

The City of
South Salt Lake
State of Utah

**Comprehensive Annual
Financial Report**

**For Fiscal Year Ended
June 30, 2017**



220 East Morris Ave Suite 200 SSLC, UT 84115 (801)483-6000

CITY OF
South Salt Lake

STATE OF UTAH

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2017

Prepared By:

South Salt Lake Department of Finance

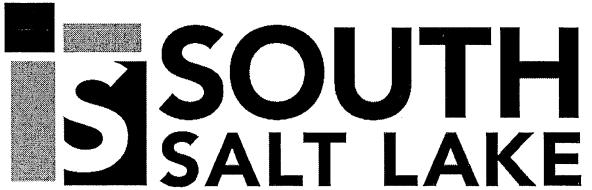
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Introductory Section



Finance Department
220 East Morris Avenue #200
South Salt Lake City, UT 84115-3200
Phone (801) 483-6000 Fax (801) 483-6001

December 12, 2017

To the Honorable Mayor, Members of the City Council, and Citizens of the City of South Salt Lake, Utah:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with United States Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of South Salt Lake (the City) for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the City of South Salt Lake. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of the City of South Salt Lake 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 the City of South Salt Lake's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of South Salt Lake's comprehensive 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 respects.

The City of South Salt Lake's financial statements have been audited by Pinnock, Robbins, Posey & Richins, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of South Salt Lake for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified "clean" opinion that the City of South Salt Lake's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of South Salt Lake was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of

South Salt Lake's Single Audit Report. GAAP 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 MD&A and should be read in conjunction with it. The City of South Salt Lake's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of South Salt Lake

The City of South Salt Lake is a fourth-class city incorporated in 1938 under provisions of the State of Utah. South Salt Lake City is located in Salt Lake County in the heart of the greater Wasatch Front area. The City of South Salt Lake currently occupies a land area of 7.03 square miles and serves a population of approximately 24,500. South Salt Lake is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council and allowable by state law.

The City of South Salt Lake has operated under the council-mayor alternative form of government in conformity with Utah Law (Section 10-3-12) since 1990. The seven-member city council performs all legislative functions and is responsible for, among other things, passing ordinances and adopting the budget. The mayor performs all administrative functions, oversees day-to-day operations, and appoints department heads and boards with the consent of the city council. The mayor is elected to serve a four-year term. City council members serve four-year staggered terms. Five of the city council members are elected by district and two are elected at large.

The City of South Salt Lake provides a full range of services including: police and fire protection, municipal court, the construction and maintenance of streets, roads, and other infrastructure, planning and zoning services, recreational activities and cultural events, solid waste collection and disposal, water and sewer utility services, and housing services. The City of South Salt Lake has two component units, the Redevelopment Agency of South Salt Lake, established in 1982, and the South Salt Lake Municipal Building Authority, established in 1996. The Municipal Building Authority currently has no assets, transactions, or budget. The Redevelopment Agency is governed by a board that is comprised of the city council, with the mayor serving as chief administrative officer. The Municipal Building Authority is governed by a board consisting of the city council. Additional information on the Redevelopment Agency can be found in Note 11 in the notes to the financial statements.

The annual budget serves as the foundation for the City of South Salt Lake's financial planning and control. The Uniform Fiscal Procedures Act adopted by the State of Utah governs budgetary procedures for the City of South Salt Lake. In compliance with this Act, the mayor presents a tentative budget to the city council for adoption no later than the first regularly scheduled city council meeting in May. The Redevelopment Agency budget is presented to the board as required by state law. The city council is required to hold public hearings on the proposed budget and to adopt a budget by June 22. The council is required to adopt a final budget by no later than June 30, the close of the City of South Salt Lake's fiscal year. The appropriated budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police). The mayor may make transfers of appropriations within a department. However, transfers of appropriations between departments require the approval of the city council. Budget-to-actual comparisons are provided in this report for the General Fund, Capital Projects Fund, and the Redevelopment Agency. The budget-to-actual comparisons for these funds, with appropriated annual budgets, are presented in the governmental fund subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of South Salt Lake exists.

Local Economy By far the largest factor affecting the City of South Salt Lake, as well as the state and federal government, has been the gradual economic recovery. Statistics provided by the Utah Department of Workforce Services indicate the unemployment rate in Utah decreased in the past 12 months to 3.4% in June 2017 as compared to 4.4% in the U.S. In June 2016 Utah's rate was 4.0% and the national rate was 4.9%. The unemployment rate in Salt Lake County decreased to 3.4% in June 2017 from 3.9% in June 2016. The Utah Department of Workforce Services reports that approximately 49,200 jobs were created in the state in the past year but there are more people in the labor force looking for employment. So, generally speaking, enough jobs are being created annually to accommodate more people in the workforce.

Statistics provided by the United States Department of Labor and the Utah Department of Workforce Services indicate that all industry sectors in Utah, other than the natural resources/mining and information, have reported an increase in the number of jobs created. Over 49,000 jobs were created statewide in the past 12 months. Construction, manufacturing, and utility industries have improved particularly well. The improvement in these sectors benefits South Salt Lake. South Salt Lake is home to several construction supply and manufacturing businesses. The Utah Department of Workforce Services anticipates that unemployment levels will continue to improve modestly through the next 12 months. State economists predict that modest increase in jobs signifies a more significant expansionary trend.

Improvements in the unemployment rates will impact consumer spending. More discretionary income will be available to consumers leading to increased sales. Sales taxes, which are directly influenced by consumer spending, have improved noticeably across the county and state. Local governments, including South Salt Lake, rely on the sales tax to finance essential services. Due to the sunset of the "hold-harmless" provision and the subsequent loss of guaranteed revenue, the city experienced a 5.6% decrease in sales tax revenue. However, sales taxes generated in South Salt Lake increased approximately 4.1% in FY 2017 when compared to FY 2016. With the continuation of positive economic conditions, and the benefits of economic development efforts, the city anticipates an increase in sales tax revenue in FY 2018.

Property tax revenue is expected to increase modestly in the coming year. With construction activity improving, an increase in assessed valuation due to new growth is expected. Also, new developments have been proposed, and when completed, will contribute to increased property tax revenue.

Over the past several years, the city's redevelopment agency has acquired approximately 15 acres located in the Market Station project area. The property was acquired using the proceeds of a \$15,000,000 bond. Much of the property was sold in FY 2017 and is currently being developed. An agreement was executed which brought a major grocery retailer to the site. That retail operation opened in November 2017. Housing and smaller scale retail will also be constructed at the same location.

Long-Term Financial Planning Approximately 35% of property within the city is exempt from property taxes. This condition is due to the fact that many county and regional public facilities are located within city boundaries. The Salt Lake County Adult Detention Center (jail), Utah Transit Authority facilities, Central Valley Water Reclamation Facility, Salt Lake County Solid Waste Transfer Station, Granite School District office/facilities and other public infrastructure are located in the city and occupy many acres of property.

In March 2017 an announcement was made by Salt Lake County officials that a new 300 bed homeless resource facility will be located in South Salt Lake. The users of that facility will require services from the city, particularly police and emergency medical services.

As a result of the factors above, the city relies heavily on sales tax revenue to provide city services. Sales taxes allow the residents of South Salt Lake to receive the same level of services that residents of other Utah cities enjoy. City officials work diligently to maintain an environment that is conducive to

business.

The city must be able to provide services for the facilities mentioned above as well as its residents and businesses. Due to the fact that the above public entities do not pay property taxes, the sales tax is used to finance adequate police, public works, and fire services.

The city has adequate cash reserves to fund cash flow requirements during the year. In the first few months of the fiscal year the city uses these cash reserves to cover cash requirements eliminating the need to issue tax & revenue anticipation notes. The city begins to receive sales tax revenue in September and property tax revenue in November.

Annually the city allocates as much sales tax revenue as possible into the capital improvements fund. The city utilizes a conservative approach to issuing debt and almost always uses a "pay as you go" approach to acquiring capital assets. Class C road funds, derived from gasoline taxes, are used to fund large road construction and maintenance projects. Funds are received six times per year and can be carried forward from year to year until projects are undertaken.

Current Period Financial Events

As required by the Governmental Accounting Standards Board, GASB Statement 68 reports the city's net pension assets and liabilities in FY 2016. Although the city is a member of the Utah Retirement Systems and relies on URS for all retirement activities on behalf of its employees, the city must still report its pro-rata share of pension assets and liabilities. The city's share of the net pension liability increased by approximately \$870,000 when compared to FY 2016 while the net pension asset decreased by approximately \$101,000 during the same period. This was primarily due to modest investment results realized by the Utah Retirement Systems and increasing employee wages creating more demand on the system in the future.

The city received over \$3,500,000 in grants and assistance from federal, state, county, and private sources. Much of this funding is used to provide afterschool services to South Salt Lake, and neighboring, youth and adults. Programs which provide academic and prevention services are administered from 14 school based and community locations. Approximately 2,500 youth and adults are served through these programs. In addition, \$1,000,000 in road assistance funding was received from Salt Lake County. These funds will be utilized to improve roads and intersections.

FY 2017 marks the first year that the city did not receive a sales tax subsidy (hold-harmless) distribution from the Utah State Tax Commission. In 2006 the method of sales tax distribution was changed by the state legislature, to the detriment of South Salt Lake. A ten year provision was included that created a subsidy or hold-harmless payment that assured the city would receive the same amount of sales tax revenue that it had received in 2006. That provision expired at the end of FY 2016.

Even though an additional \$533,000 in sales tax revenue was generated in the city in FY 2017 the amount of revenue the city received decreased by approximately \$806,000 due to the expiration of the hold-harmless. The city had anticipated and prepared for this condition for several years and the decrease was managed successfully. The city anticipates that sales tax revenue will increase in the ensuing year due to the factors stated earlier.

Awards and acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Salt Lake for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the sixteenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report

satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for certification.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. I would like to express appreciation to all members of the finance department who assisted in the preparation of this report. I also appreciate the professional service and assistance rendered by the auditing firm of Pinnock, Robbins, Posey & Richins. Credit also must be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism and integrity in the management of the finances of the City of South Salt Lake.

