

**COTTONWOOD HEIGHTS (CITY), UTAH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2018**



Cottonwood Heights, Utah  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2018  
With  
Independent Auditor's Report

Prepared by

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

**COTTONWOOD HEIGHTS, UTAH  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2018**

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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, 2017**

*Christopher P. Morill*

Executive Director/CEO

COTTONWOOD HEIGHTS  
INTRODUCTORY SECTION



**Mayor**  
Mike Peterson  
**City Council**  
Michael Shelton (1)  
Scott Bracken (2)  
Tali Bruce (3)  
Christine W Mikell (4)  
**City Manager**  
B Tim Tingey

December 11, 2018

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, 2018.

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, 2018.

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 33,996 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.

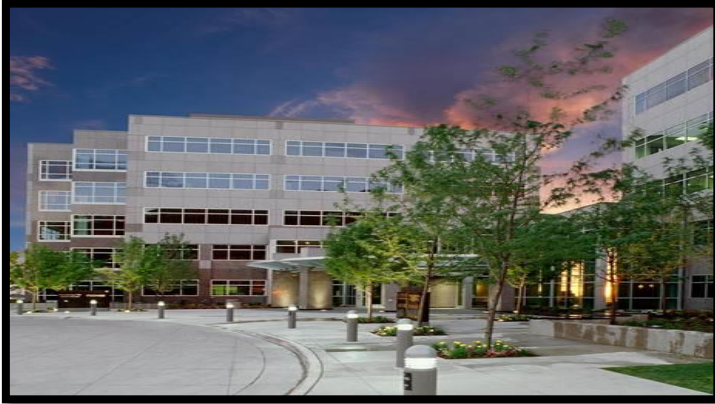


The quality of life in Cottonwood Heights is very high with many cultural and recreational activities available within the city or in near proximity. Cottonwood Heights highly values its reputation as a well-maintained residential and business community. The preservation of quality of life is of utmost 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 elements 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 3 million feet of premium high-rise office space in the City. (See table below.) The City is home to corporate leaders such as: Extra Space Storage, Instructure, MasterControl, RizePoint and SoFi. Cottonwood Heights continues to attract quality 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 and Cottonwood Corporate office complexes house all of the City’s Class A space and 53 percent of the total office space available. Union Park has quality Class B office space and is 43 percent of the total office space available, with Class C office space dispersed throughout the City along major transportation corridors, including Fort Union Boulevard, 1300 East, Highland Drive and 2300 East.

<b>As of June 30, 2018</b>			
	Class A	Class B	Class C
Total SF	1,591,228	1,295,775	115,318
% of Total SF	53%	43%	4%
Average Building SF	132,602	75,222	28,830
Number of Properties	12	17	4
Average Vacancy	8.54%	11.92%	1.19%
Average Lease(\$/SF)	\$32.67	\$23.81	\$13.00
Source: City Community and Economic Development Department from CBRE SLC Research			

## 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 transportation corridor.

The Wasatch Boulevard/Gravel Pit Area is important as the largest undeveloped property in Cottonwood Heights. It is estimated that quarry operations will cease in approximately five to ten 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 office spaces.

**Public Works.** The Cottonwood Heights Public Works Department has been in operation for the past three years. During that time, successful development and implementation has occurred with a focus on providing high quality public services to residents, local businesses, and other city departments and provide these services in a prompt, courteous, safe, efficient, and cost-effective manner.



The City has accomplished this through recruiting and hiring great employees by offering competitive wages, updated equipment, and quality training to the staff. The staff is responsible for the maintenance of the City rights-of-way which includes snow plowing, tree trimming, street sweeping, storm drain maintenance, street repairs, construction, and engineering.

This past year approximately 1.8 million square feet of road surfacing has been completed with more to come in the spring and summer of 2019. Maintaining these roads saves the City money in the long term by delaying future road reconstruction projects. Some of the major roads projects include 2700 East, 2300 East, Fort Union, 3500 East, and Greenfield. This summer,

## COTTONWOOD HEIGHTS INTRODUCTORY SECTION

work will commence on many neighborhood streets as part of the 5-year maintenance plan implementation. The Department of Public Works is committed to excellence in maintaining the City's roads and infrastructure.

### *Services Provided*

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

## COTTONWOOD HEIGHTS INTRODUCTORY SECTION

- ❖ **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.
- ❖ **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 \$3,603,813 to \$3,738,117, which is 18.36 percent of the budgeted revenues for the 2019 fiscal year. The increase in fund balance was due to a variety of factors including: 1) Licensing and Permits revenues exceeded budgeted by \$193,731, 2) Other Charges and Services revenues exceeded budgeted by \$140,043, 3) wages and benefits expenditures below budget by \$289,884.

As a City without significant new development, very little revenue growth is realized from property taxes, but Sales tax revenues have increased with the economic growth of the State and the City. A municipal energy sales and use tax, which was implemented Oct 1, 2015, brought in \$2,094,365 during the current fiscal year.

Expenditures over the last five years have increased from \$14,986,573 to \$18,046,040. Included in the current year's expenditures are \$1,012,930 in debt service for the 2014 and 2016 sales tax revenue 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, over the last five years expenditures increased \$610,996 in general government, \$872,385 in public safety, \$22,900 in public works, and \$142,059 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.

COTTONWOOD HEIGHTS  
INTRODUCTORY SECTION

*Awards and Acknowledgments*

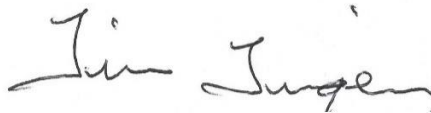
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to an entity for its Comprehensive Annual Financial Report (CAFR) for a fiscal year period. In order to be awarded a Certificate of Achievement,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

This is the seventh 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 2017 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.

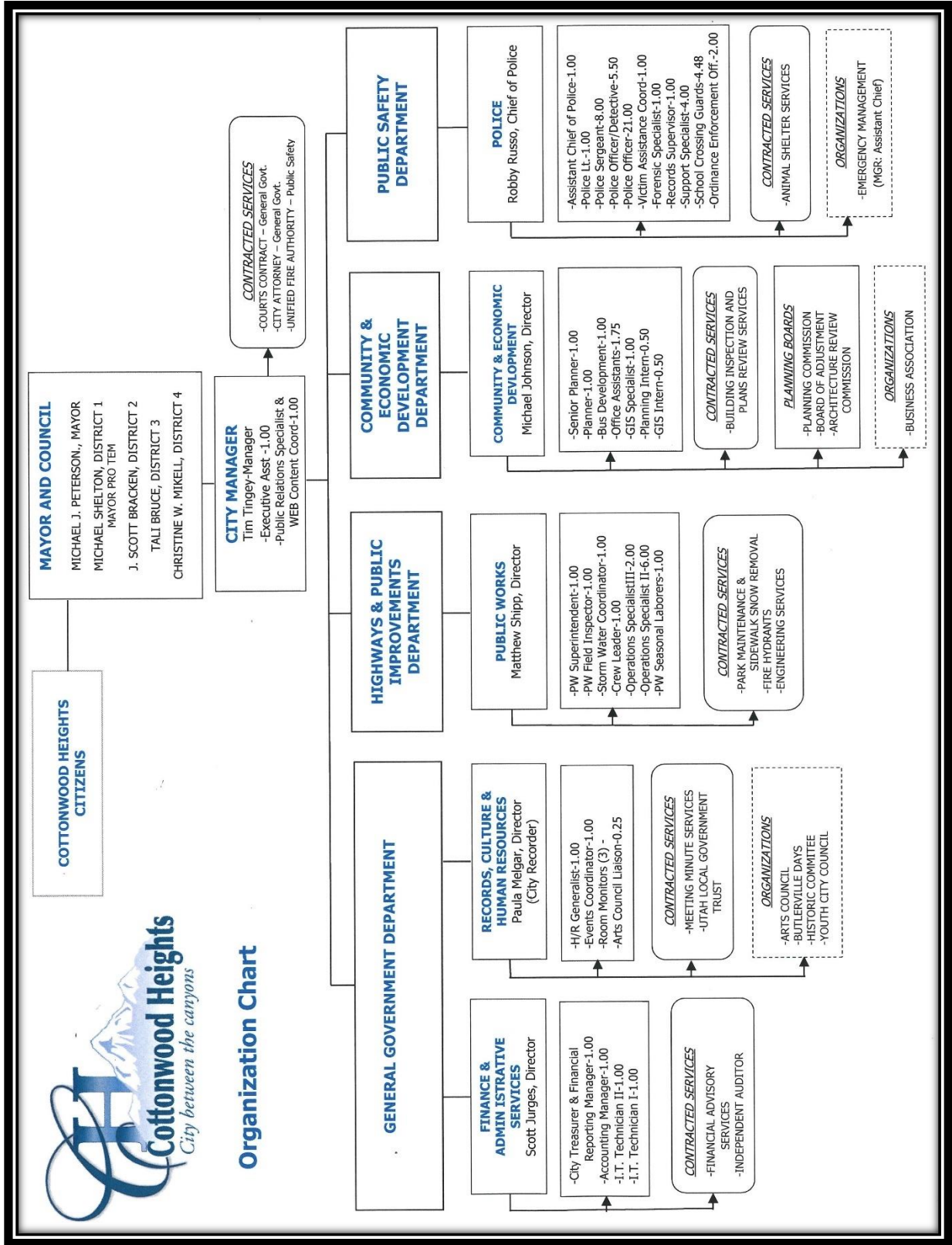


Scott Jurges  
Finance and Administrative  
Services Director



B Tim Tingey  
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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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, 2018, and the respective changes in financial position, the budgetary comparison for the general and major special revenue funds 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 related to pensions on pages 11–26 and 63–66, 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 the City's 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 11, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Larson & Company, PC

Spanish Fork, Utah  
December 11, 2018



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, 2018. 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 \$7,514,354, of which \$6,588,127 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.)
  - \$3,738,118 fund balance in the General Fund (\$3,721,041 is unrestricted).
  - \$1,972,790 fund balance in the Capital Projects Fund. Of this balance, \$805,741 is restricted as bond proceeds in trust for debt service and public works facilities. The balance of \$1,063,640 is assigned to be used for capital projects.
  - \$618 fund balance in the Debt Service Fund is unrestricted.
  - \$1,802,828 fund balance in the Community Development Renewal Agency Fund (CDRA) which is assigned to the specified redevelopment area. Most of 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 2018, the City’s total net position from governmental activities decreased by \$95,327 to \$50,767,660. Total assets decreased by \$462,458, net of depreciation, and liabilities and deferred inflows decreased by \$367,132 resulting in the net position decrease of \$95,327 from operations. See page 15 “City’s Government-wide Financial Analysis” for more details.
- Total net position of \$50,767,660 consists of the amounts below:
  1. \$43,717,022 in capital assets, such as streets, bridges, land, buildings and other infrastructure, net of related debt and depreciation.
  2. Unrestricted net position of \$6,141,488. “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. Restricted Bond Debt Service funds of \$805,741 and Impact Fees of \$103,410.
- 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 a Public Works fleet of 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 has been completed in fiscal year 2018. See pages 16 and 24 for additional information about the City’s 2016 sales tax revenue bonds that were the financing mechanism for the Public Works facility.
- The General Fund balance increased by \$134,304, or 3.7 percent of the prior year’s fund balance. The Capital Projects Fund increased by \$290,006 from last year’s

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

ending balance. Funding for capital projects often are provided in a previous year’s budget and become part of the beginning Capital Projects fund balance in the next year.

