Dean Lundell, CPA, Director of Finance

David Muir, MBA, CPFA, CPFIM Treasurer/Financial Reporting Manager

**COTTONWOOD HEIGHTS, UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016**

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COTTONWOOD HEIGHTS
INTRODUCTORY SECTION



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Cottonwood Heights
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

COTTONWOOD HEIGHTS
INTRODUCTORY SECTION



Mayor
Kelvyn Cullimore
City Council
Michael Shelton
Scott Bracken
Mike Peterson
Tee Tyler
City Manager
John Park

December 13, 2016

To the Honorable Mayor, City Council and
Citizens of Cottonwood Heights

Overview

It is our great pleasure to present the Comprehensive Annual Financial Report (CAFR) for the City of Cottonwood Heights (the City) for the fiscal year ended June 30, 2016.

Utah State law requires that all local governments publish, within six months of the close of each fiscal year, the complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the CAFR of Cottonwood Heights for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of Cottonwood Heights. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of Cottonwood Heights has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of Cottonwood Height's financial statements in conformity with generally accepted accounting principles. Since the cost of internal controls should not outweigh their benefits, Cottonwood Heights' framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material aspects. Larson & Company, PC, a firm of certified public accountants, has audited Cottonwood Heights' financial statements. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of Cottonwood Heights

Cottonwood Heights was incorporated on January 14, 2005 out of the southeastern area of unincorporated Salt Lake County. The current population is estimated at 34,343 residents in an area encompassing 9.24 square miles. It is known as the ***City between the Canyons*** because it is located at the foot of the Wasatch Mountain Range between Big Cottonwood and Little Cottonwood Canyons. These two canyons are home to Salt Lake Valley's four major ski resorts, Alta, Brighton, Solitude and Snowbird. Each of these ski resorts has an international clientele and reputation.

The quality of life in Cottonwood Heights is very high with many cultural and recreational activities available within the city or in near proximity. Cottonwood Heights highly values its reputation as a well-maintained residential and business community. The preservation of quality of life is of



utmost importance to residents and business owners. The City is proud of the stunning scenic background provided by the Wasatch Mountains and residents place a high value on the natural element of this area that contains a wide variety of hillsides, streams, natural open spaces and parks. The residents occupy a variety of residential dwellings in harmony with thriving commercial areas. In 2007 Money Magazine selected Cottonwood Heights as one of the 100 best places to live in the United States.

As the gateway to the valley's major ski resorts and with easy access to valley wide transportation systems, Cottonwood Heights welcomes many visitors. The city strives to attract businesses that provide desirable employment opportunities, serve the needs of residents and promote the attractive image and appearance of the community. These businesses support the general income and prosperity of the City, strengthen existing business centers and complement the City's location as the gateway to the canyons.

Citizens voted to operate Cottonwood Heights from its inception under the "Council – Manager" form of government. Under this form of government the citizens elect a council member from each of four districts and a Mayor is elected at-large. The Mayor and Council select a City Manager who acts as the Chief Executive Officer of the City. Policy making and

**COTTONWOOD HEIGHTS
INTRODUCTORY SECTION**

legislative authority are vested in the Mayor and Council, execution and administration of policies and ordinances is the responsibility of the City Manager. The Mayor and Council serve part time. The City Manager serves full time.



Local economy

Despite the relatively small size of the City, Cottonwood Heights has one of the largest amounts of premium, high rise Class A office space in the valley at nearly 2,500,000 square feet (see table below), second in Salt Lake County only to downtown Salt Lake City. The City is home to the corporate offices of Extra Space Storage, JetBlue Airways,

Instructure, MasterControl, CHG Healthcare Services and SanDisk (Fusion-io) and Cottonwood Heights continues to attract large companies looking for a supportive business environment, access to the canyons and a high quality of service.

Cottonwood Heights has a notable amount of office space including three office parks catering to business of all sizes. The Old Mill Corporate Center, Cottonwood Corporate and the Union Park Center office complexes house all of the City’s Class A space and 72 percent of the total office space available. Quality Class B and C office space is dispersed through the City along major transportation corridors including Fort Union Boulevard, 1300 East, Highland Drive and 2300 East.

As of June 30, 2016			
	Class A	Class B	Class C
Total SF	2,335,842	514,035	89,389
% of Total SF	81.2%	15.9%	2.9%
Average Building SF	137,961	17,140	3,790
Number of Properties	16	30	24
Average Vacancy	3.5%	14.7%	2.9%
Average Lease(\$/SF)	\$30.50	\$20.15	\$15.23
Source: City Community and Economic Development department			

Long-term planning and major initiatives

Cottonwood Heights is largely built-out and therefore much of the future development options will occur in redevelopment areas along the Fort Union Boulevard corridor and areas of reuse,

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

such as the Wasatch Boulevard gravel pit which will ultimately offer between **150 and 200** acres for development.

Fort Union Boulevard is a focal point both figuratively and geographically for Cottonwood Heights. It is the major east-west arterial going through the city. It features a mix of retail, restaurants, service and professional offices and residential properties. Fort Union Boulevard serves as a gateway to Big & Little Cottonwood Canyons and area resort attractions. This corridor has, since the inception of the city, been identified in the General Plan as a gateway to the canyon and a future Utah Transit Authority transit corridor

The Wasatch Boulevard/Gravel Pit Area, is a crucial and keystone property in Cottonwood Heights. The gravel pit area is the largest undeveloped site in the city. It is estimated that quarry operations will cease in approximately 5-10 years. Therefore, the city is actively involved with property owners to master plan the site for the eventual development. At a conceivable **150 - 200** developable acres, the site presents notable opportunities to fill service and amenities as well as land use needs that are not being currently met in the city. This landmark property and proposed study are not only vital to Cottonwood Heights, but are regionally valuable due to its critical location at the mouth of Big Cottonwood Canyon and its world-class skiing and other related facilities. Development opportunities on site could include full-service hotels, high-density housing, destination retail and Class A offices.

City Hall. The City recently completed construction of a new Municipal Center housing City administration and law enforcement functions. This new building is a facility of which the City and its residents can be proud. It will be a focal point in the Community for decades to come.

The facility is the result of an extensive construction project which assembled eight parcels of land located at the corner of 2300 East and Bengal Boulevard (7600 South).



Services Provided

As a local general purpose government, Cottonwood Heights provides a full range of municipal services including police and fire protection, construction and maintenance of streets and other infrastructure, planning and zoning, community and economic development, recreational and cultural activities, justice court, and animal services. These services are paid primarily from taxes paid by Cottonwood Heights' residents.

Beginning July 2016, the City for the first time began self-providing public works services. These services, including street maintenance and snow plowing, were previously provided by an independent contractor. The City has hired staff and purchased equipment for this purpose.

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

Other services are also covered by taxes and fees but the City contracts with other entities to provide these services. These entities and the service(s) they provide are listed below:

- ❖ **The Cottonwood Heights Parks and Recreation Service Area** was created in June, 1967, and is legally separate and distinct from the City. This special district provides park maintenance and other recreational services.
- ❖ **Salt Lake County Public Works** provides roadway sign maintenance as well as street light and traffic signal maintenance.
- ❖ **The Unified Fire Authority (UFA)** is a political subdivision organized under an interlocal agreement in the State of Utah. They provide fire-fighting, rescue, and emergency medical services.
- ❖ **Salt Lake City Public Utilities** provides repair and maintenance on City fire hydrants.
- ❖ The City contracts with the law firm of **Jones Waldo Holbrook & McDonough PC** for legal services. **W. Shane Topham**, attorney from the firm functions as the City's sworn Attorney.
- ❖ The City contracts with the engineering firm of **Gilson Engineering, Inc.** for engineering services in connection with building and other real property development and public works, with **Brad Gilson** serving as the city engineer.
- ❖ The City contracts with the engineering firm of **Sunrise Engineering, Inc.** for building services in connection with building and other real property development, with **Jody Hilton** as the City Building Official.
- ❖ Municipal Justice Courts services are contracted through Holladay City Justice Court.

Municipal Type Services Not Provided by Cottonwood Heights

Some services typically provided by a municipality are provided through special service districts or Salt Lake County, rather than directly supplied by Cottonwood Heights. These services are provided directly to and paid by the citizens of Cottonwood Heights to these entities. These entities are listed below:

- ❖ **Salt Lake City Public Utilities Department** provides water treatment and distribution.
- ❖ **Jordan Valley Water Conservancy District** provides water distribution services to some areas of the city that are not served by Salt Lake City Public Utilities
- ❖ **Cottonwood Improvement District** provides wastewater collection services to an area that includes the entire City boundary.
- ❖ **Wasatch Front Waste & Recycling District** (Sanitation) provides refuse removal services to all areas of the city.
- ❖ **Cottonwood Heights Parks and Recreation Service Area.** Residents living within the boundaries of this service area pay a dedicated property tax to the Area to pay for several recreational facilities available for use by all Area residents.
- ❖ **The Salt Lake County Library System** provides two library facility within the Cottonwood Heights boundaries.
- ❖ **Valley Emergency Communications Center (VECC)** provides emergency dispatch services for both City Police department and Unified Fire Authority.

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

Financial information and policies

Cottonwood Heights' financial statements reflect moderate growth and conservative budgeting practices. During the year, the general fund balance increased \$215,821 to \$2,352,185, which is 13.10% of the revenues for the 2016 fiscal year. A new municipal energy and sales tax was implemented beginning October 1, 2015. This new revenue will be used to fund operations of city government including debt service payments related to the new municipal center and public works property and equipment as well as assisting to meet ongoing increases in operating expenses of the city.

Over the past five years, revenues in the general fund increased from \$14,810,833 to \$17,956,811. As a City without significant new growth, very little revenue growth is realized from property taxes. Sales tax revenues do increase with economic growth and the City has seen an increase in sales tax revenue of \$1,091,139 over this same 5 year period. The new municipal energy sales and use tax generated \$1,530,067 in the nine months it was implemented.

Expenditures of the last five years have increased from \$13,243,336 to \$17,470,866. Included in the current year's expenditures is debt service of \$918,965 related to the first payment on the 2014 Sales Tax bonds associated with the construction of city hall. Also during the year we paid full rents of \$360,000. Furthermore, the City's expenditures in road surface treatments in fiscal year 2011 were approximately \$300,000 lower than fiscal year 2016.

In order to maintain proper management and control of taxpayer funds, Cottonwood Heights has adopted a comprehensive set of financial policies. These policies cover areas such as: operating and capital budgeting, debt management, and accounting and financial reporting. Setting and adhering to sound financial policies helped the City receive a strong AA- bond rating from Standard and Poor's. A complete list of these policies is included in our annually adopted budget.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to an entity for its Comprehensive Annual Financial Report (CAFR) for a fiscal year period. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

This is the fifth year the City will complete and submit the CAFR to the GFOA to determine its eligibility for the Certificate of Achievement for Excellence in Financial Reporting. The City has received the award for each of the previous four years. The award was presented for FY 2015 to David Muir, City Treasurer/Financial Reporting Manager recognizing him as being primarily responsible for preparing an award-winning CAFR. It is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement for Excellence in Financial Reporting requirements.

COTTONWOOD HEIGHTS
INTRODUCTORY SECTION

The preparation of this report could not have been accomplished without the accounting and financial reporting expertise and dedicated service of David Muir, City Treasurer and Financial Reporting Manager of the Finance Department. We appreciate Larson & Company, PC, Certified Public Accountants, for the assistance and guidance they have given us. We also thank the members of the City Council and the Mayor for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

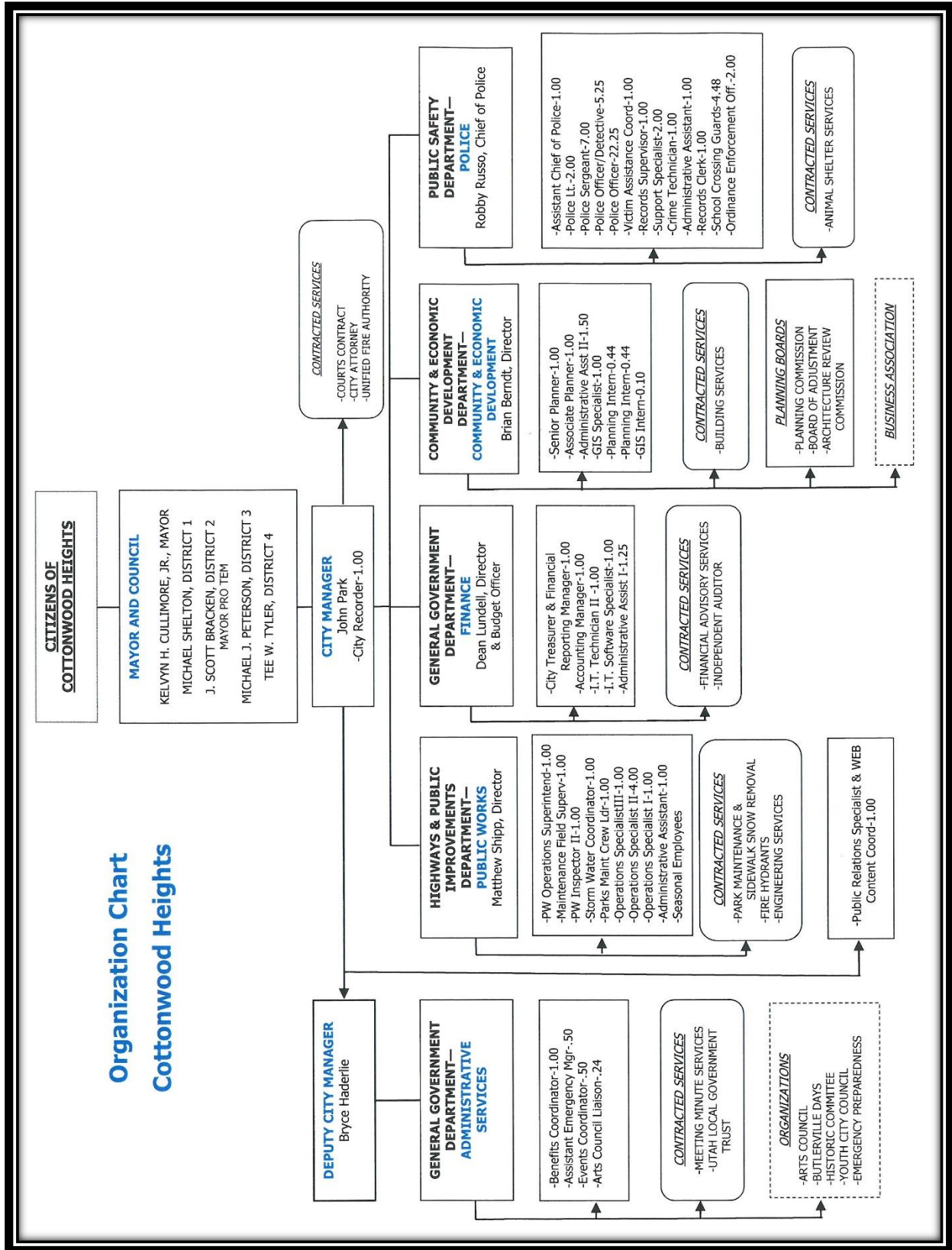


Dean Lundell
Finance Director



John Park
City Manager.

COTTONWOOD HEIGHTS INTRODUCTORY SECTION





INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
Cottonwood Heights, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cottonwood Heights (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cottonwood Heights, as of June 30, 2016, and the respective changes in financial position, the budgetary comparison for the general and special revenue funds, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information relating to pensions on pages 11-26, and 64-67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

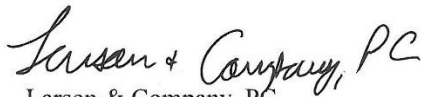
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottonwood Heights' basic financial statements. The introductory section, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Larson & Company, PC
Spanish Fork, Utah
December 13, 2016

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Cottonwood Heights (the City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. It is also intended to assist the reader in focusing on significant financial issues. These include identifying changes in the City's financial position (its ability to address the next and subsequent year's challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's fund balances of \$8,077,261, of which \$5,001,736 is unrestricted and may be appropriated for any future expenditure, is shown on the balance sheet of Governmental Funds on page 32. (See page 21 for complete fund balance analysis.)
 - \$2,352,185 fund balance in the General Fund (\$2,078,586 is unrestricted.)
 - \$3,902,903 fund balance in the Capital Projects Fund. Of this balance, \$2,788,848 is restricted as bond proceeds in trust for the new city municipal center construction, debt service and public works facilities and \$13,079 are restricted impact fees that are limited for specific uses defined by state law. The balance of \$1,100,977 is unrestricted.
 - \$1,822,173 fund balance in the Community Development Renewal Agency Fund (CDRA) which is unrestricted. These are funds transferred to the CDRA by Salt Lake County Redevelopment Agency during the fiscal year.
- In fiscal year 2016, the City's total net position from governmental activities decreased by \$299,590 to \$50,985,507. Total assets increased by \$351,164 and liabilities increased by \$650,752 resulting in the net position decrease of \$299,590 from operations. See page 16 "City's Government-wide Financial Analysis" for more details.
- Total net position of \$50,985,507 consists of:
 1. \$46,171,377 in capital assets, such as streets, bridges, land, buildings and other infrastructure, net of related debt and depreciation,
 2. Unrestricted Fund Balance of \$4,166,301. "Unrestricted Funds" is a term that designates the amount of money available for the City Council to spend for future needs. The City Council intends to use part of this Fund Balance for designated Capital Project use.
 3. Impact Fees of \$13,079 and Bond Debt Service funds of \$634,750.
- The City continues its capital lease used to finance the public safety fleet. This financing also provides for a guaranteed buy-back of the fleet by the vendor every other year. See page 17 and 26 for additional information about the City's capital vehicle lease program.
- The Municipal Center was under construction at year-end and was completed and occupied in September 2016. See page 17 and 26 for additional information about the City's sales tax revenue bonds that were the financing mechanism for the new Municipal Center."
- The General Fund balance increased by \$215,821, or 10.1 percent of the prior year's fund balance. The Capital Projects Fund decreased by \$9,854,841 from last year's ending balance due to payments made in the course of the year to fund the City

**COTTONWOOD HEIGHTS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Municipal Center construction. The bond proceeds used to make these payments were provided in a prior fiscal year.