Respectfully submitted,



Kyle Kershaw
Director of Finance



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of South Salt Lake
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink that reads "Jeffrey R. Emmer".

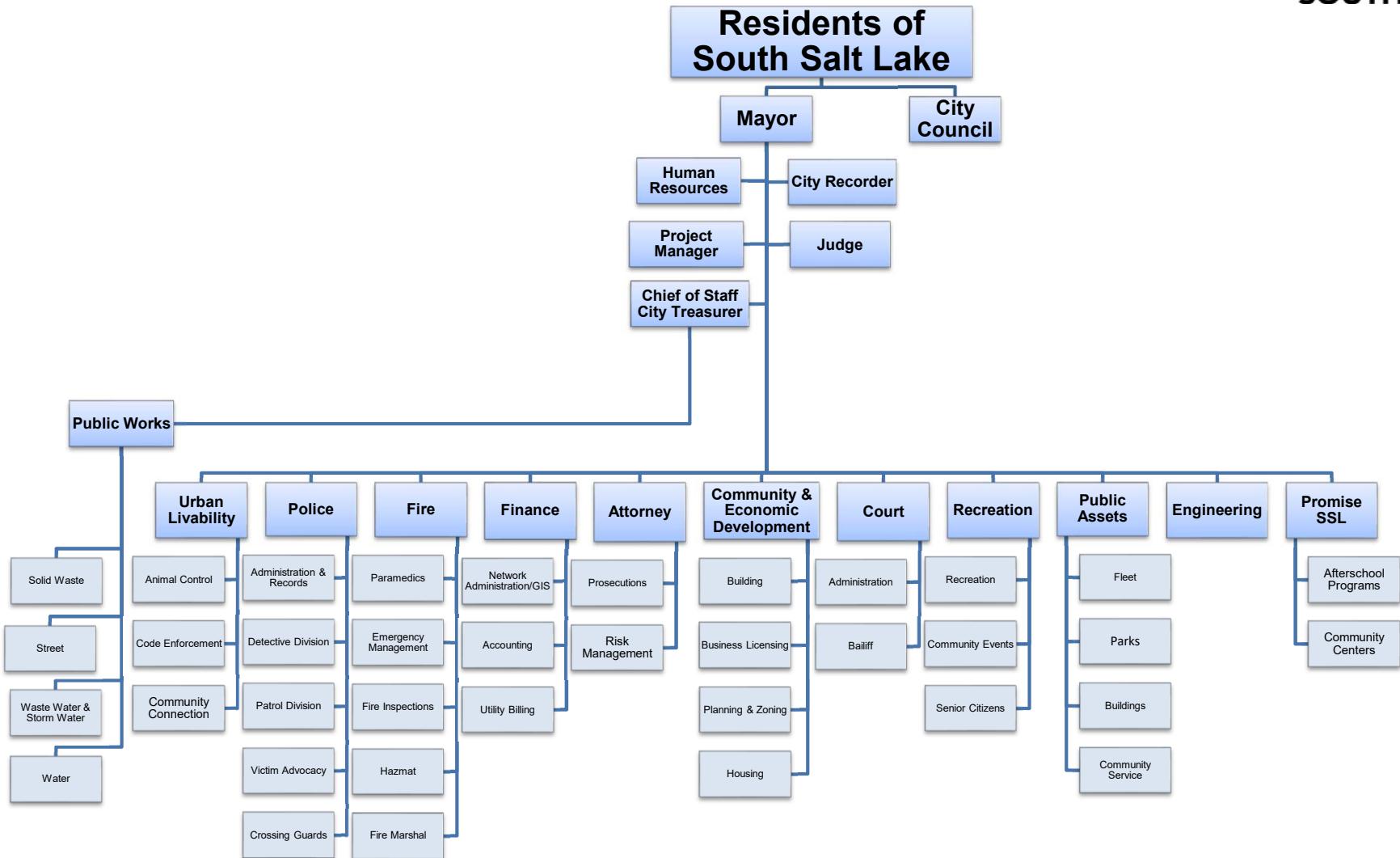
Executive Director/CEO

**City of South Salt Lake
Principal Officials
June 30, 2017**

Cherie Wood	Mayor
Johnny T. McConnell	Council Member at Large
Mark C. Kindred	Council Member at Large
Ben B. Pender	Council Member District 1
Kevin D. Rapp	Council Member District 2
Sharla Beverly	Council Member District 3
Portia Mila	Council Member District 4
L. Shane Siwik	Council Member District 5
Jack Carruth	Police Chief
Ron Morris	Fire Chief
Dennis Pay	City Engineer
Kyle Kershaw	Finance Director
Lyn Creswell	City Attorney
Craig Burton	City Recorder
Charee Peck	City Treasurer/Chief of Staff
Michael Florence	Community Development Director
Aaron Wiet	Recreation Director
Mont Roosendaal	Public Assets Director



2017 City Organization Chart



Financial Section



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

James R. Beaudoin, PFS, CFP® CPA
Wade K. Watkins, CPA
Daniel T. Barlow, CPA
Gregory O. Hyde, PFS, CFP® CPA
Adam C. Posey, MBA, CPA
Alfred J. Kofoed, CPA, Of Counsel

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of South Salt Lake, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17, budgetary comparison information on pages 67 through 68, and pension schedules on pages 69 through 70 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 of South Salt Lake's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information for nonmajor governmental and capital projects funds, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison information for sales tax debt service, leased equipment debt service, and capital projects funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements, budgetary comparison information for sales tax debt service, leased equipment debt service, and capital projects funds, and the schedule of expenditures of federal awards are 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 audits 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 12, 2017, on our consideration of the City of South Salt Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Salt Lake's internal control over financial reporting and compliance.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
December 12, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

As management of the City of South Salt Lake, we offer readers of the City of South Salt Lake's financial statements this narrative overview and analysis of the financial activities of the City of South Salt Lake for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of South Salt Lake exceeded its liabilities at the close of the most recent fiscal year by \$74,915,226 (*net position*). Of this amount, \$16,105,769 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of South Salt Lake's total net position decreased \$(1,649,792) mainly due to a realized loss on the sale of property held by the City's redevelopment agency.
- As of the close of the current fiscal year, the City of South Salt Lake's governmental funds reported combined fund balances of \$23,470,160, a decrease of \$(1,279,505) in comparison with the prior year. Approximately 18.5% of this amount (\$4,350,262) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (classified as *unassigned fund balance*) for the general fund was \$4,350,262, or approximately 17.9% of total general fund expenditures.
- Fiscal year 2017 was the first year that the City did not receive a sales tax subsidy (hold-harmless) payment from the Utah State Tax Commission. The state legislature changed the method of sales tax distribution in 2006, much to the detriment of the City. A provision allowed the City to receive a subsidy to compensate for lost revenue for a ten-year period. Even though there was an increase in sales tax revenue generated in the City of approximately \$533,0000, the City actually received approximately \$806,000 less in distributed revenue.
- The City received approximately \$2,317,000 in federal grants during the fiscal year. This represents an increase of approximately \$361,000 (18.5%) when compared to fiscal year 2016. The funding was used for the following purposes: provide afterschool youth programs (\$2,063,000), victim assistance (\$153,000), housing programs (\$34,000), and other uses (\$67,000).
- The City received approximately \$292,000 in private assistance. These funds were used primarily to provide youth afterschool programs. In addition, South Salt Lake received approximately \$1,481,000 in state and county aid for transportation projects.
- Approximately 15 acres owned by the City's redevelopment agency was sold to a private developer during the fiscal year. As expected, the property was sold at a loss, but the City expects long-term aesthetic and financial benefits to result from future development of the property. The first phase of the development included a large grocery store, which opened in November 2017. The sales and property tax revenue resulting from the new construction will be significant to the City.
- During 2015, Salt Lake County assumed responsibility for a revolving housing improvement loan program the City had implemented many years earlier. The City had utilized Community Block Grant revenue to create the loan pool. As a result, during fiscal year 2017, the City wrote off approximately \$302,000 in outstanding loans receivable and approximately \$449,000 in available loan funds.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of South Salt Lake's basic financial statements. The City of South Salt Lake's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary intended to furnish additional detail to support the basic financial statements themselves.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The *statement of net position* presents information on all of the City of South Salt Lake's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of South Salt Lake is improving or deteriorating.

The *statement of activities* presents information showing how the City of South Salt Lake's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Salt Lake that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Salt Lake include general government, public safety, highways and public improvements, parks, recreation and culture, and redevelopment. The business-type activities of the City of South Salt Lake include water and sewer utilities, solid waste collection, ambulance services, and housing.

The government-wide financial statements include two component units, the Redevelopment Agency of South Salt Lake and the Municipal Building Authority of South Salt Lake. Financial information for the component units is blended with the primary government.

The government-wide financial statements can be found on pages 21-23.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Salt Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Salt Lake can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The City of South Salt Lake maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the redevelopment agency, which are considered to be major funds. Data from the other governmental fund is presented as a nonmajor fund.

The City of South Salt Lake adopts annual appropriated budgets for its general fund and redevelopment agency. Budgetary comparison schedules have been provided for the general fund and redevelopment agency to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 24-27 of this report.

Proprietary Funds. The City of South Salt Lake maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Salt Lake uses enterprise funds to account for its Water and Sewer Utilities, Solid Waste Collection, Ambulance Services, and Housing Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Insurance Reserve Fund. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility, Sewer Utility, and Ambulance Services, all of which are considered to be major funds. Data from the other two proprietary funds are combined into a single aggregated presentation. Individual data for each of these nonmajor proprietary funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Notes to the Financial Statements. The notes provide additional financial information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-64 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the budgetary comparison schedules for the general fund and the redevelopment agency, as well as net pension liability schedules. Required supplementary information can be found on pages 67-71 of this report.