- The City benefits from both operating grants and operating contributions, and capital grants and capital contributions. As a total of the 2018 budget, these funds accounted for 14.0 percent of total revenues. Operating grants totaling \$1,480,356 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 \$1,410,309 in FY 2018. Included in those grants were contributions of \$1,306,899 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 2019. 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’s Police Department, now in its tenth year, responded to 19,041 calls for service during the year with an average response time for priority-one calls of 4:10, as compared to 4:36 the previous year. The department is comprised of 39.5 sworn officers and 12.48 civilian staff.
- In addition to numerous street and sidewalk improvement projects, the City completed 1,729,600 square feet of road improvement projects, including asphalt overlays, chip seals and slurry seal treatments.
- The Community and Economic Development Department has been working hard towards implementation of its recently completed master plans, including the Fort Union Boulevard Master Plan and the Bicycle and Parks, Trails and Open Space Master Plan. Subsequent to the adoption of these plans, the city has seen two rezones along the Fort Union Boulevard corridor and additional reinvestment in the corridor through the redevelopment of various underutilized properties. An access management plan was also completed to pre-determine the potential future locations of landscaped medians along the corridor. During the most recent restriping project on the corridor, lines were painted to correspond to the location of potential future medians. Additionally, bicycle lanes and facilities have been included in most of the city’s recent road projects and new developments. A major project currently in progress is the Wasatch Boulevard Master Plan, which is a comprehensive analysis of Wasatch Boulevard and the surrounding area from the gravel pit to the mouth of Little Cottonwood Canyon. Pending grant funding, the department is also looking forward to beginning a comprehensive General Plan update in the next 1-2 years to incorporate these various planning efforts into one updated and cohesive plan that accurately reflects the community’s values and vision for the future.
- The City, in conjunction with Cottonwood Heights Parks and Recreation Service Area, has continued to promote successful community events enjoyed by residents of the city, including Butlerville Days, Easter Egg Hunt, Bark in the Park and Movies in the Park.

COTTONWOOD HEIGHTS  
MANAGEMENT’S DISCUSSION AND ANALYSIS

- During this fiscal year, the City produced “Annie”; the community’s eighth theater production. Arts grant revenues and ticket sales paid the entirety of production costs, thereby allowing the arts council funding to be used for other arts events such as “Rocky Mountain Strings” concert, a Christmas concert with “Joshua Creek”, and Art shows for drawing, painting and photography contests.
- 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 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 business assistance by hosting 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 these annual rankings.
- The City has been the recipient for eleven 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 and Administration Department received the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2017. This is the sixth 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 and Administration Department also has been the recipient of the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2017. 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 fourth year the City has received this award.

COTTONWOOD HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**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.

**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 four major governmental funds (as determined by generally accepted accounting principles), the General Fund, the Debt Service Fund, CDRA Fund and the Capital Projects 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

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

helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the 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 \$50,767,660 at the close of fiscal year ended June 30, 2018. The following table provides a comparison of the City’s net position year over year:

<b>Cottonwood Heights Net Position As of June 30<sup>th</sup> Governmental Activities</b>		
	2018	2017
Current and other assets	9,590,820	8,887,628
Capital assets	65,482,103	66,968,815
Total assets	75,072,923	75,856,443
Deferred Pension Contributions	2,569,058	2,247,994
Total deferred outflow of resources	2,569,058	2,247,994
Total assets and deferred outflows	77,641,981	78,104,437
Current and other liabilities	4,227,020	4,429,891
Long-term liabilities outstanding	20,935,044	21,922,353
Total liabilities	25,162,064	26,352,244
Deferred uncollected property taxes	142,793	124,871
Deferred property tax revenue	389,560	439,446
Deferred pension inflows	1,179,903	324,892
Total deferred inflows of resources	1,712,256	889,209
Net position:		
Net investment in capital assets	43,717,022	44,542,516
Restricted	909,150	862,883
Unrestricted	6,141,488	5,457,588
Total net position	50,767,660	50,862,987

COTTONWOOD HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Assets**

The largest portion of Cottonwood Heights' net position, \$43,717,022, 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 \$909,151 includes \$805,741 restricted for the payment of bond debt, along with unspent impact fee funds of \$103,410 which reduces the City's unrestricted net position. The remaining balance is unrestricted net position totaling \$6,141,488, which may be used to meet the City's ongoing obligations and objectives by fund type.

**Liabilities**

In fiscal years 2015 and 2016, the City issued Sales Tax Revenue bonds for the construction of the City's Municipal Center and for the property to operate the City's new public works facilities. The fiscal 2018 year-end principal balances on all sales tax bonds is \$15,765,000 with accrued interest of \$333,775.

The City has capital leases for the purchase of vehicles for both public safety and public works purposes with current principal balances totaling \$3,662,235 as of June 30, 2018 with accrued interest of \$325,875. The principal balance of the public safety vehicles portion was \$1,179,592. 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, 2018, was \$2,482,643. Upon the maturation of the lease, the City will own the related public works equipment. The lease terms range from seven to 10 years.

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**

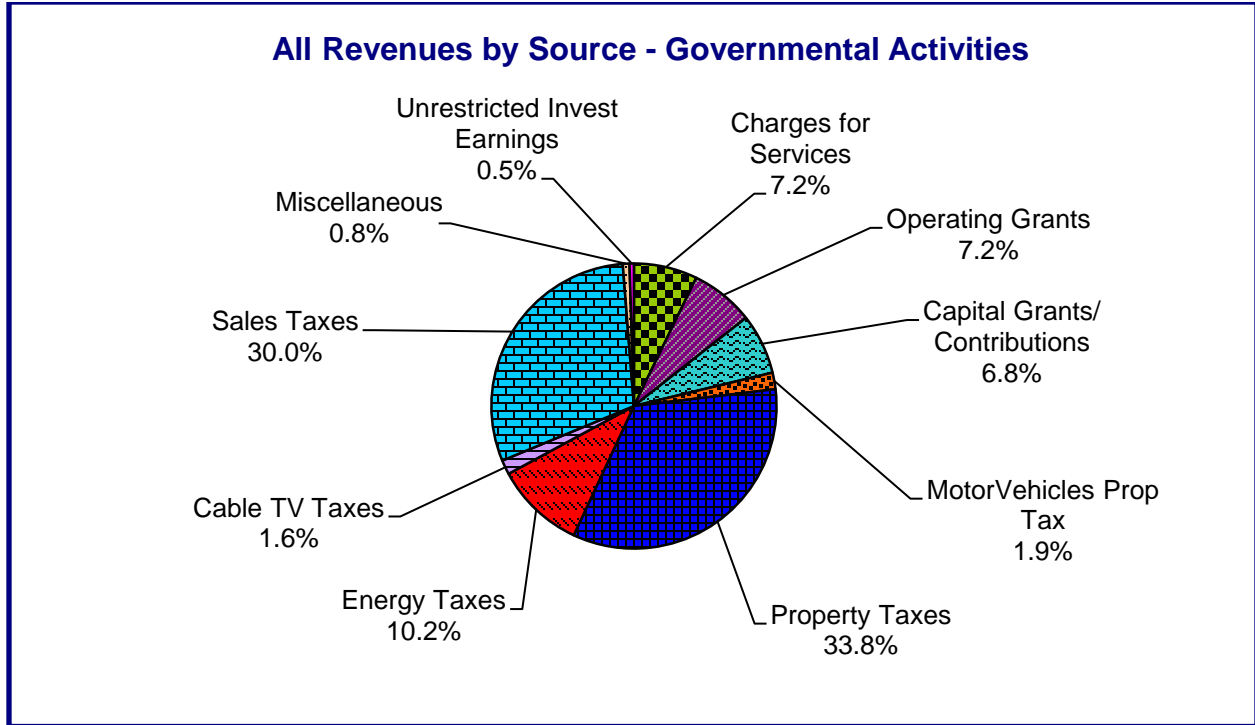
As reported above, governmental activities decreased the City's net position by \$95,327 resulting in a total net position of \$50,767,660. The table below provides a yearly comparative analysis of revenues and summary departmental expenses for all governmental activities and the net change in position. This information is the annual information presented in the Statement of Activities in the basic financial statements.

**Cottonwood Heights  
Changes in Net Position**

<b>Governmental Activities</b>		
	FY 2018	FY 2017
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	1,481,423	1,315,528
Operating grants/contrib	1,480,356	1,784,554
Capital grants/contrib	1,410,309	933,686
Total program revenues	4,372,089	4,033,768
<b>General revenues:</b>		
Property taxes	7,352,766	7,198,254
Sales & hotel taxes	6,176,453	5,855,273
Municipal energy taxes	2,094,365	2,104,686
Franchise taxes	335,910	338,833
Unrestricted invest earn	103,347	85,570
Other – Gain (Loss) on surplus	3,875	96,926
Other – Miscellaneous	151,394	420,589
Total general revenues	16,218,111	16,100,131
<b>Total revenues</b>	<b>20,590,199</b>	<b>20,133,899</b>
<b>Expenses:</b>		
General government	3,736,218	3,505,009
Public safety	9,910,192	9,830,415
Highways-public imprv	4,907,822	5,101,370
Comm & econ dev	1,177,023	1,136,010
Interest long-term debt	954,272	683,616
<b>Total expenses</b>	20,685,526	20,256,419
Change in net position	(95,327)	(122,520)
<b>Net position – beginning</b>	50,862,987	50,985,507
<b>Net position – ending</b>	50,767,660	50,862,987

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 2018 year.

COTTONWOOD HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS



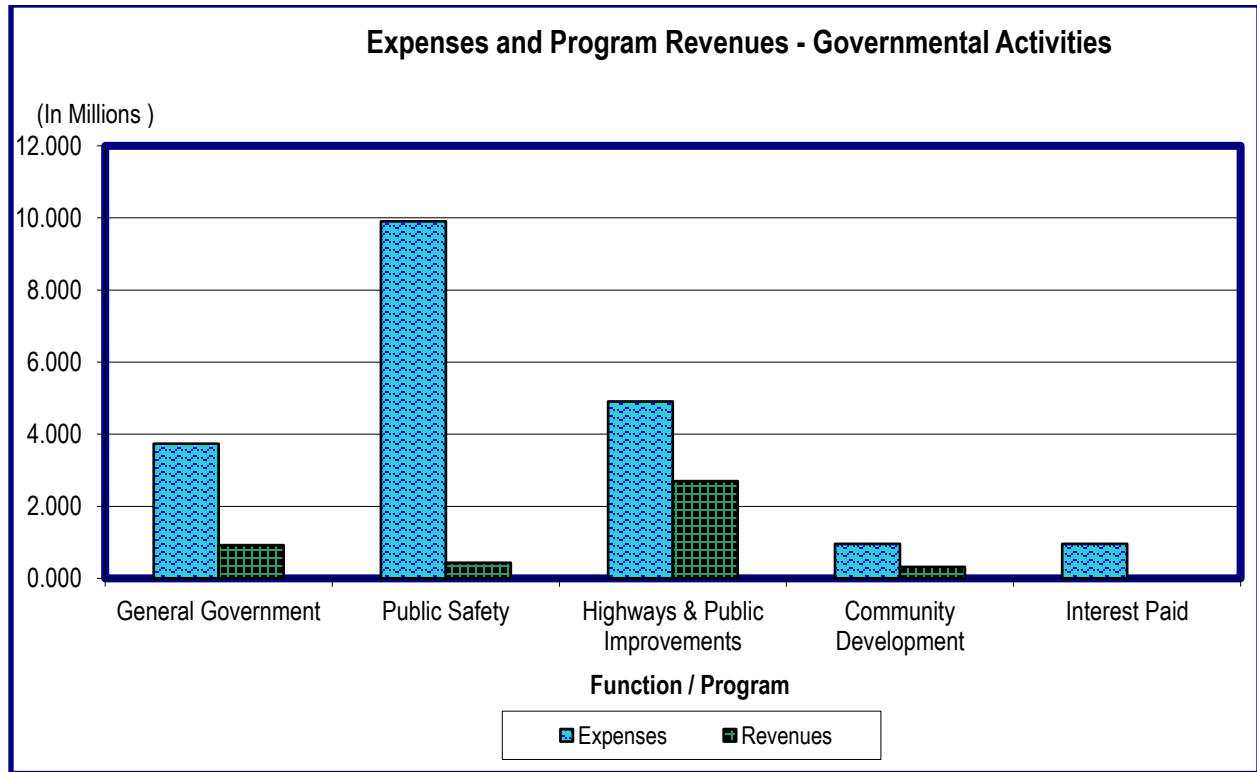
Current year revenue sources were from:

\$7,352,766	Property Tax (including motor vehicle fee in lieu) revenues (35.7%)
\$6,176,453	Sales and Transient Room Taxes (30.0%)
\$2,094,365	Municipal Energy Use Taxes (10.2%)
\$ 335,910	Cable TV Franchise tax (1.6%)
\$1,480,356	Operational Grants (7.2%) (Class C road funds (87.2% of category), State Liquor tax, and CDBG funds)
\$1,481,423	Charges for Service (Licenses, Permits and Court fines) (7.2%)
\$1,410,309	Capital Grants for major road projects, trail and park improvements, additional impact fees and local grants (6.8%). 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.
\$ 103,347	Investment interest earnings and miscellaneous (0.5%)
\$ 155,269	Miscellaneous Revenues (0.8%)

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 \$391,549 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 \$386,351, netting only \$5,198 in revenues, which is equal to only 0.091 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 39.9 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** – \$954,720 interest expense was incurred on outstanding debt.

