

**COTTONWOOD HEIGHTS (A CITY), UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**



Cottonwood Heights, Utah
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017
With
Independent Auditor's Report

Prepared by

Cottonwood Heights Finance Department

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, 2017**

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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, 2016

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 19, 2017

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, 2017.

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, 2017.

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

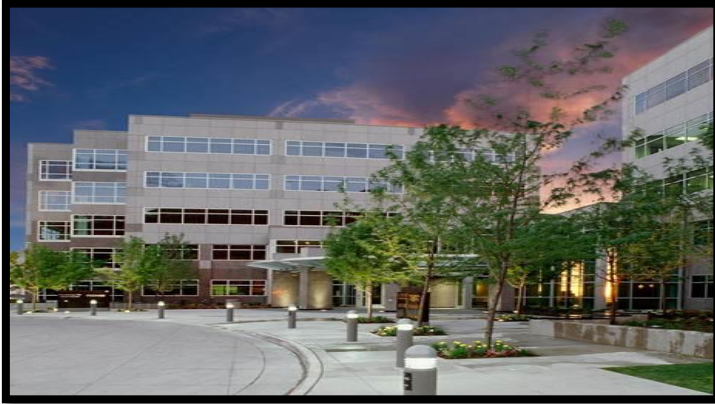
Cottonwood Heights was incorporated on January 14, 2005, out of the southeastern area of unincorporated Salt Lake County. The current population is estimated at 34,285 residents in an area encompassing 9.24 square miles. It is known as the *City between the Canyons* because it is located at the foot 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.

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 will serve the needs of the residents as well as 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.

COTTONWOOD HEIGHTS
INTRODUCTORY SECTION



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 from the entire city. The Mayor and Council select a City Manager who acts as the Chief Executive Officer of the City. Policy making and 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 with over 2 million-plus square feet (see table below), second in Salt Lake County only to downtown Salt Lake City. The City is home to corporate leaders such as: Extra Space Storage, JetBlue Airways, Instructure, MasterControl, RizePoint and SoFi. 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 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, 2017			
	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			

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

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, 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 and 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 canyons 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 five to 10 years. Therefore, the City is actively involved with property owners to master plan the site for the eventual development. The site presents notable opportunities to provide services 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 proximity to 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.

Public Works. During the recently completed year, Cottonwood Heights assumed the management of street maintenance and snow-plowing services using City staff and equipment for the first time. These services were previously contracted with a private company.



To accomplish this, the City purchased 14 new vehicles and hired eight additional employees. The first year of public works operations has been very successful. Despite higher than normal snowfall levels as well as an entirely new staff of drivers, the City's streets were plowed with greater precision and on a more timely basis than had previously been accomplished. The City is in the process of constructing a public works yard to house the new vehicles and employees.

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,

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

recreational and cultural activities, justice court and animal services. These services are funded primarily from taxes paid by Cottonwood Heights' residents.

Other City services are also covered by taxes and fees and are provided through contractual arrangements 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 is contracted to provide City park maintenance and other City 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. It provides firefighting, 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 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** serving as the City Building Official.

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** provides refuse removal services to all areas of the City.
- ❖ **Cottonwood Heights Parks and Recreation Service Area.** Property owners within the boundaries of this service area pay a dedicated property tax to the Service Area to support recreational facilities available for use by all Area residents, including operating the popular Cottonwood Heights Recreation Center located at 7500 South 2700 East.

COTTONWOOD HEIGHTS INTRODUCTORY SECTION

- ❖ **The Salt Lake County** Library System provides one library within the Cottonwood Heights boundaries.
- ❖ **Valley Emergency Communications Center (VECC)** provides emergency dispatch services for both the Cottonwood Heights Police Department and Unified Fire Authority.

Financial information and policies

Cottonwood Heights' financial statements reflect moderate growth and conservative budgeting practices. During the year, the general fund balance increased from \$2,352,185 to \$3,603,813, which is 19.34 percent of the budgeted revenues for the 2018 fiscal year. The increase in fund balance was due to a variety of factors including: 1) tax revenues exceeding budget by \$302,590, 2) wages and benefits expenditures below budget by \$265,190, and 3) lease terms on the City's new public works vehicles, which did not include a payment in the initial year.

Over the past five years, revenues in the general fund increased from \$15,630,003 to \$19,038,724. 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 \$1,090,876 over this same five-year period. A municipal energy sales and use tax, which was implemented Oct 1, 2015, brought in \$2,104,675 during the year.

Expenditures of the last five years have increased from \$14,652,284 to \$18,179,839. Included in the current year's expenditures are \$916,000 in debt service for the 2014 sales tax bonds, which did not exist five years ago. These costs were offset to a degree by eliminating the amount previously paid to lease office space. By department, expenditures increased \$704,531 in general government, \$1,445,388 in public safety, \$642,777 in public works, and \$480,651 in community development.

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.

COTTONWOOD HEIGHTS
INTRODUCTORY SECTION

This is the sixth 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 award was presented for FY 2016 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.

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.

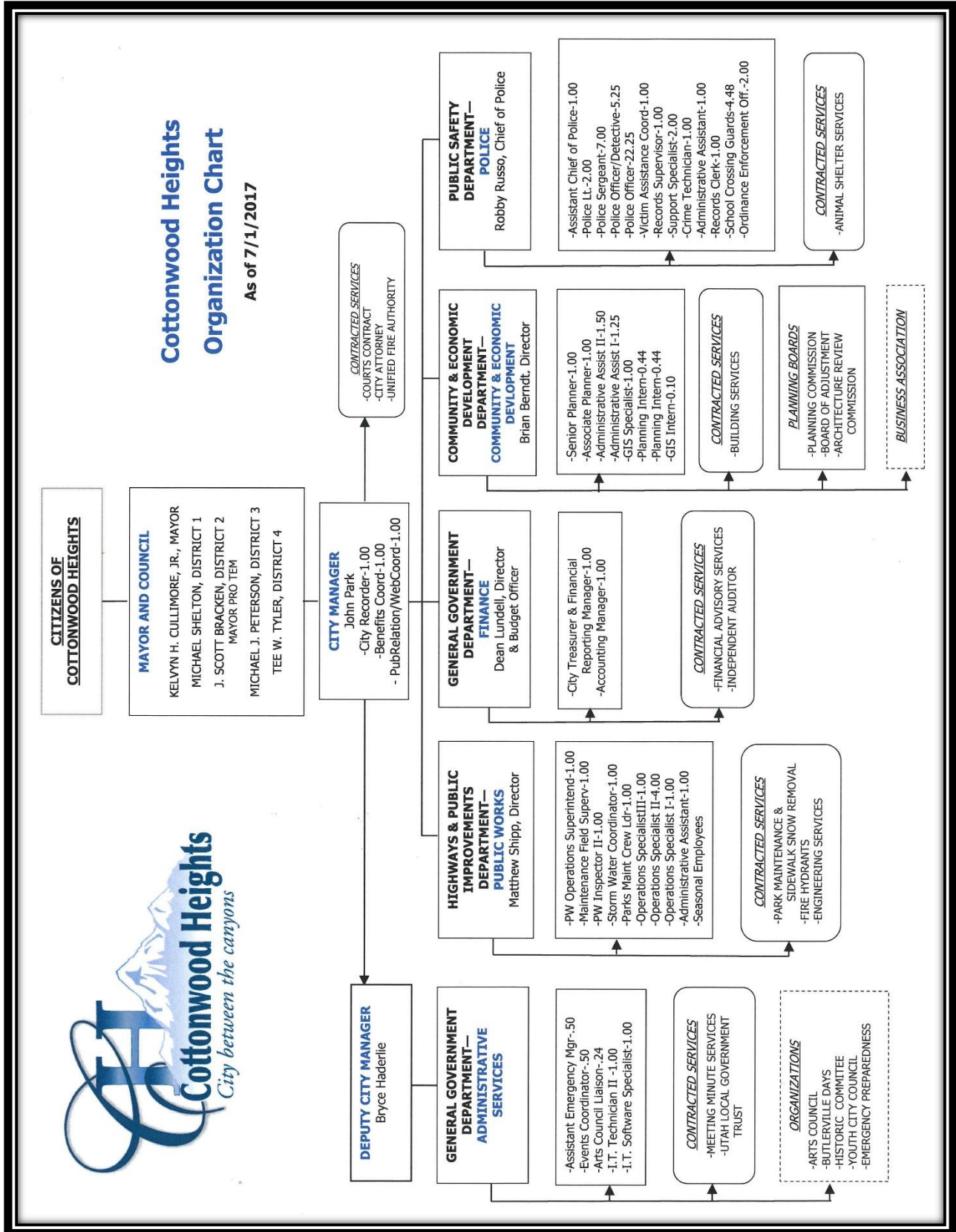


Dean Lundell
Finance Director



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, 2017, 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, 2017, 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 66-69, 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

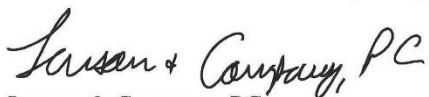
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottonwood Heights' basic financial statements. The introductory section, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic 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 6, 2017, 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 6, 2017

**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, 2017. 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 total governmental fund balance is \$7,089,396, of which \$6,189,949 of this amount is unrestricted and may be appropriated for any future expenditure. Governmental Funds are shown on page 30 and consist of the following balances as shown below. (See page 20 for a complete discussion of fund balance analysis.)
 - \$3,603,813 fund balance in the General Fund (\$3,568,539 is unrestricted).
 - \$1,682,784 fund balance in the Capital Projects Fund. Of this balance, \$862,883 is restricted as bond proceeds in trust for debt service and public works facilities. The balance of \$819,901 is assigned to be used for capital projects.
 - \$1,802,799 fund balance in the Community Development Renewal Agency Fund (CDRA) which is assigned to the specified redevelopment area. These funds were transferred to the CDRA by Salt Lake County Redevelopment Agency for projects begun prior to the City incorporation, and which were located within the City boundaries.
- In fiscal year 2017, the City’s total net position from governmental activities decreased by \$122,520 to \$50,862,987. Total assets increased by \$6,545,533, net of depreciation, and liabilities increased by \$6,668,055 resulting in the net position decrease of \$122,520 from operations. See page 15 “City’s Government-wide Financial Analysis” for more details.
- Total net position of \$50,862,987 consists of the amounts below:
 1. \$44,542,516 in capital assets, such as streets, bridges, land, buildings and other infrastructure, net of related debt and depreciation.
 2. Unrestricted net position of \$5,457,587. “Unrestricted net position” is that portion not invested in capital assets and with no external restrictions. A portion of the unrestricted net position will be used to fund future capital projects.
 3. Bond Debt Service funds of \$862,883.
- 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. The City has also added Public Works vehicles through the use of capital leases. See pages 16 and 24 for additional information about the City’s capital vehicle lease program.
- The Public Works facility was under construction at year-end and will be completed in fiscal year 2018. See pages 16 and 25 for additional information about the City’s sales tax revenue bonds that were the financing mechanism for the Public Works facility.
- The General Fund balance increased by \$1,251,628, or 53.2 percent of the prior year’s fund balance. The Capital Projects Fund decreased by \$2,220,119 from last

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

year’s ending balance due to payments made in the course of the year to fund the City Municipal Center construction, as well as the Public Works yard complex. Funding for these projects was provided in the previous year and was part of the beginning Capital Projects fund balance.

- The City benefits from both operating grants and operating contributions, and capital grants and capital contributions. As a total of the 2017 budget, these funds accounted for 13.5 percent of total revenues. Operating grants totaling \$1,784,554 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 \$933,686 in FY 2017. Included in those grants were contributions of \$880,995 by Salt Lake County, which administers funds as directed by the state Legislature, for significant road projects in the county. The City expects to receive an additional \$2,000,000 in such grants in fiscal year 2018. A summary of grant and contribution revenues received by the City are shown on the Statement of Activities (see page 29).