The combining statements referred to earlier in connection with nonmajor proprietary funds, as well as budgetary comparison schedules for the debt service and capital projects funds, are presented immediately following the required supplementary information. These statements and schedules can be found on pages 75-81 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City of South Salt Lake, assets exceeded liabilities by \$74,915,226 at the close of the most recent fiscal year.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

City of South Salt Lake's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 33,528,163	\$ 34,770,429	\$ 9,433,163	\$ 10,386,213	\$ 42,961,326	\$ 45,156,642
Capital assets	44,980,586	45,444,253	12,328,969	12,231,768	57,309,555	57,676,021
Total assets	78,508,749	80,214,682	21,762,132	22,617,981	100,270,881	102,832,663
Total deferred outflows of resources	4,309,748	3,441,147	398,997	342,256	4,708,745	3,783,403
Other liabilities	6,201,375	5,825,082	689,743	848,286	6,891,118	6,673,368
Long-term liabilities outstanding	20,038,339	20,108,682	1,300,375	1,742,022	21,338,714	21,850,704
Total liabilities	26,239,714	25,933,764	1,990,118	2,590,308	28,229,832	28,524,072
Total deferred inflows of resources	1,668,356	1,379,852	166,212	147,124	1,834,568	1,526,976
Net position:						
Net investment in capital assets	44,327,250	44,489,070	11,132,469	10,808,768	55,459,719	55,297,838
Restricted	2,349,028	1,601,352	1,000,710	748,021	3,349,738	2,349,373
Unrestricted	8,234,149	10,251,791	7,871,620	8,666,016	16,105,769	18,917,807
Total net position	\$ 54,910,427	\$ 56,342,213	\$ 20,004,799	\$ 20,222,805	\$ 74,915,226	\$ 76,565,018

By far the largest portion of the City of South Salt Lake's net position (74.0%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of South Salt Lake uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of South Salt Lake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of South Salt Lake's net position (4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining 21.5% (\$16,105,769) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of South Salt Lake is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of South Salt Lake's overall net position decreased \$(1,649,792) from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$1,431,786 from the prior fiscal year for an ending balance of \$54,910,427. The decrease in the overall net position of governmental activities is primarily due to a decrease of \$806,741 in the amount of sales tax revenue the City received when compared to the prior year. In addition, RDA property write-down losses of \$1,847,126 were recorded in the fiscal year.

CITY OF SOUTH SALT LAKE

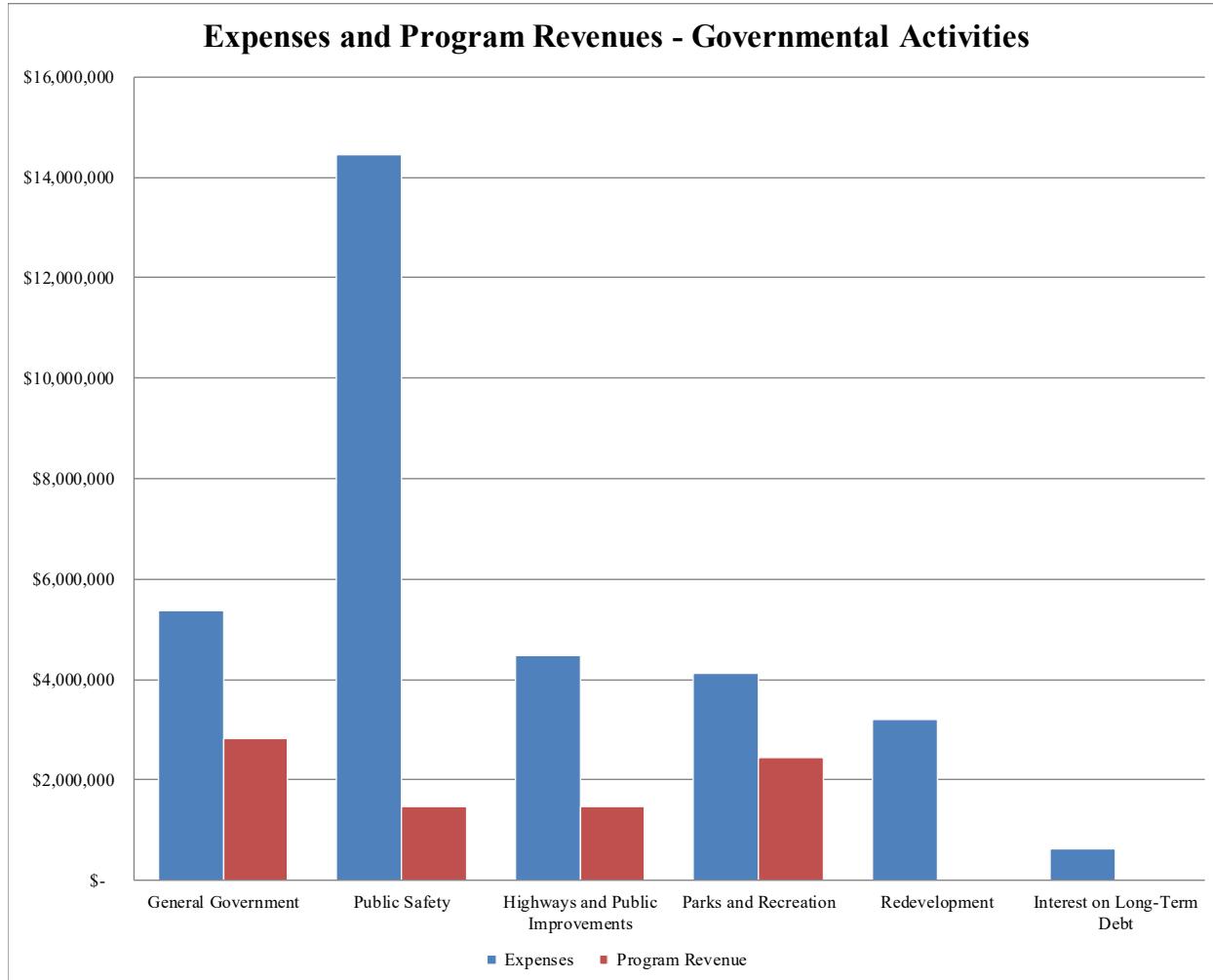
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

City of South Salt Lake's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,794,450	\$ 3,385,009	\$ 6,097,159	\$ 5,628,786	\$ 9,891,609	\$ 9,013,795
Operating grants and contributions	3,284,007	3,236,281	91,408	110,231	3,375,415	3,346,512
Capital grants and contributions	1,123,423	228,057	252,209	-	1,375,632	228,057
General revenues:						
Property taxes	5,652,595	5,631,569	-	-	5,652,595	5,631,569
Sales taxes	13,484,679	14,291,420	-	-	13,484,679	14,291,420
Other taxes	3,242,318	3,333,283	-	-	3,242,318	3,333,283
Other	236,767	(865,050)	13,133	1,559,357	249,900	694,307
Total revenues	30,818,239	29,240,569	6,453,909	7,298,374	37,272,148	36,538,943
Expenses:						
General government	5,367,039	5,122,262	-	-	5,367,039	5,122,262
Public safety	14,444,075	13,638,842	-	-	14,444,075	13,638,842
Highways and public improvements	4,463,837	3,994,402	-	-	4,463,837	3,994,402
Parks, recreation and culture	4,122,586	3,010,094	-	-	4,122,586	3,010,094
Redevelopment	3,198,228	2,267,830	-	-	3,198,228	2,267,830
Interest on long-term debt	618,260	641,124	-	-	618,260	641,124
Water utility	-	-	2,203,837	2,219,012	2,203,837	2,219,012
Sewer utility	-	-	1,870,659	1,594,459	1,870,659	1,594,459
Solid waste collection	-	-	407,841	406,965	407,841	406,965
Ambulance services	-	-	1,388,304	1,365,325	1,388,304	1,365,325
Housing	-	-	837,274	69,539	837,274	69,539
Total expenses	32,214,025	28,674,554	6,707,915	5,655,300	38,921,940	34,329,854
Increase (decrease) in net position before transfers						
Transfers	(1,395,786)	566,015	(254,006)	1,643,074	(1,649,792)	2,209,089
Increase (decrease) in net position	(36,000)	(156,000)	36,000	156,000	-	-
Net position - beginning	56,342,213	55,932,198	20,222,805	18,423,731	76,565,018	74,355,929
Net position - ending	\$ 54,910,427	\$ 56,342,213	\$ 20,004,799	\$ 20,222,805	\$ 74,915,226	\$ 76,565,018

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



Business-type Activities. For the City of South Salt Lake's business-type activities, overall net position decreased to an ending balance of \$20,004,799. The total decrease in net position for business-type activities was \$218,006 from the prior fiscal year. The decrease is primarily due to \$750,916 in housing loans relinquished to Salt Lake County.

Financial Analysis of the Government's Funds

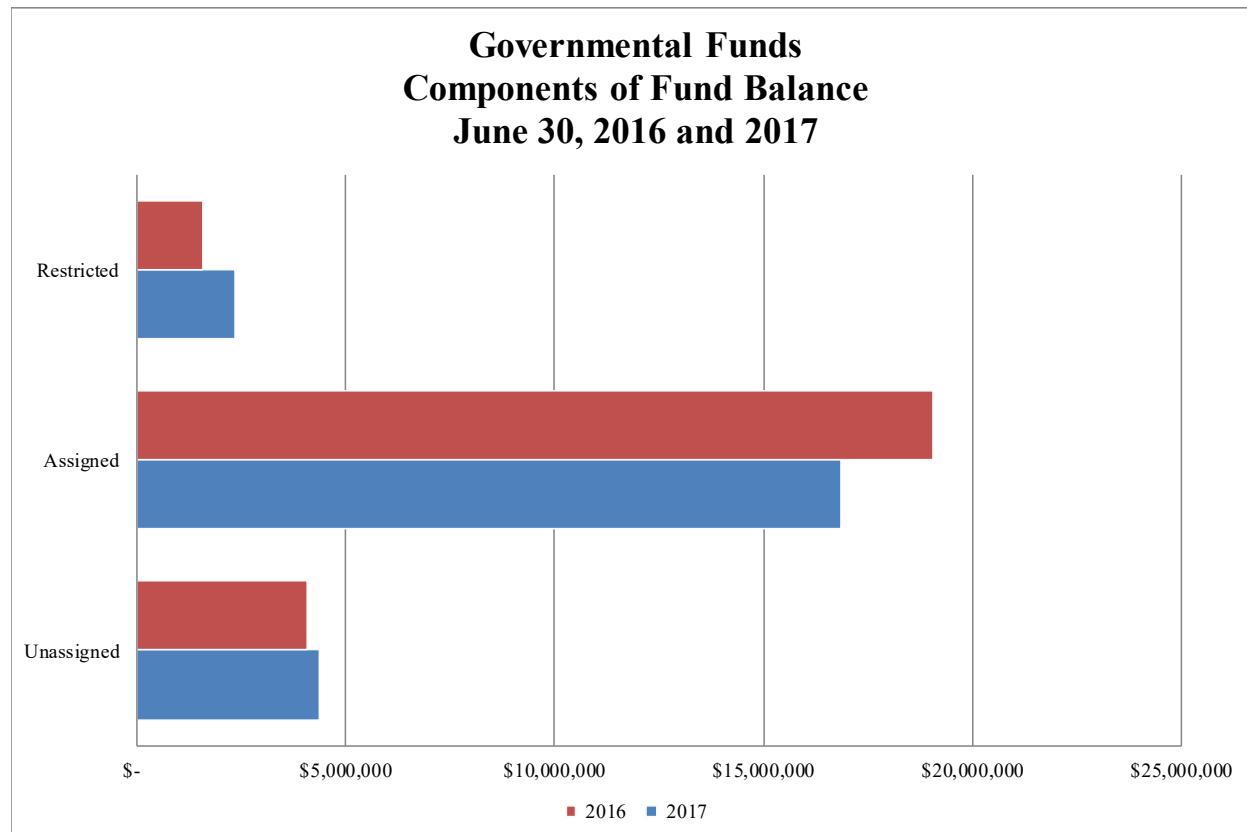
As noted earlier, the City of South Salt Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of South Salt Lake'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 of South Salt Lake's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of South Salt Lake itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of South Salt Lake's City Council.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