COTTONWOOD HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY'S FUND FINANCIAL STATEMENTS ANALYSIS**

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

**Governmental Funds Analysis**

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

Governmental fund balance is reported in three major categories resulting in five separate direct categories: 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 \$7,514,354 after 14½ years of operation, an increase of \$424,958 from the prior year. The increase in fund balance compared to the prior year is attributable primarily to wages and benefits expenditures were below budget by \$289,884 and other charges and services revenues exceeded budget by \$140,043. Of the total fund balance of \$7,514,354, \$17,077 is non-spendable and represents prepaid expenditures for fiscal year 2019 events, \$805,741 is restricted as Bond Debt Service Funds in Trust, \$103,410 and the remaining \$6,588,127 is unrestricted funds, of which \$483,105 is assigned to fund accrued and vested paid time off, \$1,063,640 is assigned as Capital Project funds and allocated to various specific projects, \$1,802,829 is assigned as CDRA funds, \$618 in the Debt Service Fund and \$3,237,936 is the remaining unassigned portion of the unrestricted balance in the General Fund.

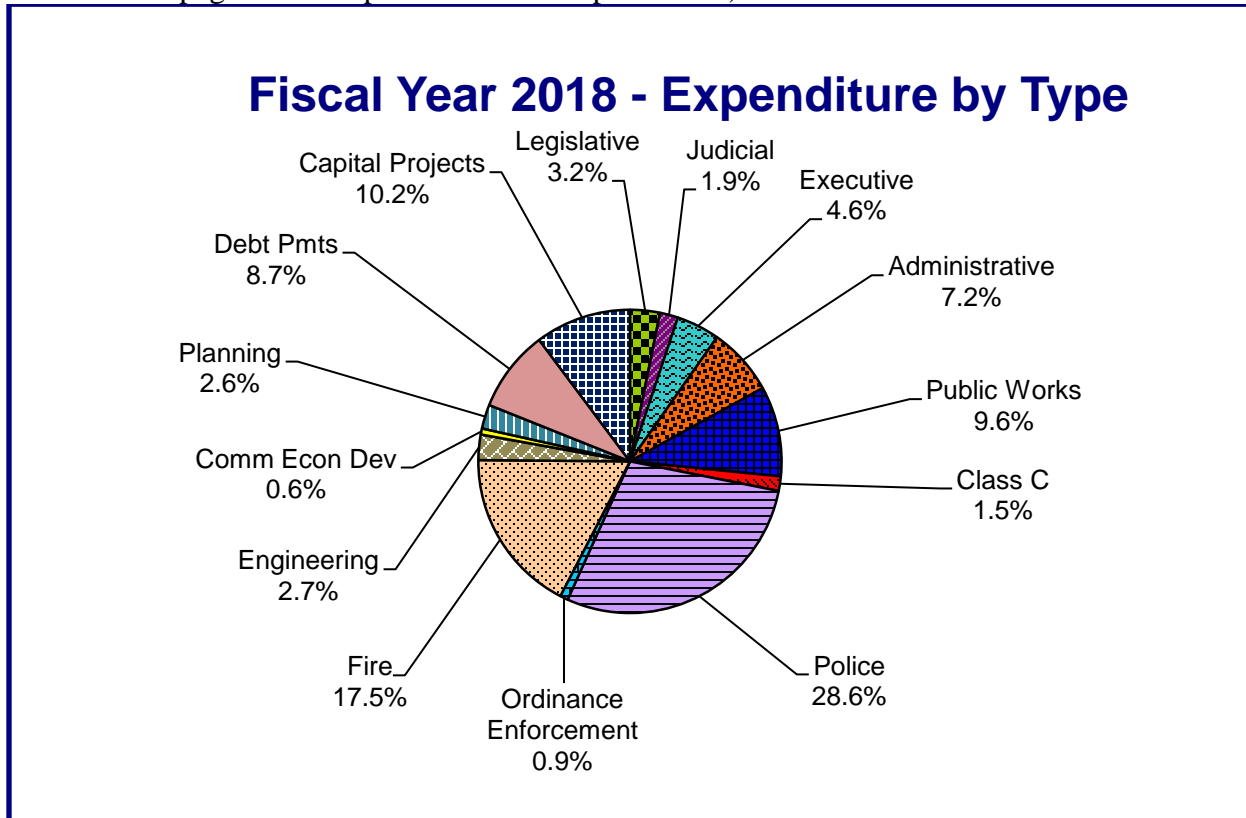
- The **General Fund** is the chief operating fund of the City. As of June 30, 2018, the General Fund had a fund balance of \$3,738,118, of which \$17,077 is restricted for prepaid expenditures and is non-spendable. Unrestricted fund balance totals \$3,721,041 of which \$483,105 is assigned to fund accrued and vested paid time off and \$3,237,936 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 17.1 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

COTTONWOOD HEIGHTS  
MANAGEMENT’S DISCUSSION AND ANALYSIS

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 \$1,187,001 and the remaining unassigned balance is \$2,050,935.

- Another governmental fund is the **Capital Projects Fund**. This fund is specifically used to budget capital improvements. As of June 30, 2018, the fund balance was \$1,972,790, of which \$805,741 is restricted for debt service related to the issuance of the 2014 and 2016 sales tax bonds and \$103,410 is restricted for Impact Fees charged on development projects. For specific details, see supplementary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund on page 68.
- The **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 \$1,802,829 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.)



COTTONWOOD HEIGHTS  
MANAGEMENT’S DISCUSSION AND ANALYSIS

**General Government** – includes the activities of Legislative (\$637,141), Judicial (\$386,351), Executive (\$570,419) and Administrative (\$1,802,807) functions.

**Public Safety** – includes the activities of Police (\$5,726,792), Ordinance Enforcement (\$170,147) and Fire (\$3,511,277).

**Highways and Public Improvements** – includes the activities of Public Works (\$2,395,875) function which includes road maintenance, snow removal, signage and park maintenance.

**Community and Economic Development** – includes the activities of City Engineer (\$541,916), Economic Development (\$55,199) and Planning (\$515,016).

**Capital Projects Fund** – includes all Capital Improvement Projects (\$2,045,604), including road paving and repairs, finishing the Public Works yard and other purchases of equipment and right of ways for future projects.

The City’s basic governmental funds financial statements can be found on pages 28-35 of this report.

**GENERAL FUND 2018 BUDGET AMENDMENTS**

**Original budget compared to final budget**

During the fiscal year, the general fund’s original budgeted expenditures increased by \$108,726 from \$17,166,747 to \$17,275,473 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 City decided to transfer an additional \$600,000 from the general fund to the capital projects fund.

Most budget amendments in general fund expenditures were made to match changes in internal shifting in personnel and associated benefits. Budget changes in the Police department were due to several supply and training needs that were partially covered by increased grant revenues. Additionally, the Arts Council carried forward \$13,307 in unspent funds from the previous year and City events were increased \$9,500 for City parade needs.

The changes in the fiscal year 2018 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.

COTTONWOOD HEIGHTS  
MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Grants	\$32,000
Other Miscellaneous Revenues	10,524
Use of Fund Balance	166,202
<b>Total change in budgeted Revenues and Other Sources of Funds</b>	<b>\$108,726</b>

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

**General Government Department:**

Legislative Committees and Events	\$ 23,107
City Manager	11,300
Finance	(166,300)
Administrative Services	105,000

**Public Safety:**

Police	85,619
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**Community and Economic Development:**

Economic Development	(12,000)
Planning	58,500

<b>Total Change in Departmental Budgets</b>	<b>\$108,726</b>
---------------------------------------------	------------------

**Final budget compared to actual results**

Overall, general fund revenues collected were \$384,325 more than budgeted. The most significant contributing revenues to this difference were in sales taxes and development services permitting and plan check fees, in which collections were, respectively, \$232,449, \$192,051 and \$123,601 higher than budgeted.

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, 2018, amounted to \$43,717,020 (net of related debt and depreciation). This investment in capital assets includes land right-of-way, roads, bridges, parkways (improvements other than buildings), storm drains, land (not road rights-of-way), buildings, equipment and vehicles, net of capital leases.

COTTONWOOD HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Cottonwood Heights' Capital Assets  
(Net of related debt)

Governmental Activities		
	FY 2018	FY 2017
Equipment	\$ 969,709	\$ 835,686
Vehicles	3,119,975	4,160,261
Buildings	13,589,909	13,364,308
Land (non-infrastructure)	9,262,154	9,262,154
Infrastructure - Roads	5,088,283	5,754,116
Infrastructure - Bridges	470,544	498,428
Infrastructure - Parkways	7,343,536	7,926,975
Infrastructure - Storm Drains	1,764,280	1,796,599
Infrastructure - Land	23,873,712	23,370,289
Total (net of depreciation)	65,482,102	66,968,815
Less Debt (net of funds in trust)	(21,765,082)	(22,426,300)
Total Capital Assets (net of related debt)	\$43,717,020	\$ 44,542,514

Capital asset additions during this fiscal year included the following for a total increase of \$2,054,005 (see note 3D – Capital Assets), which is net of \$8,005 in disposal of Public Safety vehicles:

\$ 503,423	in land acquisition and non-depreciating land infrastructure
\$ 623,377	in infrastructure from road overlay and construction projects
\$ 13,467	in storm drain repair and installations
\$ 13,122	in parkway beautification and improvements including crosswalks, cross-gutters, street lighting
\$ 570,266	in buildings (development and construction of Public Works facilities)
\$ 293,429	in new equipment
\$ 44,926	in vehicle police purchases

Additional information on assets of the City can be found in the Notes 3D Capital Assets on page 50 of this report.

**Long-term debt**

As of June 30, 2018, the City had \$20,935,044 in governmental long-term debt. \$3,662,235 of the long-term debt is a capital lease to fund the purchase of department vehicles. A portion of the vehicles have a fixed buy-back price after two years. Additionally, \$15,765,000 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 \$1,037,810. These bonds are payable over the next 22 years. The principal payment of \$400,000 was due in July 2017, along with \$394,336 of interest. The second semi-annual payment, \$333,775 interest only, was due January 1, 2018.