- The City benefits from both operating grants and operating contributions, and capital grants and capital contributions. As a total of the 2016 budget, these funds accounted for 13.4 percent of total revenues. Operating grants totaling \$1,709,911 are comprised of the City’s portion of distributed gas tax revenues as well as other local grants. Capital grants and contributions are typically associated with one-time projects and totaled \$836,020 in FY 2016. Included in those grants was a contribution of \$741,752 by Salt Lake County, the administrator of funds provided by the 2015 State Legislature, for significant road projects in the county. The City expects to receive an additional \$758,248 in such grants in fiscal year 2017. Summary of grant and contribution revenues received by the City are summarized on the Statement of Activities (see page 31).

OPERATIONAL HIGHLIGHTS

- The City received \$2,545,931 in state and local grants and other contributions, including Class C roads of \$1,098,514 and \$741,752 as a contribution from Salt Lake County.
- The City broke ground on a new Municipal Center on August 3, 2015, with an expected completion date of September 2016. This project acquired eight existing parcels of land with an estimated overall budget, including land, of \$16,798,825. The building is designed by GSBS Architects and constructed by Layton Construction.
- The City Police department in its eighth year continues to have a highly skilled and trained investigative division. The City’s Police department responded to 18,210 calls for service during the year with an average response time for priority 1 calls of 4:19, down from 4:57 the previous year.
- In addition to numerous street and sidewalk improvement projects, the City completed 925,838 square feet (4.63% of all City roads) of road improvement projects, including asphalt overlays, chip seals and slurry seal treatments.
- The Community and Economic Development department continued to address the future of the Fort Union Boulevard corridor with the establishment of a corridor planning committee, city-wide bicycle plan, gravel pit area master plan and engaged citizens near Wasatch Boulevard to address its’ future.
- The City, in conjunction with Cottonwood Heights Parks and Recreation Service Area, has continued to promote successful community events enjoyed by residents of the city, including Butlerville Days, Easter Egg Hunt and various events such as Bark in the Park and Movies in the Park.
- During this fiscal year, the City produced “Shrek”; the community’s sixth theatre production. Arts grant revenues and ticket sales completely paid for production costs, thereby providing the arts council with funding for other arts events such as “Write for the Heights”, “Winter Song Fest”, drawing & painting show and photography contest.

COTTONWOOD HEIGHTS MANAGEMENT'S DISCUSSION AND ANALYSIS

- The City continues to publish a monthly newsletter that is direct mailed to over 10,000 households in the city and businesses to improve communications with the citizens of the city. In addition, work has continued to refine the city's web site to better facilitate interaction with constituents as well as fostering better use of social media including Twitter and Facebook.
- The Cottonwood Heights Business Association was formally started in 2015. It has continued to offer a business development program, an economic development banner program and business outreach programs through networking events such as luncheons, open houses, ribbon cuttings and business spotlights.
- The Community and Economic Development Department has created and continues to offer various business assistance publications including an annual Cottonwood Heights city magazine and an up-to-date commerce/market guide. The Department hosts training sessions for business owners in the city and has been streamlining business licensing processes while creating connections with new business owners.
- Cottonwood Heights maintains a very strong AA- bond rating from Standard and Poors. This strong rating enabled the City to secure low interest rates on bonds issued during the year to finance the completion of the City's Municipal Center and public works facilities.
- The City has been the recipient for nine consecutive years of the Distinguished Budget Presentation Award from the Government Finance Officers Association for excellence in budgeting. This award is the highest form of recognition in governmental budgeting.
- The Finance Department received the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2015. This is the fourth consecutive year this award has been earned by the Finance Department. This certificate is the highest form of recognition in governmental accounting and financial reporting for completion of the comprehensive annual financial report. The City has received this recognition each year it has compiled a CAFR and submitted it for examination. The Finance department has also been the recipient of the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2015. This award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. This is the third year the City has received this award.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Cottonwood Heights' basic financial statements which consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) supplementary information.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide financial statements (defined)

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

- ***The statement of net position*** presents information on all of Cottonwood Heights' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Cottonwood Heights is improving or deteriorating. However, the reader will also need to consider other non-financial factors.
- ***The statement of activities*** presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements distinguish functions of Cottonwood Heights 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**). ***Cottonwood Heights currently has no business-type activities.***

Fund financial statements (defined)

A statement of revenue, expenditures and changes in fund balance by fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Cottonwood Heights also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of a city are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Cottonwood Heights currently has three major governmental funds (as determined by generally accepted accounting principles), the General Fund, the CDRA Fund and the Capital Projects Fund. The City also has one proprietary fund, the Employee Benefit Fund (an internal service fund). ***Cottonwood Heights currently has no Fiduciary Funds.***

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

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities) and governmental funds is described in a reconciliation included with the fund financial statements.

- ***Proprietary funds*** – Cottonwood Heights maintains one proprietary fund, the Employee Benefit Fund (an internal service fund). This fund is an accounting device used to accumulate funding for and allocate costs for accrued paid time off (PTO) among the City's various functions. This fund provides the resources needed to pay out accrued vested PTO benefits without negatively impacting budgets in the year a payout occurs.

Notes to the financial statements

The notes provide additional information that is essential to an understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-62 of this report.

CITY'S GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Cottonwood Heights, assets exceeded liabilities by \$50,985,507 at the close of fiscal year ended June 30, 2016.

Cottonwood Heights was incorporated on January 14, 2005, the table below provides a comparison of the City's net position for each of the last ten years. As of June 30, 2016, assets exceed liabilities by \$50,985,507. This represents a decrease of \$299,590 in total net position when compared to the City's net position on June 30, 2015 due to governmental activities.

Current assets decreased by \$8,889,035 in large part due to spend down of bond proceeds for the construction of the City Municipal Center. This decrease was offset by a large increase in Capital Assets, resulting in \$351,164 net increase of total assets and deferred outflows. Total liabilities and deferred inflows, increased by \$650,752, due in part to recent financial pension recognition requirements of all governmental entities as well as increased payables associated with construction of the Municipal Center.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Cottonwood Heights
Net Position
As of June 30th**

Governmental Activities

	2016	2015
Current and other assets	10,783,815	19,672,850
Capital assets	59,363,624	51,067,783
Total assets	70,147,439	70,740,633
Deferred Pension Contributions	1,411,466	467,108
Total deferred outflow of resources	1,411,466	467,108
Total assets and deferred outflows	71,558,904	71,207,741
Current and other liabilities	4,111,115	3,014,087
Long-term liabilities outstanding	15,715,808	16,146,072
Total liabilities	19,826,922	19,160,159
Deferred uncollected property taxes	131,320	146,024
Deferred property tax revenue	424,072	443,592
Deferred pension inflows	191,085	172,871
Total deferred inflows of resources	746,476	762,487
Net position:		
Net investment in capital assets	46,171,376	45,924,687
Restricted	647,829	57,951
Unrestricted	4,166,302	5,302,458
Total net position	50,985,507	51,285,096

Assets

The largest portion of Cottonwood Heights' net position, \$46,171,377, reflects investment in capital assets (e.g., land, buildings, roads and infrastructure assets) net of related debt (if any). The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of any related debt and depreciation, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

In addition to the net capital assets mentioned above, the City has restricted and unrestricted assets. The City's \$13,079 in Impact Fees collected from development projects are restricted for the purpose for which they were collected and the Bond Debt Service of \$634,750 is restricted for the payment of bond debt, which reduced the City's unrestricted net position. The remaining balance is unrestricted net position totaling \$4,166,301 and may be used to meet the City's ongoing obligations and objectives by fund type.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Liabilities

On July 2, 2014, the City issued a Sales Tax Revenue Bond for \$14,664,340 to finance the construction of the City's Municipal Center. \$894,340 of this amount represents bond premium received by the City at the time of the issuance of the bonds. Generally Accepted Accounting Principles require this amount be amortized over the 25 year life of the bond. As of June 30, 2016 outstanding principal on the bond is \$13,705,000 with accrued interest of \$284,750 for bonds and an additional \$9,733 for a capital lease on public safety vehicles.

Additionally, the City has a capital lease for the purchase of police vehicles with a current principal amount due of \$818,551. Cottonwood Heights regularly deploys public safety vehicles with a two year lease, which includes a guaranteed buy-back with the original dealership. Each two years there is an original down payment and one additional payment one year into the lease. At the end of the two year lease purchase, the dealer re-purchases the vehicles for a previously agreed amount, usually clearing the remaining balance in full. This year the City paid \$329,789 as a payment for the current vehicle lease.

Other long-term obligations come from the Proprietary Fund accrual for earned Personal Time Off. Further details about the City's long-term debt can be found in the Notes to the Financial Statements, note 3F on page 53.

The City's government-wide financial statements can be found on pages 28-29 of this report.

Governmental activities analysis

As reported above, governmental activities decreased the City's net position by \$299,590 resulting in a total net position of \$50,985,507. The table below provides a yearly comparative analysis of revenues and summary departmental expenses for all governmental activities and the net change in position. This information is the annual information presented in the Statement of Activities in the basic financial statements.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

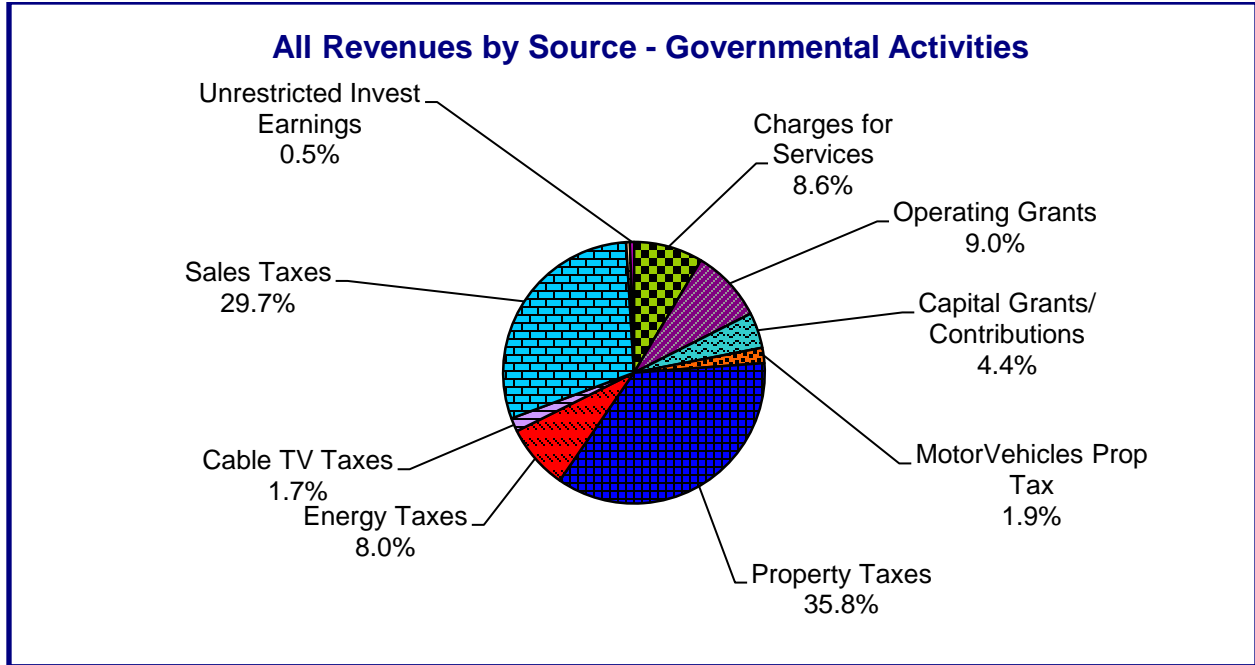
**Cottonwood Heights
Changes in Net Position**

Governmental Activities

	FY 2016	FY 2015
Revenues:		
Program revenues:		
Charges for services	1,630,018	1,262,945
Operating grants/contrib	1,709,911	1,543,851
Capital grants/contrib	836,020	1,968,067
Total program revenues	4,175,949	4,774,863
General revenues:		
Property taxes	7,170,446	7,013,211
Sales & hotel taxes	5,657,552	5,342,297
Municipal energy taxes	1,530,067	
Franchise taxes	320,220	305,641
Unrestricted invest earn	84,666	91,956
Other - Intergov	-	-
Other – Gain (Loss) on surplus	8,250	18,824
Other – Miscellaneous	83,228	57,422
Total general revenues	14,854,430	12,829,353
Total revenues	19,030,379	17,604,217
Expenses:		
General government	3,153,137	3,048,026
Public safety	9,370,955	9,025,584
Highways-public imprv	5,156,417	5,801,322
Comm & econ dev	1,119,682	1,058,098
Interest long-term debt	529,778	547,992
Intergovernmental	-	-
Total expenses	19,329,969	19,481,022
Change in net position	(299,590)	(1,876,805)
Net position – beginning	51,285,096	54,712,934
Prior Period Net Pension Adj	-	(1,551,033)
Net position – ending	50,985,507	51,285,096

As can be seen from the following pie chart, the majority of funding for City programs does not come from program revenues, but is made up from allocated general revenues such as Property Tax and Sales Tax revenues. The graphic shows all revenue sources collected by the City during the fiscal 2016 year.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

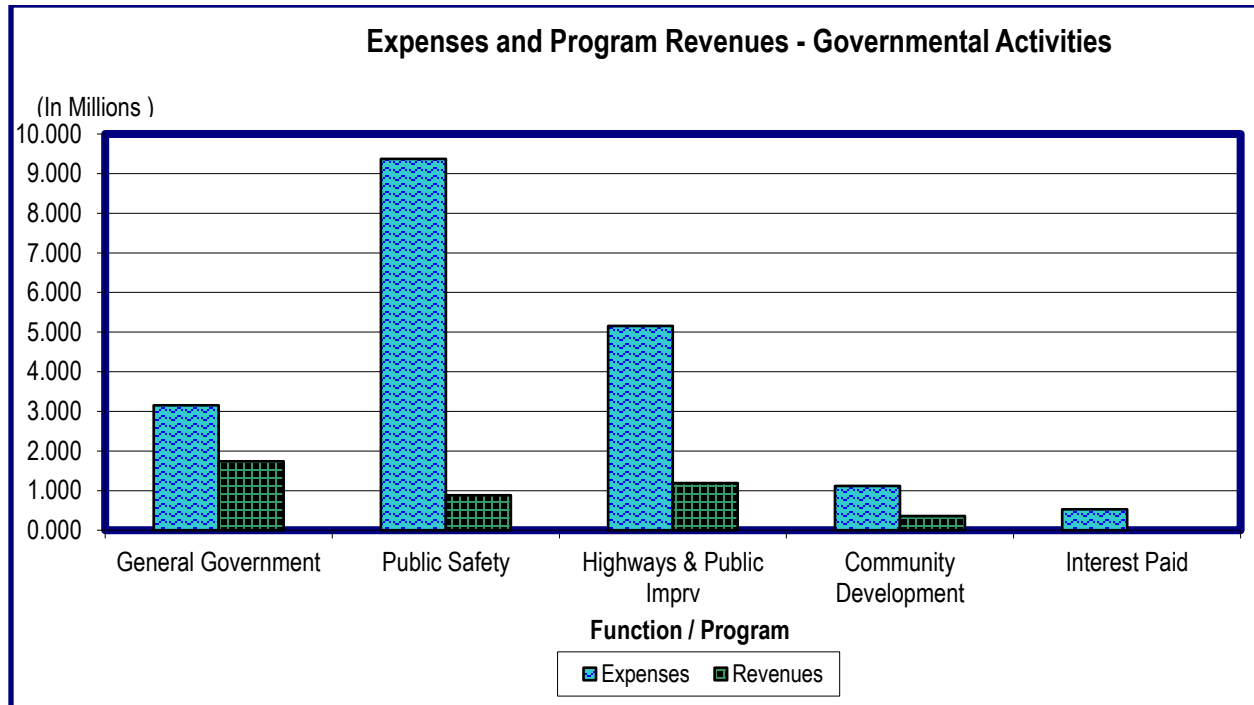


Current year revenue sources were from:

\$7,170,445	Property Tax (including motor vehicle fee in lieu) revenues (37.7%),
\$5,657,552	Sales and Transient Room Taxes (29.7%),
\$1,530,067	Municipal Energy Use Taxes (8.0%),
\$ 320,220	Cable TV Franchise tax (1.7%),
\$1,709,911	Operational Grants (9.0%) (Class C road funds (64.2% of category), E911 Emergency telephone fee, State Liquor tax, , and CDBG funds)
\$1,630,018	Charges for Service (Licenses, Permits and Court fines) (8.6%).
\$ 836,020	Capital Grants for major road projects, trail and park improvements, additional impact fees and local grants (4.4%). This includes a grant that was received from Salt Lake County from funds allocated by the 2015 State Legislature for significant road projects. The majority of these grants was used to help fund the rebuilding of Bengal Boulevard. These types of grants are specific and awarded based on the merit of the application submitted. Because they are project specific, they have little effect on the basic operational functions of the City.
\$ 84,666	Investment interest earnings and miscellaneous (0.5%)
\$ 91,478	Miscellaneous Revenues (0.5%)

The following is a graphic presentation of the City's program revenues and corresponding expenses, including calculated annual depreciation on capital assets. (Note: See Statement of Activities on page 31 for detail data.)