OPERATIONAL HIGHLIGHTS

- The City completed the new Municipal Center and moved in during September 2016. This project was completed within the expected budget of \$16,798,825.
- The City’s Police Department, now in its ninth year, responded to 18,463 calls for service during the year with an average response time for priority-one calls of 4:36 minutes, as compared to 4:19 the previous year. The department is comprised of 39.5 sworn officers and 13.46 civilian staff.
- In addition to numerous street and sidewalk improvement projects, the City completed 78,090 square feet 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 master plan. The master plan includes transportation and transit improvements, pedestrian and bicycle path enhancements as well as new landscaping and beautification improvements. Additional projects include: a new bike/trails master plan, a Wasatch Boulevard gravel pit master plan, and working with engaged citizens on the Wasatch Boulevard corridor master plan that examines the area from I-215 to the mouth of Little Cottonwood Canyon.
- 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, Bark in the Park and Movies in the Park.
- During this fiscal year, the City produced “Seven Brides for Seven Brothers”; the community’s seventh theater production. Arts grant revenues and ticket sales paid the entirety of production costs, thereby providing the arts council with funding for other arts events such as “Write for the Heights,” “Winter Song Fest,” a drawing and painting show and photography contest.

COTTONWOOD HEIGHTS MANAGEMENT'S DISCUSSION AND ANALYSIS

- The City continues to publish a monthly newsletter that is mailed to over 10,000 households in the city and businesses to improve communications with residents. In addition, the City is working to refine its website to better facilitate interaction with constituents, as well as foster 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 through the publication of 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 & Poor's. This strong rating enabled the City to secure low interest rates on bonds issued during the year to finance the completion of the public works facilities.
- The Utah Taxpayers Association ranks Utah's largest 50 cities based on the amount of citizen income is paid in municipal taxes. Cottonwood Heights ranked second among cities that exact the least amount of municipal taxes from its residents, among the 50 largest cities. The city has consistently scored well in this annual ranking.
- The City has been the recipient for 10 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, 2016. This is the fifth 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 also has been the recipient of the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2016. 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 also will 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 municipality 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 previously had one proprietary fund, the Employee Benefit Fund (an internal service fund), which was closed in fiscal year 2017 and the assets transferred to the General Fund. ***Cottonwood Heights currently has no Proprietary or Fiduciary Funds.***

- ***Governmental funds*** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Their fund statements focus on how money flows into and out of these funds and the balances left at yearend that are available for future appropriation. The funds are reported using a modified accrual accounting method, which measures cash and other financial assets that can be readily converted to cash. 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

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 40-63 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 \$50,862,987 at the close of fiscal year ended June 30, 2017. The following table provides a comparison of the City's net position year over year:

Cottonwood Heights		
Net Position		
As of June 30th		
Governmental Activities		
	2017	2016
Current and other assets	8,887,628	10,783,815
Capital assets	66,968,815	59,363,624
Total assets	75,856,443	70,147,439
Deferred Pension Contributions	2,247,994	1,411,466
Total deferred outflow of resources	2,247,994	1,411,466
Total assets and deferred outflows	78,104,437	71,558,904
Current and other liabilities	4,429,891	4,111,115
Long-term liabilities outstanding	21,922,353	15,715,808
Total liabilities	26,352,244	19,826,922
Deferred uncollected property taxes	124,871	131,320
Deferred property tax revenue	439,446	424,072
Deferred pension inflows	324,892	191,085
Total deferred inflows of resources	889,209	746,476
Net position:		
Net investment in capital assets	44,542,516	46,171,376
Restricted	862,883	647,829
Unrestricted	5,457,587	4,166,302
Total net position	50,862,987	50,985,507

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets

The largest portion of Cottonwood Heights' net position, \$44,542,516, 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 restricted balance of \$862,883 includes \$794,495 restricted for the payment of bond debt, along with additional Bonded Construction funds of \$68,388 which reduces the City's unrestricted net position. The remaining balance is unrestricted net position totaling \$5,457,587, which may be used to meet the City's ongoing obligations and objectives by fund type.

Liabilities

On July 12, 2016, the City issued Sales Tax Revenue Bonds with a par value of \$3,280,000 and total proceeds of \$3,593,857. In accordance with Generally Accepted Accounting Principles, the \$313,857 in bond premium will be amortized over the 23-year life of the bonds. The proceeds were used toward the completion of the City's Municipal Center, as well as property to operate the City's new public works department.

Additionally, the City has capital leases for the purchase of vehicles for both public safety and public works purposes totaling \$4,200,123 as of June 30, 2017. The principal balance of the public safety vehicles portion was \$1,452,754. Cottonwood Heights regularly deploys public safety vehicles with a two-year lease, which includes a guaranteed buy-back with the original dealership. At the end of the two-year lease purchase, the dealer repurchases the vehicles for a previously agreed amount, usually clearing the remaining balance of the lease obligation in full.

The City entered into two capital leases for the public works equipment to be used for snow removal, street repair, and infrastructure maintenance. The principal balance of these two leases as of June 30, 2017, was \$2,747,369. Upon the maturation of the lease, the City will own the related public works equipment. The lease terms range from seven to 10 years.

Year-end principal balances on all sales tax bonds is \$16,235,000 with accrued interest of \$394,336 for bonds and an additional \$57,033 in interest for the City's capital leases.

The City has decided to account for PTO (personal time off) using the General Fund assigned fund balance, therefore the Proprietary Fund has been closed and balances have been transferred to the General Fund. Further details about the City's long-term debt can be found in the Notes to the Financial Statements, note 3F on page 54.

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

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities analysis

As reported above, governmental activities decreased the City's net position by \$122,520 resulting in a total net position of \$50,862,987. 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.

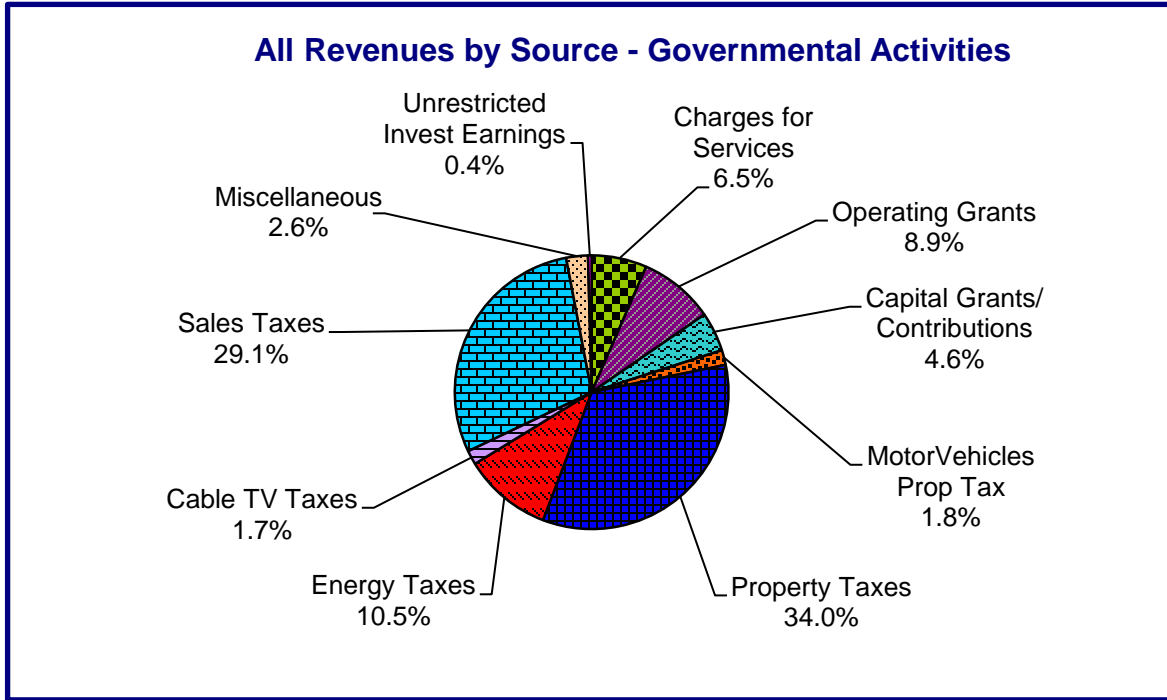
**Cottonwood Heights
Changes in Net Position**

Governmental Activities

	FY 2017	FY 2016
Revenues:		
Program revenues:		
Charges for services	1,315,528	1,630,018
Operating grants/contrib	1,784,554	1,709,911
Capital grants/contrib	933,686	836,020
Total program revenues	4,033,768	4,175,949
General revenues:		
Property taxes	7,198,254	7,170,446
Sales & hotel taxes	5,855,273	5,657,552
Municipal energy taxes	2,104,686	1,530,067
Franchise taxes	338,833	320,220
Unrestricted invest earn	85,570	84,666
Other – Gain (Loss) on surplus	96,926	8,250
Other – Miscellaneous	420,589	83,228
Total general revenues	16,100,131	14,854,430
Total revenues	20,133,899	19,030,379
Expenses:		
General government	3,505,009	3,153,137
Public safety	9,830,415	9,370,955
Highways-public imprv	5,101,370	5,156,417
Comm & econ dev	1,136,010	1,119,682
Interest long-term debt	683,616	529,778
Total expenses	20,256,419	19,329,969
Change in net position	(122,520)	(299,590)
Net position – beginning	50,985,507	51,285,096
Net position – ending	50,862,987	50,985,507

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 2017 year.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

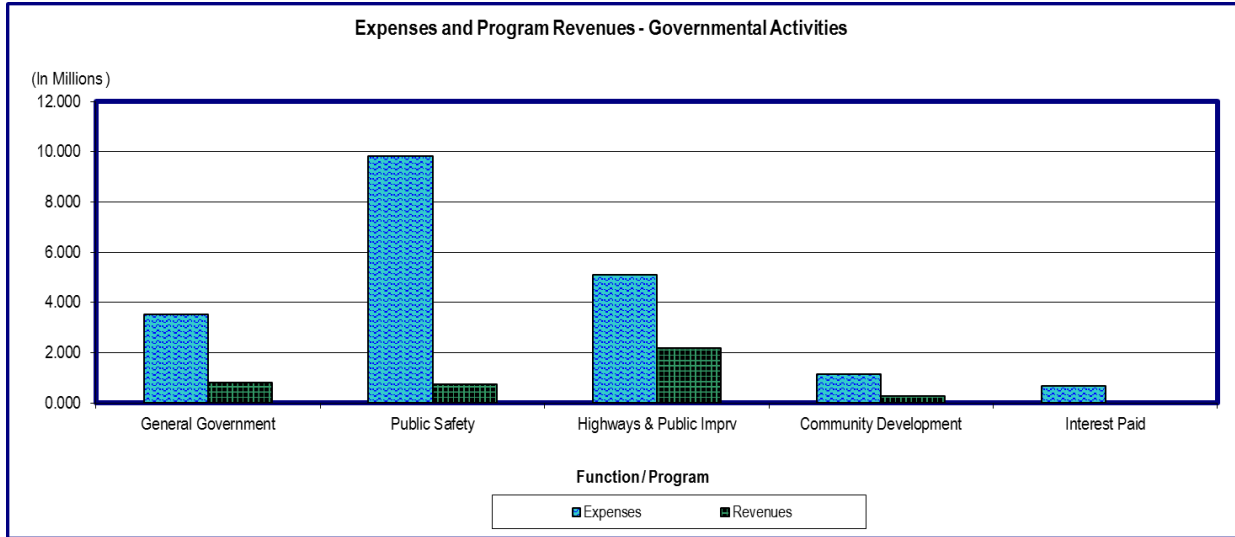


Current year revenue sources were from:

\$7,198,254	Property Tax (including motor vehicle fee in lieu) revenues (34.0%)
\$5,855,273	Sales and Transient Room Taxes (29.1%)
\$2,104,686	Municipal Energy Use Taxes (10.5%)
\$ 338,833	Cable TV Franchise tax (1.7%)
\$1,784,554	Operational Grants (8.9%) (Class C road funds (70.6% of category), E-911 Emergency telephone fee, State Liquor tax, and CDBG funds)
\$1,315,528	Charges for Service (Licenses, Permits and Court fines) (6.5%)
\$ 933,686	Capital Grants for major road projects, trail and park improvements, additional impact fees and local grants (4.6%). This includes a grant that was received from Salt Lake County from funds allocated by the state Legislature for significant road projects. The majority of this grant was used to help fund the rebuilding of major roads in the city. 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.
\$ 85,570	Investment interest earnings and miscellaneous (0.4%)
\$ 517,515	Miscellaneous Revenues (2.6%)

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 29 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 and inspections). Expenses are for general governmental operations and overhead from various activities including Legislative, Judicial, Executive and Administrative.