COTTONWOOD HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the outstanding debt obligations of the City can be found in the Notes 3F Long-Term Debt on pages 51-53 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE**

- Cottonwood Heights' adopted tax rate for the 2018-19 budget year is .002088. This is a 13.4 percent increase over the Certified Tax rate calculation defined by the state Legislature. The locally assessed taxable valuation in Cottonwood Heights is \$3,667,234,098, including \$61,118,764 of new growth in valuation. The adopted tax rate should yield approximately \$7,784,801 in 2018 property tax revenue for the coming 2019 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 2019. The original budgeted amount of Sales taxes for fiscal year 2019 is \$6,241,000. This compares to actual total sales tax revenue of \$6,138,449 in fiscal 2018. 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 3.45 percent to 5.70 percent. Initial results in the first few months for FY 2019 have shown a leveling of these increases.
- At the time of preparing the fiscal year 2019 budget, Class C Road Funds were believed to be stabilizing. The budget was set at \$1,315,000, which is approximately a 1.7 percent increase over the prior year actual.
- 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.
- Capital Project Funds are allocated to specific projects that may or may not be expended in the fiscal year. Presently, \$1,280,161 of local government grants budgeted in FY 2018 from SB277 revenues will be re-budgeted in the current year. \$ 960,615 of prior budgeted FY 2018 projects tied to these grant funds will also be re-budgeted. These two items result in \$437,082 of unallocated grant funds which will allow for additional projects to be contemplated. Additional grant revenues of \$161,385 have been identified for corridor preservation in FY 2019, which will also allow for additional projects to be considered. Of the Capital Project Fund Balance as of June 30, 2018, \$691,180 represents prior allocations to capital projects that are not being considered for carry forward re-allocation to the next fiscal year but may be considered by the City Council in the 2019 fiscal year for additional project that may arise during the year.
  - The ending fund balance in the Capital Projects Fund from the fiscal year 2018 is \$1,972,790, inclusive of \$805,741 of bond funds held in trust and \$103,410 is reserved impact fees collected in fiscal year 2018, resulting in \$1,063,640 in unrestricted assigned funds.

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

- The largest capital projects completed by the City this year were the completion of the Public Works Site, major and minor road treatments along with the purchase of right-of-way for future road improvement projects.
- 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, an increase was approved for Public Safety Tier I from 32.20 percent to 32.28 percent. 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 a 401k a contribution equal to the contributions for those City employees as defined by their individual contracts: 11.86 percent for post retired from the public employee system and 25.49 percent for post retired from the public safety employee 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. An increase for Tier II public safety employees was approved from 21.72 percent to 21.74 percent. There was no overall rate change for non-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.
  - The City has recently chosen to contribute an additional amount of 401k contributions to all Tier II employees, to equalize overall Tier II contributions with contributions made for Tier I employees.

**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, 2018**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,736,041
Receivables (net of allowances)	2,923,559
Prepays	17,077
Net Pension asset	4,992
Restricted Cash and cash equivalents	909,151
<b>Capital assets not being depreciated:</b>	
Land and rights of way	33,135,865
<b>Capital assets, net of accumulated depreciation:</b>	
Buildings and systems	13,589,909
Improvements other than buildings	969,709
Vehicles	3,119,976
Infrastructure	14,666,643
<b>Total assets</b>	<b>75,072,923</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension	2,569,058
<b>Total deferred outflows of resources</b>	<b>2,569,058</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	413,480
Accrued liabilities	1,660,751
Nonspendable collections	124,539
Net pension liability	2,028,250
<b>Non-current liabilities:</b>	
Due within one year	1,918,707
Due in more than one year	19,016,337
<b>Total liabilities</b>	<b>25,162,064</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred uncollected property tax revenue	142,793
Deferred property tax revenue	389,560
Deferred pension inflows	1,179,903
<b>Total deferred inflows of resources</b>	<b>1,712,256</b>
<b>NET POSITION</b>	
Net Investment in capital assets	43,717,022
<b>Restricted for:</b>	
Bond Debt Service	805,741
Impact Fees	103,410
<b>Unrestricted</b>	6,141,488
<b>Total net position</b>	<b>\$ 50,767,660</b>

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, 2018**

<b>Function / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Position Primary Government Governmental Activities Total</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government</b>					
Governmental activities					
General government	3,736,218	774,331	151,605	-	(2,810,281)
Public Safety	9,910,192	391,549	37,787	-	(9,480,857)
Highways and public improvements	4,907,822	-	1,290,964	1,410,309	(2,206,549)
Community and economic development	1,177,023	315,543	-	-	(861,480)
Interest on long-term debt (net of premium)	954,272	-	-	-	(954,272)
<b>Total governmental activities</b>	<b>20,685,527</b>	<b>1,481,423</b>	<b>1,480,356</b>	<b>1,410,309</b>	<b>(16,313,439)</b>
General Revenues:					
Property Tax					6,964,927
Sales Taxes					6,176,453
Municipal Energy Taxes					2,094,365
Motor Vehicle Fee-In-Lieu (of property taxes)					387,839
Franchise Tax					335,910
Unrestricted Investment earnings					103,347
Gain/Loss on Sale/Disposal of Capital Assets					3,875
Miscellaneous					151,394
<b>Total general revenues and transfers</b>					<b>16,218,111</b>
<b>Changes in net position</b>					<b>(95,327)</b>
<b>Net position - beginning, as previously reported</b>					<b>50,862,987</b>
<b>Net position - ending</b>					<b>50,767,660</b>

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

**Cottonwood Heights, Utah**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	Community Dev Renewal Agency Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,868,955	\$ 1,063,640	\$ 618	\$ 1,802,829	\$ 5,736,041
Accounts receivables (net):	2,923,559	-	-	-	2,923,559
Prepays	17,077	-	-	-	17,077
Restricted Cash and cash equivalents	-	909,151	-	-	909,151
<b>Total assets</b>	<b>5,809,591</b>	<b>1,972,790</b>	<b>618</b>	<b>1,802,829</b>	<b>9,585,828</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	413,480	-	-	-	413,480
Accrued liabilities	1,001,101	-	-	-	1,001,101
Nonspendable collections	124,539	-	-	-	124,539
<b>Total liabilities</b>	<b>1,539,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,539,120</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred uncollected property tax revenue	142,793	-	-	-	142,793
Deferred property tax revenue	389,560	-	-	-	389,560
<b>Total deferred inflows of resources</b>	<b>532,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>532,353</b>
<b>FUND BALANCES:</b>					
<b>Nonspendable:</b>					
Prepays	17,077	-	-	-	17,077
<b>Restricted for:</b>					
Debt Service Related Funds	-	805,741	-	-	805,741
Impact Fees	-	103,410	-	-	103,410
<b>Unrestricted:</b>					
<b>Assigned:</b>					
PTO Vested	483,105	-	-	-	483,105
Capital Improvement	-	1,063,640	-	-	1,063,640
Debt Service	-	-	618	-	618
CommDev Renewal Agency	-	-	-	1,802,829	1,802,829
<b>Unassigned:</b>					
General Fund	3,237,936	-	-	-	3,237,936
<b>Total fund balances</b>	<b>3,738,118</b>	<b>1,972,790</b>	<b>618</b>	<b>1,802,829</b>	<b>7,514,354</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,809,591</b>	<b>\$ 1,972,790</b>	<b>\$ 618</b>	<b>\$ 1,802,829</b>	<b>\$ 9,585,828</b>

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, 2018**

Total fund balances - governmental fund types:	\$	7,514,354
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.		65,482,103
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.		(21,594,694)
Net pension liabilities and assets are not available resources and, therefore are not reported in the funds.		(634,103)
Net position of governmental activities	\$	50,767,660

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, 2018**

	General Fund	Capital Projects Fund	Debt Service Fund	Community Dev Renewal Agency Fund	Total Governmental Funds
<b>REVENUES</b>					
<b>Taxes:</b>					
Property	\$ 6,923,563	\$ -	\$ -	\$ 41,364	\$ 6,964,927
Sales	6,138,449	-	-	-	6,138,449
Municipal Energy	2,094,365	-	-	-	2,094,365
Motor Vehicle Fee-in-lieu (prop. tax)	387,839	-	-	-	387,839
Franchise - Cable TV	335,910	-	-	-	335,910
Transient Room	38,004	-	-	-	38,004
Licenses and Permits	774,331	-	-	-	774,331
<b>Intergovernmental:</b>					
Federal Grant	35,878	-	-	-	35,878
State Grants	29,655	-	-	-	29,655
State Class C Roads	1,290,964	-	-	-	1,290,964
State Liquor Fund Allotment	37,787	-	-	-	37,787
Local Grants	86,072	1,306,899	-	-	1,392,971
Impact Fees	-	103,410	-	-	103,410
Charges for Services	315,543	-	-	-	315,543
Fines and Forfeitures	391,549	-	-	-	391,549
Investment Earnings	72,765	(2,180)	-	32,763	103,347
Miscellaneous	102,538	48,857	-	-	151,394
<b>Total revenues</b>	<b>19,055,213</b>	<b>1,456,985</b>	<b>-</b>	<b>74,127</b>	<b>20,586,325</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General Government	3,386,743	-	-	-	3,386,743
Public Safety	9,237,144	-	-	-	9,237,144
Highways and Public Improvements	2,344,245	224,277	-	-	2,568,521
Community and Economic Development	1,112,131	-	-	74,098	1,186,229
<b>Debt Service:</b>					
Principal	-	-	937,888	-	937,888
Interest	-	-	795,211	-	795,211
<b>Capital Outlay:</b>					
General Government	9,975	-	-	-	9,975
Public Safety	171,072	97,672	-	-	268,744
Highways and Public Improvements	51,630	1,723,655	-	-	1,775,286
<b>Total expenditures</b>	<b>16,312,941</b>	<b>2,045,604</b>	<b>1,733,099</b>	<b>74,098</b>	<b>20,165,741</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,742,272</b>	<b>(588,619)</b>	<b>(1,733,099)</b>	<b>30</b>	<b>420,583</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
<b>Sources:</b>					
Transfers In	-	878,625	1,733,717	-	2,612,342
Sales of Capital Assets	4,375	-	-	-	4,375
<b>(Uses):</b>					
Transfers to Capital Improvement Fund	(878,625)	-	-	-	(878,625)
Transfers to Debt Service Fund	(1,733,717)	-	-	-	(1,733,717)
<b>Total other financing sources (uses)</b>	<b>(2,607,967)</b>	<b>878,625</b>	<b>1,733,717</b>	<b>-</b>	<b>4,375</b>
<b>Net change in fund balances</b>	<b>134,305</b>	<b>290,006</b>	<b>618</b>	<b>30</b>	<b>424,958</b>
<b>Fund balance - beginning of year</b>	<b>3,603,813</b>	<b>1,682,784</b>	<b>-</b>	<b>1,802,799</b>	<b>7,089,396</b>
<b>Fund balance - end of year</b>	<b>\$ 3,738,118</b>	<b>\$ 1,972,790</b>	<b>\$ 618</b>	<b>\$ 1,802,829</b>	<b>\$ 7,514,354</b>

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, 2018**

Net changes in fund balances - total governmental funds	\$ 424,958
 Amounts reported for governmental activities in the statement of activities are different because:	
<p>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.</p>	
Capital outlays	2,062,012
Depreciation	(3,548,224)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations):	
Asset deletions	(8,006)
Depreciation deletions	7,504
 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	
Bond Principal	400,000
 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	537,888
 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	187,601
Change in accrued interest	(208,481)
Amortization of bond premium	49,420
Change in net position of governmental activities	<u>\$ (95,327)</u>