At June 30, 2017, the City of South Salt Lake's governmental funds reported combined fund balances of \$23,470,160, a decrease of \$(1,279,505) in comparison with the prior year. Approximately 18.5% of this amount (\$4,350,262) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted* or *assigned* to indicate that it is 1) legally required to be maintained intact (\$2,349,028) or 2) assigned by the city council for particular purposes (\$16,770,870).



The general fund is the chief operating fund of the City of South Salt Lake. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$4,350,262. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures. Unassigned and total fund balance represents approximately 17.9% of total general fund expenditures.

The fund balance of the City of South Salt Lake's general fund increased by \$265,397 during the current fiscal year. This increase is primarily due to expenditures being less than expected. It was estimated that fund balance would decrease by \$290,000 at the beginning of the fiscal year, but due to open employee positions, conservative spending, as well as moderately strong revenue results, an increase in fund balance was experienced. All departments were under budget in expenditures.

The capital projects fund, a major governmental fund, had a \$1,428,793 increase in fund balance during the current fiscal year. The increase in fund balance was mainly the result of the City receiving \$1,000,000 in transportation funding from Salt Lake County, only a small portion of which was expended. It was estimated that the capital projects fund would realize a decrease in its fund balance of \$1,893,881.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The redevelopment agency, the remaining major governmental fund, had a decrease in fund balance during the current year of \$(2,973,695) to bring the year end fund balance to \$6,181,805. The decrease is mainly due to an impairment loss recognized on property held for sale of \$1,847,126.

Proprietary Funds. The City of South Salt Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year was \$322,083, and for the Sewer Utility Fund was \$5,586,216. The unrestricted net position of the Ambulance Services Fund at the end of the year was \$946,646. The total change in net position for the Water Utility, Sewer Utility, and Ambulance Services Funds was \$198,201, \$259,746, and \$(17,411), respectively. Due to the fact that Salt Lake County assumed management of the revolving emergency housing loan program, the City wrote off approximately \$751,000 in loans receivable and funds available to loan in the Housing Fund, a nonmajor fund. This condition resulted in the net position decreasing in the housing fund by \$749,147.

Operating losses in the Ambulance Services Fund were approximately \$104,000 in the fiscal year 2017, compared to the prior year's loss of approximately \$164,000. Operating revenues still lag behind operating expenditures. A transfer of approximately \$36,000 from the Capital Improvements Fund, which was expected and budgeted for fiscal year 2017, was recognized. This amount is significantly less than the amount transferred in fiscal year 2016.

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, there was an increase in original estimated revenues of approximately \$1,019,000 and original budgeted appropriations of approximately \$1,059,000. This increase was mainly due to an expectation that additional grant funds would be awarded by the federal government and state agencies that were budgeted as revenue and corresponding expenditures during the fiscal year.

Final budget compared to actual results. Most of the intergovernmental revenue is in the form of grants and state revenue sharing. Generally, intergovernmental revenue is recognized when there is a corresponding qualifying expenditure. Approximately \$354,000 in road construction and maintenance projects were delayed into future periods, resulting in less revenue being recognized. In addition, some afterschool grant expenditures were less than budgeted resulting in an approximately \$1,501,000 difference between budgeted and actual revenue. Fines and forfeiture revenue was approximately \$173,000 less than budgeted due to an understaffing condition in the police department for much of the fiscal year. Traffic units were temporarily disbanded and officers were reassigned to more critical duties. This resulted in a decrease of traffic citations and resulting fines and forfeiture revenue.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

During the year, general fund expenditures were approximately \$2,035,000 less than budgeted. Specifically, police department was approximately \$134,000 under budget, fire was approximately \$269,000 under, streets and highways was approximately \$415,000 under budget, and SSL Promise was approximately \$691,000 under budget. In addition, every department budgeted in the general fund ended the fiscal year under budget. Department directors are very conservative in expending public funds. Generally, expenditures are incurred only if deemed necessary. The net result of better than expected revenue performance and under budget general fund expenditures was the fact that approximately \$265,000 was added to the fund balance in the general fund. The increase in fund balance will enable the City to react to unforeseen costs and conditions that may arise.

Capital Assets and Debt Administration

Capital Assets. The City of South Salt Lake's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$57,309,555 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The net decrease in capital assets for the current fiscal year was approximately 0.6%.

City of South Salt Lake's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,840,409	\$ 5,333,654	\$ 762,825	\$ 762,825	\$ 6,603,234	\$ 6,096,479
Buildings	14,062,062	14,221,646	1,405,959	1,502,617	15,468,021	15,724,263
Improvements	3,566,314	3,505,138	8,811,333	8,709,967	12,377,647	12,215,105
Machinery and equipment	6,176,640	6,778,343	1,348,852	1,256,359	7,525,492	8,034,702
Infrastructure	14,763,574	15,194,350	-	-	14,763,574	15,194,350
Construction in progress	571,587	411,122	-	-	571,587	411,122
TOTAL	\$ 44,980,586	\$ 45,444,253	\$ 12,328,969	\$ 12,231,768	\$ 57,309,555	\$ 57,676,021

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

- On-going replacement of police vehicles and acquisition of new law enforcement equipment in the approximate amount of \$345,000.
- Acquisition of public works equipment in the amount of \$86,000.
- Building improvements in the amount of \$299,000.
- Acquisition of future open space and the improvement to existing park space in the amount of \$1,401,000.
- Approximately \$253,000 for the purchase of computer hardware and software upgrades and replacement.
- Road and intersection improvements in the amount of \$112,000.
- Street lighting and other infrastructure projects in the amount of \$216,000.

Additional information on the City of South Salt Lake's capital assets can be found in Note 4.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Long-term Debt. At the end of the current fiscal year, the City of South Salt Lake had total debt outstanding of \$15,445,035. The debt represents bonds secured solely by specified revenue sources and capital leases. The City of South Salt Lake's outstanding debt decreased by \$1,049,567 during the current fiscal year. The decrease is mainly the result of paying down existing debt. The City entered into one new capital lease during the year.

City of South Salt Lake's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Excise tax revenue bonds	\$ 13,515,000	\$ 13,855,000	\$ -	\$ -	\$ 13,515,000	\$ 13,855,000
Water/sewer revenue bonds	-	-	1,196,500	1,423,000	1,196,500	1,423,000
Central Valley revenue bonds	-	-	-	261,419	-	261,419
Capital leases payable	733,535	955,183	-	-	733,535	955,183
TOTAL	\$ 14,248,535	\$ 14,810,183	\$ 1,196,500	\$ 1,684,419	\$ 15,445,035	\$ 16,494,602

Additional information on the City of South Salt Lake's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budgets and Rates

The City of South Salt Lake continues to rely on sales tax as the main source of revenue in the general fund. Sales taxes decreased approximately 5.6% (\$807,000) in fiscal year 2017 when compared to the prior year. Even though sales tax generated within the City increased by 4.1%, actual recognized revenue decreased. This condition is due to the method in which sales tax revenue is distributed from the Utah State Tax Commission to the City. Fiscal year 2017 was the first year in which the hold-harmless subsidy was not included in the distribution. Negative impact to City operations and services was kept at a minimum. National and local trends indicate economic activity, which includes taxable sales, will continue to increase in fiscal year 2018. Recent economic development projects that are nearing completion will contribute to the City's tax base.

Building permit revenue increased approximately 56% in fiscal year 2017. This is due to a number of large housing and commercial building projects that commenced during the fiscal year. Building and construction trends are typically cyclical, and the City anticipates that revenue will remain at current levels for one or two years before construction activity subsides. Property tax revenue is expected to increase modestly due to the added valuation of recent construction projects.

The City of South Salt Lake uses a conservative approach to budgeting. Generally, the City attempts to be conservative when estimating revenue. This approach results in some flexibility when actual revenues do not meet expectations. The City's fiscal year 2018 general fund budget is estimated to increase \$2,563,000 when compared to final fiscal year 2017 actual expenditures. The difference is comprised primarily of an additional \$1,550,000 in Class C revenue road projects. The Class C projects increase has a dedicated funding source. Also, employee raises were authorized which will add approximately \$520,000 in general fund expenditures in fiscal year 2018.