Public Safety – Public Safety revenues include \$359,654 of E-911 Emergency telephone fees and \$388,461 from the City’s share of court fines (revenue from citations). Expenses are for Police, Fire, Animal Services and related public safety functions. (Note: Related Court expenses are \$356,206, netting only \$32,255 in revenues, which is equal to only 0.6 percent of the Police Department expenses.)

Highway and Public Improvements – The revenue for Highway and Public Improvements is primarily from Class C Road Funds allocated to the City from the state assessed tax on gasoline sales. Approximately 45.3 percent of the expenses shown for Highways and Public Improvements is attributable to current period depreciation of the City’s infrastructure assets. The balance is for road, sidewalk, storm drain and other infrastructure improvements as well as construction of the Public Works facilities.

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 – \$683,616 interest expense was incurred on outstanding debt.

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.

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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: Non-spendable, Restricted, Unrestricted (which can be shown as Committed, Assigned and Unassigned). Non-spendable 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.

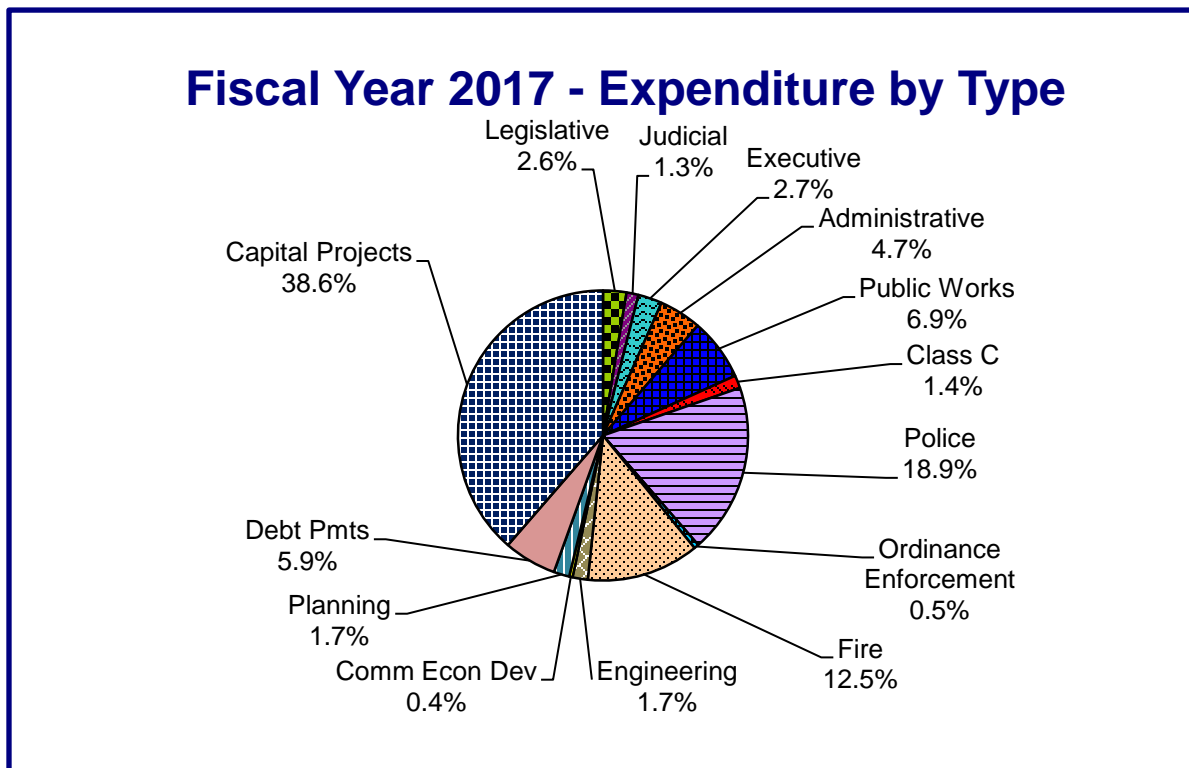
At the end of this fiscal year, Cottonwood Heights' governmental funds reported combined ending fund balances of \$7,089,396 after 12½ years of operation, a decrease of \$987,865 from the prior year. The decrease in fund balance compared to the prior year is attributable primarily to last year's balance including funds from the issuance of Sales Tax Revenue Bonds which were spent down during the current fiscal year as construction of the Municipal Center and Public Works facilities progressed. Of the total fund balance of \$7,089,396, \$35,274 is non-spendable and represents prepaid expenditures for fiscal year 2018 events; \$862,883 is restricted as Construction and Bond Debt Service Funds in Trust, and the remaining \$6,189,949 is unrestricted funds, of which \$440,430 is assigned to fund accrued and vested paid time off, \$819,901 is assigned as Capital Project funds and allocated to various specific projects, \$1,802,799 is assigned as CDRA funds, and \$3,128,109 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, 2017, the General Fund had a fund balance of \$3,603,813, of which \$35,274 is restricted for prepaid expenditures and is non-spendable. Unrestricted fund balance totals \$3,567,249 of which \$440,430 is assigned to fund accrued and vested paid time off and \$3,128,109 is classified as unassigned. 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 19.6 percent of total expenditures and transfers, while the total fund balance equals 19.8 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 excess of the 25.0 percent maximum allowed. Currently, the calculated 6.0 percent minimum fund balance is \$1,117,964 and the remaining unassigned balance is \$2,010,145.

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, 2017, the fund balance was \$1,682,784, of which \$862,883 is restricted for debt service and projects related to the issuance of the 2016 sales tax bonds. 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 \$1,802,799 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 35.

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 32 for expenses without depreciation.)



General Government – includes the activities of Legislative (\$773,261), Judicial (\$395,726), Executive (\$794,299) and Administrative (\$1,396,837) functions.

Public Safety – includes the activities of Police (\$5,621,703), Ordinance Enforcement (\$158,497) and Fire (\$3,723,204).

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Highways and Public Improvements – includes the activities of Public Works (\$2,478,062) function which includes road maintenance, snow removal, signage and park maintenance.

Community and Economic Development – includes the activities of City Engineer (\$504,661), Economic Development (\$69,728) and Planning (\$516,160).

Capital Projects Fund – includes all Capital Improvement Projects (\$11,467,887), which include \$6,305,977 toward the construction of the Municipal Center and Public Works facility and \$4,169,937 for Public Safety and Public Works vehicles and equipment.

The City's basic governmental funds financial statements can be found on pages 28-38 of this report.

Proprietary Funds Analysis

The prior focus of the City's only proprietary fund, **Employee Benefit Fund (an internal service fund)**, was to accumulate reserve funds to pay for "vested" accrued paid time off (PTO) at the time of separation. This fund was closed in fiscal year 2017 and the assets have been transferred to the General Fund, in which an assigned fund balance will now be recorded to equal the year ending vested value of accrued vacation and paid time off of City personnel.

The City's closing basic proprietary fund financial statements can be found on pages 36-38 of this report.

GENERAL FUND 2017 BUDGET AMENDMENTS

Original budget compared to final budget

During the fiscal year, the general fund's original budgeted expenditures increased by \$195,647 from \$18,832,418 to \$19,028,065 as shown in the detail below. See also the Statement of Revenues, Expenditures and Changes in Fund Balance – Budgeted and Actual on page 34.

Several factors created the need to amend the budget. During the year, the decision was made to eliminate the City's proprietary vested accrued vacation and paid leave time fund. This fund had been previously used to accumulate resources to cover the liability of employee vested leave time accrued but not yet paid. Consequently, the cash balance of \$369,464 was transferred out to the general fund. Also, during the year the City decided to transfer an additional \$200,000 from the general fund to the capital projects fund.

Amendments in general fund expenditures were made to increase funding for insurance to cover the new City Hall as well as the public works fleet. The Arts Council carried forward \$38,430 in unspent funds from previous years and also received a grant from Salt Lake County in the amount of \$30,000. The majority of these funds were used to purchase a new sound system to be installed at the site used for City theatrical productions, the Cottonwood Heights Theater at Butler Middle School. The other amendments were related to funding an increase in the City's workers compensation rates, the City's annual partial payout of accrued leave time according to City policy, and internal shifts in staffing supervision.

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

The changes in the fiscal year 2017 budget in individual departmental appropriations were covered through a combination of using previously accrued resources (fund balance) or identifying new revenues. 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:

Sales Tax Revenue	\$ 65,000
Grants	34,045
Other Revenue	1,172
Transfers In	169,464
Use of Fund Balance	<u>(74,034)</u>
Total change in budgeted Revenues and Other Sources of Funds	<u>\$195,647</u>

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

General Government Department:

Mayor & City Council	\$ 55,000
Legislative Committees and Events	68,430
City Manager	55,000
Finance	(20,000)
City Attorney	15,000
Administrative Services	(10,000)

Public Safety:

Police	57,217
Fire Administration	<u>(25,000)</u>

Total Change in Departmental Budgets	<u><u>\$195,647</u></u>
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Final budget compared to actual results

Overall, general fund revenues collected were \$529,368 more than budgeted. The most significant contributing revenues to this difference were in sales taxes and energy sales and use taxes, in which collections were, respectively, \$75,802 and \$134,090 higher than the final budget. Other significant overages occurred in Class C road funds, business licenses and plan check fees.

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 34 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Cottonwood Heights' investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$44,542,514 (net of related debt and depreciation). This investment in capital

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

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 2017	FY 2016
Equipment	\$ 835,686	\$ 251,800
Vehicles	4,160,261	1,046,424
Buildings	13,364,308	9,456,956
Land (non-infrastructure)	9,262,154	8,180,505
Infrastructure - Roads	5,754,116	7,345,181
Infrastructure - Bridges	498,428	529,611
Infrastructure - Parkways	7,926,975	8,336,504
Infrastructure - Storm Drains	1,796,599	1,499,596
Infrastructure - Land	23,370,289	22,717,047
Total (net of depreciation)	66,968,815	59,363,623
Less Debt (net of funds in trust)	(22,426,300)	(13,192,246)
Total Capital Assets (net of related debt)	\$ 44,542,514	\$ 46,171,377

Capital asset additions during this fiscal year included the following for a total increase of \$9,307,904 (see note 3D – Capital Assets), which is net of \$2,218,664 in disposals, including Public Safety vehicles as well as old office furnishings & equipment, and also Work In Progress (WIP) on several projects:

\$ 1,734,891	in land acquisition and non-depreciating land infrastructure
\$ 164,582	in infrastructure from road overlay and construction projects
\$ 339,363	in storm drain repair and installations
\$ 72,263	in parkway beautification and improvements including crosswalks, cross-gutters, street lighting
\$ 4,058,711	in buildings (development and construction of City Municipal Center and Public Works facilities)
\$ 44,339	in new equipment
\$ 2,893,755	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 53 of this report.