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, 2018**

	Budgeted Amounts		Fund Actuals	Variance with Final Budget
	Adopted Budget	Final Budget	(Budgetary Basis) (See Notes)	
<b>REVENUES</b>				
<b>Taxes:</b>				
Property	\$ 6,899,089	\$ 6,899,089	\$ 6,923,563	\$ 24,474
Sales	5,906,000	5,906,000	6,138,449	232,449
E-911 Emergency Fees	265,000	265,000	-	(265,000)
Municipal Energy	2,170,596	2,170,596	2,094,365	(76,231)
Motor Vehicle Fee-in-lieu (prop. tax)	350,000	350,000	387,839	37,839
Franchise - Cable TV	306,700	306,700	335,910	29,210
Transient Room	25,000	25,000	38,004	13,004
Licenses and Permits	580,600	580,600	774,331	193,731
<b>Intergovernmental:</b>				
Federal Grant	25,000	57,000	35,878	(21,122)
State Grants	-	-	29,655	29,655
State Class C Roads	1,315,000	1,315,000	1,290,964	(24,036)
State Liquor Fund Allotment	45,000	45,000	37,787	(7,213)
Local Grants	-	-	86,072	86,072
Charges for Services	175,500	175,500	315,543	140,043
Fines and Forfeitures	490,000	490,000	391,549	(98,451)
Investment Earnings	14,000	14,000	72,765	58,765
Miscellaneous	65,254	75,778	102,538	26,760
<b>Total revenues</b>	<b>18,632,739</b>	<b>18,675,263</b>	<b>19,055,213</b>	<b>379,950</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government	3,523,378	3,499,985	3,396,718	(103,267)
Public Safety	10,031,023	10,116,642	9,408,216	(708,426)
Highways and Public Improvements	2,484,564	2,484,564	2,395,875	(88,689)
Community and Economic Development	1,127,782	1,174,282	1,112,131	(62,151)
<b>Total expenditures</b>	<b>17,166,747</b>	<b>17,275,473</b>	<b>16,312,941</b>	<b>(962,532)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,465,992</b>	<b>1,399,790</b>	<b>2,742,272</b>	<b>1,342,482</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Sources:</b>				
Sales of Capital Assets	-	-	4,375	4,375
<b>(Uses):</b>				
Transfers to Capital Improvement Fund	(278,625)	(878,625)	(878,625)	-
Transfers to Debt Service Fund	(1,733,717)	(1,733,717)	(1,733,717)	-
<b>Total other financing sources (uses)</b>	<b>(2,012,342)</b>	<b>(2,612,342)</b>	<b>(2,607,967)</b>	<b>4,375</b>
<b>Net change in fund balances</b>	<b>(546,350)</b>	<b>(1,212,552)</b>	<b>134,305</b>	<b>1,346,857</b>
<b>Fund balance - beginning of year</b>			<b>3,603,813</b>	
<b>Fund balance - end of year</b>			<b>\$ 3,738,118</b>	

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, 2018**

	Budgeted Amounts		Fund Actuals	Variance with Final Budget
	Adopted Budget	Final Budget	(Budgetary Basis) (See Notes)	
<b>REVENUES</b>				
<b>Taxes:</b>				
Property Tax	\$ -	\$ -	\$ 41,364	\$ 41,364
Investment Earnings	-	-	32,763	32,763
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>74,127</b>	<b>74,127</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Community and Economic Development	25,000	25,000	74,098	49,098
<b>Total expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>74,098</b>	<b>49,098</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>30</b>	<b>25,030</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Sources/(Uses):</b>				
Beginning Fund Balance Appropriated	25,000	25,000	-	(25,000)
<b>Total other financing sources (uses)</b>	<b>25,000</b>	<b>25,000</b>	<b>-</b>	<b>(25,000)</b>
<b>Net change in fund balances</b>			<b>30</b>	
<b>Fund balance - beginning of year</b>			<b>1,802,799</b>	
<b>Fund balance - end of year</b>			<b>\$ 1,802,829</b>	

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.

**Debt Service Fund**

The Debt Service Fund is used to account for accumulation of financial resources for the payment of principal and interest on the City's debt payments.

**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.

**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.

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

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NOTES TO THE FINANCIAL STATEMENTS

- 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.

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NOTES TO THE FINANCIAL STATEMENTS

**1D - ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION (EQUITY)**

***Cash, 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.

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NOTES TO THE FINANCIAL STATEMENTS

Donated assets and assets received by a service concession arrangement should be recorded at acquisition value rather than fair value. Estimated historical cost was used to value the majority of the infrastructure assets transferred from Salt Lake County primarily during the period ending June 30, 2005. The City’s capitalization threshold is \$10,000.

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

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

o Fund Financial Statement Reporting of Capital Assets

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

***Restricted Assets***

Certain assets have external restrictions placed upon them that limit their availability. These assets may only be expended if their use is in adherence with these restrictions. Some restrictions are in place due to provisions of State or Federal law. Bond proceeds held for construction and funds dedicated to be held for debt service payments are restricted by the Trustee. Class C Road taxes, governmental grants and impact fees are restricted revenues and may only be used for their intended purpose.

***Deferred Inflows and Outflows of Resources***

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s), and will not be recognized as an inflow of resources (revenue) until that time.

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s), and will not be recognized as an outflow of resources (expense/expenditure) until then.

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 Plans***

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  
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- 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, 2018, 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	\$5,579,441	\$5,579,441	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$5,579,441</b>	<b>\$5,579,441</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Twice a year, at June 30 and December 31, the investments in the PTIF are valued at fair value. As of June 30, 2018, the City had \$5,579,441 invested in the PTIF which had a fair value factor of 1.00378796 making the City investment equal to \$5,600,575.80 for an unrealized gain of \$21,134.70. 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, 2018, 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, 2018, 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 22<sup>nd</sup> 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, 2018 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	\$	5,579,441
Reconciliation to Government-wide Statement of Net Position:		
Investments	\$	5,579,441
Cash on Hand		15,219
Held by Trustee		805,741
Deposits		244,791
Total	\$	6,645,192
Per Statement of Net Position:		
Unrestricted Cash	\$	5,736,041
Restricted Cash		909,151
Total	\$	6,645,192

COTTONWOOD HEIGHTS  
NOTES TO THE FINANCIAL STATEMENTS

**3B - RESTRICTED ASSETS**

The restricted assets as of June 30, 2018, are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>
<i><b>Governmental Activities:</b></i>	
Impact Fees	103,410
Bond Funds held in trust	805,741
Total	<u>\$ 909,151</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 cut permits receivable.

Receivables details at June 30, 2018, are as follows:

	Governmental Activities
Delinquent Property Taxes Receivable	\$ 127,689
Invoiced Receivables (including SLCo Road Grant)	1,317,924
Invoiced Business Licensing	36,979
Prior Fiscal Revenues - Sales & Transient Room	1,126,573
Prior Fiscal Revenue - Energy Use Tax	142,384
Prior Fiscal Revenue - Franchise Fees	159,839
Prior Fiscal Revenues - Property Taxes	12,171
Net Accounts Receivable	<u>\$ 2,923,559</u>

COTTONWOOD HEIGHTS  
NOTES TO THE FINANCIAL STATEMENTS

**3D - CAPITAL ASSETS**

Capital asset activity for the period ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Disposals / Misc Adj	Balance at June 30, 2018
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land (non-infrastructure)	9,262,154	-	-	9,262,154
Land related Infrastructure	23,370,289	503,423	-	23,873,712
<b>Total assets, not being depreciated</b>	<b>32,632,442</b>	<b>503,423</b>	<b>-</b>	<b>33,135,865</b>
<b>Capital assets, depreciable:</b>				
Buildings	13,515,668	570,266	-	14,085,934
Equipment	2,178,497	293,429	-	2,471,926
Vehicles	5,410,736	44,926	(8,006)	5,447,656
Infrastructure - Roads	33,055,492	623,377	-	33,678,869
Infrastructure - Bridges	905,375	-	-	905,375
Infrastructure - Parkways	11,054,195	13,122	-	11,067,317
Infrastructure - Storm Drains	2,060,468	13,467	-	2,073,935
<b>Total capital assets, depreciable</b>	<b>68,180,430</b>	<b>1,558,587</b>	<b>(8,006)</b>	<b>69,731,012</b>
<b>Accumulated Depreciation</b>				
Buildings	(151,360)	(344,665)	-	(496,025)
Equipment	(1,342,811)	(159,406)	-	(1,502,217)
Vehicles	(1,250,476)	(1,085,211)	8,006	(2,327,681)
Infrastructure - Roads	(27,301,376)	(1,289,209)	-	(28,590,585)
Infrastructure - Bridges	(406,947)	(27,884)	-	(434,831)
Infrastructure - Parkways	(3,127,220)	(596,561)	-	(3,723,781)
Infrastructure - Storm Drains	(263,868)	(45,787)	-	(309,655)
<b>Total accumulated depreciation</b>	<b>(33,844,057)</b>	<b>(3,548,724)</b>	<b>8,006</b>	<b>(37,384,775)</b>
<b>Governmental activities, capital</b>	<b>66,968,815</b>	<b>(1,486,713)</b>	<b>-</b>	<b>65,482,102</b>
<b>Capital Debt</b>	<b>(22,494,689)</b>			<b>(21,765,082)</b>
<b>Construction Funds in Trust</b>	<b>68,388</b>			<b>-</b>
<b>Assets, net of related debt</b>	<b>44,542,514</b>			<b>43,717,020</b>

Depreciation was charged to governmental activities as follows:

Governmental Activities:

General Government	\$ 378,430
Public Safety	824,382
Highways & Public Improvements	2,345,912
<b>Total depreciation expense and adjustment</b>	<b>\$ 3,548,724</b>



COTTONWOOD HEIGHTS  
NOTES TO THE FINANCIAL STATEMENTS

**Capital Assets under Capital Lease**

The City has acquired public safety and public works vehicles through capital leases. The amortization of these assets is included in depreciation expense. As of June 30, 2018 the net book values are as follows:

	<u>Governmental Activities</u>
Public Safety Vehicles	\$ 1,452,754
Less Accumulated Depreciation	(1,056,468)
Net Book Value	\$ 396,286
Public Works Vehicles	\$ 2,747,369
Less Accumulated Depreciation	(493,606)
Net Book Value	\$ 2,253,763

**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, 2018, 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	(775,000)
Remaining Bond Premium unamortized	751,245
	\$ 13,746,245

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	(40,000)
Remaining Bond Premium unamortized	286,564
	\$ 3,526,564

COTTONWOOD HEIGHTS  
NOTES TO THE FINANCIAL STATEMENTS

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.

**Capital Leases Payable:**

Zions Bank - Police Vehicles	
1.530%, (07/13/16 original amount \$1,452,754)	\$ 1,179,592
	<u>\$ 1,179,592</u>

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)	\$ 197,180
	<u>\$ 197,180</u>

Chase Bank - Public Works Vehicles	
1.65%, (09/14/16 original amount \$2,519,243)	\$ 2,285,463
	<u>\$ 2,285,463</u>

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, 2018:

Type of Debt	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Capital leases	\$ 4,200,123	\$ -	\$ (818,551)	\$ 3,381,572	\$ 1,448,707
Sales Tax Revenue Bond '14	13,355,000	-	(360,000)	12,995,000	370,000
Bond Premium '14	787,018	-	(35,774)	751,245	N/A
Sales Tax Revenue Bond '16	3,280,000	-	(40,000)	3,240,000	100,000
Bond Premium '16	300,211	-	(13,646)	286,565	N/A
Total Long Term Debt	\$ 21,922,352	\$ -	\$ (1,267,971)	\$ 20,654,382	\$ 1,918,707

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, 2018, are as follows:

Year Ended June 30	Governmental Activities		
	Principle	Interest	Total
2019*	\$ 1,016,457	\$ 721,349	\$ 1,737,806
2020	1,123,578	740,242	1,863,820
2021*	1,153,539	714,606	1,868,145
2022	1,187,726	683,735	1,871,461
2023*	1,511,816	655,415	2,167,231
Thereafter	13,904,118	5,950,927	19,855,045
Total	<u>\$ 19,897,235</u>	<u>\$ 9,466,274</u>	<u>\$ 29,363,509</u>

\* Bi-annually, the Public Safety vehicle lease is partially paid by a dealer buy back, 2019 is such a year.