CITY OF SOUTH SALT LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The City continues to be conservative in its expenditure of funds for capital acquisitions. Equipment is generally purchased on a “pay-as-we-go” basis, except for some pieces of large equipment that have extended useful lives. In fiscal year 2018, some budgeted equipment acquisitions and infrastructure projects include:

- \$345,000 to complete street lighting projects
- \$574,000 for curb, gutter, and sidewalk projects
- \$968,000 for open space and parks development
- \$545,000 for police vehicle and equipment replacement
- \$875,000 for improvements and repairs to various facilities
- \$835,000 for roads maintenance and construction projects

The City Council and administration will continue to evaluate all budget requests and allocate resources appropriately based on need and economic conditions.

The recently completed S-Line (streetcar) is quickly becoming the economic development catalyst that was envisioned. The streetcar project, in which South Salt Lake was a partner with Salt Lake City Corporation and the Utah Transit Authority, has been completed for about three years. Multi-family housing projects and mixed use (retail, housing, and commercial) development now sit adjacent to the streetcar line. A large retail grocery store and the completion of additional housing units will be completed within 12 months. The City is beginning to experience the benefits of its participation in the streetcar line’s development.

In July 2017, the Central Valley Water Reclamation Facility, of which the City is a member, issued approximately \$28,600,000 in 20-year bonds for capital improvements to the Facility. The City’s share of the outstanding debt is approximately \$2,900,000. The City anticipates that approximately \$225,000 of debt service will be required annually.

In March 2017, a decision was made by state and county officials to place a 300-bed homeless resource center in the City. The City anticipates the center, which will be completed in 2019, to create additional demand on certain city services. Law enforcement, emergency medical, code and animal enforcement services will undoubtedly feel the increased impact of the resource center. City officials are working with state and county leaders to identify funding and other assets which will assist the City in delivering the adequate level of service to, and around, the center.

Requests for Information

This financial report is designed to provide a general overview of the City of South Salt Lake’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, 220 E Morris Avenue, Suite 200, South Salt Lake, UT 84115.

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BASIC FINANCIAL STATEMENTS

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CITY OF SOUTH SALT LAKE

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 14,910,754	\$ 2,964,138	\$ 17,874,892
Taxes receivable	7,780,865	-	7,780,865
Accounts receivable - net	-	1,095,792	1,095,792
Miscellaneous receivables	819,101	-	819,101
Internal balances	6,686	(6,686)	-
Intergovernmental receivable	1,291,512	40,517	1,332,029
Property acquired for redevelopment	5,479,480	-	5,479,480
Investment in joint venture	-	4,575,179	4,575,179
Restricted cash and cash equivalents	3,171,716	748,021	3,919,737
Capital assets not being depreciated:			
Land	5,840,409	762,825	6,603,234
Construction in progress	571,587	-	571,587
Capital assets net of accumulated depreciation:			
Buildings	14,062,062	1,405,959	15,468,021
Improvements	3,566,314	8,811,333	12,377,647
Machinery and equipment	6,176,640	1,348,852	7,525,492
Infrastructure	14,763,574	-	14,763,574
Net pension asset	<u>68,049</u>	<u>16,202</u>	<u>84,251</u>
 TOTAL ASSETS	 <u>78,508,749</u>	 <u>21,762,132</u>	 <u>100,270,881</u>
 DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources relating to pensions	<u>4,309,748</u>	<u>398,997</u>	<u>4,708,745</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>4,309,748</u>	<u>398,997</u>	<u>4,708,745</u>

CITY OF SOUTH SALT LAKE

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
LIABILITIES:			
Accounts payable and accrued liabilities	1,399,796	365,385	1,765,181
Deposits payable	366,099	38,806	404,905
Accrued interest payable	208,876	10,668	219,544
Unearned revenues	2,905,241	15,977	2,921,218
Noncurrent liabilities:			
Due within one year	1,321,363	258,907	1,580,270
Due in more than one year	13,490,335	988,397	14,478,732
Net pension liability	<u>6,548,004</u>	<u>311,978</u>	<u>6,859,982</u>
 TOTAL LIABILITIES	 <u>26,239,714</u>	 <u>1,990,118</u>	 <u>28,229,832</u>
 DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources relating to pensions	1,668,356	166,212	1,834,568
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>1,668,356</u>	 <u>166,212</u>	 <u>1,834,568</u>
 NET POSITION:			
Net investment in capital assets	44,327,250	11,132,469	55,459,719
Restricted for:			
Capital projects	2,349,028	252,689	2,601,717
Debt service	-	748,021	748,021
Unrestricted	<u>8,234,149</u>	<u>7,871,620</u>	<u>16,105,769</u>
 TOTAL NET POSITION	 <u>\$ 54,910,427</u>	 <u>\$ 20,004,799</u>	 <u>\$ 74,915,226</u>

CITY OF SOUTH SALT LAKE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 5,367,039	\$ 2,750,625	\$ 61,945	\$ -	\$ (2,554,469)	\$ -	\$ (2,554,469)
Public safety	14,444,075	980,097	425,717	50,007	(12,988,254)	-	(12,988,254)
Highways and public improvements	4,463,837	-	460,864	1,020,000	(2,982,973)	-	(2,982,973)
Parks, recreation and culture	4,122,586	63,728	2,335,481	53,416	(1,669,961)	-	(1,669,961)
Redevelopment	3,198,228	-	-	-	(3,198,228)	-	(3,198,228)
Interest on long-term debt	618,260	-	-	-	(618,260)	-	(618,260)
TOTAL GOVERNMENTAL ACTIVITIES	32,214,025	3,794,450	3,284,007	1,123,423	(24,012,145)	-	(24,012,145)
Business-type activities:							
Water utility	2,203,837	2,264,882	-	129,652	-	190,697	190,697
Sewer utility	1,870,659	2,002,468	-	122,557	-	254,366	254,366
Solid waste collection	407,841	500,229	-	-	-	92,388	92,388
Ambulance services	1,388,304	1,283,658	50,892	-	-	(53,754)	(53,754)
Housing	837,274	45,922	40,516	-	-	(750,836)	(750,836)
TOTAL BUSINESS-TYPE ACTIVITIES	6,707,915	6,097,159	91,408	252,209	-	(267,139)	(267,139)
TOTAL PRIMARY GOVERNMENT	\$ 38,921,940	\$ 9,891,609	\$ 3,375,415	\$ 1,375,632	(24,012,145)	(267,139)	(24,279,284)
General revenues:							
Property taxes				5,652,595	-	5,652,595	
Sales taxes				13,484,679	-	13,484,679	
Energy sales and use taxes				3,199,737	-	3,199,737	
Transient room taxes				42,581	-	42,581	
Unrestricted investment earnings				233,389	13,133	246,522	
Gain on sale of capital assets				3,378	-	3,378	
Transfers				(36,000)	36,000	-	
TOTAL GENERAL REVENUES AND TRANSFERS				22,580,359	49,133	22,629,492	
CHANGE IN NET POSITION				(1,431,786)	(218,006)	(1,649,792)	
NET POSITION - BEGINNING				56,342,213	20,222,805	76,565,018	
NET POSITION - ENDING	\$ 54,910,427	\$ 20,004,799	\$	74,915,226			

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

CITY OF SOUTH SALT LAKE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Capital Projects Fund	Redevelopment Agency	Leased Equipment Debt Service Fund (Nonmajor)	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,338,120	\$ 10,247,875	\$ 1,839,243	\$ -	\$ 14,425,238
Receivables (net):					
Taxes	6,706,501	1,074,364	-	-	7,780,865
Miscellaneous	105,753	25,684	687,664	-	819,101
Interfund note receivable	-	1,812,609	-	-	1,812,609
Intergovernmental receivable	1,231,512	60,000	-	-	1,291,512
Property acquired for redevelopment	-	-	5,479,480	-	5,479,480
Cash and cash equivalents - restricted	3,171,277	-	439	-	3,171,716
 TOTAL ASSETS	 \$ 13,553,163	 \$ 13,220,532	 \$ 8,006,826	 \$ -	 \$ 34,780,521
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 445,573	\$ 282,439	\$ 4,731	\$ -	\$ 732,743
Salaries/payroll payables	658,934	-	7,681	-	666,615
Deposits	366,099	-	-	-	366,099
Interfund notes payable	-	-	1,812,609	-	1,812,609
Unearned revenue	2,905,241	-	-	-	2,905,241
 TOTAL LIABILITIES	 4,375,847	 282,439	 1,825,021	 -	 6,483,307
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	4,827,054	-	-	-	4,827,054
 TOTAL DEFERRED INFLOWS OF RESOURCES	 4,827,054	 -	 -	 -	 4,827,054
Fund Balances:					
Restricted for:					
Road projects	-	2,335,612	-	-	2,335,612
Other capital projects	-	13,416	-	-	13,416
Assigned to:					
Debt service	-	-	318,015	-	318,015
Redevelopment	-	-	5,863,790	-	5,863,790
Other capital projects	-	10,589,065	-	-	10,589,065
Unassigned	4,350,262	-	-	-	4,350,262
 TOTAL FUND BALANCES	 4,350,262	 12,938,093	 6,181,805	 -	 23,470,160
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 \$ 13,553,163	 \$ 13,220,532	 \$ 8,006,826	 \$ -	 \$ 34,780,521

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

CITY OF SOUTH SALT LAKE

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

JUNE 30, 2017

Total fund balances - governmental funds	\$ 23,470,160
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	44,980,586
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Net pension asset, net pension liability, and related deferred outflows and inflows are not available resources or payable in the current period and, therefore, are not reported in the funds.	(3,838,563)
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Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	4,827,054
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(15,020,574)
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Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>491,764</u>
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Net position of governmental activities	<u><u>\$ 54,910,427</u></u>
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CITY OF SOUTH SALT LAKE