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS



General Government – The General Government revenue is from charges for services (business licensing and permits & inspections). Expenses are for general governmental operations and overhead from various activities including Legislative, Judicial, Executive and Administrative.

Public Safety – Public Safety revenues include \$355,363 of E-911 Emergency telephone fees and \$530,137 City share of court fines (revenue from citations). Expenses are for Police, Fire, Animal Services and related public safety functions. (Note: Related Court expenses are \$409,225, netting only \$120,912 in revenues, which is equal to only 2.2 percent of the Police department expenses.)

Highway & Public Improvements - The revenue for Highway & Public Improvements is primarily from Class C Road Funds allocated to the City from the state assessed tax on gasoline sales. Approximately 84.6 percent of the expenses shown for Highways & Public Improvements is attributable to current period depreciation of the City's infrastructure assets. The balance is for road, sidewalk, bridge and other infrastructure improvements, including the purchase of land for the Municipal Center.

Community Development – Revenues come from additional charges for services related to planning and zoning functions and expenses are also directly related to these services.

Interest Paid - \$529,778 interest expense was accrued on outstanding debt.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY'S FUND FINANCIAL STATEMENTS ANALYSIS

As noted earlier, Cottonwood Heights uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to track and control financial resources received and expended.

Governmental Funds Analysis

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for appropriation at the end of the fiscal year.

Governmental fund balance is reported in three major categories resulting in five separate direct categories: Nonspendable, Restricted, Unrestricted (which can be shown as Committed, Assigned and Unassigned). Nonspendable fund balance includes amounts that cannot be spent for legal or practical reasons. Examples include long-term notes receivable, inventory and prepaid expenditures. Restricted fund balance includes amounts restricted to specific purposes by external parties such as amounts restricted for debt service. Committed fund balance includes amounts that have been set aside by the City Council by formal action for a specific purpose prior to the end of the fiscal year being reported. Assigned fund balance includes amounts that have been set aside for intended use by designated officials, governmental body or City Council without formal action. Unassigned fund balance includes all remaining amounts.

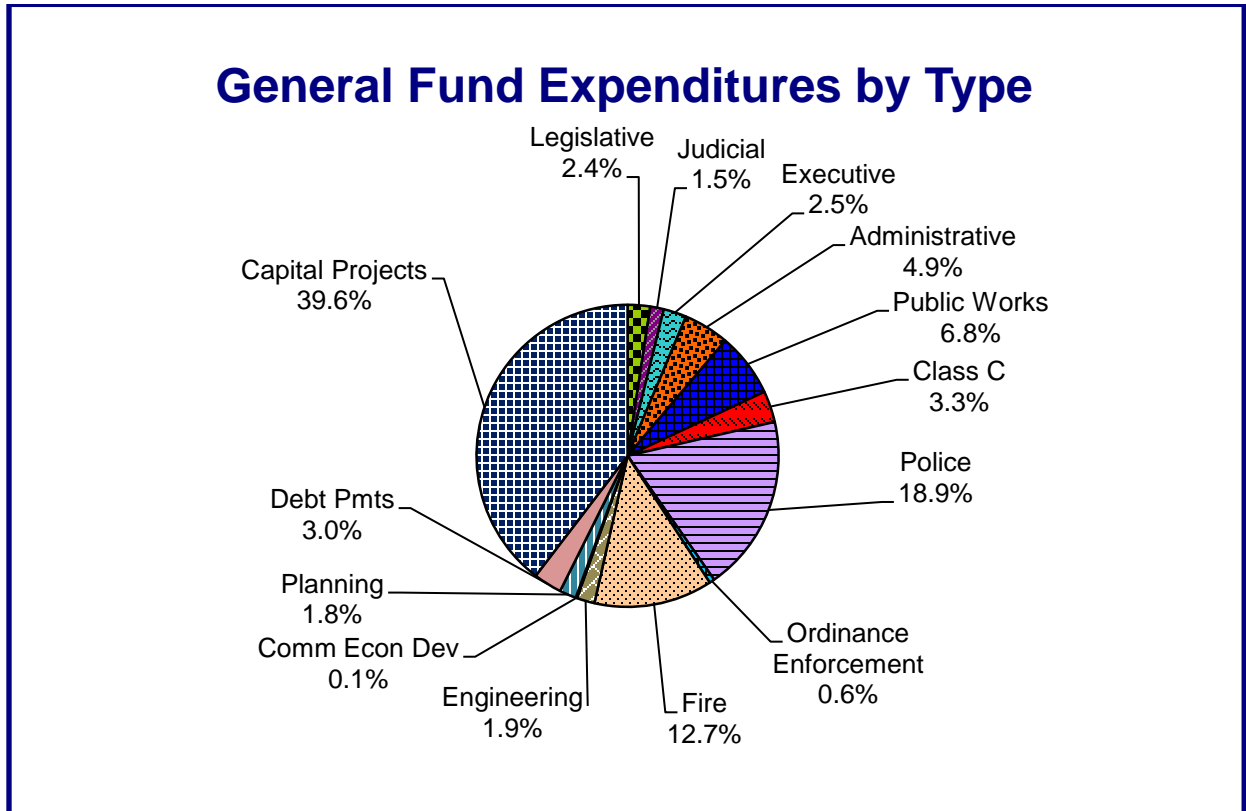
At the end of this fiscal year, Cottonwood Heights' governmental funds reported combined ending fund balances of \$8,077,261 after eleven and one half years of operation, a decrease of \$9,662,690 from the prior year. The dramatic decrease in fund balance compared to the prior year is attributable primarily to last year's balance including funds from the issuance of Sales Tax Revenue Bonds which was spent down during the current fiscal year as construction of the new Municipal Center progressed.. Of the total fund balance of \$8,077,261, \$273,598 is non-spendable and represents prepaid expenditures for fiscal year 2017 events, \$2,788,848 is restricted as Construction and Bond Debt Service Funds in Trust, \$13,079 is restricted as Impact Fees, and the remaining \$5,001,736 is unrestricted funds of which \$1,100,977 is assigned as Capital Project funds and allocated to various specific projects, \$1,822,173 is assigned as CDRA funds, and \$2,078,586 is the remaining unassigned portion of the unrestricted balance in the General Fund.

- The **General Fund** is the chief operating fund of the City. As of June 30, 2016 the General Fund had a fund balance of \$2,352,185 of which \$273,598 is restricted for prepaid expenditures and is non-spendable, and \$2,078,586 is classified as unrestricted. A useful measure of liquidity is to compare the unrestricted fund balance and the total fund balance to expenditures (including transfers out) for the year. The unrestricted fund balance is 11.7 percent of total expenditures and transfers, while the total fund balance equals 13.3 percent. The City ordinance chapter 2.150.11 as adopted by the City Council requires a desired target minimum fund balance of 6.0 percent of annual general fund revenues. State law requires a 5 percent minimum balance for restricted use as defined by state statute. State law also requires appropriation of any general fund balance in

**COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

excess of the 25.0 percent maximum allowed. Currently, the calculated 6.0 percent minimum fund balance is \$1,082,864 and remaining unrestricted balance of \$995,772 is within the State requirement of a maximum fund balance no greater than 25.0 percent.

The following pie chart further details Cottonwood Heights' expenses at a detailed activity level. This chart does not include annual depreciation on capital assets. (See Governmental Funds statement on page 34 for expenses without depreciation.)



General Government - includes the activities of Legislative (\$677,814), Judicial (\$409,225), Executive (\$692,167) and Administrative (\$1,372,108) functions.

Public Safety - includes the activities of Police (\$5,319,800), Ordinance Enforcement (\$157,298) and Fire (\$3,568,718).

Highways and Public Improvements – includes the activities of Public Works (\$2,868,935) function which includes road maintenance, snow removal, signage and park maintenance.

Community and Economic Development - includes the activities of city Engineer (\$537,385), Economic Development (\$40,358) and Planning (\$504,333).

Capital Projects Fund - includes all Capital Improvement Projects (\$11,144,486), which includes \$8,930,066 towards the construction of the new Municipal Center.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Another governmental fund is the **Capital Projects Fund**. This fund is specifically used to budget capital improvements. As of June 30, 2016, the fund balance is \$3,902,903, of which \$2,788,848 is restricted for construction of the Municipal Center and \$13,079 is restricted Impact fees collected to make infrastructure improvements. For specific details see supplementary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund on page 71.
- The newly enacted **Community Development Renewal Agency (CDRA) Fund** has been established to provide a funding mechanism to participate in developments with approved projects that provide a needed public purpose. The current unrestricted fund balance of \$1,822,173 is the result of a contribution from Salt Lake County RDA funds collected within the boundaries of Cottonwood Heights prior to the City's incorporation. For specific details see Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Renewal Agency on page 37.

The City's basic governmental funds financial statements can be found on pages 29-40 of this report.

Proprietary Funds Analysis

The focus of the City's only proprietary fund, **Employee Benefit Fund (an internal service fund)**, is to accumulate reserve funds to pay for "vested" accrued paid time off (PTO) at the time of separation. This fund is designed to minimize or altogether eliminate any budgetary impact in a subsequent year when a payout is required. At the end of each fiscal year, a liability or estimate is made based on individual "vested" accruals and current wage rate of each employee. The total liability is then compared with the current liability balance in the Employee Benefit Fund (an internal service fund) and any additional liability is charged to the current year's expenditures in the governmental funds.

The City's basic proprietary fund financial statements can be found on pages 38-40 of this report.

GENERAL FUND 2016 BUDGET AMENDMENTS

Original budget compared to final budget

During the fiscal year the original General Fund budget was amended by \$279,837 as shown in the detail below. See also the Statement of Revenues, Expenditures and Changes in Fund Balance – Budgeted and Actual on page 36.

As the fiscal year 2015 ending fund balances were calculated, they were made available for the 2016 fiscal year General Fund budget, which was then amended to capture the higher beginning fund balances from the completed fiscal year 2015 financial statements. These changes included an increase in unrestricted beginning balance appropriated funds of \$175,349 resulting in a total amended budget of beginning fund balance appropriation from the prior fiscal year of \$745,740. Additional budget amendments included \$104,488 of additional revenues. The final FY 2016

**COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

budget, as amended, anticipated spending an additional \$200,000 of fund balances, but \$215,821 was actually added to the general funds.

The changes in the fiscal year 2016 budget in individual departmental appropriations occurred as revenue projections were refined and additional matching departmental expenditures were refined to fulfill operational goals. The chart below outlines both revenue and expenditure changes made during the fiscal year.

Revenue and Other Sources of Funds were amended for the following:

Increase Grants (Justice Assistance and Highway Safety)	14,600
Increase Zoning and Sub-Division Fees	60,000
Increase Miscellaneous Revenues	17,034
Increase Event Revenues	12,854
Total change in budgeted Revenues	\$104,488
Increased use of actual FY 2015 year-end unrestricted fund balance	175,349
Net change in budgeted revenues/other sources	\$279,837

Expenditures and Other Uses of Funds were amended for the following:

General Government Department:

Legislative Committees / Events – adjust arts council expenditures	65,237
City Manager & General Government	59,900
Finance	213,250
City Attorney	60,000
Administrative Services	(222,650)

Public Safety:

Police	14,600
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Highways and Public Improvements

Public Works	126,500
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Community and Economic Development

Planning	(18,500)
Engineering, Inspection and Permitting	(18,500)

Total Change in Departmental Budgets	\$279,837
---------------------------------------------	------------------

Final budget compared to actual results

Overall, general fund revenues collected were \$516,183 more than the budget. The most significant contributing revenues to this difference were in development Permits at 48.1% higher than budgeted and Sales Tax collections were 2.23% higher than budgeted. Fines and Forfeitures' and E911 revenues were also strong contributors of the higher than budgeted revenues.

Actual expenditures during this fiscal year in the General Fund departments were all less than the amended budget appropriation in all departments. As noted above, the City's Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund can be found on page 36 of this report.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Cottonwood Heights' investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$46,171,377 (net of related debt and depreciation). This investment in capital assets includes land right-of-way, roads, bridges, parkways (improvements other than buildings), storm drains, land (not road right-of-ways), buildings, equipment and vehicles, net of capital leases.

Cottonwood Heights' Capital Assets
(Net of related debt)

	Governmental Activities	
	FY 2016	FY 2015
Equipment	\$ 251,800	\$ 286,669
Vehicles	1,046,424	1,426,380
Buildings	9,456,956	526,890
Land (non-infrastructure)	8,180,505	8,180,505
Infrastructure - Roads	7,345,181	7,582,292
Infrastructure - Bridges	529,611	560,794
Infrastructure - Parkways	8,336,504	8,319,897
Infrastructure - Storm Drains	1,499,596	1,467,308
Infrastructure - Land	22,717,047	22,717,047
Total (net of depreciation)	<u>59,363,623</u>	<u>51,067,783</u>
Less Debt (net of funds in trust)	<u>(13,192,246)</u>	<u>(5,143,095)</u>
Total Capital Assets (net of related debt)	<u>\$ 46,171,377</u>	<u>\$ 45,924,688</u>

Capital asset additions during this fiscal year included the following for a total increase of \$11,497,015 (see note 3D – Capital Assets), which is net of \$18,461 in disposals and includes Work In Progress (WIP) on several projects:

\$ 1,758,983	in infrastructure from road overlay and construction projects (prior WIP transferred to Parkways)
\$ 69,758	in storm drain repair and installations
\$ 474,656	in parkway beautification and improvements includes crosswalks, cross-gutters, street lighting (includes a transfer of WIP from Roads)
\$ 8,930,066	in Building (development and construction of City Municipal Center)
\$ 37,788	in new equipment for the new City Municipal Center
\$ 225,764	in vehicle purchases including police and public works

Additional information on assets of the City can be found in the Notes 3D Capital Assets on page 54 of this report.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term debt

As of June 30, 2016 the City had \$15,715,807 in governmental long-term debt. \$369,464 of this amount is a long-term liability in the Employee Benefit Fund (an internal service fund) for “vested” employee paid time off accruals and is fully funded through cash on hand in the fund. \$818,551 of the long term debt is a capital lease to fund the purchase of police vehicles, which the City does every other year. The balance of the Capital Lease for the public safety vehicles will be paid through the repurchase of those vehicles in July 2016 by the dealer. Some minor adjustments to the repurchase price may be made for mileage and vehicle condition. \$13,705,000 of the governmental long-term debt is related to the July, 2014 Sales Tax Revenue Bond issued to construct the City’s Municipal Center, along with the unamortized bond premium of \$822,792. This bond is payable over 25 years. The first principal payment of \$65,000 was due July 2, 2015 along with \$569,214 interest. The second semi-annual payment, \$284,750 interest only, was due January 2, 2016.