**3G - INTERFUND TRANSACTIONS AND BALANCES**

***Operating Transfers***

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$2,607,967	
Debt Service Fund		\$1,733,717
Capital Projects Fund		878,625

**NOTE 4 - OTHER INFORMATION**

**4A - EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

***General Information about the Pension Plans***

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

**Defined Benefit Plans**

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

**COTTONWOOD HEIGHTS  
NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

**Summary of Benefits by System**

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as followings:

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

**Contribution Rate Summary**

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2018 are as follows:

<u>Utah Retirement Systems</u>	Employee	Employer Rate	Employer rate 401(k) Plan
<b>Contributory System</b>			
111 Local Governmental Division - Tier 2***	N/A	15.11%	1.58%
<b>Noncontributory System</b>			
15 Local Governmental Division - Tier 1	N/A	18.47%	N/A
<b>Public Safety Retirement System</b>			
<b>Contributory</b>			
122 Tier 2 DB Hybrid Public Safety***	N/A	20.46%	1.26%
<b>Noncontributory</b>			
49 Other Div B Noncontributory - Tier 1	N/A	32.20%	N/A
<b>Tier 2 DC Only ***</b>			
211 Local Government	N/A	6.69%	10.00%
222 Public Safety	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, 2018 the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 271,541	N/A
Public Safety System	481,823	-
Tier 2 Public Employee System	113,419	-
Tier 2 Public Safety	105,808	-
Tier 2 DC Only System	2,843	N/A
<b>Total Contributions</b>	<b>\$ 975,434</b>	

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

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

At June 30, 2018, we reported a net pension asset of \$4,992 and a net pension liability of \$2,028,250.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$0	\$840,199	0.1917693%	0.1829814%	0.0087879 %
Public Safety System	\$0	\$1,181,670	2.4454912%	2.5129097%	(0.0674185) %
Tier 2 Public Employees System	\$0	\$6,381	0.0723742%	0.0545308%	0.0178434 %
Tier 2 Public Safety & Firefighter Sys	\$4,992	\$0	0.4314339%	0.3146488%	0.1167851%
<b>Total Net Pension Asset/Liability</b>	<b>\$4,992</b>	<b>\$2,028,250</b>			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2018 we recognized pension expense of \$787,925.

As of June 30, 2018, 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	\$650,327	\$57,410
Changes in assumptions	\$871,200	\$74,284
Net difference between projected and actual earnings on pension plan investments	\$374,486	\$1,032,860
Changes in proportion and differences between contributions and proportionate share of contributions	\$187,422	\$15,349
Contributions subsequent to the measurement date	\$485,623	\$0
<b>Total</b>	<b>\$2,569,058</b>	<b>\$1,179,903</b>

\$485,623 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
2018	\$383,166
2019	\$397,619
2020	\$153,267
2021	\$(47,851)
2022	\$(1,943)
Thereafter	\$19,275

**Actuarial assumptions**

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

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

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

Asset class	Expected Return Arithmetic Basis		
	Target asset allocation	Real return arithmetic basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 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 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$2,272,292	\$840,199	\$(350,516)
Public Safety System	3,044,361	1,181,670	(336,920)
Tier 2 Public Employees System	75,134	6,381	(46,637)
Tier 2 Public Safety & Firefighter System	44,207	(4,992)	(42,580)
Total	\$5,435,994	\$2,023,258	\$(776,653)



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:

	2018	2017	2016
401(k) Plan (URS)			
Employer Contributions	\$335,914	\$352,912	\$349,956
Employee Contributions	\$226,119	\$240,276	\$244,705
457 Plan (URS)			
Employer Contributions	\$80,636	\$112,039	\$ 82,059
Employee Contributions	\$160,849	\$137,258	\$117,889
Roth IRA Plan (URS)			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 2,110	\$ 275	\$ 3,025
457 Plan (ICMA-RC)			
Employer Contributions	\$ 88,883	\$ 74,713	\$ 59,005
Employee Contributions	\$ 95,634	\$ 84,526	\$ 1,242
457 Roth Plan (ICMA-RC)			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 46,898	\$ 39,994	\$ 34,371
Roth IRA Plan (ICMA-RC)			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 10,708	\$ 10,435	\$ 16,793

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 11, 2018, 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, 2017**  
**Last 10 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					
	2017	0.1917693%	2.4454912%	0.0723742%	0.4314339%
	2016	0.1829814%	2.5129097%	0.0545308%	0.3146488%
	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)					
	2017	\$ 840,199	\$ 1,181,670	\$ 6,381	\$ (4,992)
	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 payroll					
	2017	\$ 1,656,658	\$ 2,043,451	\$ 708,586	\$ 455,286
	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					
	2017	50.72%	57.83%	0.90%	-1.10%
	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					
	2017	91.9%	90.5%	97.4%	103.0%
	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 4 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, 2018**  
**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 payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory Retirement System</b>						
	2018	\$ 271,541	\$ 271,541	\$ -	\$1,625,219	16.71%
	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%
<b>Public Safety System</b>						
	2018	481,823	481,823	-	2,040,777	23.61%
	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%
<b>Tier 2 Public Employees System*</b>						
	2018	113,419	113,419	-	750,155	15.12%
	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%
<b>Tier 2 Public Safety &amp; Firefighter System*</b>						
	2018	105,808	105,808	-	516,371	20.49%
	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%
<b>Tier 2 DC Only System*</b>						
	2018	\$ 2,843	\$ 2,843	\$ -	\$ 42,504	6.69%
	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%

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

\*\* 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.

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**

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



## **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, 2018**

	Budgeted Amounts		Fund Actuals	Variance with Final Budget
	Adopted Budget	Final Budget	(Budgetary Basis) (See Notes)	
<b>REVENUES</b>				
Federal Grant	\$ -	\$ -	\$ -	\$ -
State Grants	2,000,000	2,000,000	1,306,899	(693,101)
Impact Fees - Current Collections	-	-	103,410	103,410
Investment Earnings	-	-	(2,180)	(2,180)
Miscellaneous	-	-	48,857	48,857
<b>Total revenues</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,456,985</b>	<b>(543,015)</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Highways and Public Improvements	2,421,000	3,184,745	2,045,604	(1,139,141)
<b>Total expenditures</b>	<b>2,421,000</b>	<b>3,184,745</b>	<b>2,045,604</b>	<b>(1,139,141)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(421,000)</b>	<b>(1,184,745)</b>	<b>(588,619)</b>	<b>596,126</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Sources/(Uses):</b>				
Beginning Fund Bal Appropriated	142,375	806,120		(806,120)
Transfers from General Fund	278,625	878,625	878,625	-
Sales Tax Revenue Bond	-	-	-	-
Sale of Bonds - Premium	-	-	-	-
Capital Leases	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>421,000</b>	<b>1,684,745</b>	<b>878,625</b>	<b>(806,120)</b>
<b>Net change in fund balances</b>			<b>290,006</b>	
<b>Fund balance - beginning of year</b>			<b>1,682,784</b>	
<b>Fund balance - end of year</b>			<b>\$ 1,972,790</b>	

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	
<b>Governmental activities</b>										
Investment in capital assets	\$ 43,717,022	\$ 46,171,377	\$ 45,924,687	\$ 49,739,199	\$ 47,215,683	\$ 49,934,834	\$ 49,425,939	\$ 44,831,195	\$ 45,831,420	
Restricted	909,151	647,829	57,951	148,081	100,102	165,949	221,078	203,271	222,737	
Unrestricted	6,141,488	4,166,301	5,302,458	4,825,654	7,047,623	6,492,449	8,603,921	9,017,951	9,668,305	
<b>Total governmental activities net position</b>	<b>\$ 50,767,661</b>	<b>\$ 50,985,507</b>	<b>\$ 51,285,096</b>	<b>\$ 54,712,934</b>	<b>\$ 54,363,409</b>	<b>\$ 56,593,232</b>	<b>\$ 58,250,938</b>	<b>\$ 54,052,417</b>	<b>\$ 55,722,462</b>	
<b>Primary government</b>										
Investment in capital assets	\$ 43,717,022	\$ 46,171,377	\$ 45,924,687	\$ 49,739,199	\$ 47,215,683	\$ 49,934,834	\$ 49,425,939	\$ 44,831,195	\$ 45,831,420	
Restricted	909,151	647,829	57,951	148,081	100,102	165,949	221,078	203,271	222,737	
Unrestricted	6,141,488	4,166,301	5,302,458	4,825,654	7,047,623	6,492,449	8,603,921	9,017,951	9,668,305	
<b>Total primary government net position</b>	<b>\$ 50,767,661</b>	<b>\$ 50,985,507</b>	<b>\$ 51,285,096</b>	<b>\$ 54,712,934</b>	<b>\$ 54,363,409</b>	<b>\$ 56,593,232</b>	<b>\$ 58,250,938</b>	<b>\$ 54,052,417</b>	<b>\$ 55,722,462</b>	

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
<b>Governmental Activities</b>										
General Government	\$ 3,736,218	\$ 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
Public Safety	9,910,192	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
Highways and Streets	4,907,822	5,101,370	5,156,418	6,428,742	5,957,314	5,773,855	4,728,329	4,485,274	5,707,937	5,309,932
Community and Economic Development	1,177,023	1,136,010	1,119,682	1,058,098	970,886	695,759	626,956	602,502	524,665	566,802
Interest on long term debt	954,272	683,616	529,778	547,992	13,788	19,324	18,197	22,003	26,840	26,761
Intergovernmental									35,000	
<b>Total Governmental Activities</b>	<u>\$ 20,685,527</u>	<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>
<b>Total Expenses</b>	<u>\$ 20,685,527</u>	<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>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges for Services										
General Government	\$ 774,331	\$ 654,736	\$ 744,299	\$ 517,531	\$ 601,337	\$ 502,581	\$ 445,682	\$ 555,469	\$ 449,598	\$ 469,151
Public Safety	391,549	388,461	530,137	528,102	536,531	528,676	552,220	546,834	538,124	273,251
Community and Economic Development	315,543	272,331	355,582	217,312	232,585	245,326	180,299	203,093	151,433	164,376
Operating Grants and Contributions	1,480,356	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
Capital Grants and Contributions	1,410,309	933,686	836,020	1,968,067	3,484,303	231,783	25,185	312,815	564,390	1,025,779
<b>Total Governmental Activities</b>	<u>\$ 4,372,088</u>	<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>
<b>Total Program Revenues</b>	<u>\$ 4,372,088</u>	<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>
<b>Net (Expense)/Revenue</b>	<u>\$(16,313,439)</u>	<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>
<b>Total Net Expense</b>	<u>\$(16,313,439)</u>	<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>