Long-term debt

As of June 30, 2017, the City had \$21,922,352 in governmental long-term debt. \$4,200,123 of the long-term debt is a capital lease to fund the purchase of department vehicles. A portion of

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

the vehicles have a fixed buy-back price after two years. \$16,635,000 of the governmental long-term debt is related to Sales Tax Revenue Bonds issued to construct the City's Municipal Center and the Public Works facility, along with the unamortized bond premium of \$1,087,230. These bonds are payable over the next 23 years. The principal payment of \$350,000 was due in July 2016, along with \$284,641 of interest. The second semi-annual payment, \$280,996 interest only, was due January 2, 2017.

Additional information on the outstanding debt obligations of the City can be found in the Notes 3F Long-Term Debt on pages 54-56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

- Cottonwood Heights' adopted tax rate for the 2017-18 budget year is .001981. 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 2017 property tax revenue for the coming 2018 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 2018. The original budgeted amount of Sales taxes for fiscal year 2018 is \$5,906,000. This compares to actual total sales tax revenue of \$5,816,802 in fiscal 2017. 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 percent to 6.03 percent. Initial results in the first few months for FY 2018 have shown steady increases like these prior years.
- At the time of preparing the fiscal year 2018 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.
- Increasing costs for materials and labor continue to put financial pressure on the City budget. Natural revenue increases do not keep pace with increasing costs. This is particularly true for infrastructure maintenance and repairs. It will be necessary in the coming years to find additional sources of revenue to properly deliver services and maintain infrastructure.
- The 2017-18 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 more than 10 years after incorporation 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.
- Capital Project Funds are allocated to specific projects that may or may not be expended in the fiscal year. Presently, \$799,745 of the Capital Project Fund Balance as of June 30, 2017, represents allocations to capital projects that will carry forward

COTTONWOOD HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

to the next fiscal year. These funds have been re-budgeted by the City Council in the 2018 fiscal year

- The ending fund balance in the Capital Projects Fund from the fiscal year 2017 is \$1,682,784, inclusive of \$862,883 of bond funds held in trust, resulting in \$819,901 in unrestricted assigned funds.
- The City's largest capital projects for the year were the completion of the Municipal Center and construction on a public works facility. During the year, \$3,571,724 was spent to complete the Municipal Center (or City Hall). This facility houses all City services except for public works. The establishment of the City's own public works department necessitated the construction of a public works facility. The new facility contains areas to park and do minor maintenance on public works vehicles, a structure to store salt used by snow-removal crews, and two office trailers used by public works employees. \$2,734,255 was spent on the public works yard during the year. The total budget on the facility is \$3,045,470 and will be completed during the latter part of calendar year 2017.
- The City uses a brokerage service to negotiate the best rates possible for health coverage. In addition, the City 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 I 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 Utah Retirement Systems 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 II system at the rates approved. This year, there was no rate change for non-public safety employees and no change for Tier II 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 I system will be enrolled in the Tier II retirement system.

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, 2017

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,140,117
Receivables (net of allowances)	1,846,623
Prepays	35,274
Net Pension asset	2,731
Restricted Cash and cash equivalents	862,883
Capital assets not being depreciated:	
Land and rights of way	32,632,442
Capital assets, net of accumulated depreciation:	
Buildings and systems	13,364,308
Improvements other than buildings	835,686
Vehicles	4,160,261
Infrastructure	15,976,118
Total assets	75,856,445
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension	2,247,994
Total deferred outflows of resources	2,247,994
LIABILITIES	
Accounts payable and other current liabilities	248,940
Accrued liabilities	1,314,522
Nonspendable collections	119,092
Net pension liability	2,747,337
Non-current liabilities:	
Due within one year	937,888
Due in more than one year	20,984,465
Total liabilities	26,352,243
DEFERRED INFLOWS OF RESOURCES	
Deferred uncollected property tax revenue	124,871
Deferred property tax revenue	439,446
Deferred pension inflows	324,892
Total deferred inflows of resources	889,209
NET POSITION	
Net Investment in capital assets	44,542,516
Restricted for:	
Bond Debt Service	862,883
Unrestricted	5,457,587
Total net position	\$ 50,862,987

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, 2017

Function / Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Primary Government					Primary Government
					Governmental Activities
					Total
Governmental activities					
General government	3,505,009	654,736	165,742	-	(2,684,531)
Public Safety	9,830,415	388,461	359,654	-	(9,082,300)
Highways and public improvements	5,101,370	-	1,259,158	933,686	(2,908,526)
Community and economic development	1,136,010	272,331	-	-	(863,679)
Interest on long-term debt (net of premium)	683,616	-	-	-	(683,616)
Total governmental activities	20,256,419	1,315,528	1,784,554	933,686	(16,222,651)
General Revenues:					
					6,843,782
Property Tax					5,855,273
Sales Taxes					2,104,686
Municipal Energy Taxes					354,472
Motor Vehicle Fee-In-Lieu (of property taxes)					338,833
Franchise Tax					85,570
Unrestricted Investment earnings					96,926
Gain on Sale of Capital Assets					420,589
Miscellaneous					<u>16,100,131</u>
Total general revenues and transfers					(122,520)
Changes in net position					50,985,507
Net position - beginning, as previously reported					50,862,987
Net position - ending					

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

Cottonwood Heights, Utah
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Community Dev Renewal Agency Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,517,417	\$ 819,901	\$ 1,802,799	\$ 6,140,117
Accounts receivables (net):	1,846,623	-	-	1,846,623
Prepays	35,274	-	-	35,274
Restricted Cash and cash equivalents	-	862,883	-	862,883
Total assets	5,399,314	1,682,784	1,802,799	8,884,898
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	248,940	-	-	248,940
Accrued liabilities	863,353	-	-	863,353
Nonspendable collections	118,892	-	-	118,892
Total liabilities	1,231,184	-	-	1,231,184
DEFERRED INFLOWS OF RESOURCES				
Deferred uncollected property tax revenue	124,871	-	-	124,871
Deferred property tax revenue	439,446	-	-	439,446
Total deferred inflows of resources	564,317	-	-	564,317
FUND BALANCES:				
Nonspendable:				
Prepays	35,274	-	-	35,274
Restricted for:				
Debt Service Related Funds	-	862,883	-	862,883
Unrestricted:				
Assigned:				
PTO Vested	440,430	-	-	440,430
Capital Improvement	-	819,901	-	819,901
CommDev Renewal Agency	-	-	1,802,799	1,802,799
Unassigned:				
General Fund	3,128,109	-	-	3,128,109
Total fund balances	3,603,813	1,682,784	1,802,799	7,089,396
Total liabilities, deferred inflows of resources and fund balances	\$ 5,399,314	\$ 1,682,784	\$ 1,802,799	\$ 8,884,898

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, 2017

Total fund balances - governmental fund types:	\$	7,089,396
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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.		66,968,816
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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.		(22,373,722)
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Net pension liabilities and assets are not available resources and, therefore are not reported in the funds.		(821,504)
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Net position of governmental activities	\$	50,862,987
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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
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Community Dev Renewal Agency Fund	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 6,843,782	\$ -	\$ -	\$ 6,843,782
Sales	5,816,802	-	-	5,816,802
E-911 Emergency Fees	320,122	-	-	320,122
Municipal Energy	2,104,686	-	-	2,104,686
Motor Vehicle Fee-in-lieu (prop. tax)	354,472	-	-	354,472
Franchise - Cable TV	338,833	-	-	338,833
Transient Room	38,471	-	-	38,471
Licenses and Permits	654,736	-	-	654,736
Intergovernmental:				
Federal Grant	31,932	28,249	-	60,181
State Grants	64,633	-	-	64,633
State Class C Roads	1,259,158	-	-	1,259,158
State Liquor Fund Allotment	39,532	-	-	39,532
Local Grants	40,928	880,995	-	921,922
Impact Fees	-	52,691	-	52,691
Charges for Services	272,331	-	-	272,331
Fines and Forfeitures	388,461	-	-	388,461
Investment Earnings	49,256	13,227	23,087	85,570
Miscellaneous	420,589	-	-	420,589
Total revenues	19,038,724	975,162	23,087	20,036,973
EXPENDITURES				
Current:				
General Government	3,302,778	-	-	3,302,778
Public Safety	9,387,154	-	-	9,387,154
Highways and Public Improvements	2,291,542	301,434	-	2,592,975
Community and Economic Development	1,093,549	-	42,461	1,136,010
Debt Service:				
Principal	1,168,552	-	-	1,168,552
Interest	576,150	-	-	576,150
Capital Outlay:				
General Government	57,345	4,187,045	-	4,244,390
Public Safety	116,250	1,711,776	-	1,828,026
Highways and Public Improvements	186,520	5,267,632	-	5,454,152
Total expenditures	18,179,839	11,467,887	42,461	29,690,186
Excess (deficiency) of revenues over (under) expenditures	858,885	(10,492,724)	(19,374)	(9,653,214)
OTHER FINANCING SOURCES (USES)				
Sources:				
Sales Tax Revenue Bonds	-	3,593,857	-	3,593,857
Proceeds from Lease	-	4,200,123	-	4,200,123
Transfers In	-	478,625	-	478,625
Sales of Capital Assets	871,368	-	-	871,368
(Uses):				
Transfers to Capital Improvement Fund	(478,625)	-	-	(478,625)
Total other financing sources (uses)	392,743	8,272,606	-	8,665,349
Net change in fund balances	1,251,628	(2,220,119)	(19,374)	(987,865)
Fund balance - beginning of year	2,352,185	3,902,903	1,822,173	8,077,261
Fund balance - end of year	\$ 3,603,813	\$ 1,682,784	\$ 1,802,799	\$ 7,089,396

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, 2017

Net changes in fund balances - total governmental funds \$ (987,865)

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 depreciation expense.

Capital outlays	11,526,568
Depreciation	(3,146,934)

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

Asset deletions	(2,218,664)
Depreciation deletions	1,444,223

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount is the net effect of these differences in the treatment of long-term debt and

Sales Tax Revenue Bond	(3,280,000)
Bond Premium	(313,857)
Bond Principal	350,000

Proceeds from capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of capital lease principal are expenditures in the governmental fund, but reduce liabilities in the Statement of Net Position:

Principal payments on capital lease	818,552
Proceeds from new capital leases	(4,200,123)

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	(6,953)
Interest Expense (net of Bond Premium amortization)	(107,466)

Change in net position of governmental activities	\$ (122,520)
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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, 2017

	Budgeted Amounts		Fund Actuals	Variance with Final Budget
	Adopted Budget	Final Budget	(Budgetary Basis) (See Notes)	
REVENUES				
Taxes:				
Property	\$ 6,849,085	\$ 6,849,085	\$ 6,843,782	\$ (5,303)
Sales	5,676,000	5,741,000	5,816,802	75,802
E-911 Emergency Fees	265,000	265,000	320,122	55,122
Municipal Energy	1,970,596	1,970,596	2,104,686	134,090
Motor Vehicle Fee-in-lieu (prop. tax)	350,000	350,000	354,472	4,472
Franchise - Cable TV	306,700	306,700	338,833	32,133
Transient Room	25,000	25,000	38,471	13,471
Licenses and Permits	580,600	580,600	654,736	74,136
Intergovernmental:				
Federal Grant	25,000	55,000	31,932	(23,068)
State Grants	-	4,045	64,633	60,588
State Class C Roads	1,240,000	1,240,000	1,259,158	19,158
State Liquor Fund Allotment	45,000	45,000	39,532	(5,468)
Local Grants	-	-	40,928	40,928
Charges for Services	175,500	175,500	272,331	96,831
Fines and Forfeitures	460,000	460,000	388,461	(71,539)
Investment Earnings	14,000	14,000	49,256	35,256
Miscellaneous	65,254	66,426	420,589	354,163
Total revenues	18,047,735	18,147,952	19,038,724	890,772
EXPENDITURES				
Current:				
General Government	3,359,547	3,522,977	3,360,123	(162,854)
Public Safety	9,701,796	9,734,013	9,503,404	(230,609)
Highways and Public Improvements	2,834,484	2,834,484	2,478,062	(356,422)
Community and Economic Development	1,157,283	1,157,283	1,093,549	(63,734)
Debt Service:				
Principal	1,203,158	1,203,158	1,168,552	(34,606)
Interest	576,150	576,150	576,150	-
Total expenditures	18,832,418	19,028,065	18,179,839	(848,226)
Excess (deficiency) of revenues over (under) expenditures	(784,683)	(880,113)	858,885	1,738,998
OTHER FINANCING SOURCES (USES)				
Sources:				
Sales Tax Revenue Bonds	-	-	-	-
Proceeds from Lease	-	-	-	-
Transfers from Proprietary Fund	-	369,464	-	(369,464)
Sales of Capital Assets	863,308	863,308	871,368	8,060
(Uses):				
Transfers to Capital Improvement Fund	(278,625)	(478,625)	(478,625)	-
Total other financing sources (uses)	584,683	754,147	392,743	(361,404)
Net change in fund balances	(200,000)	(125,966)	1,251,628	1,377,594
Fund balance - beginning of year			2,352,185	
Fund balance - end of year			\$ 3,603,813	