Additional information on the outstanding debt obligations of the City can be found in the Notes 3F Long-Term Debt on pages 55-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND TAX RATE

- Cottonwood Heights’ adopted tax rate for the 2016-17 budget year is .002064. This is the Certified Tax rate calculation defined by the State Legislature. The rate was adopted by the City as allowed without the need for a truth-in-taxation hearing. The locally assessed taxable valuation in Cottonwood Heights is estimated at \$3,221,101,968, including \$17,878,889 of new growth in valuation. The adopted tax rate should yield approximately \$6,648,354 in 2016 property tax revenue for the coming 2017 fiscal year.
- Sales tax collections in the State of Utah have strengthened and will help contribute support to the City’s budget in fiscal year 2017. The original budgeted amount of Sales taxes for fiscal year 2017 is \$5,676,000. This compares to actual total sales tax revenue of \$5,622,651 in fiscal 2016. The City continues to budget sales taxes conservatively as a hedge against any future reversals in the economy. Actual results for the past 4 years have shown year over year increases of 2.22 – 6.03 percent. Initial results in the first few months for FY 2017 have shown steady increases like these prior years.
- At the time of preparing the fiscal year 2017 budget, Class C Road Funds were believed to be stabilizing. The budget was set at \$1,240,000, which is approximately a 12.9 percent increase over the prior year, due in part to an increase in the gas tax imposed by the state legislature in the 2015 legislative session, with an effective date of January, 2016.
- The 2016-17 budget has been constructed with a focus on efficient and effective use of the limited resources available. Last year the City implemented a new Energy Use Tax on electrical and natural gas billings. The City waited over 10 years prior to implementing this source of revenue. All other cities with a population over 15,000 in the State of Utah previously imposed this tax for years.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Capital Project Funds are allocated to specific projects that may or may not be expended in the fiscal year. Presently, \$3,722,540 of the Capital Project Fund Balance as of June 30, 2016 represents allocations to capital projects that will carry forward to the next fiscal year. These funds have been re-budgeted by the City Council in the 2017 fiscal year
 - Projects are defined by the Capital Facilities Plan and the priority of projects determined by the City Council.
 - The ending fund balance in the Capital Projects Fund from the fiscal year 2016 is \$3,902,903, inclusive of \$2,788,847 of bond proceeds held in trust and other funds from unfinished projects, resulting in \$1,100,977 in unrestricted funds, of which \$1,100,977 of funds will be re-allocated through a budget adjustment to projects in fiscal year 2017.
 - The City Municipal Center project was a significant project for fiscal year 2016 and accounted for \$10,056,736 of the total capital projects budget. There remains another \$2,788,848 in fund balance that is to be carried forward to fiscal year 2017 related finalizing construction of the City Municipal Center.
 - Other significant construction projects that are contemplated to be started during fiscal year 2017 are;
 - Public Works Site and Yard improvements project, budgeted at \$2,004,467. The City will borrow funds towards the establishment of a public works fleet and facilities.
 - To the extent any of these projects are not completed in fiscal year 2017, the funds will be carried over to Fiscal Year 2018.
- Health insurance premiums continue to escalate. The City, through brokerage services negotiated the best rates available for our user population. The City in addition to offering a traditional health care plan offers a Qualified High Deductible Health Plan, along with a Health Savings Account (HSA) in an effort to reduce the escalating increases in health insurance premiums.
- As mandated by the Utah State Legislature, the City will contribute retirement contributions for employees in the Tier 1 system at the rates approved. This year no increase or decrease was approved for either Tier I or Tier II system employees. The City does contribute through the URS on behalf of employees who had previously retired from a government position prior to employment with Cottonwood Heights (so called post-retired employees) prior to July 1, 2010. The City will continue to provide through a 401k the same percentage contributions for those City employees as defined by their individual contracts: 11.86 percent for post retired from the public employees system and 25.49 percent for post retired from the public safety employees system.
- As mandated by the Utah State Legislature, the City will also contribute retirement contributions for employees in the Tier 2 system at the rates approved. This year there was no rate change for non-public safety employees and no change for Tier 2 public safety employees. The stated rates include all required employer contributions, including 401k contributions.
 - All new hires, after July 1, 2011 who were not previously employed with a participating employer and therefore a participant in the Tier 1 system will be enrolled in the Tier 2 retirement system.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cottonwood Heights' finances. Questions concerning any information provided in this report or a request for additional financial information should be addressed to: Cottonwood Heights, attn: David Muir, City Treasurer/
Financial Reporting Manager, 2277 Bengal Blvd, Cottonwood Heights, UT 84121.

BASIC FINANCIAL STATEMENTS

Cottonwood Heights, Utah
Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$5,452,346
Receivables (net of allowances)	2,250,313
Prepays	273,598
Net Pension asset	5,632
Restricted Cash and cash equivalents	2,801,926
Capital assets not being depreciated:	
Land and rights of way	30,897,551
Capital assets, net of accumulated depreciation:	
Buildings and systems	9,456,956
Improvements other than buildings	251,800
Vehicles	1,046,425
Infrastructure	17,710,891
Total assets	70,147,439
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension	1,411,466
Total deferred outflows of resources	1,411,466
LIABILITIES	
Accounts payable and other current liabilities	1,359,669
Accrued liabilities	567,547
Nonspendable collections	143,334
Net pension liability	2,040,565
Non-current liabilities:	
Due within one year	1,168,552
Due in more than one year	14,547,256
Total liabilities	19,826,923
DEFERRED INFLOWS OF RESOURCES	
Deferred uncollected property tax revenue	131,320
Deferred property tax revenue	424,072
Deferred pension inflows	191,084
Total deferred inflows of resources	746,476
NET POSITION	
Net Investment in capital assets	46,171,377
Restricted for:	
Bond Debt Service	634,750
Impact Fees	13,079
Unrestricted	4,166,301
Total net position	\$50,985,507

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

Cottonwood Heights, Utah

Statement of Activities

For the Year Ended June 30, 2016

Function / Programs	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government Activities	Total
Primary Government						
Governmental activities						
General government	3,153,137	744,299	256,034	-	(2,152,804)	
Public safety	9,370,955	530,137	355,363	-	(8,485,455)	
Highways and public improvements	5,156,417	-	1,098,514	836,020	(3,221,883)	
Community and economic development	1,119,682	355,582	-	-	(764,100)	
Interest on long-term debt (net of premium)	529,778	-	-	-	(529,778)	
Total governmental activities	19,329,969	1,630,018	1,709,911	836,020	(15,154,019)	
General revenues:						
Property Tax					6,810,924	
Sales Taxes					5,657,552	
Municipal Energy Taxes					1,530,067	
Motor Vehicle Fee-In-Lieu (of property taxes)					359,521	
Franchise Tax					320,220	
Unrestricted investment earnings					84,666	
Disposed Assets Net Revenues					8,250	
Miscellaneous					83,228	
Total general revenue and transfers					14,854,430	
Changes in net position					(299,590)	
Net position - beginning, as previously reported					51,285,096	
Net position - ending					50,985,507	

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

Cottonwood Heights, Utah
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects Fund	Community Dev Renewal Agency Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	2,159,733	1,100,976	1,822,173	\$5,082,882
Accounts receivables (net):	2,250,313			\$2,250,313
Prepays	273,598			\$273,598
Restricted cash and cash equivalents		2,801,926		\$2,801,926
Total assets	4,683,644	3,902,903	1,822,173	\$10,408,720
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,359,669			\$1,359,669
Accrued liabilities	273,064			\$273,064
Nonspendable collections	143,334			\$143,334
Total liabilities	1,776,067			\$1,776,067
DEFERRED INFLOWS OF RESOURCES				
Deferred uncollected property tax revenue	131,320			\$131,320
Deferred property tax revenue	424,072			\$424,072
Total deferred inflows of resources	555,392			\$555,392
Fund balances:				
Nonspendable:				
Prepays	273,598			\$273,598
Restricted for:				
Bond Funds in Trust		2,788,848		\$2,788,848
Impact Fees		13,079		\$13,079
Unrestricted:				
Assigned:				
Capital Improvement		1,100,977		\$1,100,977
CommDev Renewal Agency			1,822,173	\$1,822,173
Unassigned:				
General Fund	2,078,586			\$2,078,586
Total fund balances	2,352,185	3,902,903	1,822,173	\$8,077,261
Total liabilities, deferred inflows of resources and fund balances	4,683,644	3,902,903	1,822,173	\$10,408,720

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

Cottonwood Heights, Utah
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total fund balances - governmental fund types:	\$	8,077,261
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds.		59,363,623
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Long-term liabilities, including bonds payable and accrued bond interest, are not due and payable in the current period and, therefore are not reported in the funds.		(15,640,826)
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Net pension liabilities and assets are not available resources and, therefore are not reported in the funds.		(814,551)
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Net position of governmental activities		<u>\$ 50,985,507</u>
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The notes to the financial statements are an integral part of this statement.

Cottonwood Heights, Utah
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Community Dev Renewal Agency Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$6,792,308		\$18,616	\$6,810,924
Sales	5,622,651			5,622,651
E-911 Emergency Fees	313,195			313,195
Municipal Energy	1,530,067			1,530,067
Motor Vehicle Fee-in-lieu (prop. tax)	359,521			359,521
Franchise - Cable TV	320,220			320,220
Transient Room	34,901			34,901
Licenses and Permits	744,299			744,299
Intergovernmental:				
Federal Grant	83,274	97,792		181,066
State Grants	28,175			28,175
State Class C Roads	1,098,514			1,098,514
State Liquor Fund Allotment	42,168			42,168
Local Grants	46,793	741,752		788,544
Impact Fees		94,268		94,268
Charges for Services	355,582			355,582
Fines and Forfeitures	530,137			530,137
Investment Earnings	2,646	68,354	13,666	84,666
Miscellaneous	52,359	25,901		78,260
Total revenues	17,956,811	1,028,067	32,282	19,017,160
EXPENDITURES				
Current:				
General Government	3,151,315			3,151,315
Public Safety	9,045,817			9,045,817
Highways and Public Improvements	2,868,935	109,665		2,978,600
Community and Economic Development	1,082,076		55,952	1,138,028
Debt Service:				
Principal	375,545			375,545
Interest	854,559			854,559
Capital Outlay:				
General Government	37,788	8,870,535		8,908,323
Public Safety	54,831			54,831
Highways and Public Improvements		2,181,331		2,181,331
Total expenditures	17,470,866	11,161,532	55,952	28,688,350
Excess (deficiency) of revenues over (under) expenditures	485,946	(10,133,466)	(23,670)	(9,671,190)
OTHER FINANCING SOURCES (USES)				
Sources:				
Transfers from General Fund		278,625		278,625
Sale of Capital Assets	8,500			8,500
(Uses):				
Transfers to Capital Improvement Fund	(278,625)			(278,625)
Total other financing sources (uses)	(270,125)	278,625		8,500
Net change in fund balances	215,821	(9,854,841)	(23,670)	(9,662,690)
Fund balance - beginning of year	2,136,364	13,757,744	1,845,843	17,739,951
Fund balance - end of year	\$2,352,185	\$3,902,903	\$1,822,173	\$8,077,261

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

Cottonwood Heights, Utah
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, 2016

Net changes in fund balances - total governmental funds \$ (9,662,690)

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 the cost of those assets is allocated over their estimated useful lives and reported as

Capital outlays	11,515,477
Depreciation	(3,219,386)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations):

Asset deletions	(18,461)
Depreciation deletions	18,211

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension Net Position Adjustment	361,965
Interest Expense (net of Bond Premium amortization)	705,295

Change in net position of governmental activities	\$ (299,590)
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The notes to the financial statements are an integral part of this statement.

Cottonwood Heights, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

Description	Budgeted Adopted Budget	Amounts Final Budget	Fund Actuals (Budgetary Basis) (See Notes)	Variance with Final Budget
REVENUES				
Taxes:				
Property	\$6,754,086	\$6,754,086	\$6,792,308	\$38,222
Sales	5,500,000	5,500,000	5,622,651	122,651
E-911 Emergency Fees	265,000	265,000	313,195	48,195
Municipal Energy	1,600,000	1,600,000	1,530,067	(69,933)
Motor Vehicle Fee-in-lieu	350,000	350,000	359,521	9,521
Franchise - Cable TV	306,700	306,700	320,220	13,520
Transient Room	25,000	25,000	34,901	9,901
Licenses and Permits	670,600	670,600	993,122	322,522
Intergovernmental:				
Federal Grant	25,000	39,600	83,274	43,674
State Grants			28,175	28,175
State Class C Roads	1,190,000	1,190,000	1,098,514	(91,486)
State Liquor Fund Allotment	45,000	45,000	42,168	(2,832)
Local Grants			46,793	46,793
Charges for Services	65,500	125,500	106,759	(18,742)
Fines and Forfeitures	460,000	460,000	530,137	70,137
Investment Earnings	14,000	14,000	2,646	(11,354)
Miscellaneous	65,254	95,142	52,359	(42,783)
Total revenues	17,336,140	17,440,628	17,956,811	516,183
EXPENDITURES				
Current:				
General Government	3,146,465	3,322,202	3,189,103	(133,099)
Public Safety	9,275,576	9,290,176	9,100,648	(189,528)
Highways and Public Improvements	2,833,764	2,960,264	2,868,935	(91,329)
Community and Economic Development	1,123,137	1,086,137	1,082,076	(4,061)
Debt Service:				
Principal	380,514	380,514	375,545	(4,969)
Interest	868,451	868,451	854,559	(13,891)
Total expenditures	17,627,906	17,907,743	17,470,866	(436,877)
Excess (deficiency) of revenues over (under) expenditures	(291,766)	(467,115)	485,946	953,061
OTHER FINANCING SOURCES (USES)				
Sources:				
Sale of Capital Assets			8,500	8,500
(Uses):				
Transfers to Capital Improvement Fund	(278,625)	(278,625)	(278,625)	
Total other financing sources (uses)	(278,625)	(278,625)	(270,125)	8,500
Net change in fund balances	(\$570,391)	(\$745,740)	\$215,821	\$961,561
Fund balance - beginning of year			2,136,364	
Fund balance - end of year			\$2,352,185	

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

Cottonwood Heights, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Renewal Agency
For the Year Ended June 30, 2016

Description	Budgeted Adopted Budget	Amounts Final Budget	Fund Actuals (Budgetary Basis) (See Notes)	Variance with Final Budget
REVENUES				
Property Tax			\$18,616	\$18,616
Investment earnings			13,666	13,666
Total revenues			32,282	32,282
EXPENDITURES				
Current:				
Community and economic development		50,000	55,952	5,952
Total expenditures		50,000	55,952	5,952
Excess (deficiency) of revenues over (under) expenditures		(50,000)	(23,670)	26,330
OTHER FINANCING SOURCES (USES)				
Sources/(Uses):				
Beginning Fund Bal Appropriated		50,000		(50,000)
Total other financing sources (uses)		50,000		(50,000)
Net change in fund balances			(\$23,670)	
Fund balance - beginning of year			1,845,843	
Fund balance - end of year			\$1,822,173	

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

Cottonwood Heights, Utah
Statement of Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Governmental Activities - Employee Benefit Fund
ASSETS	
Cash and cash equivalents	\$ 369,464
Total assets	<u><u>369,464</u></u>
LIABILITIES	
Non-current liabilities	
Accrued PTO benefits payable	369,464
Total liabilities	<u><u>369,464</u></u>
NET POSITION	
Unrestricted	-
Total net position	<u><u>\$ -</u></u>

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

Cottonwood Heights, Utah
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Governmental Activities - Employee Benefit Fund
OPERATING REVENUES	
Charges for interfund services provided	\$ 337,485
Total operating revenues	337,485
 OPERATING EXPENSES	
General Government - accrued vested PTO	340,336
Total operating expenses	340,336
Operating income	(2,851)
 NON-OPERATING REVENUES	
Investment Earnings	2,851
Total non-operating revenues	2,851
Change in net position	-
Total net position - beginning	-
Total net position - ending	\$ -

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

Cottonwood Heights, Utah
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Governmental Activities - Employee Benefit Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 337,485
Cash usage in calculated PTO vested liability	<u>(354,312)</u>
Net cash provided by operating activities	<u>(16,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>2,851</u>
Net cash provided by investing activities	<u>2,851</u>
Net increase in cash and cash equivalents	(13,976)
Cash and cash equivalents July 1, 2015	<u>383,439</u>
Cash and cash equivalents June 30, 2016	<u><u>\$ 369,463</u></u>
 Reconciliation of operating income to net cash	
Operating Income	(2,851)
Adjustments to reconcile operating income to net	
Change in accrued PTO benefits payable	(13,976)
Net cash provided by operating activities	<u><u>\$ (16,827)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cottonwood Heights (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies for the City are discussed in subsequent subsections of this Note.

1A - FINANCIAL REPORTING ENTITY

Cottonwood Heights (the City), incorporated in 2005, is a political subdivision of the State of Utah. The City is governed by a City Council comprised of an elected mayor who serves as Chairman of the City Council and four elected City Council members. The City has determined that there are no separately administered organizations that are controlled by or are dependent upon the City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the City's financial statements.

The accounting policies of Cottonwood Heights, Utah, conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant of such policies.

The City's financial reporting entity comprises the following:

Primary Government:	Cottonwood Heights
Component Units:	None

1B - BASIS OF PRESENTATION

Government-wide Financial Statements:

Government-wide Statement of Net Position and Statement of Activities display information on all activities of the reporting government as a whole. Most effects of any inter-fund activities have been eliminated from these statements.

The government-wide statements for the primary government are separated based on the predominance of the type of revenues that support them. Governmental activities are normally supported by taxes and intergovernmental revenues, while business type activities would receive a significant portion of revenues from fees and charges for services.

The statement of activities is presented to show the extent that program revenues of a given activity support direct expenditures of the function. Direct expenses are those that can clearly be associated with a particular activity or program. Program revenues include: (1) charges to

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

customers or privileges provided by a given function and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other revenue sources that are not reported as program revenues are reported instead as general revenues.

Fund Financial Statements:

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. All funds of Cottonwood Heights are considered to be major funds.

Cottonwood Heights has the funds described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets.

Community Development Renewal Agency Fund

The Community Development Renewal Agency Fund (CDRA) is used to account for resources restricted for use on approved public purpose projects.