COTTONWOOD HEIGHTS  
STATISTICAL SECTION

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<i>(schedule continued)</i>										
General Revenues										
Governmental Activities:										
Property Taxes	\$ 6,964,927	\$ 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
Sales Taxes	6,176,463	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
Energy Use Tax	2,094,365	2,104,686	1,530,067	-	-	-	-	-	-	-
Motor Vehicle Fee-In-Lieu	387,839	354,472	359,521	366,675	390,535	390,882	400,016	426,149	468,657	505,711
Franchise Taxes	335,910	338,833	320,220	305,641	303,918	296,450	278,444	267,999	256,667	250,660
State Liquor Fund Allotment	**	**	**	**	**	**	43,515	46,230	35,236	33,563
Grants & Contributions (non-program)										
Unrestricted investment earnings	103,347	85,570	84,666	91,956	37,394	36,859	53,935	46,773	59,298	187,488
Gain (Loss) on sale of Capital Assets	3,875	96,926	8,250	18,824	12,000	-	(91,970)	(43,546)	-	-
Miscellaneous	151,394	420,589	83,228	57,422	48,200	55,735	41,145	55,709	29,816	53,944
Transfers in/out	-	-	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	-	3,985,238	-	-
<b>Total general revenues, transfers, and special item</b>	<b>\$ 16,218,112</b>	<b>\$ 16,100,131</b>	<b>\$ 14,854,430</b>	<b>\$ 12,829,351</b>	<b>\$ 12,708,298</b>	<b>\$ 12,764,210</b>	<b>\$ 12,068,812</b>	<b>\$ 15,842,653</b>	<b>\$ 11,828,958</b>	<b>\$ 12,288,037</b>
<b>Total primary government</b>	<b>\$ 16,218,112</b>	<b>\$ 16,100,131</b>	<b>\$ 14,854,430</b>	<b>\$ 12,829,351</b>	<b>\$ 12,708,298</b>	<b>\$ 12,764,210</b>	<b>\$ 12,068,812</b>	<b>\$ 15,842,653</b>	<b>\$ 11,828,958</b>	<b>\$ 12,288,037</b>
Change in Net Position										
Governmental Activities	\$ (95,327)	\$ (122,521)	\$ (299,590)	\$ (1,876,808)	\$ 349,525	\$ (2,229,824)	\$ (1,657,704)	\$ 4,210,007	\$ (1,664,770)	\$ (373,062)
Business-Type Activity										
<b>Total Change in Net Position</b>	<b>\$ (95,327)</b>	<b>\$ (122,521)</b>	<b>\$ (299,590)</b>	<b>\$ (1,876,808)</b>	<b>\$ 349,525</b>	<b>\$ (2,229,824)</b>	<b>\$ (1,657,704)</b>	<b>\$ 4,210,007</b>	<b>\$ (1,664,770)</b>	<b>\$ (373,062)</b>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Fund</b>										
Nonspendable	\$ 17,077	\$ 35,274	\$ 273,598	\$ 21,694	\$ 19,609	\$ 22,134	\$ 53,596	\$ 81,132	\$ -	\$ -
Restricted						68,799	112,353	138,355		
Unrestricted:										
Assigned	483,105	440,430	-	-	-	-	-	-	-	-
Unassigned	3,237,936	3,128,109	2,078,586	2,114,670	2,407,342	2,585,344	2,580,477	2,828,007	203,271	222,737
Reserved*	-	-	-	-	-	-	-	-	1,779,169	1,407,461
Unreserved*	-	-	-	-	-	-	-	-	1,982,440	1,630,198
<b>Total General Fund</b>	<b>\$ 3,738,118</b>	<b>\$ 3,603,813</b>	<b>\$ 2,352,184</b>	<b>\$ 2,136,364</b>	<b>\$ 2,426,951</b>	<b>\$ 2,676,277</b>	<b>\$ 2,746,426</b>	<b>\$ 3,047,494</b>	<b>\$ 1,982,440</b>	<b>\$ 1,630,198</b>
<b>All other governmental funds</b>										
Restricted:										
Federal Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,594	\$ -	\$ -
Bond Funds in Trust	805,741	862,883	2,788,848	10,619,536	-	-	-	-	-	-
Impact Fees	103,410	-	13,079	57,951	128,472	9,169	-	-	-	-
Unrestricted:										
Capital Projects	1,063,640	819,901	1,100,977	3,080,257	2,418,312	4,462,279	3,911,972	5,775,914	-	-
Debt Service	618	-	-	-	-	-	-	-	-	-
Comm/Dev Renewal Agency	1,802,829	1,802,799	1,822,173	1,845,843	-	-	-	-	-	-
Unreserved - Capital Projects	-	-	-	-	-	-	-	-	7,238,782	8,260,844
<b>Total all other governmental funds</b>	<b>\$ 3,776,237</b>	<b>\$ 3,485,583</b>	<b>\$ 5,725,077</b>	<b>\$ 15,603,587</b>	<b>\$ 2,546,784</b>	<b>\$ 4,471,448</b>	<b>\$ 3,911,972</b>	<b>\$ 5,799,508</b>	<b>\$ 7,238,782</b>	<b>\$ 8,260,844</b>

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>REVENUES</b>										
Property Taxes	\$ 6,964,927	\$ 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
Sales Taxes	6,138,449	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
E-911 Emergency Fees		320,122	313,195	296,984	276,640	321,556	294,517	294,601	299,774	232,723
Energy Use Tax	2,094,365	2,104,686	1,530,067							
Motor Vehicle Fee-in-lieu	387,839	354,472	359,521	366,675	390,535	390,882	400,016	426,149	488,657	505,711
Franchise Taxes	335,910	338,833	320,220	305,641	303,918	296,450	278,444	267,999	256,667	250,660
Transient Room	38,004	38,471	34,901	22,865	27,489	18,875	23,625	26,632	27,297	27,902
Licenses and Permits	774,331	654,736	744,299	517,531	601,337	502,581	445,692	555,469	449,598	469,151
Intergovernmental	2,787,255	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
Impact Fees - Current Year Collection *	103,410	52,691	94,288	42,369	119,303	31,783	25,185	187,015	50,966	25,779
Charges for Services	315,543	272,331	355,582	217,312	232,585	245,326	180,299	203,093	151,433	164,376
Fines and Forfeitures	391,549	388,461	530,137	528,102	536,531	528,676	552,220	546,834	538,124	273,251
Investment Earnings	103,347	85,570	84,666	91,956	37,394	36,859	53,935	46,773	59,298	187,488
Miscellaneous	151,394	420,589	78,260	57,422	48,200	55,683	41,145	55,709	29,816	53,944
<b>Total Revenues</b>	<b>20,586,325</b>	<b>20,036,972</b>	<b>19,017,160</b>	<b>17,585,390</b>	<b>19,114,212</b>	<b>15,883,544</b>	<b>14,868,281</b>	<b>15,158,121</b>	<b>14,934,578</b>	<b>15,686,023</b>
<b>EXPENDITURES</b>										
<b>Current</b>										
General Government	3,386,743	3,302,778	3,151,315	3,025,254	2,778,517	2,749,024	2,566,624	2,027,514	2,305,175	2,073,098
Public Safety	9,237,144	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
Highways and Public Improvements	2,568,521	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
Community and Economic Development	1,186,229	1,136,010	1,138,028	1,075,682	970,072	690,193	612,898	586,287	509,082	552,668
Debt Service										
Principal	937,888	1,168,552	375,545	-	308,185	729,090	226,586	250,000	162,087	-
Interest and fiscal charges	795,211	576,150	854,559	13,966	13,788	19,324	18,197	22,003	32,113	-
Intergovernmental	-	-	-	-	-	-	-	-	35,000	-
Capital Outlays	2,054,005	11,526,588	11,515,479	4,750,896	5,615,428	2,411,983	3,676,584	4,700,145	1,904,433	3,648,909
<b>Total Expenditures</b>	<b>20,165,741</b>	<b>29,690,187</b>	<b>28,688,350</b>	<b>20,670,587</b>	<b>21,300,200</b>	<b>17,289,772</b>	<b>17,071,684</b>	<b>15,532,343</b>	<b>15,704,687</b>	<b>16,914,640</b>
Excess(Deficiency) of Revenues over Expenditures	420,583	(9,653,215)	(9,671,190)	(3,085,197)	(2,185,988)	(1,406,228)	(2,203,403)	(374,222)	(770,109)	(1,228,618)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	2,612,342	478,625	278,625	-	875,615	1,485,423	1,730,747	669,459	1,907,959	1,499,074
Transfers out	(2,612,342)	(478,625)	(278,625)	-	(875,615)	(1,485,423)	(1,730,747)	(669,459)	(1,907,959)	(1,499,074)
In-Kind Capital Contribution		4,200,123	-	1,168,247	-	1,142,555	-	-	-	826,985
Proceeds from Capital Leases		3,593,857	-	14,664,340	-	-	-	-	-	-
Proceeds from Revenue Bond		871,368	8,500	18,824	12,000	753,000	14,800	-	-	-
Sale of Capital Assets	4,375	8,665,348	8,500	15,851,411	12,000	1,895,555	14,800	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,375</b>	<b>8,665,348</b>	<b>8,500</b>	<b>15,851,411</b>	<b>12,000</b>	<b>1,895,555</b>	<b>14,800</b>	<b>-</b>	<b>100,290</b>	<b>826,985</b>
Net change in fund balances before special item	424,958	(987,867)	(9,662,690)	12,766,215	(2,173,988)	489,327	(2,188,603)	(374,222)	(669,819)	(401,633)
Special item										
Net change in fund balances	\$ 424,958	\$ (987,867)	\$ (9,662,690)	\$ 12,766,215	\$ (2,173,988)	\$ 489,327	\$ (2,188,603)	\$ (374,222)	\$ (669,819)	\$ (401,633)
Debt service as a percentage of Noncapital expenditures	9.57%	9.61%	7.16%	0.09%	2.05%	5.03%	1.83%	2.51%	1.41%	0.00%
Beginning 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
Ending Fund Balance	\$ 7,514,352	\$ 7,089,394	\$ 8,077,261	\$ 17,739,952	\$ 4,973,737	\$ 7,147,725	\$ 6,658,398	\$ 6,847,002	\$ 9,221,222	\$ 9,891,042

\* Impact Fee Collections moved from Other Sources to Revenues in FY 2016



COTTONWOOD HEIGHTS  
STATISTICAL SECTION

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

Fiscal Year Ended June 30	Tax Assessment Year	ASSESSED "MARKET VALUE" OF PROPERTY					Less 100% Tax-Exempt Property (1)	Less Residential Exemption	Total Assessed Taxable Value	Assessed Taxable Value as % Fully Assessed	Taxable Total Direct Rate
		Residential	Commercial (1)	Total	Less Residential Exemption	Total Assessed Taxable Value					
2018	2017	4,363,376,185	1,268,655,860	5,632,032,045	\$ 183,000,000	1,963,519,283	3,485,512,762	61.9%	0.1981%		
2017	2016	4,086,437,958	1,238,190,110	5,324,628,068	173,000,000	1,838,897,081	3,312,730,987	62.2%	0.2064%		
2016	2015	3,843,244,422	1,062,536,446	4,905,780,868	159,000,000	1,729,459,990	3,017,320,878	61.5%	0.2239%		
2015	2014	3,635,290,049	958,078,420	4,593,368,469	149,000,000	1,635,880,522	2,808,487,947	61.1%	0.2386%		
2014	2013	3,393,947,127	947,209,241	4,341,156,368	140,000,000	1,527,276,207	2,673,880,161	61.6%	0.2522%		
2013	2012	3,277,704,426	890,799,802	4,168,504,228	135,000,000	1,474,966,992	2,558,537,236	61.4%	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%		

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

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

(1) Property that is 100% exempt from property taxes is "estimated" and included in Assessed "Market Values" - Commercial (Prior year data recalculated FY 2018.)

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	2018		Overlapping Rates									
	Basic Rate	General Obligation Debt Service	Jordan School District (1) (Old Debt)	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)	Total Direct	
2018	0.1981%	-	0.0678%	0.2471%	0.0605%	0.0017%	0.0400%	0.0189%	0.1065%	0.4000%	0.1981%	
2017	0.2064%	-	0.0764%	0.2371%	0.0639%	0.0018%	0.0400%	0.0199%	0.1117%	0.0372%	0.2064%	
2016	0.2239%	-	0.0862%	0.2531%	0.0683%	0.0019%	0.0405%	0.0215%	0.1198%	0.0400%	0.2239%	
2015	0.2386%	-	0.0951%	0.3036%	0.0715%	0.0020%	0.0422%	0.0226%	0.1253%	0.0399%	0.2386%	
2014	0.2522%	-	0.1095%	0.3180%	0.0755%	0.0021%	0.0446%	0.0236%	0.1185%	0.0424%	0.2522%	
2013	0.2654%	-	0.1307%	0.2793%	0.0627%	0.0021%	0.0455%	0.0244%	0.1203%	0.0443%	0.2654%	
2012	0.2586%	-	0.1619%	0.2696%	0.0604%	0.0052%	0.0436%	0.0237%	0.1217%	0.0424%	0.2586%	
2011	0.2517%	-	0.1520%	0.2593%	0.0583%	0.0050%	0.0421%	0.0229%	0.1058%	0.0410%	0.2517%	
2010	0.2399%	-	0.1400%	0.2278%	0.0564%	0.0025%	0.0400%	0.0219%	0.1023%	0.0400%	0.2399%	
2009	0.2098%	-	0.6150%	0.1731%	0.0492%	0.0022%	0.0286%	0.0193%	0.0901%	0.0384%	0.2098%	