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, 2017

	Budgeted Amounts		Fund Actuals	Variance with Final Budget
	Adopted Budget	Final Budget	(Budgetary Basis) (See Notes)	
REVENUES				
Investment Earnings	\$ -	\$ -	\$ 23,087	\$ 23,087
Total revenues	<u>-</u>	<u>-</u>	<u>23,087</u>	<u>23,087</u>
EXPENDITURES				
Current:				
Community and Economic Development	25,000	45,000	42,461	(2,539)
Total expenditures	<u>25,000</u>	<u>45,000</u>	<u>42,461</u>	<u>(2,539)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000)</u>	<u>(45,000)</u>	<u>(19,374)</u>	<u>25,626</u>
OTHER FINANCING SOURCES (USES)				
Sources/(Uses):				
Beginning Fund Balance Appropriated	25,000	45,000	-	(45,000)
Total other financing sources (uses)	<u>25,000</u>	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
Net change in fund balances			(19,374)	
Fund balance - beginning of year			1,822,173	
Fund balance - end of year			<u>\$ 1,802,799</u>	

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

Cottonwood Heights, Utah
Closing Statement of Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	<u>Governmental Activities - Employee Benefit Fund</u>
ASSETS	
Cash and cash equivalents	\$ -
Total assets	<u>-</u>
LIABILITIES	
Accrued PTO benefits payable	-
Total liabilities	<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
Closing Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	<u>Governmental Activities - Employee Benefit Fund</u>
OPERATING REVENUES	
Charges for interfund services provided	\$ -
Total operating revenues	<u>-</u>
 OPERATING EXPENSES	
General Government - accrued vested PTO	-
Total operating expenses	<u>-</u>
Operating income	<u>-</u>
 NON-OPERATING REVENUES	
Investment Earnings	-
Total non-operating revenues	<u>-</u>
Change in net position	-
Total net position - beginning	<u>-</u>
Total net position - ending	<u><u>\$ -</u></u>

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

Cottonwood Heights, Utah
Closing Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	<u>Governmental Activities - Employee Benefit Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash usage in transferring liability and closing Fund	\$ (369,463)
Net cash provided by operating activities	<u>(369,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	-
Net cash provided by investing activities	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents July 1, 2016	<u>369,463</u>
Cash and cash equivalents June 30, 2017	<u><u>\$ -</u></u>
 Reconciliation of operating income to net cash	
Operating Income	-
Adjustments to reconcile operating income to net change in accrued PTO benefits payable	<u>(369,463)</u>
Net cash provide by operating activities	<u><u>\$ (369,463)</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 City's financial reporting entity comprises the following:

Primary Government:	Cottonwood Heights
Component Units:	None

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.

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 was used to account for liabilities created from accrued vacation and paid time off (PTO) of each city employee. This fund has been closed and the assets transferred to the General Fund. Going forward, this balance will still be calculated and shown as an assigned balance in the General Fund.

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 no longer has any Proprietary Funds.
- 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 generally 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 Statement Reporting of Capital Assets

The government-wide financial statements include capital assets on its *Statement of Net Position*. All assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated assets and assets received by a service concession arrangement should be recorded at

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 Vacation/PTO benefits. The vested equivalent value for earned compensated absences is calculated and recorded, at fiscal yearend, as an unrestricted assigned fund balance.

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 (which can be shown as Committed, Assigned and Unassigned). Each category is defined as follows:

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

- 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 – The General Fund is the only fund that could have a positive unassigned fund balance of funds, not classified in any other classification, which 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 may be committed by the City Council through passage of budget resolutions. The City Council has authorized the City Manager to make determinations of assigned fund balance.

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
NOTES TO THE FINANCIAL STATEMENTS

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 generally 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, 2017, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
State of Utah PTIF	\$5,829,142	\$5,829,142	\$ -	\$ -	\$ -
Total	<u>\$5,829,142</u>	<u>\$5,829,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Twice a year, at June 30 and December 31, the investments in the PTIF are valued at fair value. As of June 30, 2017, the City had \$5,829,142 invested in the PTIF which had a fair value factor of 1.00471926 making the City investment equal to \$5,856,651.67 for an unrealized gain of \$27,509.24. 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
Awarded Asset Seizures	Further Enforcement Actions
Impact Fees	Eligible public improvements

For the period ended June 30, 2017, the City complied, in all material respects, with these revenue restrictions.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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 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, 2017, 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, 2017 the City Council amended the original budget three 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

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

prepared annually and ending balances may be re-appropriated by Council action in the following year

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 generally 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	\$	5,829,142
Reconciliation to Government-wide Statement of Net Position:		
Investments	\$	5,829,142
Cash on Hand		15,219
Held by Trustee		862,883
Deposits		295,756
Total	\$	7,003,000
Per Statement of Net Position:		
Unrestricted Cash	\$	6,140,117
Restricted Cash		862,883
Total	\$	7,003,000

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

3B - RESTRICTED ASSETS

The restricted assets as of June 30, 2017, are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>
<u>Governmental Activities:</u>	
Construction Funds held in trust	68,388
Bond Funds held in trust	794,495
Total	<u>\$ 862,883</u>

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, 2017, are as follows:

	Governmental Activities
Delinquent Property Taxes Receivable	\$ 109,674
Invoiced Receivables (including SLCo Road Grant)	363,303
Invoiced Business Licensing	37,096
Prior Fiscal Revenues - Sales & Transient Room / 911 Fees	1,087,915
Prior Fiscal Revenue - Energy Use Tax	150,269
Prior Fiscal Revenue - Franchise Fees	83,528
Prior Fiscal Revenues - Property Taxes	14,837
Net Accounts Receivable	<u>\$ 1,846,623</u>

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

3D - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2017, was as follows:

	Balance at June 30, 2016	Additions	Disposals / Misc Adj	Balance at June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land (non-infrastructure)	\$ 8,180,505	\$ 1,081,649	\$ -	\$ 9,262,154
Land related Infrastructure	22,717,047	653,242	-	23,370,289
Total assets, not being depreciated	<u>30,897,552</u>	<u>1,734,891</u>	<u>-</u>	<u>32,632,443</u>
Capital assets, depreciable:				
Buildings	9,456,956	4,058,711	-	13,515,668
Equipment	2,134,159	766,166	(721,827)	2,178,497
Vehicles	2,516,981	4,390,592	(1,496,837)	5,410,736
Infrastructure - Roads	32,890,911	164,582	-	33,055,492
Infrastructure - Bridges	905,375	-	-	905,375
Infrastructure - Parkways	10,981,931	72,263	-	11,054,194
Infrastructure - Storm Drains	1,721,105	339,363	-	2,060,468
Total capital assets, depreciable	<u>60,607,418</u>	<u>9,791,677</u>	<u>(2,218,664)</u>	<u>68,180,430</u>
Accumulated Depreciation				
Buildings	-	(151,360)	-	(151,360)
Equipment	(1,882,358)	(79,434)	618,981	(1,342,811)
Vehicles	(1,470,557)	(605,160)	825,241	(1,250,476)
Infrastructure - Roads	(25,545,730)	(1,755,646)	-	(27,301,376)
Infrastructure - Bridges	(375,764)	(31,183)	-	(406,947)
Infrastructure - Parkways	(2,645,428)	(481,792)	-	(3,127,220)
Infrastructure - Storm Drains	(221,509)	(42,360)	-	(263,869)
Total accumulated depreciation	<u>(32,141,346)</u>	<u>(3,146,934)</u>	<u>1,444,223</u>	<u>(33,844,057)</u>
Governmental activities, capital assets, net	<u>\$ 59,363,623</u>	<u>\$ 8,379,634</u>	<u>\$ (774,442)</u>	<u>\$ 66,968,815</u>
Capital Debt	<u>(15,346,344)</u>	<u>-</u>	<u>-</u>	<u>(22,494,689)</u>
Construction Funds in Trust	<u>2,154,098</u>	<u>-</u>	<u>-</u>	<u>68,388</u>
Assets, net of related debt	<u><u>\$46,171,377</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$ 44,542,515</u></u>

Depreciation was charged to governmental activities as follows:

Governmental Activities:

General Government	\$ 202,230
Public Safety	436,308
Highways & Public Improvements	2,508,395
Total depreciation expense and adjustment	<u>\$ 3,146,934</u>

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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, 2017 the net book values are as follows:

	<u>Governmental Activities</u>
Vehicles	\$ 1,450,624
Less Accumulated Depreciation	(352,156)
Net Book Value	\$ 1,098,468

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 two sales tax revenue bond and capital leases as described below:

As of June 30, 2017, the City had long-term debt payable from originating from two issues of sales tax revenue bonds. These bonds are described below:

Sales Tax Revenue Bonds Payable:

Series 2014 - City Municipal Center 3.695%, (07/2/14 original amount \$13,770,000)	\$ 13,770,000
Less principal payments	(415,000)
Remaining Bond Premium unamortized	787,018
	\$ 14,142,018

Proceeds from the 2014 Sales Tax Revenue Bond were used towards the construction of the City Municipal Center.

Sales Tax Revenue Bonds Payable:

Series 2016 - City Municipal Center 2.686%, (07/12/16 original amount \$3,280,000)	\$ 3,280,000
Less principal payments	-
Remaining Bond Premium unamortized	300,211
	\$ 3,580,211

Proceeds from the 2016 Sales Tax Revenue Bond were used towards the construction of the City Municipal Center as well as the construction of the City's public works facility.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

Capital Leases Payable:

Zions Bank - Police Vehicles

1.530%, (07/13/16 original amount \$1,452,754)	\$ 1,452,754
	\$ 1,452,754

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.

Capital Leases Payable:

Zions Bank - Public Works Vehicles

1.72%, (08/10/16 original amount \$228,126)	\$ 228,126
	\$ 228,126

Chase Bank - Public Works Vehicles

1.65%, (09/14/16 original amount \$2,519,243)	\$ 2,519,243
	\$ 2,519,243

The City has entered into two lease agreements as lessee for the purchase of Public Works 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.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the period ended June 30, 2017:

Type of Debt	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Capital leases	\$ 818,551	\$ 4,200,123	\$ (818,551)	\$ 4,200,123	\$ 537,888
Sales Tax Revenue Bond '14	13,705,000	-	(350,000)	13,355,000	360,000
Bond Premium '14	822,792	-	(35,774)	787,018	N/A
Sales Tax Revenue Bond '16	-	3,280,000	-	3,280,000	40,000
Bond Premium '16	-	313,857	(13,646)	300,211	N/A
Emp Benefit-Vested Leave *	369,464	-	(369,464)	-	-
Total Long Term Debt	\$15,715,807	\$ 7,793,980	\$(1,587,435)	\$ 21,922,352	\$ 937,888

* Annual calculation of "vested paid time off" liability transferred to General Fund in FY 2017.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

Annual Debt Service Requirements

The annual debt service requirements to maturity for governmental long-term debt principal and interest as of June 30, 2017, are as follows:

Year Ended	Governmental Activities		
	Principle	Interest	Total
June 30			
2018*	\$ 937,888	\$ 795,829	\$ 1,733,718
2019	1,016,457	721,499	1,737,957
2020	1,044,773	702,344	1,747,117
2021	1,068,841	682,600	1,751,442
2022	787,726	653,171	1,440,897
Thereafter	15,979,437	6,706,659	22,686,096
Total	\$ 20,835,123	\$ 10,262,103	\$ 31,097,226

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

3G - INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	Transfers Out	Transfers In
General Fund	478,625	369,463
Capital Projects Fund		478,625
Emp Benefit Fund-PTO	369,463	

NOTE 4 - OTHER INFORMATION

4A - EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

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

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

**COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS**

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

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

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are shown on the following page:

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% or 4% depending upon employer
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 may not be carried forward to subsequent years.

**COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS**

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 Rate	Employer rate for 401(k) Plan
Contributory System				
111 – Local Governmental Division Tier 2	N/A	N/A	14.91%	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%
222 – Public Safety	N/A	N/A	9.72%	12.00%

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

For fiscal year ended June 30, 2017 the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 293,806	N/A
Public Safety System	507,270	-
Tier 2 Public Employee System	94,722	-
Tier 2 Public Safety	69,111	-
Tier 2 DC Only System	2,319	N/A
Total Contributions	\$ 967,228	

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.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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

At June 30, 2017, we reported a net pension asset of \$2,731 and a net pension liability of \$2,747,337.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Increase/ (Decrease)
Noncontributory System	\$0	\$1,174,965	0.1829814%	0.1556506%	0.0273308%
Public Safety System	\$0	\$1,566,289	2.5129097%	2.3769143%	0.1359954%
Tier 2 Public Employees System	\$0	\$6,083	0.0545308%	0.0409095%	0.0136213%
Tier 2 Public Safety & Firefighter Sys	\$2,731	\$0	0.3146488%	0.3793566%	-0.0647078%
Total Net Pension Asset/Liability	\$2,731	\$2,747,337			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017 we recognized pension expense of \$973,159.

As of June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$553,643	\$37,020
Changes in assumptions	\$472,081	\$118,877
Net difference between projected and actual earnings on pension plan investments	\$560,622	\$168,995
Changes in proportion and differences between contributions and proportionate share of contributions	\$217,395	\$0
Contributions subsequent to the measurement date	\$464,252	\$0
Total	\$2,247,993	\$324,892

\$464,252 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, 2016.

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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

Year Ended December 31,	Net Deferred Outflows/ (Inflows) of Resources
2017	\$400,156
2018	\$401,174
2019	\$414,289
2020	\$175,140
2021	\$60,320
Thereafter	\$7,770

Actuarial assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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	2.60%
		Expected arithmetic nominal return	7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

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 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory	\$2,44,750	\$1,174,965	\$124,577
Public Safety System	3,245,757	1,566,289	193,792
Tier 2 Public Employees	41,404	6,083	(20,788)
Tier 2 Public Safety & Firefighter Sys	19,109	(2,731)	(19,515)
Total	\$5,740,020	\$2,744,606	\$278,066

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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

Cottonwood Heights City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems and ICMA-RC:

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

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

	2017	2016	2015
401(k) Plan (URS)			
Employer Contributions	\$352,912	\$349,956	\$389,482
Employee Contributions	\$240,276	\$244,705	\$223,042
457 Plan (URS)			
Employer Contributions	\$112,039	\$ 82,059	\$ 60,582
Employee Contributions	\$137,258	\$117,889	\$134,305
Roth IRA Plan (URS)			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 275	\$ 3,025	\$ 1,800
457 Plan (ICMA-RC)			
Employer Contributions	\$ 74,713	\$ 59,005	\$ 45,888
Employee Contributions	\$ 84,526	\$ 1,242	\$ 67,062
457 Roth Plan (ICMA-RC)			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 39,994	\$ 34,371	\$ 33,756
Roth IRA Plan (ICMA-RC)			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 10,435	\$ 16,793	\$ 9,455

COTTONWOOD HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS

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 19, 2017, which is the date that the financial statements were available to be issued. No subsequent events were reportable.

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REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

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					
	2016	0.1829814%	2.5129097%	5.4530800%	3.1464880%
	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)					
	2016	\$ 1,174,965	\$ 1,566,289	\$ 6,083	\$ (2,731)
	2015	880,747	1,159,818	(89)	(5,543)
	2014	618,973	859,588	(1,031)	(6,777)
Covered employee payroll					
	2016	1,697,688	2,287,211	447,197	259,971
	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					
	2016	69.21%	68.48%	1.36%	-1.05%
	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					
	2016	87.3%	86.1%	95.1%	103.6%
	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 3 years calculated and reported to date.

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

Cottonwood Heights, Utah
Schedule of Contributions - Utah Retirement Systems
As Reported June 30, 2017
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						
	2017	\$ 293,806	\$ 293,806	\$ -	\$1,744,071	16.85%
	2016	253,059	253,059	-	1,579,547	16.02%
	2015	223,125	223,125	-	1,459,615	15.29%
	2014	199,098	199,098	-	1,435,183	13.87%
Public Safety System						
	2017	507,270	507,270	-	2,253,825	22.51%
	2016	480,110	480,110	-	2,141,005	22.42%
	2015	442,527	442,527	-	2,084,318	21.23%
	2014	427,269	427,269	-	2,094,198	20.40%
Tier 2 Public Employees System						
	2017	94,722	94,722	-	635,549	14.90%
	2016	43,704	43,704	-	293,118	14.91%
	2015	33,474	33,474	-	224,054	14.94%
	2014	21,173	21,173	-	151,341	13.99%
Tier 2 Public Safety & Firefighter System*						
	2017	69,111	69,111	-	339,223	20.37%
	2016	48,899	48,899	-	240,487	20.33%
	2015	43,078	43,078	-	210,897	20.43%
	2014	21,526	21,526	-	105,205	20.46%
Tier 2 DC Only System**						
	2017	2,319	2,319	-	34,667	6.69%
	2016	1,706	1,706	-	25,505	6.69%
	2015	4,506	4,506	-	68,822	6.55%
	2014	1,553	1,553	-	26,260	5.91%

* 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 systems.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RSI-NOTE 1

1A CHANGES IN ASSUMPTIONS

The following actuarial assumption changes were adopted by the Utah State Retirement Board January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

SUPPLEMENTARY INFORMATION

**COTTONWOOD HEIGHTS
SUPPLEMENTARY INFORMATION**

Cottonwood Heights, Utah
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Fund Actuals	Variance with Final Budget
	Adopted Budget	Final Budget	(Budgetary Basis) (See Notes)	
REVENUES				
Federal Grant	\$ -	\$ -	\$ 28,249	\$ (28,249)
State Grants	-	803,011	880,995	77,984
Impact Fees - Current Collections	-	-	52,691	52,691
Investment Earnings	-	-	13,227	13,227
Total revenues	-	803,011	975,162	115,653
EXPENDITURES				
Current:				
Highways and Public Improvements	8,305,000	13,190,604	11,467,887	(1,722,717)
Total expenditures	8,305,000	13,190,604	11,467,887	(1,722,717)
Excess (deficiency) of revenues over (under) expenditures	(8,305,000)	(12,387,593)	(10,492,724)	1,838,371
OTHER FINANCING SOURCES (USES)				
Sources/(Uses):				
Beginning Fund Bal Appropriated	86,375	3,968,968		(3,968,968)
Transfers from General Fund	278,625	478,625	478,625	-
Sales Tax Revenue Bond	3,500,000	3,500,000	3,280,000	(220,000)
Sale of Bonds - Premium	-	-	313,857	313,857
Capital Leases	4,440,000	4,440,000	4,200,123	(239,877)
Total other financing sources (uses)	8,305,000	12,387,593	8,272,606	(4,114,987)
Net change in fund balances			(2,220,119)	
Fund balance - beginning of year			3,902,903	
Fund balance - end of year			\$ 1,682,784	

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

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Investment in capital assets	\$ 44,542,516	\$ 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
Restricted	862,883	647,829	57,951	148,081	100,102	165,949	221,078	203,271	222,737	223,950
Unrestricted	5,457,587	4,166,301	5,302,458	4,825,654	7,047,623	6,492,449	8,603,921	9,017,951	9,668,305	10,068,724
Total governmental activities net position	\$ 50,862,986	\$ 50,985,507	\$ 51,285,096	\$ 54,712,934	\$ 54,363,409	\$ 56,593,232	\$ 58,250,938	\$ 54,052,417	\$ 55,722,462	\$ 56,068,763
Primary government										
Investment in capital assets	\$ 44,542,516	\$ 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
Restricted	862,883	647,829	57,951	148,081	100,102	165,949	221,078	203,271	222,737	223,950
Unrestricted	5,457,587	4,166,301	5,302,458	4,825,654	7,047,623	6,492,449	8,603,921	9,017,951	9,668,305	10,068,724
Total primary government net position	\$ 50,862,986	\$ 50,985,507	\$ 51,285,096	\$ 54,712,934	\$ 54,363,409	\$ 56,593,232	\$ 58,250,938	\$ 54,052,417	\$ 55,722,462	\$ 56,068,763

Note: 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities										
General Government	\$ 3,505,009	\$ 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
Public Safety	9,830,415	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
Highways and Streets	5,101,370	5,156,418	6,428,742	5,957,314	5,773,855	4,728,329	4,485,274	5,707,937	5,309,832	3,469,794
Community and Economic Development	1,136,010	1,119,682	1,058,098	970,886	695,759	626,956	602,502	524,665	566,802	620,300
Interest on long term debt	683,616	529,778	547,992	13,788	19,324	18,197	22,003	26,840	26,761	254
Intergovernmental	-	-	-	-	-	-	-	35,000	-	-
Total Governmental Activities	<u>20,256,420</u>	<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>
Total Expenses	<u>\$ 20,256,420</u>	<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>
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 654,736	\$ 744,299	\$ 517,531	\$ 601,337	\$ 502,581	\$ 445,692	\$ 555,469	\$ 449,598	\$ 469,151	\$ 568,751
Public Safety	388,461	530,137	528,102	536,531	528,676	552,220	546,834	538,124	273,251	235,611
Community and Economic Development	272,331	355,582	217,312	232,585	245,326	180,299	203,093	151,433	164,376	213,924
Operating Grants and Contributions	1,784,554	1,709,911	1,543,851	1,563,158	1,611,019	1,504,103	1,638,949	1,502,366	1,465,430	1,475,184
Capital Grants and Contributions	933,686	836,020	1,968,067	3,484,303	231,783	25,185	312,815	564,390	1,025,779	941,105
Total Governmental Activities	<u>4,033,768</u>	<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>
Total Program Revenues	<u>\$ 4,033,768</u>	<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>
Net (Expense)/Revenue										
Governmental Activities										
Total Net Expense	<u>\$ (16,222,652)</u>	<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>
Total Net Expense	<u>\$ (16,222,652)</u>	<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>