Proprietary Funds:

Employee Benefit Fund (an internal service fund)

This fund is used to account for liabilities created from accrued paid time off (PTO) of each city employee. Each year a calculation is made to determine the vested payouts that could occur in future years. This amount is charged to the current year in order to eliminate any large unforeseen payout that could disrupt the individual departmental budgets in subsequent years when a payout occurs.

1C - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide Statement of Net Position and the Statement of Activities are presented using the economic resources measurement focus as defined in item b. below.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position. The City employee benefit fund (an internal service fund) is reported on this basis.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. The City has no Fiduciary funds at this time.

Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City includes in available revenue only revenue that will be collected in cash within one year following the close of the fiscal year, and in the case of property tax revenue, only revenue that will be collected within 60 days of the close of the fiscal year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal payments which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

1D - ASSETS, LIABILITIES, AND NET POSITION (EQUITY)

Deposits and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

The City categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The City does not have any investments that are measured using Level 2 or 3 inputs. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (non-current portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3G for details of interfund transactions, including receivables and payables at year-end. The City has no interfund receivables or payables.

Receivables and Payables

In the government-wide statements and the fund financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales tax, franchise tax, property tax, court fines and road cut permits. Interest and investment earnings are recorded when earned and considered both measurable and available.

Payables are composed of contract payments for public works, permitting and inspections, engineering and the city attorney.

Capital Assets

The accounting treatment for property, plant, and equipment depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements assets are accounted for as capital assets. All assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Estimated

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

historical cost was used to value the majority of the infrastructure assets transferred from Salt Lake County primarily during the period ending June 30, 2005. The City has chosen to capitalize assets costing \$10,000 or more.

Depreciation of all exhaustible assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	45 years
Machinery and Equipment	5 to 15 years
Vehicles	5 years
Infrastructure – original costs - annual upgrade costs	15-50 years (Must increase remaining life by a minimum of 33%. Upgrade costs amortized over new remaining life.)

Fund Financial Statements

In the fund financial statements, assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions of State or Federal law. Construction funds and bond debt service held in trust is restricted by the Trustee. Class C Road revenue not spent is restricted in the general fund to be used for future roadwork. Certain grants must be spent for the intended purpose. The City may also have certain impact fees that are restricted from time to time.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time.

Governmental funds report revenue that is unavailable as deferred inflows of resources. Governmental funds report unavailable revenue from property taxes and from special assessments. These amounts are deferred and recognized as revenue in the period that they become available.

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

Pension Plan

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.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused PTO benefits. The vested liability (50% - 80% based on longevity) for earned compensated absences is calculated and recorded, at fiscal yearend, as long-term debt in the government-wide statements. There is no recorded liability for compensated absences in the governmental funds because the Employee Benefit Fund (an internal service fund) has been paid for the incurred compensated absence expenditures on an annual basis.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in four components:

- a. Net investment in capital assets—Consists of capital assets net of accumulated depreciation and related debt.
- b. Restricted—Consists of 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.
- c. Unrestricted—All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is reported in three major categories, comprising five separate definitions: Nonspendable, Restricted and Unrestricted

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

(which can be shown as Committed, Assigned and Unassigned). See Note 3H for additional disclosure on the City's fund balances. Each category is defined as follows:

- a) Nonspendable – Prepaid expenditures and other similar assets (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- b) Restricted – Assets constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors or contributors.
- c) Committed – Formally designated by City Council through ordinance for specific purposes, prior to the end of the fiscal year being reported, that cannot be used for another purpose unless the City Council formally changes the use through a superseding ordinance.
- d) Assigned – Amounts constrained by the City Council or for a specific purpose normally through the appropriations process establishing and amending budgets. Funds in Capital Projects fund or other permanent funds are by their nature assigned to the purpose for which the resources are collected, without extra ordinary formal action.
- e) Unassigned – All other general funds not classified in any other classification that may be used for any governmental purpose.

When both restricted and unrestricted fund balance is available for use, it is the City's policy to use restricted fund balance first, then committed funds, followed by assigned and then unassigned.

Fund balance is committed by the City Council passage of budget resolutions. Assigned balances are determined by management authorized to manage the funds of the City by the City Council.

1E - REVENUES, EXPENDITURES, AND EXPENSES

Revenue

Property taxes (including Motor Vehicle fee-in-lieu), franchise taxes, licenses, shared revenue, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to the County Treasurer prior to the commencement of the fiscal year. 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 of each year. Property taxes are collected by the Salt Lake County Treasurer and remitted to the City shortly after collections occur.

COTTONWOOD HEIGHTS
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Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly approximately two months after the period in which the taxes are collected by local businesses if all filings are made timely.

Expenditures/Expenses

In the government-wide financial statements, expenditures are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

Current (further classified by function and object)

Debt Service

Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual obligations. An analysis of the City’s compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2A - FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of funds separate from the General Fund. The legally required separate funds used by the City include the following:

Fund

Required By

None

2B - CASH DEPOSITS AND INVESTMENTS

Deposits and investments for Cottonwood Heights are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of Cottonwood Heights’ exposure to various risks related to its cash management activities.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

Deposit-Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, Cottonwood Heights' deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of Cottonwood Heights 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. The City has no other deposit policy for custodial credit risk.

Investment-Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Utah Money Management Act. The City has no other investment policy that would further limit its investment choices.

Cottonwood Heights is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and State Money Management Council regulatory oversight. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. A copy of the Public Treasurers Investment Fund is available for viewing on the Utah State Treasurer's website at <http://www.treasurer.state.ut.us>.

The City categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The City does not have any investments that are measured using Level 2 or 3 inputs. Additional cash and investment disclosures are presented in 1D and 3A.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Government Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each period. Investments' fair value are shown in the table below. All of the City's investments are categorized as Level 1 Inputs.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2016, the City had the following investments and maturities:

Investment Type	Total Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
State of Utah PTIF	\$5,176,396	\$5,176,396	\$ -	\$ -	\$ -
Total	\$5,176,396	\$5,176,396	\$ -	\$ -	\$ -

Twice a year, at June 30 and December 31, the investments in the PTIF are valued at fair value. As of June 30, 2016, the City had \$5,176,396 invested in the PTIF which had a fair value factor of 1.00455704, making the City investment equal to \$5,199,984.66 for an unrealized gain of \$23,589.04. Due to the insignificance of this amount in relation to the funds affected by the unrealized gain, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

Investment-Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Cottonwood Heights manages its exposure to declines in fair value by investment only in the PTIF and by adhering to the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) which provides guidance for handling depository and investing transactions in order to minimize interest rate risk. The City has no other formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

2C - REVENUE RESTRICTIONS

The City has various state restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
B & C Road Funds	Eligible B & C Roads
Federal Grant	Energy Efficiency Grant
Awarded Asset Seizures	Further Enforcement Actions
Impact Fees	Eligible public improvements

For the period ended June 30, 2016, the City complied, in all material respects, with these revenue restrictions.

2D - DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No long-term General Obligation debt shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

for debt in an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the period ended June 30, 2016, the City had no outstanding General Obligation debt.

Other Long-term Debt

Cities may incur indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities of the fair market value of taxable property in their jurisdictions. The City has no such debt at this time.

2E - FUND EQUITY RESTRICTIONS

General Fund Balance Restrictions

Utah Code 10-6-116(4) requires that only the “fund balance in excess of 5 percent of total revenues of the general fund may be utilized for budget purposes.” The remaining 5 percent must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 25 percent of the total actual revenue of the general fund (10-6-116(2)). The City Council has adopted a City code [chapter 2.150.020.11] directing that a minimum 5 percent fund balance, as required by law, with a desired target minimum of 6 percent. Currently the City’s adjusted fund balance is under the maximum allowed by state law.

2F - BUDGETARY BASIS OF ACCOUNTING

In the governmental fund statements the accounting basis and the budgetary basis are the same. The Statement (Schedule) of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual presented for the general fund and the capital projects fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Budgets are legally required for governmental funds. Annual budgets are prepared and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1, in accordance with Utah State law. The operating budget includes proposed expenditures and proposed sources of financing for such expenditures. Prior to June 22nd a public hearing is conducted to obtain taxpayer input. Budgets are adopted by ordinance in total for each department. Management can move budgeted amounts within a department or decrease appropriations. The City Council can increase appropriations after having a public hearing. During the year ended June 30, 2016 the City Council amended the original budget four times.

Budgets for the Capital Projects Fund are also prepared using the modified accrual basis of accounting and are adopted on an annual basis. Project budgets for the Capital Projects fund are prepared annually and ending balances may be re-appropriated by Council action in the following year

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A - CASH DEPOSITS AND INVESTMENTS

The City categorizes the fair value measurements of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant other unobservable inputs. The City does not have any investments that are measured using Level 2 or 3 inputs. Additional cash and investment disclosures are presented in 1D and 2B.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Government Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each period. Investments' fair value are shown in the table below. All of the City's investments are categorized as Level 1 Inputs.

Below is a reconciliation of the year-end balance invested in the Public Treasurers' Investment Fund and other cash and investments presented in the statement of net position:

Utah State Public Treasurers' Investment Fund balance		\$	5,176,396
Reconciliation to Government-wide Statement of Net Position:			
Investments		\$	5,176,396
Cash on Hand			11,280
Held by Trustee			2,801,926
Deposits			264,670
	Total	\$	8,254,272
Per Statement of Net Position:			
Unrestricted Cash		\$	5,452,346
Restricted Cash			2,801,926
	Total	\$	8,254,272

3B - RESTRICTED ASSETS

The restricted assets as of June 30, 2016, are as follows:

Type of Restricted Asset	Cash/Time Deposits
<i>Governmental Activities:</i>	
Construction Funds held in trust	2,154,098
Bond Funds held in trust	634,749
Impact Fees	13,079
	Total \$ 2,801,926

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

3C - ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists principally of fiscal year accruals of sales taxes, property taxes, court fines and road cuts permits receivable.

Receivables details at June 30, 2016, are as follows:

	<u>Governmental Activities</u>
Delinquent Property Taxes Receivable	\$ 121,000
Invoiced Receivables / Miscellaneous	810,809
Invoiced Business Licensing	27,244
Prior Fiscal Revenues - Sales & Transient Room / 911 Fees	1,033,591
Prior Fiscal Revenue - Energy Use Tax	157,719
Prior Fiscal Revenue - Franchise Fees	80,080
Prior Fiscal Revenues - Property Taxes	19,870
Net Accounts Receivable	\$ 2,250,313

3D - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2016, was as follows:

	Balance at June 30, 2015	Additions	Disposals / Misc Adj	Balance at June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land (non-infrastructure)	\$ 8,180,505	\$ -	\$ -	\$ 8,180,505
Land related Infrastructure	22,717,047	-	-	22,717,047
Total assets, not being depreciated	30,897,552	-	-	30,897,552
Capital assets, depreciable:				
Buildings	526,890	8,930,066	-	9,456,956
Equipment	2,096,371	37,788	-	2,134,159
Vehicles	2,291,217	244,225	(18,461)	2,516,981
Infrastructure - Roads	31,131,927	1,758,984	-	32,890,911
Infrastructure - Bridges	905,375	-	-	905,375
Infrastructure - Parkways	10,507,275	474,656	-	10,981,931
Infrastructure - Storm Drains	1,651,347	69,758	-	1,721,105
Total capital assets, depreciable	49,110,402	11,515,476	(18,461)	60,607,418
Accumulated Depreciation				
Buildings	-	-	-	-
Equipment	(1,809,701)	(72,657)	-	(1,882,358)
Vehicles	(864,837)	(623,931)	18,211	(1,470,557)
Infrastructure - Roads	(23,549,635)	(1,996,095)	-	(25,545,730)
Infrastructure - Bridges	(344,581)	(31,183)	-	(375,764)
Infrastructure - Parkways	(2,187,378)	(458,050)	-	(2,645,428)
Infrastructure - Storm Drains	(184,039)	(37,470)	-	(221,509)
Total accumulated depreciation	(28,940,171)	(3,219,386)	18,211	(32,141,346)
Governmental activities, capital assets, net	\$ 51,067,783	\$ 8,296,090	\$ (250)	\$ 59,363,623
Capital Debt	(15,762,631)			(15,346,344)
Construction Funds in Trust	10,619,536			2,154,098
Assets, net of related debt	\$ 45,924,688			\$ 46,171,377

COTTONWOOD HEIGHTS
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Depreciation was charged to governmental activities as follows:

Governmental Activities:

General Government	\$ 60,317
Public Safety	596,311
Highways & Public Improvements	2,562,351
Community Planning	407
Total depreciation expense and adjustment	\$ 3,219,386

Capital Assets under Capital Lease

The City has acquired public safety vehicles through capital lease. The amortization of these assets is included in depreciation expense. As of June 30, 2016 the net book values are as follows:

	<u>Governmental Activities</u>
Vehicles	\$ 1,447,433
Less Accumulated Depreciation	(778,075)
Net Book Value	\$ 669,358

3E - ACCOUNTS PAYABLE

Payables in the general fund are composed of contract payments for public works, permitting and inspections, engineering and the city attorney.

3F - LONG-TERM DEBT

Cottonwood Heights' long-term debt consists of a sales tax revenue bond, capital lease and accrued employee benefits to be repaid from governmental activities.

As of June 30, 2016, the City had long-term debt payable from general fund resources consisting of the following:

Sales Tax Revenue Bonds Payable:

Series 2014 - City Municipal Center	
3.695%, (07/2/14 original amount \$13,770,000)	\$ 13,770,000
2016 fiscal year principle payments	(65,000)
Remaining Bond Premium unamortized	822,793
	\$ 14,527,793

The City has entered into a Sales Tax Revenue Bond to finance the construction of the City Municipal Center.

Capital Leases Payable:

Zions Bank - Police Vehicles	
1.64%, (07/15/14 original amount \$1,168,247)	\$ 818,551
	\$ 818,551

COTTONWOOD HEIGHTS
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The City has entered into a lease agreement as lessee for the purchase of Police vehicles. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of all future lease payments as of the inception date.

As of June 30, 2016 the City had proprietary fund long-term debt payable as follows:

Employee Benefit Fund (an Internal Service Fund):

Paid Time Off - Future PTO Liability	\$	369,464
Total proprietary fund debt		369,464
Total governmental activity debt		\$ 15,715,807

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the period ended June 30, 2016:

Type of Debt	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Capital leases	\$ 1,134,065	\$ -	\$ (315,514)	\$ 818,551	\$ 818,551
Sales Tax Revenue Bond	13,770,000	-	(65,000)	13,705,000	350,000
Bond Premium	858,566	-	(35,774)	822,792	
Emp Benefit-Vested Leave *	383,440	340,336	(354,312)	369,464	-
Total Long Term Debt	\$ 16,146,071	\$ 340,336	\$ (770,599)	\$ 15,715,807	\$ 1,168,551

* Annual calculation of "vested paid time off" liability.

Annual Debt Service Requirements

The annual debt service requirements to maturity for governmental long-term debt principal and interest as of June 30, 2016, are as follows:

Year Ended June 30	Governmental Activities		
	Principle	Interest	Total
2017*	\$ 818,551	\$ 562,500	\$ 1,381,051
2018	360,000	551,700	911,700
2019	370,000	544,300	914,300
2020	375,000	536,800	911,800
2021	385,000	529,100	914,100
Thereafter	11,865,000	5,298,650	17,163,650
Total	\$ 14,173,551	\$ 8,023,050	\$ 22,196,601

* Bi-annually, the Public Safety vehicle lease is paid by a dealer buy back, 2017 is such a year.

3G - INTERFUND TRANSACTIONS AND BALANCES

Transfers

Although budgeted, no interfund transfers were made at fiscal year-end.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - OTHER INFORMATION

4A - EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plans

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

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) 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.

**COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS**

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefits	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62 4 years age 65	1.5% per year all years	Up to 2.5%

*With actuarial reductions

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

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

<u>Utah Retirement Systems</u>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Contributory System:				
111 – Local Governmental Division Tier 2	N/A	N/A	16.67%	1.78%
Noncontributory System:				
15 – Local Governmental Division Tier 1	N/A	N/A	18.47%	N/A
Public Safety Retirement System:				
49 – Other Division B Noncontributory Tier 1	N/A	N/A	20.39%	1.33%
122 – Other Division A Contributory Tier 2	N/A	N/A	32.20%	N/A
Tier 2 DC Only				
211 – Local Government	N/A	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

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

For fiscal year ended June 30, 2016 the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 253,059	N/A
Public Safety System	480,110	-
Tier 2 Public Employee System	43,704	-
Tier 2 Public Safety	48,899	-
Tier DC Only System	1,706	N/A
Total Contributions	\$ 827,478	

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.