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 2018			FY 2013		
	2017 Taxable Assessed Value	Rank	Percentage of Total Taxable Value	2012 Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Old Mill Corporate Center (Offices)	\$ 167,569,300	1	5.06%	77,835,000	1	3.01%
HGREIT II (Cottonwood Center)	133,859,600	2	4.04%	74,328,500	2	2.87%
CornetStone Title Holder	55,369,000	3			3	1.90%
RBCSU Realty, Inc. / Regence BlueCross/BlueShield	52,669,100	4	1.59%	49,137,899	4	1.44%
Fourels Investment Co. (Shopping area)	43,096,900	5	1.30%	37,268,000	5	1.16%
Pinnacle Highland Apartments	37,612,850	6	1.14%	29,939,690	6	0.78%
Santa Fe Apartments, LLC. (KW Cottonwood)	35,847,955	7	1.08%	20,221,630	7	0.80%
James Campbell Company, LLC. (Shopping area)	30,861,820	8	0.93%	20,720,110	8	0.80%
JSP Farms I, LLC	22,640,310	9	0.68%	17,746,740	9	0.00%
Park V Partners	19,460,400	10	0.59%	15,589,600	10	0.60%
Overstock.Com (Offices)				15,943,667		0.62%
	<u>598,987,235</u>		<u>18.08%</u>	<u>358,730,836</u>		<u>13.87%</u>
<b>Total City Taxable Assessed Value</b>	<b>\$ 3,312,730,987</b>			<b>\$ 2,586,009,528</b>		

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		Collected within the Fiscal Year of the Levy		Total Delinquent Collections in		Total Collections to Date		Total Year-end Assessed		Assessed Taxable		Total		Original Budget	
	Fiscal Year	Levy for	Amount Collected	Percentage of Levy	Subsequent Years Classified in Tax YR	Amount Collected	Percentage of Levy	Amount Collected	Percentage of Levy	Taxable Value	% of Assessed Market Value	Direct Rate	Used to Set Tax Rate	Rate	Used to Set Tax Rate	
2018	\$6,914,242		\$6,767,944	97.9%	\$94,669	6,862,613	99.3%	3,485,512,762	62.5%	0.1981%	\$6,750,134					
2017	6,883,512		6,747,221	98.0%	126,349	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	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	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	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	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	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	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	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	6,535,267	99.5%	3,127,008,827	61.0%	0.2098%	6,412,498					

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		Special		Sales Tax		Total		Percentage of		State Committee	
	Obligation	Capital	Assessment	Revenue	Revenue	Bonds	Outstanding	Debt	Personal	Income (1)	Calculated	Debt
	Bonds	Leases	Bonds	Bonds							Population (2)	Per Capita
Governmental Activities												
2018	\$ -	\$ 3,381,572	\$ -	\$ 17,272,810	20,654,382	1.484%	33,996	607.55				
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				

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)				
2018	-	-	-	-	-	-
2017	-	-	-	-	-	-
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-

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, 2018

Overlapping Government Unit	2018 Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Cottonwood Heights
	\$		\$
Central Utah Water Conservancy District	218,500,000	3.86%	8,435,496
Jordan School District (old debt)	51,570,000	18.42%	9,497,657
Canyons School District	273,990,000	18.08%	49,548,408
Salt Lake County - General & Library	209,615,000	3.86%	8,089,942
South Salt Lake Valley Mosquito District	-	5.68%	-
Cottonwood Improvement "Sewer" District	-	45.49%	-
Cottonwood Heights Parks & Recreation Service Area	3,330,000	98.00%	3,263,400
Jordan Valley Water Conservancy District	333,020,308	0.15%	489,455
<b>Subtotal, overlapping governmental activity debt</b>	<b>1,090,025,308</b>		<b>79,324,358</b>
City direct debt	20,654,382	100.00%	20,654,382
<b>Total direct and overlapping debt</b>	<b>\$ 1,110,679,690</b>		<b>\$ 99,978,740</b>

Sources: Salt Lake County - Comprehensive Annual Financial Report for 2017, 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, 2018**

	Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Debt Constitutional Limit</b>										
General (4% Fair Cash Value)	\$ 217,961,282	\$ 206,065,123	\$ 189,871,235	\$ 171,490,788	\$ 168,046,255	\$ 161,340,169	\$ 164,045,708	\$ 167,840,370	\$ 173,142,213	\$ 198,719,301
Sewer, Water (4% Fair Cash Value)	217,961,282	206,065,123	189,871,235	171,490,788	168,046,255	161,340,169	164,045,708	167,840,370	173,142,213	198,719,301
<b>Total 8% Debt Constitutional Limit</b>	<b>435,922,564</b>	<b>412,130,245</b>	<b>379,742,469</b>	<b>342,981,577</b>	<b>336,092,509</b>	<b>322,680,338</b>	<b>328,091,416</b>	<b>335,680,740</b>	<b>346,284,426</b>	<b>397,438,603</b>
<b>Total Net Debt Applicable to Limit</b>	<b>16,235,000</b>	<b>16,635,000</b>	<b>13,705,000</b>	<b>13,770,000</b>	-	-	-	-	-	-
<b>Legal Debt Margin</b>	<b>\$ 419,687,564</b>	<b>\$ 395,495,245</b>	<b>\$ 366,037,469</b>	<b>\$ 329,211,577</b>	<b>\$ 336,092,509</b>	<b>\$ 322,680,338</b>	<b>\$ 328,091,416</b>	<b>\$ 335,680,740</b>	<b>\$ 346,284,426</b>	<b>\$ 397,438,603</b>
<b>Total Net Debt Applicable to the Limit as a Percentage of Debt Limit</b>	<b>3.724%</b>	<b>4.036%</b>	<b>3.609%</b>	<b>4.015%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
<b>Legal Debt Margin Calculations</b>										
Tax Years	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed Valuation:										
Reasonable Fair Cash Value	\$ 5,449,032,045	\$ 5,151,628,068	\$ 4,746,780,868	\$ 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
Debt Limit (8% of reasonable Fair Cash Value)	435,922,564	412,130,245	379,742,469	342,981,577	336,092,509	322,680,338	328,091,416	335,680,740	346,284,426	397,438,603
Debt Applicable to Limit:										
General Obligation Bonds	16,235,000	16,635,000	13,705,000	13,770,000	-	-	-	-	-	-
Less: Amount Set Aside for Repayment of										
General Obligation Debt	-	-	-	-	-	-	-	-	-	-
<b>Total Net Debt Applicable to Limit</b>	<b>16,235,000</b>	<b>16,635,000</b>	<b>13,705,000</b>	<b>13,770,000</b>	-	-	-	-	-	-
<b>Legal Debt Margin</b>	<b>\$ 419,687,564</b>	<b>\$ 395,495,245</b>	<b>\$ 366,037,469</b>	<b>\$ 329,211,577</b>	<b>\$ 336,092,509</b>	<b>\$ 322,680,338</b>	<b>\$ 328,091,416</b>	<b>\$ 335,680,740</b>	<b>\$ 346,284,426</b>	<b>\$ 397,438,603</b>

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, 2018

Fiscal Year	Sales Tax Revenues	Debt Service *		Coverage
		Principal	Interest	
2018	\$ 6,138,449	\$ 400,000	\$ 728,110	5.44
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	-	-	-	-

\* 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		Metro SLC, UT Unemployment Rate (3)
					Avg Years of Formal Schooling (2)	K-12 School Enrollment (2)	
2018	33,996	37.70	\$ 40,939	\$ 1,391,770	14.6	4,208	3.1%
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%

(1) Utah State Population Committee, US Census estimates

(2) School District Census (FY16 count changed from CWH School census, to CWH student census attending any school in Canyons District)

(3) Bureau of Labor Statistics - June FY



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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government	18.00	18.00	17.75	17.50	16.23	16.64	16.11	15.11	15.52	14.77
Public Safety										
Police										
Sworn Officers	39.50	39.50	39.50	38.50	36.50	36.50	36.25	35.25	34.50	33.00
Non-Sworn	11.48	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	2.00
Highways and streets										
Maintenance	14.00	14.00	4.65	4.65	4.65	4.65	4.00	4.20	2.00	2.00
Community & Economic Development	6.50	6.50	6.04	5.54	5.17	4.54	4.54	4.00	3.15	4.50
<b>Total</b>	<b>91.48</b>	<b>91.46</b>	<b>81.40</b>	<b>79.65</b>	<b>76.01</b>	<b>75.29</b>	<b>73.10</b>	<b>70.56</b>	<b>65.92</b>	<b>65.02</b>

Source: City Finance / Budget department

## COTTONWOOD HEIGHTS STATISTICAL SECTION

### OPERATING INFORMATION: CHART-17

#### Cottonwood Heights

#### Operating Indicators by Function

#### Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Public Safety</b>										
<b>Police:</b>										
CHPD-Total calls for service	19,041	18,463	18,210	22,949	21,666	25,614	25,379	22,316	23,860	22,050
Homicide, Armed Robbery, Assaults w/Weapons	44	51	38	25	34	26	30	12	**	**
Clearance Rates	65%	70%	64%	76%	82%	-	90%	92%	**	**
Assault, Burglary, Larceny, Vehicle Thefts & Rape	1,014	1,170	1,101	1,022	963	1,020	995	966	**	**
Clearance Rates	31%	29%	29%	33%	20%	-	73%	55%		
CHPD-Number of arrests	1,458	1,204	1,393	1,228	1,185	1,329	1,270	1,015	990	933
CHPD-Number of DUI arrests	168	118	166	165	127	308	307	135	178	255
CHPD-Avg. Priority 1 calls response times	4:10	4:36	4:19	4:57	5:09	4:28	4:40	4:51	4:47	4:47
SLCoSheriff-Avg. Priority 1 calls response times										
<b>Ordinance Enforcement:</b>										
Animal involved calls for service	860	854	932	1,382	1,171	1,373	1,362	1,188	**	**
Ordinance violation citations issued	221	126	166	172	118	127	92	108	**	**
<b>Fire:</b>										
Number of fire calls	460	633	531	709	822	881	946	959	923	882
Number of medical calls	1,755	2,081	1,843	2,596	2,477	2,224	2,520	2,363	2,281	1,997
<b>Public Works</b>										
Number of issued excavation permits closed	300	285	332	341	72	223	229	274	429	177
Square feet of chip seal applied	1,729,600	78,090	198,900	-	237,650	556,500	476,050	651,489	1,159,335	-
Square feet of slurry seal / reclaimite applied	-	-	-	-	759,310	1,696,665	411,865	1,052,379	-	654,972
Square feet of overlay completed	283,500	-	715,397	496,145	236,280	541,755	477,367	524,549	275,298	315,201
<b>Community and Economic Development</b>										
Number of business licenses renewed	1,464	1,302	1,259	1,454	1,421	1,291	1,269	1,388	1,425	1,441
Number of new business licenses issued	208	198	244	192	180	154	167	163	154	214
Building permits issued	691	591	402	536	486	408	382	372	389	384
Number of building inspections	1,926	1,389	1,403	1,680	1,234	1,102	1,149	1,149	**	**
Square footage of new office space	39,515	23,540	158,000	33,500	150,000	-	232,000	-	-	-
Total square footage of office space	3,002,321	2,962,806	2,939,266	2,627,342	245,842	2,285,842	2,298,481	2,053,842	**	**

Source: Various City departments

\*\*not available

COTTONWOOD HEIGHTS  
STATISTICAL SECTION

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

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Government</b>										
Number of general governmental buildings (owned / leased)	1/0	1/0	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	0/4	1/1	1/1	1/1	1/1
<b>Public Safety</b>										
Number of Police stations (owned / leased)	1/0	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	1
Number of Fire stations (1)	2	2	2	2	2	2	2	2	2	2
Fire Hydrants	1212	1212	1197	1195	1080	1,080	1,123	1,123	1,123	1,123
Library (1)	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Number of Public Works buildings / Yards	1/1	1/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1	0/1
Number of Street Lights	1,135	1,115	1,100	1,092	1,090	870	868	868	868	868
Number of Lane Miles of Road	265	253	253	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	90	86	86	72	72	72	72	72	72	72
Number of issued excavation permits closed	300	285	332	341	72	223	229	274	429	177
<b>Recreations and Parks</b>										
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	18.96	9.53	9.53	2.14
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