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Redevelopment Agency	Leased Equipment Debt Service Fund (Nonmajor)	Total Governmental Funds
REVENUES:					
Property taxes	\$ 5,246,134	\$ -	\$ 302,677	\$ -	\$ 5,548,811
Sales taxes	10,370,941	3,113,738	-	-	13,484,679
Other taxes	3,242,318	-	-	-	3,242,318
Licenses and permits	1,883,342	-	-	-	1,883,342
Intergovernmental	2,794,912	1,110,007	-	-	3,904,919
Charges for services	639,188	-	-	-	639,188
Fines	937,493	-	-	-	937,493
Investment earnings	74,045	152,926	431	-	227,402
Rental income	310,479	-	2,012	-	312,491
Impact fees	-	13,416	-	-	13,416
Miscellaneous	306,120	33,000	-	-	339,120
TOTAL REVENUES	25,804,972	4,423,087	305,120	-	30,533,179
EXPENDITURES:					
Current:					
General government	4,253,347	-	408,290	-	4,661,637
Public safety	13,038,787	-	-	-	13,038,787
Highways and public improvements	3,509,410	-	1,351,102	-	4,860,512
Parks, recreation and culture	3,217,377	-	-	-	3,217,377
Redevelopment	-	-	1,862,546	-	1,862,546
Debt service:					
Principal	-	20,050	340,000	281,797	641,847
Interest and fiscal charges	-	-	604,877	23,538	628,415
Capital outlay:					
General government	-	315,273	-	-	315,273
Public safety	-	444,044	-	-	444,044
Highways and public improvements	232,930	437,754	-	-	670,684
Parks, recreation and culture	-	1,529,842	-	-	1,529,842
TOTAL EXPENDITURES	24,251,851	2,746,963	4,566,815	305,335	31,870,964
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,553,121	1,676,124	(4,261,695)	(305,335)	(1,337,785)
OTHER FINANCING SOURCES (USES):					
Transfers	(1,288,000)	(341,335)	1,288,000	305,335	(36,000)
Capital leases	-	80,199	-	-	80,199
Sale of capital assets	276	13,805	-	-	14,081
TOTAL OTHER FINANCING SOURCES (USES)	(1,287,724)	(247,331)	1,288,000	305,335	58,280
NET CHANGE IN FUND BALANCES	265,397	1,428,793	(2,973,695)	-	(1,279,505)
FUND BALANCES - BEGINNING	4,084,865	11,509,300	9,155,500	-	24,749,665
FUND BALANCES - ENDING	\$ 4,350,262	\$ 12,938,093	\$ 6,181,805	\$ -	\$ 23,470,160

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

CITY OF SOUTH SALT LAKE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$ (1,279,505)
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(468,384)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	
	4,717
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	300,695
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. This amount is the net effect of these differences in the treatment of long-term debt and related	561,648
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 governmental funds.	(538,672)
Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(12,285)
Change in net position of governmental activities	<u>\$ (1,431,786)</u>

CITY OF SOUTH SALT LAKE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Ambulance Services Fund	Total Nonmajor Funds	Total	
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 354,083	\$ 1,179,982	\$ 394,616	\$ 1,035,457	\$ 2,964,138	\$ 485,516
Accounts receivable, net	410,430	182,619	494,120	8,623	1,095,792	-
Due from other governmental units	-	-	-	40,517	40,517	-
TOTAL CURRENT ASSETS	764,513	1,362,601	888,736	1,084,597	4,100,447	485,516
Noncurrent assets:						
Restricted cash and cash equivalents	717,271	30,750	-	-	748,021	-
Capital assets:						
Land	302,098	2,316	-	458,411	762,825	-
Buildings	1,465,168	1,074,088	-	62,691	2,601,947	-
Improvements	12,514,122	5,087,732	-	-	17,601,854	-
Machinery and equipment	3,257,134	524,593	711,894	-	4,493,621	-
Less: accumulated depreciation	(9,411,769)	(2,966,866)	(711,894)	(40,749)	(13,131,278)	-
Investment in joint venture	-	11,361,183	-	-	11,361,183	-
Less: accumulated amortization	-	(6,786,004)	-	-	(6,786,004)	-
Net pension asset	-	-	16,202	-	16,202	-
TOTAL NONCURRENT ASSETS	8,844,024	8,327,792	16,202	480,353	17,668,371	-
TOTAL ASSETS	9,608,537	9,690,393	904,938	1,564,950	21,768,818	485,516
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows of resources relating to pensions	114,356	67,289	217,352	-	398,997	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	114,356	67,289	217,352	-	398,997	-

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

CITY OF SOUTH SALT LAKE

STATEMENT OF NET POSITION (CONTINUED)

PROPRIETARY FUNDS

JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Ambulance Services Fund	Total Nonmajor Funds	Total	
LIABILITIES:						
Current liabilities:						
Accounts payable	107,743	130,528	975	43,896	283,142	438
Salaries payable	32,245	14,563	34,072	1,363	82,243	-
Compensated absences	12,760	4,666	10,981	-	28,407	-
Accrued interest payable	10,668	-	-	-	10,668	-
Unearned revenue	-	-	-	15,977	15,977	-
Revenue bonds payable - current	169,000	61,500	-	-	230,500	-
TOTAL CURRENT LIABILITIES	332,416	211,257	46,028	61,236	650,937	438
Noncurrent liabilities:						
Customer deposits payable	38,806	-	-	-	38,806	-
Compensated absences	9,287	2,389	10,721	-	22,397	-
Revenue bonds payable	720,000	246,000	-	-	966,000	-
Net pension liability	186,188	125,790	-	-	311,978	-
TOTAL NONCURRENT LIABILITIES	954,281	374,179	10,721	-	1,339,181	-
TOTAL LIABILITIES	1,286,697	585,436	56,749	61,236	1,990,118	438
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows of resources relating to pensions	28,957	18,360	118,895	-	166,212	-
TOTAL DEFERRED INFLOWS OF RESOURCES	28,957	18,360	118,895	-	166,212	-
NET POSITION:						
Net investment in capital assets	7,237,753	3,414,363	-	480,353	11,132,469	-
Restricted for capital projects	130,132	122,557	-	-	252,689	-
Restricted for debt service	717,271	30,750	-	-	748,021	-
Unrestricted	322,083	5,586,216	946,646	1,023,361	7,878,306	485,078
TOTAL NET POSITION	\$ 8,407,239	\$ 9,153,886	\$ 946,646	\$ 1,503,714	20,011,485	\$ 485,078
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS						
NET POSITION OF BUSINESS-TYPE ACTIVITIES					(6,686)	
					\$ 20,004,799	

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

CITY OF SOUTH SALT LAKE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Ambulance Services Fund	Total Nonmajor Funds	Total	
OPERATING REVENUES:						
Water sales	\$ 2,155,267	\$ -	\$ -	\$ -	\$ 2,155,267	\$ -
Sewer service charges	-	1,806,259	-	-	1,806,259	-
Solid waste collection fees	-	-	-	490,349	490,349	-
Ambulance fees, net	-	-	1,283,658	-	1,283,658	-
Connection fees	42,108	1,610	-	-	43,718	-
Other services	67,507	194,599	-	55,802	317,908	586,999
TOTAL OPERATING REVENUES	2,264,882	2,002,468	1,283,658	546,151	6,097,159	586,999
OPERATING EXPENSES:						
Employee salaries	521,900	237,104	715,051	24,454	1,498,509	-
Employee benefits	222,600	137,633	378,816	(4,346)	734,703	-
Professional services	34,962	1,167	109,825	-	145,954	10,243
Supplies	39,709	23,109	71,859	3,615	138,292	-
Utilities	117,686	21,900	8,172	-	147,758	-
Equipment supplies and maintenance	203,118	23,555	41,294	20,887	288,854	-
Repairs and maintenance	62,070	31,989	-	24,696	118,755	-
Depreciation	529,833	146,350	41,951	3,135	721,269	-
Amortization of investment in sewer treatment facility	-	234,349	-	-	234,349	-
Central Valley sewer treatment costs	-	973,162	-	-	973,162	-
Water purchases	374,433	-	-	-	374,433	-
Waste collection contract	-	-	-	347,295	347,295	-
Sundry expense	46,999	5,388	2,733	2,730	57,850	-
Insurance	24,000	18,000	10,000	2,000	54,000	596,880
Furniture and equipment	1,431	1,496	8,260	13,867	25,054	-
TOTAL OPERATING EXPENSES	2,178,741	1,855,202	1,387,961	438,333	5,860,237	607,123
OPERATING INCOME (LOSS)	86,141	147,266	(104,303)	107,818	236,922	(20,124)
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	6,681	4,763	-	1,689	13,133	5,987
Interest expense and fiscal charges	(23,316)	(7,942)	-	-	(31,258)	-
Impact fees	129,652	122,557	-	-	252,209	-
Federal grant revenue	-	-	-	40,516	40,516	-
Housing program expenses	-	-	-	(55,797)	(55,797)	-
Loss on housing loans relinquished to County	-	-	-	(750,916)	(750,916)	-
Loss on disposal of assets	(957)	(6,898)	-	-	(7,855)	-
Nonemployer pension contribution	-	-	50,892	-	50,892	-
TOTAL NONOPERATING REVENUES (EXPENSES)	112,060	112,480	50,892	(764,508)	(489,076)	5,987
INCOME (LOSS) BEFORE TRANSFERS	198,201	259,746	(53,411)	(656,690)	(252,154)	(14,137)
Transfers	-	-	36,000	-	36,000	-
CHANGE IN NET POSITION	198,201	259,746	(17,411)	(656,690)	(216,154)	(14,137)
NET POSITION - BEGINNING	8,209,038	8,894,140	964,057	2,160,404		499,215
NET POSITION - ENDING	\$ 8,407,239	\$ 9,153,886	\$ 946,646	\$ 1,503,714		\$ 485,078

ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND

ACTIVITIES RELATED TO ENTERPRISE FUNDS (1,852)

CHANGES IN NET POSITION OF BUSINESS-TYPE ACTIVITIES \$ (218,006)