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

At June 30, 2016, we reported a net pension asset of \$5,632 and a net pension liability of \$2,040,565.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1556506%	\$0	\$880,747
Public Safety System	2.3769143%	\$0	\$1,159,818
Tier 2 Public Employees System	0.0409095%	\$89	\$0
Tier 2 Public Safety and Firefighter System	0.3793566%	\$5,543	\$0
Total Net Pension Asset/Liability		\$5,632	\$2,040,565

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 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, 2016, we recognized pension expense of \$465,519.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	\$203,554	\$42,277
Changes in assumptions:	\$0	\$148,807
Net difference between projected and actual earnings on pension plan investments:	\$676,514	\$0
Changes in proportion and differences between contributions and proportionate share of contributions:	\$117,493	\$0
Contributions subsequent to the measurement date:	\$413,845	\$0
Total	\$1,411,466	\$191,084

\$413,845 was reported as deferred outflows of resources related to pension's results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows of Resources)
2016	(\$190,330)
2017	(\$190,330)
2018	(\$191,196)
2019	(\$201,150)
2020	(\$32,925)
Thereafter	(\$604)

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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:

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

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

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate 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 7.50 percent, as well as what the proportionate share of the

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory	\$1,860,930	\$880,474	\$62,490
Public Safety System	2,530,288	1,159,818	37,027
Tier 2 Public Employee	16,377	(89)	(12,569)
Tier 2 Public Safety	9,422	(5,543)	(17,034)
Total	\$4,417,017	\$2,034,933	\$69,914

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

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by either the Utah Retirement Systems Board or ICMA Retirement Corporation and are generally supplemental plans to the basic retirement benefits of the Utah 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 or ICMA-RC financial report.

Cottonwood Heights city participates in the following Defined Contribution Savings Plans:

- 401(k) Plan (URS only)
- 457(b) Plan (URS and ICMA-RC)
- Roth IRA Plan (URS and ICMA-RC)

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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

	2016	2015	2014
401(k) Plan – URS			
Employer Contributions	\$349,956	\$389,482	\$450,506
Employee Contributions	\$244,705	\$223,042	\$196,932
457 Plan – URS			
Employer Contributions	\$82,059	\$60,582	\$49,742
Employee Contributions	\$117,889	\$134,305	\$111,744
Roth IRA Plan - URS			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$3,025	\$1,800	\$2,000
457 Plan - ICMA-RC			
Employer Contributions	\$59,005	\$45,798	\$42,888
Employee Contributions	\$1,242	\$67,062	\$61,870
457 Roth Plan - ICMA-RC			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$34,371	\$33,756	\$10,658
Roth IRA Plan - ICMA-RC			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$16,793	\$9,455	\$6,243

4B - 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; injuries to employees; and natural disasters. The City has purchased comprehensive general liability insurance through the Utah Local Governments Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self-sustaining through member premiums. The City is subject to a minimal deductible for claims.

4C – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 13, 2016, which is the date that the financial statements were available to be issued. On July 12, 2016 the City issued \$3,280,000 in sales tax revenue bonds to be used for the construction of the City’s Municipal Center in addition to the construction of the public works facilities. The City also entered into a capital lease in the amount of \$2,519,243 on September 14, 2016 for the acquisition of vehicles to be used for public works.

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REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

**COTTONWOOD HEIGHTS
REQUIRED SUPPLEMENTARY INFORMATION**

Cottonwood Heights, Utah

**Schedule of the Proportionate Share of the Net Pension Liability - Utah Retirement Systems
As Reported December 31, 2016
Last 10 Fiscal Years ***

	Year- end	Noncontributory Retirement System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety & Firefighter System
Proportion of the net pension liability (asset)	2015	0.1556506%	2.3769143%	0.0409095%	0.3793566%
	2014	0.1425470%	2.1737910%	0.3401780%	0.4581430%
Proportionate share of the net pension liability (asset)	2015	\$ 880,747	\$ 1,159,818	\$ (89)	\$ (5,543)
	2014	618,973	859,588	(1,031)	(6,777)
Covered employee payroll	2015	1,517,660	2,129,632	264,295	225,749
	2014	1,441,633	2,061,024	167,094	189,494
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2015	58.03%	54.46%	-0.03%	-2.46%
	2014	42.90%	41.70%	-0.06%	-3.60%
Plan fiduciary net position as a percentage of the total pension liability	2015	87.8%	87.6%	100.2%	110.7%
	2014	90.2%	89.0%	103.5%	120.5%

* 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. This schedule will need to be built prospectively. The schedule above is for the 2 years calculated and reported to date.

The notes to the required supplementary information are an integral part of this schedule.

**COTTONWOOD HEIGHTS
REQUIRED SUPPLEMENTARY INFORMATION**

**Cottonwood Heights, Utah
Schedule of Contributions - Utah Retirement Systems
As Reported December 31, 2016
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	2014	\$ 199,098	\$ 199,098	\$ -	\$ 1,435,183	13.87%
	2015	223,125	223,125	-	1,459,615	15.29%
	2016	253,059	253,059	-	1,579,547	16.02%
Public Safety System	2014	\$ 427,269	\$ 427,269	\$ -	\$ 2,094,198	20.40%
	2015	442,527	442,527	-	2,084,318	21.23%
	2016	480,110	480,110	-	2,141,005	22.42%
Tier 2 Public Employees System	2014	\$ 21,173	\$ 21,173	\$ -	\$ 151,341	13.99%
	2015	33,474	33,474	-	224,054	14.94%
	2016	43,704	43,704	-	293,118	14.91%
Tier 2 Public Safety & Firefighter System	2014	\$ 21,526	\$ 21,526	\$ -	\$ 105,205	20.46%
	2015	43,078	43,078	-	210,897	20.43%
	2016	48,899	48,899	-	240,487	20.33%
Tier 2 DC Only System**	2014	\$ 1,553	\$ 1,553	\$ -	\$ 26,260	5.91%
	2015	4,506	4,506	-	68,822	6.55%
	2016	1,706	1,706	-	25,505	6.69%

* Paragraph 81.a of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. This schedule will need to 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.

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1

The notes to the required supplementary information are an integral part of this schedule.

COTTONWOOD HEIGHTS
REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

COTTONWOOD HEIGHTS
REQUIRED SUPPLEMENTARY INFORMATION

RSI-NOTE 1

1A CHANGES IN ASSUMPTIONS

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

SUPPLEMENTARY INFORMATION

COTTONWOOD HEIGHTS
SUPPLEMENTARY INFORMATION

Cottonwood Heights, Utah
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2016

Description	Budgeted Adopted Budget	Amounts Final Budget	Fund Actuals (Budgetary Basis) (See Notes)	Variance with Final Budget
REVENUES				
Federal Grant	\$50,550	\$160,807	\$97,792	(\$63,015)
Local Grants	461,000	1,500,000	741,752	(758,248)
Impact Fees - Current Collections	50,000	50,000	94,268	44,268
Investment earnings	30,000	30,000	68,354	38,354
Miscellaneous			25,901	25,901
Total revenues	591,550	1,740,807	1,028,067	(712,740)
EXPENDITURES				
Current:				
General Government	10,256,736	10,256,736	8,870,535	(1,386,201)
Highways and Public Improvements	2,803,380	5,058,935	2,290,997	(2,767,938)
Total expenditures	13,060,116	15,315,671	11,161,532	(4,154,139)
Excess (deficiency) of revenues over (under) expenditures	(12,468,566)	(13,574,864)	(10,133,466)	3,441,399
OTHER FINANCING SOURCES (USES)				
Sources/(Uses):				
Beginning Fund Bal Appropriated	12,189,941	13,296,239		(13,296,239)
Transfers from General Fund	278,625	278,625	278,625	
Total other financing sources (uses)	12,468,566	13,574,864	278,625	(13,296,239)
Net change in fund balances			(9,854,841)	
Fund balance - beginning of year			13,757,744	
Fund balance - end of year			\$3,902,903	

COTTONWOOD HEIGHTS
STATISTICAL SECTION

STATISTICAL SECTION
(Unaudited)

This section of Cottonwood Heights' Comprehensive Annual Financial Report (CAFR) provides detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health.

The five divisions of the Statistical Section are as follows:

- **Financial Trends:** Included schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.
- **Revenue Capacity:** Included schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, sales tax, and enterprise fund revenues.
- **Debt Capacity:** Included schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the government's ability to issue additional debt in the future.
- **Demographic and Economic Information:** Included schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.
- **Operating information:** Included schedules contain data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements of Cottonwood Heights for the relevant year.

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

FINANCIAL TRENDS: CHART-1
Cottonwood Heights
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Investment in capital assets	\$ 46,171,377	\$ 45,924,687	\$ 49,739,199	\$ 47,215,683	\$ 49,934,834	\$ 49,425,939	\$ 44,831,195	\$ 45,831,420	\$ 45,776,089	\$ 41,891,706
Restricted	13,079	57,951	148,081	100,102	165,949	221,078	203,271	222,737	223,950	253,555
Unrestricted	4,801,051	5,302,458	4,825,654	7,047,623	6,492,449	8,603,921	9,017,951	9,668,305	10,068,724	7,014,875
Total governmental activities net position	\$ 50,985,507	\$ 51,285,096	\$ 54,712,934	\$ 54,363,409	\$ 56,593,232	\$ 58,250,938	\$ 54,052,417	\$ 55,722,462	\$ 55,068,763	\$ 49,160,136
Business-type activities										
Investment in capital assets	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
Total business-type activities net position	-	-	-	-	-	-	-	-	-	-
Primary government										
Investment in capital assets	\$ 46,171,377	\$ 45,924,687	\$ 49,739,199	\$ 47,215,683	\$ 49,934,834	\$ 49,425,939	\$ 44,831,195	\$ 45,831,420	\$ 45,776,089	\$ 41,891,706
Restricted	13,079	57,951	148,081	100,102	165,949	221,078	203,271	222,737	223,950	253,555
Unrestricted	4,801,051	5,302,458	4,825,654	7,047,623	6,492,449	8,603,921	9,017,951	9,668,305	10,068,724	7,014,875
Total primary government net position	\$ 50,985,507	\$ 51,285,096	\$ 54,712,934	\$ 54,363,409	\$ 56,593,232	\$ 58,250,938	\$ 54,052,417	\$ 55,722,462	\$ 55,068,763	\$ 49,160,136

Note: Cottonwood Heights city incorporated in January 2005
The City has no Business-type activities

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

FINANCIAL TRENDS: CHART-2
Cottonwood Heights
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities										
General Government	\$ 3,153,137	\$ 2,420,606	\$ 2,902,400	\$ 2,863,918	\$ 2,699,564	\$ 2,094,427	\$ 2,331,589	\$ 2,140,589	\$ 1,972,270	\$ 3,421,036
Public Safety	9,370,954	9,025,584	8,932,299	8,760,565	8,360,970	7,685,600	8,073,608	8,015,001	6,780,298	6,339,016
Highways and Streets	5,156,418	6,428,742	5,957,314	5,773,855	4,728,329	4,485,274	5,707,937	5,309,932	3,469,794	3,197,851
Community and Economic Development	1,119,882	1,058,098	970,886	695,759	626,956	602,502	524,665	566,802	620,300	616,335
Interest on long term debt	529,778	547,992	13,788	19,324	18,197	22,003	26,840	26,761	254	498
Intergovernmental	-	-	-	-	-	-	35,000	-	-	-
Total Governmental Activities	<u>19,329,969</u>	<u>19,481,022</u>	<u>18,776,687</u>	<u>18,113,421</u>	<u>16,434,016</u>	<u>14,889,806</u>	<u>16,699,639</u>	<u>16,059,086</u>	<u>12,842,917</u>	<u>13,574,736</u>
Business-type activities	-	-	-	-	-	-	-	-	-	-
n/a	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities	-	-	-	-	-	-	-	-	-	-
Total Expenses	<u>\$ 19,329,969</u>	<u>\$ 19,481,022</u>	<u>\$ 18,776,687</u>	<u>\$ 18,113,421</u>	<u>\$ 16,434,016</u>	<u>\$ 14,889,806</u>	<u>\$ 16,699,639</u>	<u>\$ 16,059,086</u>	<u>\$ 12,842,917</u>	<u>\$ 13,574,736</u>
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 744,299	\$ 517,531	\$ 601,337	\$ 502,581	\$ 445,692	\$ 555,469	\$ 449,598	\$ 469,151	\$ 558,751	\$ 553,676
Public Safety	530,137	528,102	536,531	528,676	552,220	546,834	538,124	273,251	235,611	158,498
Highways and Streets	-	-	-	-	-	-	-	-	-	-
Community and Economic Development	355,582	217,312	232,585	245,326	180,299	203,093	151,433	164,376	213,924	221,802
Interest on long term debt	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	1,709,911	1,543,851	1,563,168	1,611,019	1,504,103	1,638,949	1,502,366	1,465,430	1,475,184	1,362,266
Capital Grants and Contributions	836,020	1,968,067	3,484,303	231,783	25,185	312,815	564,390	1,025,779	941,105	33,579
Total Governmental Activities	<u>4,175,949</u>	<u>4,774,863</u>	<u>6,417,914</u>	<u>3,119,387</u>	<u>2,707,500</u>	<u>3,257,160</u>	<u>3,205,911</u>	<u>3,397,987</u>	<u>3,424,575</u>	<u>2,329,822</u>
Business-type Activity	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-	-
n/a	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business-type Activity	-	-	-	-	-	-	-	-	-	-
Total Program Revenues	<u>\$ 4,175,949</u>	<u>\$ 4,774,863</u>	<u>\$ 6,417,914</u>	<u>\$ 3,119,387</u>	<u>\$ 2,707,500</u>	<u>\$ 3,257,160</u>	<u>\$ 3,205,911</u>	<u>\$ 3,397,987</u>	<u>\$ 3,424,575</u>	<u>\$ 2,329,822</u>

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

**FINANCIAL TRENDS: CHART-2
Cottonwood Heights
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<i>(schedule continued)</i>										
Net (Expense)/Revenue										
Governmental Activities	\$ (15,154,020)	\$ (14,706,159)	\$ (12,358,773)	\$ (14,994,034)	\$ (13,726,516)	\$ (11,632,646)	\$ (13,493,728)	\$ (12,661,099)	\$ (9,418,342)	\$ (11,244,914)
Business-type Activity										
Total Net Expense	<u>\$ (15,154,020)</u>	<u>\$ (14,706,159)</u>	<u>\$ (12,358,773)</u>	<u>\$ (14,994,034)</u>	<u>\$ (13,726,516)</u>	<u>\$ (11,632,646)</u>	<u>\$ (13,493,728)</u>	<u>\$ (12,661,099)</u>	<u>\$ (9,418,342)</u>	<u>\$ (11,244,914)</u>
General Revenues										
Governmental Activities:										
Property Taxes	\$ 6,810,924	\$ 6,646,636	\$ 6,684,948	\$ 6,954,277	\$ 6,594,176	\$ 6,499,957	\$ 6,344,286	\$ 6,408,994	\$ 6,475,442	\$ 6,399,642
Sales Taxes	5,657,552	5,342,297	5,231,303	5,030,007	4,749,551	4,558,144	4,634,998	4,847,677	5,414,341	5,567,486
Energy Use Tax	1,530,067	-	-	-	-	-	-	-	-	-
Motor Vehicle Fee-in-Lieu	359,521	366,675	390,535	390,882	400,016	426,149	468,657	505,711	505,430	535,812
Franchise Taxes	320,220	305,641	303,918	296,450	278,444	267,999	256,667	250,660	235,671	214,766
State Liquor Fund Allotment	**	**	**	**	43,515	46,230	35,236	33,563	39,738	29,926
Unrestricted investment earnings	84,666	91,956	37,394	36,859	53,935	46,773	59,298	187,488	515,432	456,134
Gain (Loss) on sale of Capital Assets	8,250	18,824	12,000	-	(91,970)	(43,546)	-	-	(736)	-
Miscellaneous	83,228	57,422	48,200	55,735	41,145	55,709	29,816	53,944	4,589	7,503
Transfers in/out	-	-	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	3,985,238	-	-	-	-
Total general revenues, transfers, and special item	<u>\$ 14,854,430</u>	<u>\$ 12,829,351</u>	<u>\$ 12,708,298</u>	<u>\$ 12,764,210</u>	<u>\$ 12,068,812</u>	<u>\$ 15,842,653</u>	<u>\$ 11,828,958</u>	<u>\$ 12,288,037</u>	<u>\$ 13,191,407</u>	<u>\$ 13,217,517</u>
Business-type Activity:										
n/a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 14,854,430</u>	<u>\$ 12,829,351</u>	<u>\$ 12,708,298</u>	<u>\$ 12,764,210</u>	<u>\$ 12,068,812</u>	<u>\$ 15,842,653</u>	<u>\$ 11,828,958</u>	<u>\$ 12,288,037</u>	<u>\$ 13,191,407</u>	<u>\$ 13,217,517</u>
Change in Net Position										
Governmental Activities	(299,590)	\$ (1,876,808)	\$ 349,525	\$ (2,229,824)	\$ (1,657,704)	\$ 4,210,007	\$ (1,664,770)	\$ (373,062)	\$ 3,773,065	\$ 1,972,603
Business-type Activity	-	-	-	-	-	-	-	-	-	-
Total Change in Net Position	<u>\$ (299,590)</u>	<u>\$ (1,876,808)</u>	<u>\$ 349,525</u>	<u>\$ (2,229,824)</u>	<u>\$ (1,657,704)</u>	<u>\$ 4,210,007</u>	<u>\$ (1,664,770)</u>	<u>\$ (373,062)</u>	<u>\$ 3,773,065</u>	<u>\$ 1,972,603</u>

Note: Cottonwood Heights city incorporated in January 2005
The City has no Business-type activities
** State Liquor Fund Allotment - moved to Operating Grants and Contributions in FY 2013 financials under Public Safety

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

**FINANCIAL TRENDS: CHART-3
Cottonwood Heights
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	\$ 273,598	\$ 21,694	\$ 19,609	\$ 22,134	\$ 53,596	\$ 81,132	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	68,799	112,353	138,355	-	-	-	-
Unrestricted	-	-	924,392	899,412	871,757	857,894	-	-	-	-
Assigned *	-	-	1,482,950	1,685,932	1,708,720	1,970,113	-	-	-	-
Unassigned	2,078,586	2,114,670	-	-	-	-	203,271	222,737	223,950	253,555
Reserved	-	-	-	-	-	-	1,779,169	1,407,461	1,211,759	1,235,852
Unreserved	-	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 2,352,184	\$ 2,136,364	\$ 2,426,962	\$ 2,676,277	\$ 2,746,426	\$ 3,047,494	\$ 1,982,440	\$ 1,630,198	\$ 1,435,709	\$ 1,489,407
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grant	-	-	-	-	-	23,594	-	-	-	-
Bond Funds in Trust	2,788,848	10,619,536	-	-	-	-	-	-	-	-
Impact Fees	13,079	57,951	128,472	9,169	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
Capital Projects	1,100,977	3,080,257	2,418,312	4,462,279	3,911,972	5,775,914	-	-	-	-
CommDev Renewal Agency	1,822,173	1,845,843	-	-	-	-	-	-	-	-
Unreserved - Capital Projects	-	-	-	-	-	-	7,238,782	8,260,844	8,856,965	5,779,023
Total all other governmental funds	\$ 5,725,077	\$ 15,603,687	\$ 2,546,784	\$ 4,471,448	\$ 3,911,972	\$ 5,799,508	\$ 7,238,782	\$ 8,260,844	\$ 8,856,965	\$ 5,779,023

Note: Cottonwood Heights city incorporated in January 2005
 The city implemented the requirements of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for fiscal year 2011
 * Previously "Assigned" general fund funds reviewed and determined to be unassigned (stabilization funds).