**COTTONWOOD HEIGHTS
STATISTICAL SECTION**

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>(schedule continued)</i>										
General Revenues										
Governmental Activities:										
Property Taxes	\$ 6,843,782	\$ 6,810,924	\$ 6,646,536	\$ 6,684,948	\$ 6,954,277	\$ 6,694,176	\$ 6,499,957	\$ 6,344,286	\$ 6,408,964	\$ 6,475,442
Sales Taxes	5,855,273	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
Energy Use Tax	2,104,686	1,530,067	-	-	-	-	-	-	-	-
Motor Vehicle Fee-In-Lieu	354,472	359,521	366,675	390,535	390,882	400,016	426,149	468,657	505,711	505,430
Franchise Taxes	338,833	320,220	305,641	303,918	296,450	278,444	267,999	256,667	250,660	235,671
State Liquor Fund Allotment	**	**	**	**	**	43,515	46,230	35,236	33,563	39,738
Grants & Contributions (non-program)										1,500
Unrestricted investment earnings	85,570	84,666	91,956	37,394	36,859	53,935	46,773	59,298	187,488	515,432
Gain (Loss) on sale of Capital Assets	96,926	8,250	18,824	12,000	-	(91,970)	(43,546)	-	-	(736)
Miscellaneous	420,589	83,228	57,422	48,200	55,735	41,145	55,709	29,816	53,944	4,589
Transfers in/out	-	-	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	3,985,238	-	-	-
Total general revenues, transfers, and special item	<u>16,100,131</u>	<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>
Total primary government	<u>\$ 16,100,131</u>	<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>
Change in Net Position										
Governmental Activities	\$ (122,521)	\$ (299,590)	\$ (1,876,808)	\$ 349,525	\$ (2,229,824)	\$ (1,657,704)	\$ 4,210,007	\$ (1,664,770)	\$ (373,062)	\$ 3,773,065
Business-type Activity	-	-	-	-	-	-	-	-	-	-
Total Change in Net Position	<u>\$ (122,521)</u>	<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>

Note 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Nonspendable	\$ 35,274	\$ 273,598	\$ 21,694	\$ 19,609	\$ 22,134	\$ 53,596	\$ 81,132	\$ -	\$ -	\$ -
Restricted	-	-	-	-	68,799	112,353	138,355	-	-	-
Unrestricted:										
Assigned	440,430	-	-	-	-	-	-	-	-	-
Unassigned	3,128,109	2,078,586	2,114,670	2,407,342	2,585,344	2,580,477	2,828,007	-	-	-
Reserved*	-	-	-	-	-	-	-	203,271	222,737	223,950
Unreserved*	-	-	-	-	-	-	-	1,779,169	1,407,461	1,211,759
Total General Fund	\$ 3,603,813	\$ 2,352,184	\$ 2,136,364	\$ 2,426,951	\$ 2,676,277	\$ 2,746,426	\$ 3,047,494	\$ 1,982,440	\$ 1,630,198	\$ 1,435,709
All other governmental funds										
Restricted:										
Federal Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,594	\$ -	\$ -	\$ -
Bond Funds in Trust	862,883	2,788,848	10,619,536	-	-	-	-	-	-	-
Impact Fees	-	13,079	57,951	128,472	9,169	-	-	-	-	-
Unrestricted:										
Capital Projects	819,901	1,100,977	3,080,257	2,418,312	4,462,279	3,911,972	5,775,914	-	-	-
CommDev Renewal Agency	1,802,799	1,822,173	1,845,843	-	-	-	-	-	-	-
Unreserved - Capital Projects	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 3,485,583	\$ 5,725,077	\$ 15,603,587	\$ 2,546,784	\$ 4,471,448	\$ 3,911,972	\$ 5,799,508	\$ 7,238,782	\$ 8,260,844	\$ 8,856,965

Note: The city implemented the requirements of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for fiscal year 2011 (and reclassified prior years in this schedule)

* Previously classifications of Fund balances, Reserved or Unreserved

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES										
Property Taxes	\$ 6,843,782	\$ 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
Sales Taxes	5,816,802	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
E-911 Emergency Fees	320,122	313,195	296,984	276,640	321,566	294,517	294,601	299,774	232,723	200,666
Energy Use Tax	2,104,686	1,530,067								
Motor Vehicle Fee-in-lieu	354,472	359,521	366,675	359,521	390,862	400,016	426,149	468,657	505,711	505,430
Franchise Taxes	338,833	320,220	305,641	303,918	296,450	278,444	267,999	256,667	250,660	235,671
Transient Room	38,471	34,901	22,865	21,489	18,875	23,625	27,297	27,902	35,871	35,871
Licenses and Permits	654,736	744,299	517,531	607,337	502,581	445,692	555,469	449,598	469,151	558,751
Intergovernmental	2,345,426	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
Impact Fees - Current Year Collection *	52,691	94,268	42,369	119,303	31,763	25,185	167,015	50,966	25,779	31,354
Charges for Services	272,331	355,582	217,312	232,585	245,326	180,299	203,093	151,433	164,376	213,924
Fines and Forfeitures	388,461	530,137	528,102	536,531	528,676	552,220	546,834	538,124	573,251	235,611
Investment Earnings	85,570	84,666	91,956	37,394	36,859	53,935	46,773	59,298	187,488	515,432
Miscellaneous	420,589	78,260	57,422	48,200	55,683	41,145	55,709	29,816	53,944	4,589
Total Revenues	20,036,972	19,017,160	17,665,390	19,114,212	15,883,544	14,868,281	15,158,121	14,934,578	15,686,023	16,616,718
EXPENDITURES										
Current										
General Government	3,302,778	3,151,315	3,025,254	2,776,517	2,749,024	2,566,624	2,027,514	2,305,175	2,073,098	1,932,412
Public Safety	9,387,154	9,045,817	8,826,324	8,494,636	8,290,154	7,961,262	6,541,668	7,577,328	7,758,559	6,778,220
Highways and Public Improvements	2,592,975	2,607,607	2,978,465	3,119,574	2,400,004	2,009,533	1,404,726	3,179,469	2,881,406	892,995
Community and Economic Development	1,136,010	1,138,028	1,075,682	970,072	690,193	612,898	586,287	509,082	552,668	577,107
Debt Service										
Principal	1,168,562	375,545		306,185	729,090	226,566	250,000	162,087		10,048
Interest and fiscal charges	576,150	854,559	13,966	13,788	19,324	18,197	22,003	32,113		254
Intergovernmental										
Capital Outlays	11,526,568	11,515,479	4,750,896	5,615,428	2,411,983	3,676,584	4,700,145	1,904,433	3,648,909	3,407,241
Total Expenditures	29,690,187	28,668,350	20,670,587	21,300,200	17,289,772	17,071,984	15,532,343	15,704,687	16,914,640	13,618,476
Excess/(Deficiency) of Revenues over Expenditures	(9,653,215)	(9,671,190)	(3,085,197)	(2,186,988)	(1,406,228)	(2,203,403)	(374,222)	(770,109)	(1,228,618)	2,998,242
OTHER FINANCING SOURCES (USES)										
Transfers in	478,625	278,625		875,615	1,485,423	1,730,747	669,459	1,907,959	1,499,074	4,107,170
Transfers out	(478,625)	(278,625)		(875,615)	(1,485,423)	(1,730,747)	(669,459)	(1,907,959)	(1,499,074)	(4,107,170)
In-Kind Capital Contribution										
Proceeds from Capital Leases	4,200,123		1,168,247		1,142,555				826,985	
Proceeds from Revenue Bond	3,593,857		14,664,340							
Sale of Capital Assets	871,368	8,500	18,824	12,000	753,000	14,800				26,001
Total Other Financing Sources (Uses)	8,665,348	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	(987,967)	(9,662,690)	12,766,215	(2,173,988)	489,327	(2,188,603)	(374,222)	(669,819)	(401,633)	3,024,243
Special Item										
Net change in fund balances	\$ (987,967)	\$ (9,662,690)	\$ 12,766,215	\$ (2,173,988)	\$ 489,327	\$ (2,188,603)	\$ (374,222)	\$ (669,819)	\$ (401,633)	\$ 3,024,243
Debt service as a percentage of Noncapital expenditures	9.61%	7.16%	0.09%	2.05%	5.03%	1.83%	2.51%	1.41%	0.00%	0.10%
Beginning Fund Balance	\$ 8,077,261	\$ 17,739,952	\$ 4,973,737	\$ 7,147,725	\$ 6,658,398	\$ 8,847,002	\$ 9,221,222	\$ 9,891,042	\$ 10,292,674	\$ 7,268,431
Ending Fund Balance	\$ 7,089,394	\$ 8,077,261	\$ 17,739,952	\$ 4,973,737	\$ 7,147,725	\$ 6,658,398	\$ 8,847,002	\$ 9,221,222	\$ 9,891,042	\$ 10,292,674

* 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 Value as % Fully Assessed	Taxable Total Direct Rate
		Residential	Commercial (1)	Total	Property (1)	Residential Exemption					
2017	2016	4,086,417,416	1,194,301,408	5,280,718,824	\$ 129,100,000	1,838,887,837	3,312,730,987	62.7%	0.2064%		
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%		

Source: Cottonwood Heights Finance Department, St. 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	2017		Overlapping Rates									
	Basic Rate	General Obligation Debt Service	Total Direct	Canyons School District (1) (Old Debt)(1)	Jordan School District	Salt Lake County (countywide) (2)	Salt Lake County Library	South Salt Lake Valley Mosquito Abatement District	Central Utah Water Conservancy District	Cottonwood Improvement 'Sewer' District (3)	Cottonwood Heights Parks & Recreation Service Area (4)	Jordan Valley Water Conservancy District (5)
2017	0.2064%	-	0.2064%	0.6463%	0.0764%	0.2371%	0.0639%	0.0018%	0.0400%	0.0199%	0.0425%	0.0372%
2016	0.2239%	-	0.2239%	0.6997%	0.0862%	0.2531%	0.0683%	0.0019%	0.0405%	0.0215%	0.1198%	0.0400%
2015	0.2386%	-	0.2386%	0.6872%	0.0951%	0.3036%	0.0715%	0.0020%	0.0422%	0.0226%	0.1253%	0.0399%
2014	0.2522%	-	0.2522%	0.7016%	0.1095%	0.3180%	0.0755%	0.0021%	0.0446%	0.0236%	0.1185%	0.0424%
2013	0.2654%	-	0.2654%	0.7111%	0.1307%	0.2793%	0.0627%	0.0021%	0.0455%	0.0244%	0.1203%	0.0443%
2012	0.2586%	-	0.2586%	0.6546%	0.1619%	0.2696%	0.0604%	0.0052%	0.0436%	0.0237%	0.1217%	0.0424%
2011	0.2517%	-	0.2517%	0.6540%	0.1520%	0.2593%	0.0583%	0.0050%	0.0421%	0.0229%	0.1058%	0.0410%
2010	0.2399%	-	0.2399%	0.5780%	0.1400%	0.2278%	0.0584%	0.0025%	0.0400%	0.0219%	0.1023%	0.0400%
2009	0.2098%	-	0.2098%	-	0.6150%	0.1731%	0.0492%	0.0022%	0.0286%	0.0193%	0.0901%	0.0384%
2008	0.2220%	-	0.2220%	-	0.6617%	0.1994%	0.0517%	0.0023%	0.0302%	0.0205%	0.0958%	0.0400%

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, Old Debt from voted General Obligation bonds are being retired as they are paid.