CITY OF SOUTH SALT LAKE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Ambulance Services Fund	Total Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 2,217,147	\$ 2,003,006	\$ 1,267,661	\$ 505,541	\$ 5,993,355	\$ 586,999
Payments to suppliers	(965,854)	(1,145,206)	(270,650)	(325,388)	(2,707,098)	(607,123)
Payments to employees	(764,548)	(338,214)	(1,091,139)	(56,676)	(2,250,577)	-
Purchase of additional investment in joint venture	-	(419,216)	-	-	(419,216)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>486,745</u>	<u>100,370</u>	<u>(94,128)</u>	<u>123,477</u>	<u>616,464</u>	<u>(20,124)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfer from other funds	-	-	36,000	-	36,000	-
Grants and contributions received	-	-	50,892	60,451	111,343	-
Grants and contributions used	-	-	-	(55,797)	(55,797)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	-	<u>86,892</u>	<u>4,654</u>	<u>91,546</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Impact fees received	129,652	122,557	-	-	252,209	-
Acquisition and construction of capital assets	(580,370)	(245,955)	-	-	(826,325)	-
Principal paid on capital debt	(165,000)	(322,919)	-	-	(487,919)	-
Interest paid on capital debt	(25,296)	(7,942)	-	-	(33,238)	-
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(641,014)</u>	<u>(454,259)</u>	-	-	<u>(1,095,273)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Issuance of loans receivable	-	-	-	-	-	-
Payments on loans receivable	-	-	-	-	-	-
Interest received	<u>6,681</u>	<u>4,763</u>	-	<u>1,689</u>	<u>13,133</u>	<u>5,987</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,681</u>	<u>4,763</u>	-	<u>1,689</u>	<u>13,133</u>	<u>5,987</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(147,588)</u>	<u>(349,126)</u>	<u>(7,236)</u>	<u>129,820</u>	<u>(374,130)</u>	<u>(14,137)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,218,942</u>	<u>1,559,858</u>	<u>401,852</u>	<u>905,637</u>	<u>4,086,289</u>	<u>499,653</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,071,354</u>	<u>\$ 1,210,732</u>	<u>\$ 394,616</u>	<u>\$ 1,035,457</u>	<u>\$ 3,712,159</u>	<u>\$ 485,516</u>

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

CITY OF SOUTH SALT LAKE

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Ambulance Services Fund	Total Nonmajor Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 86,141	\$ 147,266	\$ (104,303)	\$ 107,818	\$ 236,922	\$ (20,124)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	529,833	146,350	41,951	3,135	721,269	-
Net pension adjustment	(25,286)	30,058	20,086	(10,968)	13,890	-
Changes in operating assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(31,616)	538	(15,997)	13,551	(33,524)	-
Investment in joint venture, net	-	(184,867)	-	-	(184,867)	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	(56,208)	(38,975)	(35,865)	9,941	(121,107)	-
Unearned revenue	(15,032)	-	-	-	(15,032)	-
Customer deposits	(1,087)	-	-	-	(1,087)	-
TOTAL ADJUSTMENTS	400,604	(46,896)	10,175	15,659	379,542	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 486,745	\$ 100,370	\$ (94,128)	\$ 123,477	\$ 616,464	\$ (20,124)

NOTES TO FINANCIAL STATEMENTS

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CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of South Salt Lake is a municipal corporation governed by an elected mayor and a seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City of South Salt Lake has no discretely presented component units and is itself not a component unit of any other entity. Each blended component unit has a June 30 year end.

Blended Component Units

The Redevelopment Agency was created by the City during fiscal year 1982. The Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by a board comprised of the City's Mayor and City Council. Management of the City is responsible for day-to-day operations. The financial statements of the Redevelopment Agency are included in the reporting entity using the blended method and are reported as a major governmental fund.

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds were secured by a lease agreement with the City and were retired through lease payments from the City. The Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's, the financial data is included in the reporting entity using the blended method.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

City of South Salt Lake
220 East Morris Avenue
Salt Lake City, UT 84115

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (continued)

Joint Ventures

During 1978, the City entered into a joint venture with six other entities with an inter-local agreement to create the Central Valley Water Reclamation Facility (Central Valley), which provides waste water treatment for all seven member entities. The Central Valley facility went on line on February 23, 1988. The original cost of the project was \$131,168,137, of which 59% or \$78,031,036 was paid by the member entities. The City's portion of the cost was 5.6% or \$4,498,316. During 1994, the City increased its equity in Central Valley by \$558,828. During 2004, the City increased its equity in Central Valley by \$993,821. During 2005, the City decreased its equity in Central Valley by \$278,529. The seven member entities contribute amounts to Central Valley on an annual basis to fund capital enhancements based on their ownership percentage and capital expansion based on the growth in their plant usage.

The seven member entities and their related ownership interest, as of December 31, 2016, are as follows:

	Original	New			
	Facility	Expansion	Enhancements	Digesters	Secondaries
Cottonwood Improvement District	19.569 %	7.3215 %	18.1191 %	8.042 %	7.1225 %
Mt. Olympus Improvement District	25.622	23.6177	24.7780	20.080	22.6557
Granger-Hunter Improvement District	21.124	25.4755	20.2376	25.050	24.9005
Kearns Improvement District	5.978	24.0002	11.2654	28.435	25.7112
Murray City	8.892	6.8421	8.0168	6.280	6.6882
City of South Salt Lake	6.120	2.5074	5.0980	1.378	2.5857
Taylorsville-Bennion Improvement District	<u>12.695</u>	<u>10.2356</u>	<u>12.4851</u>	<u>10.735</u>	<u>10.3362</u>
	<u>100.000 %</u>	<u>100.0000 %</u>	<u>100.0000 %</u>	<u>100.000 %</u>	<u>100.0000 %</u>

Effective January 1, 2017, Central Valley implemented amendments to the interlocal agreement regarding ownership. The amendments define the Post-2016 beneficial ownership and each members' undivided beneficial ownership interest in Central Valley as a percentage of the net value of all ownership categories of Central Valley as of the most recent annual audit. The Post-2016 beneficial ownership and valuation of each member's undivided beneficial ownership interest will then be recomputed on an annual basis at the end of each calendar year, as outlined in the interlocal agreement.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (continued)

Effective January 1, 2017, the ownership percentages are as follows:

Cottonwood Improvement District	16.85 %
Mt. Olympus Improvement District	24.82
Granger-Hunter Improvement District	22.03
Kearns Improvement District	10.53
Murray City	8.37
City of South Salt Lake	5.21
Taylorsville-Bennion Improvement District	<u>12.19</u>
	<u><u>100.00 %</u></u>

The City accounts for its investment in Central Valley using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2016 and for the year then ended is as follows (in thousands):

Total assets	\$ 94,591
Total net position	84,360
Revenue	13,233
Change in net position	2
The City's interest in:	
Equity	4,575
Net loss	(234)

During the current year, the City contributed \$419,216 for capital enhancements. The net amount of equity interest in Central Valley Water Reclamation Facility at June 30, 2017 is \$4,575,179 and is recorded in the Sewer Utility Fund. Costs associated with the joint venture for the year ended June 30, 2017 were \$1,207,511, which includes \$234,349 amortization of the City's investment in Central Valley.

Amounts reported in the financial statements as investments in Central Valley reflect both the amounts paid by the City and the City's pro rata share of capital grants made by the federal government. The City's pro rata share of capital grants made by the federal government, net of amortization at June 30, 2017, is \$967,777.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (continued)

The Central Valley operating and maintenance costs are paid by the seven member entities based on their usage of the treatment plant. All costs are passed through to the member entities. The City's portion of Central Valley's operating costs and the related percentage of plant usage for the last three years are as follows:

<u>Year</u>	<u>Operating Costs</u>	<u>Percentage of Plant</u>
2017	\$973,162	6.42%
2016	\$771,842	5.63%
2015	\$727,616	5.15%

A copy of the Central Valley Water Reclamation Facility audited financial statements may be obtained by writing to the Central Valley Water Reclamation Facility at 800 West Central Valley Road, Salt Lake City, UT 84119-3379.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate date from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The *capital projects fund* accounts for the resources required for major capital improvements of the City.

The *redevelopment agency* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation – Fund Financial Statements (continued)

The government reports the following major enterprise funds:

The *water utility fund* accounts for the activities of the water distribution system of the City.

The *sewer utility fund* accounts for the activities of the joint venture (described in Note 1.B.), the sewage pumping stations, and the collection system.

The *ambulance services fund* accounts for the activities of the ambulance and paramedic services of the City.

Additionally, the government reports the following fund types:

Internal service funds account for insurance provided to other departments or agencies of the government on a cost reimbursement basis.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, energy sales and use taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary Procedures and Budgetary Basis of Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. The following are the legal procedures followed by the City:

- 1) On or before the first regularly scheduled meeting of the City Council in May, the City's Mayor, authorized under state statute to be appointed budget officer, submits a proposed operating budget for governmental fund types for which budgetary control is required by Utah State statute (i.e., General Fund, Capital Projects Funds, Debt Service Funds, and Special Revenue Funds), and an operating and capital budget for all proprietary fund types for the subsequent fiscal year. The budget documents include the proposed budget amounts requested by the department heads, along with the proposed budget amounts requested by the Mayor.
- 2) A public hearing is held to receive input on all aspects of the proposed budget. The hearing is preceded by a notice in the local newspaper. The notice is given at least seven days before the hearing and includes the time, date, and place of the hearing. All budget documents are required to be available for public inspection ten days prior to the public hearing.
- 3) On or before June 22, a final balanced budget must be adopted for the subsequent fiscal year beginning July 1.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Procedures and Budgetary Basis of Accounting (continued)

- 4) The legal budgetary control is maintained at the departmental level. The Mayor, however, acting as budget officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- 5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- 6) A public hearing, as required in (2) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- 7) Monthly interim financial reports are prepared by the Finance Director and presented to the City Council. These reports contain a budgetary statement showing a comparison of budget to actual for all budgetary funds of the City. Special budgetary reports, using an operating and capital expenditure concept, are prepared for proprietary funds.

The budgets presented for the General Fund, Capital Projects Funds and Redevelopment Agency are designated as revised budgets. Throughout the year, the City Council approves all expenditures and makes amendments to the City's budget. Near year end, the City Council makes final amendments to the budget.

The budget passed for the Capital Projects Funds is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

No budget is presented in these financial statements for the Proprietary Funds. Utah state law allows the City Council to amend the Proprietary Funds budgets without public hearing or public notice. Additional budgetary appropriations were necessary during the year ended June 30, 2017 for the Sewer Utility and Housing funds.