COTTONWOOD HEIGHTS STATISTICAL SECTION

FINANCIAL TRENDS: CHART-4
Cottonwood Heights
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES										
Property Taxes	\$ 6,810,924	\$ 6,646,536	\$ 6,684,948	\$ 6,954,277	\$ 6,594,176	\$ 6,499,957	\$ 6,344,286	\$ 6,408,994	\$ 6,475,442	\$ 6,399,642
Sales Taxes	5,622,651	5,319,432	5,203,814	5,011,132	4,725,926	4,531,512	4,607,702	4,819,775	5,378,470	5,528,612
E-911 Emergency Fees	313,195	296,984	276,640	321,556	294,517	294,601	299,774	232,723	200,696	110,926
Energy Use Tax	1,530,067	-	-	-	-	-	-	-	-	-
Motor Vehicle Fee-in-lieu	359,521	386,675	390,535	390,882	400,016	426,149	468,657	505,711	505,430	535,812
Franchise Taxes	320,220	305,641	303,918	296,450	278,444	267,999	256,667	250,660	235,671	214,766
Transient Room	34,901	22,865	27,489	18,875	23,625	26,632	27,297	27,902	35,871	38,874
Licenses and Permits	744,299	517,531	601,337	502,581	445,692	555,469	449,598	469,151	568,751	553,676
Intergovernmental	2,138,467	3,172,565	4,651,518	1,489,464	1,253,101	1,536,378	1,650,962	2,266,270	2,225,477	1,287,514
Impact Fees - Current Year Collection *	94,288	42,389	119,303	31,783	25,185	167,015	50,966	26,779	31,354	33,579
Charges for Services	355,582	217,312	232,585	245,326	180,299	203,093	151,433	164,376	213,924	221,802
Fines and Forfeitures	530,137	528,102	536,531	528,676	552,220	546,834	538,124	273,251	235,611	158,498
Investment Earnings	84,666	91,956	37,394	36,859	53,935	46,773	59,298	187,488	515,432	456,134
Miscellaneous	78,260	57,422	48,200	55,683	41,145	55,709	29,816	53,944	4,589	7,503
Total Revenues	\$19,017,160	\$17,585,390	\$19,114,212	\$15,883,544	\$14,868,281	\$15,158,121	\$14,934,578	\$15,686,023	\$16,616,718	\$15,547,339
EXPENDITURES										
Current										
General Government	\$ 3,151,315	\$ 3,025,254	\$ 2,778,517	\$ 2,749,024	\$ 2,566,624	\$ 1,976,164	\$ 2,252,343	\$ 2,073,098	\$ 1,932,412	\$ 956,090
Public Safety	9,045,817	8,826,324	8,463,443	8,290,154	7,961,262	7,651,305	7,630,159	7,758,559	6,778,220	6,329,819
Highways and Public Improvements	2,978,600	2,978,465	3,150,768	2,400,004	2,009,533	1,792,562	3,179,469	2,881,406	892,995	3,530,251
Community and Economic Development	1,138,028	1,075,682	970,072	690,193	612,898	586,287	509,082	552,668	577,107	612,425
Debt Service										
Principal	375,545	-	308,185	729,090	226,586	250,000	162,087	-	10,048	10,571
Interest and fiscal charges	854,559	13,966	13,788	19,324	18,197	22,003	32,113	-	254	498
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Capital Outlays (net of disposals)	11,144,485	4,750,896	5,615,428	2,411,983	3,676,584	3,254,021	1,904,433	3,648,909	3,407,241	1,666,338
Total Expenditures	\$28,688,350	\$20,670,587	\$21,300,201	\$17,289,772	\$17,071,684	\$15,532,342	\$15,704,688	\$16,914,640	\$13,618,476	\$13,105,992
Excess(Deficiency) of Revenues over Expenditure	(9,671,190)	(3,085,197)	(2,185,989)	(1,406,228)	(2,203,403)	(374,221)	(770,109)	(1,228,618)	2,998,242	2,441,347
OTHER FINANCING SOURCES (USES)										
Transfers in	\$ 278,625	\$ -	\$ 875,615	\$ 1,485,423	\$ 1,730,747	\$ 669,459	\$ 1,907,959	\$ 1,499,074	\$ 4,107,170	\$ 4,689,357
Transfers out	(278,625)	-	(875,615)	(1,485,423)	(1,730,747)	(669,459)	(1,907,959)	(1,499,074)	(4,107,170)	(4,689,357)
In-Kind Capital Contribution	-	-	-	-	-	-	-	-	-	-
Proceeds from Capital Leases	-	1,168,247	-	1,142,555	-	-	-	826,985	-	-
Proceeds from Revenue Bond	-	14,684,340	-	-	-	-	-	-	-	-
Sale of Capital Assets	8,500	18,824	12,000	753,000	14,800	-	-	-	26,001	-
Total Other Financing Sources (Uses)	\$ 8,500	\$15,851,411	\$ 12,000	\$ 1,895,555	\$ 14,800	\$ -	\$ 100,290	\$ 826,985	\$ 26,001	\$ -
Net change in fund balances before special item	\$ (9,662,690)	\$12,766,215	\$ (2,173,989)	\$ 489,327	\$ (2,188,603)	\$ (374,221)	\$ (669,819)	\$ (401,633)	\$ 3,024,243	\$ 2,441,347
Special Item	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (9,662,690)	\$12,766,215	\$ (2,173,989)	\$ 489,327	\$ (2,188,603)	\$ (374,221)	\$ (669,819)	\$ (401,633)	\$ 3,024,243	\$ 2,441,347
Debt service as a percentage of Noncapital expenditures	7.01%	0.09%	2.05%	5.03%	1.83%	2.22%	1.41%	0.00%	0.10%	0.10%

Note: Cottonwood Heights city incorporated in January 2005
 Beginning Fund Balance 17,739,951
 Ending Fund Balance 8,077,261
 * Impact Fee Collections moved from Other Sources to Revenues in FY 2016

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

REVENUE CAPACITY: CHART-5
Cottonwood Heights
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Assessment Year	ASSESSED "MARKET VALUE" OF PROPERTY					Less 100% Tax-Exempt Property (1)	Less Residential Exemption	Total Assessed Taxable Value	Assessed Taxable Value as % Fully Assessed	Taxable Total Direct Rate
		Residential	Commercial (1)	Total	100% Tax-Exempt Property (1)	Less Residential Exemption					
2016	2015	\$ 3,843,223,676	\$ 911,456,139	\$ 4,754,679,815	\$ 127,850,000	\$ 1,729,450,654	\$ 2,897,379,161	60.9%	0.2239%		
2015	2014	3,635,268,731	778,549,073	4,413,817,804	126,548,093	1,635,870,929	2,651,398,782	60.1%	0.2386%		
2014	2013	3,393,947,127	932,440,256	4,326,387,383	125,231,015	1,527,276,207	2,673,880,161	61.8%	0.2522%		
2013	2012	3,277,704,426	879,727,447	4,157,431,873	123,927,645	1,474,966,992	2,558,537,236	61.5%	0.2654%		
2012	2011	3,366,962,604	864,180,096	4,231,142,700	130,000,000	1,515,133,172	2,586,009,528	61.1%	0.2586%		
2011	2010	3,462,644,784	868,364,470	4,331,009,254	135,000,000	1,558,190,153	2,637,819,101	60.9%	0.2517%		
2010	2009	3,545,513,133	923,042,188	4,468,555,321	140,000,000	1,595,480,910	2,733,074,411	61.2%	0.2399%		
2009	2008	4,091,052,684	1,036,929,851	5,127,982,535	160,000,000	1,840,973,708	3,127,008,827	61.0%	0.2098%		
2008	2007	3,889,799,206	941,043,105	4,830,842,311	150,000,000	1,750,409,643	2,930,432,668	60.7%	0.2220%		
2007	2006	3,159,022,555	822,051,567	3,981,074,122	125,000,000	1,421,560,150	2,434,513,972	61.2%	0.2624%		

Source: Cottonwood Heights Finance Department, SL County Auditor, Utah State Tax Commission
Note: Property in the county is reassessed annually, rates change to yield same revenue as prior year unless tax increase is declared and hearings are held.

(1) Property that is 100% exempt from property taxes is estimated and included in Assessed "Market Values" - Commercial

COTTONWOOD HEIGHTS STATISTICAL SECTION

REVENUE CAPACITY: CHART-6
Cottonwood Heights
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30	2016		Overlapping Rates										
	Tax Year	Basic Rate	General Obligation Debt Service	Jordan School District (Old Debt)	Canyons School District (1)	Jordan School District	Salt Lake County (countywide) (2)	Salt Lake County Library	Salt Lake Valley Mosquito Abatement District	South Salt Lake Water Conservancy District	Central Utah Water Conservancy District	Cottonwood Improvement 'Sewer' District (3)	Cottonwood Heights Parks & Recreation Service Area (4)
2016	2015	0.2239%		0.6997%	0.2531%	0.0683%	0.0019%	0.0405%	0.0215%	0.1198%	0.0400%	0.0399%	0.0400%
2015	2014	0.2386%	-	0.6872%	0.3036%	0.0715%	0.0020%	0.0422%	0.0226%	0.1253%	0.0399%	0.0424%	0.0399%
2014	2013	0.2522%	-	0.7016%	0.3180%	0.0755%	0.0021%	0.0446%	0.0236%	0.1185%	0.0424%	0.0424%	0.0424%
2013	2012	0.2654%	-	0.7111%	0.2793%	0.0627%	0.0021%	0.0455%	0.0244%	0.1203%	0.0443%	0.0443%	0.0443%
2012	2011	0.2586%	-	0.6546%	0.2686%	0.0604%	0.0052%	0.0436%	0.0237%	0.1217%	0.0424%	0.0424%	0.0424%
2011	2010	0.2517%	-	0.6540%	0.2593%	0.0583%	0.0050%	0.0421%	0.0229%	0.1058%	0.0410%	0.0410%	0.0410%
2010	2009	0.2399%	-	0.5780%	0.2278%	0.0564%	0.0025%	0.0400%	0.0219%	0.1023%	0.0400%	0.0400%	0.0400%
2009	2008	0.2098%	-	-	0.1731%	0.0492%	0.0022%	0.0286%	0.0193%	0.0901%	0.0384%	0.0384%	0.0384%
2008	2007	0.2220%	-	-	0.1994%	0.0517%	0.0023%	0.0302%	0.0205%	0.0958%	0.0400%	0.0400%	0.0400%
2007	2006	0.2624%	-	-	0.2371%	0.0617%	0.0027%	0.0357%	0.0244%	0.1009%	0.0353%	0.0353%	0.0353%

Source: Utah State Tax Commission - Property Tax Division

Note: Property in the county is reassessed annually, rates change to yield same revenue as prior year unless tax increase is declared and hearings are held.

- (1) Local School District - Transitioned from Jordan School District to Canyons School District July 1, 2009
- (2) Salt Lake County - includes Health, Recreation, Flood and general countywide operations
- (3) Cottonwood Improvement 'Sewer' District serves approximately 98% of Cottonwood Heights, SL Suburban District serves the remaining 2%
- (4) Cottonwood Heights Parks & Recreation Service Area overlaps approximately 70% of the city boundary.
- (5) Jordan Valley Water Conservancy District overlaps approximately 8% of the city's boundary.

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

**REVENUE CAPACITY: CHART-7
Cottonwood Heights
Principal Property Taxpayers
Current Year and Five Years Ago**

Taxpayer	FY 2016			FY 2011		
	2015 Taxable Assessed Value	Rank	Percentage of Total Taxable Value	2010 Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Old Mill Corporate Center (Offices)	\$ 146,609,500	1	4.81%	\$ 56,998,900	2	2.16%
NOP Cottonwood (Cottonwood Corporate Center)	116,448,400	2	3.82%	76,842,300	1	2.91%
Fourels Investment Co. (Shopping area)	48,413,500	3	1.59%	36,607,500	3	1.39%
RBCSU Realty, Inc. / Regence BlueCross/BlueShield	43,663,700	4	1.43%	41,893,804	4/10*	1.59%
Pinnacle Highland Apartments	35,318,965	5	1.16%	24,062,500	5	0.91%
James Campbell Company, LLC. (Shopping area)	27,884,220	6	0.92%	23,347,310	6	0.89%
Santa Fe Apartments, LLC.	27,824,610	7	0.91%	19,775,305	8	0.75%
JSP Farms I, LLC	19,818,590	8	0.65%			0.00%
Roderick Enterprises	14,814,500	9	0.49%			
Park V Partners	11,591,350	10	0.38%			
Reef Union Park				20,970,100	7	0.79%
Cottonwood Estates Development				18,041,014	9	0.68%
	<u>\$ 492,387,335</u>		<u>16.16%</u>	<u>\$ 318,538,733</u>		<u>12.08%</u>
Total City Taxable Assessed Value	<u>\$ 3,047,320,043</u>			<u>\$ 2,637,819,101</u>		

Source: Salt Lake County Treasurer

* RBCSU/Regence BlueCross/Blue Shield Combined

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

**REVENUE CAPACITY: CHART-8
Cottonwood Heights
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year		2016 Fiscal Year of the Levy		Total Delinquent Collections in Subsequent Years Classified in Tax YR		Total Collections to Date		Total Year-end Assessed Taxable Value	Assessed Taxable % of Assessed Market Value	Total Direct Rate	Original Budget Used to Set Tax Rate
	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy				
2016	\$6,828,225	98.0%	\$6,692,242	98.0%	\$105,383	99.6%	6,797,625	99.6%	\$3,047,320,878	62.1%	0.2239%	\$6,600,465
2015	6,710,628	97.9%	6,568,976	97.9%	56,688	98.7%	6,625,664	98.7%	2,808,487,947	61.4%	0.2386%	6,435,856
2014	6,778,261	96.7%	6,553,243	96.7%	118,607	98.4%	6,671,850	98.4%	2,673,880,161	61.8%	0.2522%	6,465,048
2013	6,778,261	96.7%	6,554,349	96.7%	160,125	99.1%	6,714,474	99.1%	2,558,537,236	61.5%	0.2654%	6,431,714
2012	6,681,842	96.1%	6,420,677	96.1%	213,781	99.3%	6,634,458	99.3%	2,586,009,528	61.1%	0.2586%	6,437,173
2011	6,618,763	96.3%	6,374,612	96.3%	200,475	99.3%	6,575,087	99.3%	2,637,819,101	60.9%	0.2517%	6,445,912
2010	6,522,478	95.3%	6,216,140	95.3%	235,771	98.9%	6,451,912	98.9%	2,733,074,411	61.2%	0.2399%	6,423,917
2009	6,570,859	95.5%	6,272,729	95.5%	262,538	99.5%	6,535,267	99.5%	3,127,008,827	61.0%	0.2098%	6,412,498
2008	6,540,141	96.9%	6,339,067	96.9%	148,813	99.2%	6,487,880	99.2%	2,930,638,091	60.7%	0.2220%	6,363,928
2007	6,399,901	97.8%	6,258,487	97.8%	116,506	99.6%	6,374,993	99.6%	2,434,513,972	61.2%	0.2624%	6,288,245