(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 2017			FY 2012		
	2016 Taxable Assessed Value	Rank	Percentage of Total Taxable Value	2011 Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Old Mill Corporate Center (Offices)	\$ 146,609,500	1	4.43%	\$ 59,920,300	2	2.27%
NOP Cottonwood (Cottonwood Corporate Center)	116,448,400	2	3.52%	77,813,700	1	2.95%
Fourels Investment Co. (Shopping area)	48,413,500	3	1.46%	38,155,300	4	1.45%
RBCSU Realty, Inc. / Regence BlueCross/BlueShield	43,663,700	4	1.32%	42,587,351	3	1.61%
Pinnacle Highland Apartments	35,318,965	5	1.07%	25,421,000	5	0.96%
James Campbell Company, LLC. (Shopping area)	27,884,220	6	0.84%	19,922,510	7	0.76%
Santa Fe Apartments, LLC.	27,824,610	7	0.84%	20,221,630	6	0.77%
JSP Farms I, LLC	19,818,590	8	0.60%			0.00%
Roderick Enterprises	14,814,500	9	0.45%			
Park V Partners	11,591,350	10	0.35%			
Reef Union Park				18,691,300	8	0.71%
Cottonwood Estates Development				18,475,067	9	0.70%
Overstock.Com (Offices)				15,943,667	10	0.60%
	<u>492,387,335</u>		<u>14.86%</u>	<u>337,151,825</u>		<u>12.78%</u>
	<u>\$ 3,312,730,987</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		Collected within the 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	
	Fiscal Year	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy	Assessed Taxable Value	% of Assessed Market Value	Direct Rate	Original Budget Used to Set Tax Rate			
2017	\$6,883,512	\$6,747,221	98.0%	\$126,349	99.9%	6,873,570	99.9%	\$3,312,730,987	62.7%	0.2064%	\$6,648,354					
2016	6,828,225	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	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	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	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	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	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	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	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	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					

Source: Cottonwood Heights Finance Department, SL County Auditor, Utah State Tax Commission

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		Capital Leases	Special Assessment Bonds		Sales Tax Revenue Bonds		Total Outstanding Debt	Percentage of Personal Income (1)	State Committee Calculated Population (2)	Debt Per Capita
	Obligation Bonds										
Governmental Activities											
2017	\$ -	\$ 4,200,123	\$ -	\$ -	\$ 17,722,230	21,922,353	1.611%	34,285	639.42		
2016	-	818,552	-	-	14,527,792	15,346,344	1.161%	34,343	446.86		
2015	-	1,134,065	-	-	14,628,566	15,762,631	1.162%	34,166	461.35		
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	-		

Note: The City has no Business-type activities

(1) Personal income is disclosed on Chart 14

(2) 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)	\$			
2017	-	-	-	-	-	-
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
2008	-	-	-	-	-	-

Note: 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, 2017

Overlapping Government Unit	2017 Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Cottonwood Heights
Central Utah Water Conservancy District	\$ 229,525,000	3.62%	\$ 8,303,067
Jordan School District (old debt)	59,972,000	17.31%	10,383,734
Canyons School District	290,886,000	16.83%	48,964,418
Salt Lake County - General & Library	343,731,250	3.62%	12,434,478
South Salt Lake Valley Mosquito District	-	5.37%	-
Cottonwood Improvement 'Sewer' District	-	45.47%	-
Cottonwood Heights Parks & Recreation Service Area	4,120,000	98.00%	4,037,600
Jordan Valley Water Conservancy District	231,768,000	0.14%	326,929
Subtotal, overlapping governmental activity debt	<u>1,160,002,250</u>		<u>84,450,225</u>
City direct debt	21,922,353	100.00%	21,922,353
Total direct and overlapping debt	<u>\$ 1,181,924,603</u>		<u>\$ 106,372,578</u>

Sources: Salt Lake County - Comprehensive Annual Financial Report for 2016, 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, 2017

	Fiscal Years									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt Constitutional Limit										
General (4% Fair Cash Value)	\$ 206,064,753	\$ 185,073,193	\$ 171,490,788	\$ 168,046,255	\$ 161,340,169	\$ 164,045,708	\$ 167,840,370	\$ 173,142,213	\$ 198,719,301	\$ 187,241,909
Sewer, Water (4% Fair Cash Value)	206,064,753	185,073,193	171,490,788	168,046,255	161,340,169	164,045,708	167,840,370	173,142,213	198,719,301	187,241,909
Total 8% Debt Constitutional Limit	412,129,506	370,146,385	342,981,577	336,092,509	322,680,338	328,091,416	335,680,740	346,284,426	397,438,603	374,483,819
Total Net Debt Applicable to Limit	16,635,000	13,705,000	13,770,000	-	-	-	-	-	-	-
Legal Debt Margin	\$ 395,494,506	\$ 356,441,385	\$ 329,211,577	\$ 336,092,509	\$ 322,680,338	\$ 328,091,416	\$ 335,680,740	\$ 346,284,426	\$ 397,438,603	\$ 374,483,819
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.036%	3.703%	4.015%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Legal Debt Margin Calculations										
Tax Years	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Assessed Valuation:										
Reasonable Fair Cash Value	\$5,151,618,824	\$4,626,829,815	\$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
Debt Limit (8% of reasonable Fair Cash Value)	412,129,506	370,146,385	342,981,577	336,092,509	322,680,338	328,091,416	335,680,740	346,284,426	397,438,603	374,483,819
Debt Applicable to Limit:										
General Obligation Bonds	16,635,000	13,705,000	13,770,000	-	-	-	-	-	-	-
Less: Amount Set Aside for Repayment of General Obligation Debt	-	-	-	-	-	-	-	-	-	-
Total Net Debt Applicable to Limit	16,635,000	13,705,000	13,770,000	-	-	-	-	-	-	-
Legal Debt Margin	\$ 395,494,506	\$ 356,441,385	\$ 329,211,577	\$ 336,092,509	\$ 322,680,338	\$ 328,091,416	\$ 335,680,740	\$ 346,284,426	\$ 397,438,603	\$ 374,483,819

Source: Finance Department

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements
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, 2017

Fiscal Year	Sales Tax Revenues	Sales Tax Revenue Bonds		Coverage
		Principal	Debt Service *	
2017	\$ 5,816,802	\$ 350,000	\$ 526,726	6.63
2016	5,622,651	65,000	533,726	9.39
2015	5,319,432	-	533,440	9.97
2014	-	-	-	-
2013	-	-	-	-
2012	-	-	-	-
2011	-	-	-	-
2010	-	-	-	-
2009	-	-	-	-
2008	-	-	-	-

* 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 Avg Years of Formal Schooling (2)	K-12 School Enrollment (2)	Metro SLC, UT Unemployment Rate (3)
2017	34,285	37.60	\$ 39,689	\$ 1,360,738	14.6	3,992	3.4%
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%

(1) Utah State Population Committee, US Census estimates
(2) School District Census (FY16 count changed from CWH School census, to census attending any school in Canyons District)
(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

2017		2008					
Rank	Employer	Employees	Percentage of Total Employment	Employer	Employees	Rank	Percentage of Total Employment
1	Jet Blue Airways Corporation	1000-1999	6.57%	Jet Blue Airways Corporation	1000-1999	1	7.84%
3	Instructure, Inc	500-999	3.28%				
3	Canyons School District	500-999	3.28%	Canyons School District	500-999	4	3.92%
6	Extra Space Management Inc	250-499	1.64%	Extra Space Management Inc	100-249	10	0.88%
6	Regence BlueCross BlueShield of Utah	250-499	1.64%	Regence BlueCross BlueShield of Utah	500-999	4	3.92%
6	Western Digital (San Disk (Fusion Multisystems Inc.))	250-499	1.64%				
10	Cottonwood Heights Parks & Recreation Service Area	100-249	0.74%	Cottonwood Heights Parks & Recreation Service Area	100-249	10	0.88%
10	Canyon Culinary Inc (Porcupine Grill)	100-249	0.74%	Canyon Culinary Inc (Porcupine Grill)	100-249	10	0.88%
10	Forcepoint LLC (Raytheon Oakley Sys)	100-249	0.74%				
10	Gastronomy, Inc	100-249	0.74%	Gastronomy, Inc	100-249	10	0.88%
10	The Home Depot USA Inc	100-249	0.74%	The Home Depot USA Inc	100-249	10	0.88%
10	KR Acquisitions 1 LLC ET AL (Kern River Gas)	100-249	0.74%	KR Acquisitions 1 LLC ET AL (Kern River Gas)	100-249	10	0.88%
10	Navitaire Inc	100-249	0.74%	Navitaire Inc	100-249	10	0.88%
10	Target Corporation	100-249	0.74%	Target Corporation	250-499	5	1.96%
10	Kroger Group Cooperative Inc (Smiths Food)	100-249	0.74%	Kroger Group Cooperative Inc (Smiths Food)	100-249	10	0.88%
10	Mastercontrol Inc	100-249	0.74%				
10	Security National Mortgage	100-249	0.74%				
10	SoFi (Social Finance)	100-249	0.74%				
Top Ten Principal Employers		3,950 - 8,482	26.97%		3,900 - 8,481		32.16%
All Reported Employers in City		16,000 - 29,000			13,000 - 25,000		

Source: Utah Department of Workforce Services
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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government	18.00	17.75	17.50	16.23	16.64	16.11	15.11	15.52	14.77	15.10
Public Safety										
Police										
Sworn Officers	39.50	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	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	2.00	3.00
Highways and streets										
Maintenance	14.00	4.65	4.65	4.65	4.65	4.00	4.20	2.00	2.00	1.00
Community & Economic Development	6.50	6.04	5.54	5.17	4.54	4.54	4.00	3.15	4.50	4.50
Total	91.46	81.40	79.65	76.01	75.29	73.10	70.56	65.92	65.02	25.60

Source: City Finance / Budget department

COTTONWOOD HEIGHTS STATISTICAL SECTION

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

	2017	2016	2015	Fiscal year		2011	2010	2009	2008
				2014	2013				
Public Safety									
Police:									
CHPD-Total calls for service	18,463	18,210	22,949	21,666	25,614	22,316	23,860	22,050	7,323
Homicide, Armed Robbery, Assaults w/Weapons	51	38	25	34	26	12			**
Clearance Rates	70%	64%	76%	82%	-	92%			**
Assault, Burglary, Larceny, Vehicle Thefts & Rape	1,170	1,101	1,022	983	1,020	966			**
Clearance Rates	29%	29%	33%	20%	-	55%			**
CHPD-Number of arrests	1,204	1,393	1,228	1,185	1,329	1,015	990	933	22
CHPD-Number of DUI arrests	118	166	165	127	308	135	178	255	88
CHPD-Avg. Priority 1 calls response times	0	4	4:57	5:09	4:28	4:51	4:47	4:47	5:23
SLCoSheriff-Avg. Priority 1 calls response times									
Ordinance Enforcement:									
Animal involved calls for service	854	932	1,382	1,171	1,373	1,188	**	**	**
Ordinance violation citations issued	126	166	172	118	127	108	**	**	**
Fire:									
Number of fire calls	633	531	709	822	881	959	923	882	1,054
Number of medical calls	2,081	1,843	2,596	2,477	2,224	2,363	2,281	1,997	2,242
Public Works									
Number of issued excavation permits closed	285	332	341	72	223	274	429	177	236
Square feet of chip seal applied	78,090	198,900	-	237,650	566,500	651,489	1,159,335	-	889,561
Square feet of slurry seal / reclaimer applied	-	-	-	759,310	1,696,665	1,052,379	-	654,972	3,566,922
Square feet of overlay completed	-	715,397	496,145	236,280	541,755	524,549	275,298	315,201	454,810
Community and Economic Development									
Number of business licenses renewed	1,302	1,259	1,454	1,421	1,291	1,388	1,425	1,441	1,337
Number of new business licenses issued	198	244	192	180	154	163	154	214	269
Building permits issued	591	402	536	486	408	372	389	384	406
Number of building inspections	1,389	1,403	1,680	1,234	1,102	1,149	**	**	**
Square footage of new office space	23,540	158,000	33,500	150,000	-	-	-	-	-
Total square footage of office space	2,962,806	2,939,266	2,627,342	2,45,842	2,285,842	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Number of general governmental buildings (owned / leased)	1/0	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1
Number of storage buildings (owned / leased)	0/4	0/4	0/4	0/4	0/4	1/1	1/1	1/1	1/1	1/1
Public Safety										
Number of Police stations (owned / leased)	1/0	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	-
Number of Police substations (County owned) (1)	1	1	1	1	1	1	1	1	1	2
Number of Fire stations (1)	2	2	2	2	2	2	2	2	2	2
Fire Hydrants	1212	1197	1195	1080	1,080	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	1/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1
Number of Street Lights	1,115	1,100	1,092	1,090	870	868	868	868	868	868
Number of Lane Miles of Road	253	253	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	85.9	71.9	71.9	71.9	71.9	71.9	71.9	71.9	71.9
Number of issued excavation permits closed	285	332	341	72	223	229	274	429	177	236
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	18.96	9.53	9.53	2.14	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
(1) Owned by Salt Lake County or a Special District