Source: Cottonwood Heights Finance Department, SL County Auditor, Utah State Tax Commission
 Note: Cottonwood Heights city incorporated in January 2005, prior municipal services provided by Salt Lake County Municipal

COTTONWOOD HEIGHTS
STATISTICAL SECTION

DEBT CAPACITY: CHART-9
Cottonwood Heights
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	General		2016		Special		Sales Tax		Total		Percentage of		State Committee	
	Obligation Bonds (1)	Leases	Capital Leases	Assessment Bonds (1)	Revenue Bonds (1)	Outstanding Debt	Personal Income (2)	Calculated Population (3)	Debt Per Capita					
Governmental Activities														
2016	\$ -	\$ 818,552	\$ -	\$ -	\$ 13,705,000	\$ 14,523,552	1.099%	34,343	\$ 422.90					
2015	-	1,168,247	-	-	13,770,000	14,938,247	1.101%	34,166	437.23					
2014	-	834,317	-	-	-	834,317	0.065%	34,017	24.53					
2013	-	1,142,503	-	-	-	1,142,503	0.097%	34,017	33.59					
2012	-	729,090	-	-	-	729,090	0.064%	34,068	21.40					
2011	-	955,676	-	-	-	955,676	0.082%	33,433	28.58					
2010	-	664,898	-	-	-	664,898	0.052%	35,407	18.78					
2009	-	826,985	-	-	-	826,985	0.066%	35,351	23.39					
2008	-	-	-	-	-	-	0.000%	34,954	-					
2007	-	10,048	-	-	-	10,048	0.000%	35,932	0.28					

Note: Cottonwood Heights city incorporated in January 2005, prior municipal services provided by Salt Lake County Municipal
The City has no Business-type activities

- (1) Presented net of original issuance discounts and premiums
- (2) Personal income is disclosed on Chart 14
- (3) Utah State Population Committee, US Census

COTTONWOOD HEIGHTS
STATISTICAL SECTION

DEBT CAPACITY: CHART-10
Cottonwood Heights
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds (1)	2016		Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
		Less: Amounts Available in Debt Service Funds (2)	\$			
2016	\$ -	\$ -	\$ -	-	- %	\$ -
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
2008	-	-	-	-	-	-
2007	-	-	-	-	-	-

Note: Cottonwood Heights city incorporated in January 2005, prior municipal services provided by Salt Lake County Municipal Details regarding the city's outstanding debt can be found in the notes to the financial statements

- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums
- (2) This is the amount restricted for general obligation debt service principal payments
- (3) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property on Chart 5 for property value data.
- (4) Population data can be found on the Schedule of Demographic and Economic Statistics on Chart 14

COTTONWOOD HEIGHTS
STATISTICAL SECTION

DEBT CAPACITY: CHART-11
Cottonwood Heights
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

Overlapping Government Unit	2016 Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Cottonwood Heights
Central Utah Water Conservancy District	\$ 154,198,310	3.63%	\$ 5,600,929
Jordan School District (old debt)	73,964,000	19.01%	14,059,928
Canyons School District	256,802,657	17.02%	43,714,600
Salt Lake County - General & Library	344,703,310	3.87%	13,332,717
South Salt Lake Valley Mosquito District	-	5.39%	-
Cottonwood Improvement 'Sewer' District	-	45.07%	-
Cottonwood Heights Parks & Recreation Service Area	4,900,000	98.00%	4,802,000
Jordan Valley Water Conservancy District	247,460,226	0.13%	322,038
Subtotal, overlapping governmental activity debt	<u>1,082,028,503</u>		<u>81,832,211</u>
City direct debt	14,523,552	100.00%	14,523,552
Total direct and overlapping debt	<u>\$ 1,096,552,055</u>		<u>\$ 96,355,762</u>

Sources: Salt Lake County - Comprehensive Annual Financial Report for 2015, and other entities CAFR.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Cottonwood Heights. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

COTTONWOOD HEIGHTS STATISTICAL SECTION

DEBT CAPACITY: CHART-12
Cottonwood Heights
Legal Debt Margin Information
June 30, 2016

	Fiscal Years									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Constitutional Limit										
General (4% Fair Cash Value)	\$ 185,073,189	\$ 171,490,788	\$ 168,046,255	\$ 161,340,169	\$ 164,045,708	\$ 167,840,370	\$ 173,142,213	\$ 198,719,301	\$ 187,241,909	\$ 154,242,965
Sewer, Water (4% Fair Cash Value)	185,073,189	171,490,788	168,046,255	161,340,169	164,045,708	167,840,370	173,142,213	198,719,301	187,241,909	154,242,965
Total 8% Debt Constitutional Limit	370,146,377	342,981,577	336,092,509	322,680,338	328,091,416	335,680,740	346,284,426	397,438,603	374,483,819	308,485,930
Total Net Debt Applicable to Limit	13,705,000	13,770,000	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 356,441,377	\$ 329,211,577	\$ 336,092,509	\$ 322,680,338	\$ 328,091,416	\$ 335,680,740	\$ 346,284,426	\$ 397,438,603	\$ 374,483,819	\$ 308,485,930

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.703%	4.015%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
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Legal Debt Margin Calculations

	Tax Years									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assessed Valuation:										
Reasonable Fair Cash Value	\$ 4,626,629,715	\$ 4,287,269,711	\$ 4,201,156,368	\$ 4,033,504,228	\$ 4,101,142,700	\$ 4,196,009,254	\$ 4,328,555,321	\$ 4,967,982,535	\$ 4,681,047,733	\$ 3,856,074,122
Debt Limit (8% of Reasonable Fair Cash Value)	370,146,377	342,981,577	336,092,509	322,680,338	328,091,416	335,680,740	346,284,426	397,438,603	374,483,819	308,485,930
Debt Applicable to Limit:										
General Obligation Bonds	13,705,000	13,770,000	-	-	-	-	-	-	-	-
Less: Amount Set Aside for Repayment of General Obligation Debt	-	-	-	-	-	-	-	-	-	-
Total Net Debt Applicable to Limit	13,705,000	13,770,000	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 356,441,377	\$ 329,211,577	\$ 336,092,509	\$ 322,680,338	\$ 328,091,416	\$ 335,680,740	\$ 346,284,426	\$ 397,438,603	\$ 374,483,819	\$ 308,485,930

Source: Finance Department

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements
Cottonwood Heights incorporated in 2005, no direct property tax levy until fiscal year 2007
Currently water and sewer services are provided by other special service districts

COTTONWOOD HEIGHTS
STATISTICAL SECTION

DEBT CAPACITY: CHART-13
Cottonwood Heights
Pledged-Revenue Coverage
June 30, 2016

Fiscal Year	Sales Tax Revenues	Debt Service *		Coverage
	\$	Principal	Interest	
2016	5,622,651	\$ 65,000.00	\$ 533,726	9.39
2015	5,319,432	-	533,440	9.97
2014	-	-	-	-
2013	-	-	-	-
2012	-	-	-	-
2011	-	-	-	-
2010	-	-	-	-
2009	-	-	-	-
2008	-	-	-	-
2007	-	-	-	-

Note: Cottonwood Heights incorporated 2005
* Debt Service - net of amortized Bond Premium

COTTONWOOD HEIGHTS
STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC: CHART-14
Cottonwood Heights
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	State Committee Calculated Population (1)	Median Age (1)	Per Capita Income (1,3)	Personal Income (in '000)	Education		K-12 School Enrollment (2)	Metro SLC, UT Unemployment Rate (3)
					Avg Years of Formal Schooling (2)			
2016	34,343	37.50	\$ 38,477	\$ 1,321,416	14.6	4,067	3.3%	
2015	34,166	37.40	39,717	1,356,971	14.6	4,650	3.3%	
2014	34,017	37.30	37,472	1,274,685	14.6	4,596	3.5%	
2013	34,017	37.20	34,601	1,177,022	14.6	4,502	5.0%	
2012	34,068	37.10	33,559	1,143,288	14.6	4,845	6.0%	
2011	33,433	37.00	34,902	1,166,879	14.6	5,133	7.6%	
2010	35,407	36.90	36,421	1,289,558	14.5	5,416	7.1%	
2009	35,351	36.80 *	35,621	1,259,238	14.5	5,588	5.9%	
2008	34,954	36.70 *	32,395	1,132,335	14.5	6,160	3.4%	

Note: Cottonwood Heights city incorporated in January 2005, prior municipal services provided by Salt Lake County Municipal

* Estimated from US Census reports.

(1) Utah State Population Committee, US Census

(2) Local School District Census (FY16 residents attending Canyons District, previous years school counts located in City.)

(3) Bureau of Labor Statistics - June FY

COTTONWOOD HEIGHTS STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC: CHART-15
Cottonwood Heights
Principal Employers in City Boundaries
Current Year and Nine Years Ago

2016		2007					
Rank	Employer	Employees	Percentage of Total Employment	Employer	Employees	Rank	Percentage of Total Employment
1	Jet Blue Airways Corporation	1000-1999	6.90%	Jet Blue Airways Corporation	1000-1999	1	7.84%
4	Instructure, Inc	500-999	3.45%				
4	Overstock.Com Inc.	500-999	3.45%	Overstock.Com Inc.	250-499	5	1.96%
4	Canyons School District	500-999	3.45%	Canyons School District	500-999	3	3.92%
6	Extra Space Management Inc	250-499	1.72%	Extra Space Management Inc	100-249	10	0.88%
6	Western Digital (San Disk (Fusion Multisystems Inc.))	250-499	1.72%				
10	Regence BlueCross BlueShield of Utah	100-249	0.78%	Regence BlueCross BlueShield of Utah	500-999	3	3.92%
10	Cottonwood Heights Parks & Recreation Service Area	100-249	0.78%	Cottonwood Heights Parks & Recreation Service Area	100-249	10	0.88%
10	Canyon Culinary Inc (Porcupine Grill)	100-249	0.78%	Canyon Culinary Inc (Porcupine Grill)	100-249	10	0.88%
10	Gastronomy, Inc	100-249	0.78%	Gastronomy, Inc	100-249	10	0.88%
10	The Home Depot USA Inc	100-249	0.78%	The Home Depot USA Inc	100-249	10	0.88%
10	KR Acquisitions 1 LLC ET AL (Kern River Gas)	100-249	0.78%	KR Acquisitions 1 LLC ET AL (Kern River Gas)	100-249	10	0.88%
10	Navitaire Inc	100-249	0.78%	Navitaire Inc	100-249	10	0.88%
10	Target Corporation	100-249	0.78%	Target Corporation	250-499	5	1.96%
10	Kroger Group Cooperative Inc (Smiths Food)	100-249	0.78%	Kroger Group Cooperative Inc (Smiths Food)	100-249	10	0.88%
10	Mastercontrol Inc	100-249	0.78%				
10	Security National Mortgage	100-249	0.78%				
10	SoFi	100-249	0.78%				
	Top Ten Principal Employers	3,890 - 8,378	30.04%	American Family Insurance	100-249	10	0.88%
				Clear Link	100-249	10	0.88%
				Dans Food	100-249	10	0.88%
				Fieldstone Communities Inc	100-249	10	0.88%
				Mrs. Fields Famous Cookies	100-249	10	0.88%
				Northface Management LLC	100-249	10	0.88%
		15,000 - 28,000			3,900 - 8,481		31.96%
	All Reported Employers in City	15,000 - 28,000			13,000 - 25,000		

Source: Utah Department of Workforce Services
Cottonwood Heights incorporated in 2005, Fiscal Year 2006 is first complete year
* 2007 Data unavailable; Majority of 2016 employers were operational in 2007.
Cottonwood Heights does not maintain employer - employee data

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

OPERATING INFORMATION: CHART-16
Cottonwood Heights
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government	17.75	17.50	16.23	16.64	16.11	15.11	15.52	14.77	15.10	13.23
Public Safety										
Police										
Sworn Officers	39.50	38.50	36.50	36.50	36.25	35.25	34.50	33.00	2.00	-
Non-Sworn	11.46	11.46	11.46	10.96	10.20	10.00	8.75	8.75	-	-
Ordinance Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	
Highways and streets										
Maintenance	4.65	4.65	4.65	4.65	4.00	4.20	2.00	2.00	1.00	1.00
Community & Economic Development	6.04	5.54	5.17	4.54	4.54	4.00	3.15	4.50	4.50	4.50
Total	81.40	79.65	76.01	75.29	73.10	70.56	65.92	65.02	25.60	18.73

Source: City Finance / Budget department
Cottonwood Heights was incorporated January 14, 2005

COTTONWOOD HEIGHTS STATISTICAL SECTION

OPERATING INFORMATION: CHART-17
Cottonwood Heights
Operating Indicators by Function
Last Ten Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety										
Police:										
CHPD-Total calls for service	18,210	22,949	21,666	25,614	25,379	22,316	23,860	22,050	7,323	-
Homicide, Armed Robbery, Assaults w/Weapons	38	25	34	26	30	12	**	**	**	-
Clearance Rates	64%	76%	82%	-	90%	92%	**	**	**	-
Assault, Burglary, Larceny, Vehicle Thefts & Rape	1101	1022	983	1020	995	966	**	**	**	-
Clearance Rates	29%	33%	20%	-	73%	55%	**	**	**	-
CHPD-Number of arrests	1,393	1,228	1,185	1,329	1,270	1,015	990	933	22	-
CHPD-Number of DUI arrests	166	165	127	308	307	135	178	295	88	-
CHPD-Avg. Priority 1 calls response times	4.19	4.57	5.09	4.28	4.40	4.51	4.47	4.47	5.23	6.47
SLCoSheriff-Avg. Priority 1 calls response times										
Ordinance Enforcement:										
Animal involved calls for service	932	1,382	1,171	1,373	1,362	1,188	**	**	**	**
Ordinance Violation citations issued	166	172	118	127	92	108	**	**	**	**
Fire:										
Number of fire calls	531	709	822	881	946	959	923	882	1,054	1,068
Number of medical calls	1,843	2,596	2,477	2,224	2,520	2,363	2,281	1,997	2,242	2,153
Public Works										
Number of issued excavation permits closed	812	341	72	223	229	274	429	177	236	225
Square feet of chip seal applied	198,900	-	237,650	566,500	476,050	651,489	1,159,335	-	889,561	680,531
Square feet of slurry seal / reclaimer applied	-	-	759,310	1,696,665	411,865	1,052,379	-	654,972	3,586,922	2,159,871
Square feet of overlay completed	727,838	496,145	236,280	541,755	477,367	524,549	275,298	315,201	454,810	664,727
Community and Economic Development										
Number of business licenses renewed	1,259	1,454	1,421	1,291	1,269	1,388	1,425	1,441	1,337	1,263
Number of new business licenses issued	244	192	180	154	167	163	154	214	269	260
Building permits issued	402	536	486	408	382	372	389	384	406	560
Number of building inspections	1,403	1,660	1,234	1,102	1,149	1,149	**	**	**	**
Square footage of new office space	158,000	33,500	150,000	-	232,000	-	-	-	-	-
Total square footage of office space	2,627,342	2,469,342	2,435,842	2,285,842	2,298,481	2,053,842	-	**	**	**

Source: Various City departments
**not available

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

**OPERATING INFORMATION: CHART-18
Cottonwood Heights
Capital Asset Statistics by Function
Last Ten Years**

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Number of general governmental buildings (leased)	1	1	1	1	1	1	1	1	1	1
Number of storage buildings (owned/leased)	0/4	0/4	0/4	0/4	1/1	1/1	1/1	1/1	1/1	1/0
Public Safety										
Number of Police stations (leased)	1	1	1	1	1	1	1	1	-	-
Number of Police substations (County owned) (1)	-	-	-	-	-	-	-	-	1	1
Number of Fire stations (1)	2	2	2	2	2	2	2	2	2	2
Fire Hydrants	1197	1195	1080	1,080	1,123	1,123	1,123	1,123	1,123	1,123
Library (1)	1	1	1	1	1	1	1	1	1	1
Public Works										
Number of Public Works buildings / Yards	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	-
Number of Street Lights	1,100	1,092	1,090	870	868	868	868	868	868	868
Number of Lane Miles of Road	253	250	250	250	250	250	250	250	250	250
Number of Intersections with Traffic Signals	32	32	32	32	32	32	32	32	32	32
Miles of Storm drains *	85.9	71.9	71.9	71.9	71.9	71.9	71.9	71.9	71.9	71.9
Number of issued excavation permits closed	812	341	72	223	229	274	429	177	236	225
Recreations and Parks										
Number of full service Recreation Facilities (1)	1	1	1	1	1	1	1	1	1	1
Acres of City owned Parks	18.96	18.96	18.96	18.96	18.96	9.53	9.53	2.14	1.63	1.63
Acres of non-City owned Parks (1)	117.25	117.25	117.25	117.25	117.25	117.25	117.25	117.25	117.25	117.25

Source: City Finance / Budget department
 Cottonwood Heights was incorporated January 14, 2005
 * Existing storm drains found in 2014, applied to all years
(1) Owned by Salt Lake County or a Special District