G. Cash and Cash Equivalents

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

For purposes of the statement of cash flows, the Water Utility, Sewer Utility, Solid Waste Collection, Ambulance Services, and Housing Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Restricted Cash and Cash Equivalents

Certain resources set aside for bond repayment are classified as restricted cash and cash equivalents on the balance sheet because their use is limited by applicable bond covenants. Other cash and cash equivalents accounts are restricted by state law or collateral requirements.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Ambulance Services Fund Accounts Receivable and Revenue

Accounts receivable in the Ambulance Services Fund is shown net of an allowance for uncollectibles of \$341,436 as of June 30, 2017. Management determines the allowance for uncollectibles by using historical experience applied to the receivable balance. Ambulance fees in the Ambulance Services Fund are reported net of write-offs and contractual adjustments of \$2,102,233.

J. Capital Assets

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

Capital assets in the government-wide financial statements and in the fund financial statements for proprietary funds are reported in the statement of net position. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to June 30, 1994) have been valued at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Outfall lines	60
Sewage collection	60
Water storage towers	50
Water distribution mains	50
Pump houses	25 to 40
Pumping stations	33
Wells and reservoirs	10 to 25
Meters and hydrants	10
Buildings	15
Office equipment	5 to 10
Machinery and equipment	5 to 20
Vehicles	7
Infrastructure	10 to 50

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position.

L. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

M. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

O. Compensated Absences

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in governmental funds only if the liability has matured as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

Employees can carry-over up to twenty-one days of unused vacation each year. The vacation year ends on March 31. Employees may carry-over up to twelve days of unused sick leave each year with the remaining time converted to cash at 10-50% of the hourly rate. When employees terminate, they are paid for accumulated vacation and one-half their normal rate for accumulated sick leave, if certain criteria are met.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Q. Taxes and Other Significant Revenue

Property and Other Taxes

Property tax is assessed, levied, and collected by the county governments in the state of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a tax rate of .007 of the taxable value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year. Taxes on an individual piece of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a routine basis.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Taxes and Other Significant Revenue (continued)

Property tax revenues are recognized when they become available. Available includes those property taxes collected from the taxpayers by the County Treasurer by June 30 of each year. Amounts that are measurable but not available are recorded as deferred revenue. An accrual was made for property taxes receivable and an offsetting deferred inflow of resources in the amount of \$4,827,054 at June 30, 2017. Property taxes become an enforceable lien on January 1 but are not due until November 30.

Transient room tax and the municipal telecommunications tax are collected by the State Tax Commission and remitted to the City monthly. Energy sales and use taxes are collected and remitted to the City by the electric and natural gas companies monthly, and the cable television company semiannually.

Sales Taxes

In accordance with the Local Sales and Use Tax Act (title 59, Chapter 12, Part 2, Utah Code Annotated 1953, as amended), the City presently levies a local sales and use tax of 1.00% on all taxable sales of goods and services. The local sales and use tax is collected by the Utah State Tax Commission and distributed monthly to the City of South Salt Lake and all other counties and municipalities in Utah.

The distributions are based on a formula which provides that; 1) 50% of each dollar of sales tax collections will be distributed on the basis of the local government's pro-rata share of the state population and, 2) 50% of each dollar of sales tax collections will be distributed on the basis on the point of sale.

The City also imposes the city or town options sales and use tax at a rate of 0.2 percent, as allowed for under Utah Code §59-12-2103.

R. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water utility, sewer utility, and ambulance services funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. Pensions

For purposes of measuring the net pension asset, 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.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Deferred Outflows/Inflows of Resources

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. 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.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “net pension asset, net pension liability, and related deferred outflows and inflows are not available resources or payable in the current period and, therefore, are not reported in the funds.” The details of this \$3,838,563 difference are as follows:

Net pension asset	\$ 68,049
Deferred outflows of resources relating to pensions	4,309,748
Net pension liability	(6,548,004)
Deferred inflows of resources relating to pensions	<u>(1,668,356)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (3,838,563)</u></u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$15,020,574 difference are as follows:

Bonds payable	\$ 13,515,000
Capital leases payable	733,535
Accrued interest payable	208,876
Compensated absences	<u>563,163</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 15,020,574</u></u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$468,384 difference are as follows:

Capital outlay	\$ 2,058,539
Depreciation expense	<u>(2,526,923)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (468,384)</u>

Another element of that reconciliation states that “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 details of this \$561,648 difference are as follows:

Debt issued:	
Capital lease financing	\$ (80,199)
Principal repayments	<u>641,847</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 561,648</u>

Another element of that reconciliation states that “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 governmental funds.” The details of this \$538,672 difference are as follows:

Compensated absences	\$ (12,901)
Accrued net pension	(535,926)
Accrued interest	<u>10,155</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (538,672)</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS

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

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

a. Deposits

	Bank	Book
	<u>Balances</u>	<u>Balances</u>
Cash on hand	\$ -	\$ 2,950
Cash on deposit	<u>1,479,876</u>	<u>127,556</u>
 TOTAL	 <u>1,479,876</u>	 <u>130,506</u>

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, \$1,229,876 of the City's bank balances of \$1,479,876 was uninsured and uncollateralized.

b. Investments

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

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

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

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

b. Investments (continued)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2017, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	\$ 21,664,123	\$ 21,664,123	\$ -	\$ -	\$ -

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2017, the City's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 5,333,654	\$ 506,755	\$ -	\$ 5,840,409
Construction in progress	<u>411,122</u>	<u>453,587</u>	<u>(293,122)</u>	<u>571,587</u>
Total capital assets not being depreciated	<u>5,744,776</u>	<u>960,342</u>	<u>(293,122)</u>	<u>6,411,996</u>
Capital assets being depreciated:				
Buildings	22,807,178	460,104	-	23,267,282
Improvements other than buildings	4,895,967	252,974	-	5,148,941
Machinery and equipment	14,960,914	519,491	(273,043)	15,207,362
Infrastructure	<u>22,812,542</u>	<u>217,750</u>	<u>-</u>	<u>23,030,292</u>
Total capital assets being depreciated	<u>65,476,601</u>	<u>1,450,319</u>	<u>(273,043)</u>	<u>66,653,877</u>
Less accumulated depreciation for:				
Buildings	(8,585,532)	(619,688)	-	(9,205,220)
Improvements other than buildings	(1,390,829)	(191,798)	-	(1,582,627)
Machinery and equipment	(8,182,571)	(1,066,911)	218,760	(9,030,722)
Infrastructure	<u>(7,618,192)</u>	<u>(648,526)</u>	<u>-</u>	<u>(8,266,718)</u>
Total accumulated depreciation	<u>(25,777,124)</u>	<u>(2,526,923)</u>	<u>218,760</u>	<u>(28,085,287)</u>
Total capital assets being depreciated, net	<u>39,699,477</u>	<u>(1,076,604)</u>	<u>(54,283)</u>	<u>38,568,590</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 45,444,253</u>	<u>\$ (116,262)</u>	<u>\$ (347,405)</u>	<u>\$ 44,980,586</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 762,825	\$ -	\$ -	\$ 762,825
Total capital assets not being depreciated	<u>762,825</u>	<u>-</u>	<u>-</u>	<u>762,825</u>
Capital assets being depreciated:				
Buildings	2,612,575	-	(10,628)	2,601,947
Improvements other than buildings	17,124,702	493,283	(16,131)	17,601,854
Machinery and equipment	<u>4,160,579</u>	<u>333,042</u>	<u>-</u>	<u>4,493,621</u>
Total capital assets being depreciated	<u>23,897,856</u>	<u>826,325</u>	<u>(26,759)</u>	<u>24,697,422</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	\$ (1,109,958)	\$ (89,760)	\$ 3,730	\$ (1,195,988)
Improvements other than buildings	(8,414,735)	(390,960)	15,174	(8,790,521)
Machinery and equipment	<u>(2,904,220)</u>	<u>(240,549)</u>	-	<u>(3,144,769)</u>
Total accumulated depreciation	<u>(12,428,913)</u>	<u>(721,269)</u>	18,904	<u>(13,131,278)</u>
Total capital assets being depreciated, net	<u>11,468,943</u>	<u>105,056</u>	<u>(7,855)</u>	<u>11,566,144</u>
 BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 12,231,768</u>	<u>\$ 105,056</u>	<u>\$ (7,855)</u>	<u>\$ 12,328,969</u>
 Depreciation expense was charged to functions/programs of the primary government as follows:				
 GOVERNMENTAL ACTIVITIES:				
General government				\$ 568,819
Public safety				840,552
Highways and public improvements				960,718
Parks and recreation				<u>156,834</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES				<u>2,526,923</u>
 BUSINESS-TYPE ACTIVITIES:				
Water				529,833
Sewer				146,350
Ambulance services				41,951
Housing				<u>3,135</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES				<u>721,269</u>
 TOTAL DEPRECIATION EXPENSE				<u>\$ 3,248,192</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital projects	Redevelopment agency	<u>\$ 1,812,609</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

A portion of the interfund payable balance in the Redevelopment Agency reflects the amount due to the capital projects fund for loans made in 1992, 1993, and 1994. The original 1992 loan, which comprises the majority of the total loan amount, was made to finance major housing rehabilitation projects in the Park Creek and Southbrook areas of the City. Debt service on the loan is made with tax increment proceeds received annually by the Redevelopment Agency. An additional loan of \$1,000,000 was made between the Redevelopment Agency and the capital projects fund during the year ended June 30, 2014. This loan was made to help finance the purchase of property in the Market Station development area. Debt service on the loan will be made using the proceeds from the sale of the property purchased.

<u>Transfer Out:</u>	<u>Transfer In:</u>	<u>Amount</u>
Capital projects fund	Leased equipment debt service fund	\$ 305,335
General fund	Redevelopment agency	1,288,000
Capital projects fund	Ambulance services fund	36,000

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds. During the year ended June 30, 2017, the government made a transfer of \$36,000 from the capital projects fund to the ambulance services fund to provide cash to offset the operating loss in the ambulance services fund.

6. LONG-TERM DEBT

Revenue Bonds

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Amount</u>
Governmental Activities:					
Market Station Urban Renewal	2010	\$ 15,000,000	4.42%	2031	<u>\$ 13,515,000</u>

The City has pledged all future municipal energy sales and use tax and municipal telecommunications license tax revenues, and tax increment revenue from the Market Station project area, to repay \$15 million in Redevelopment Agency excise tax and tax increment bonds issued in December 2010. The bonds are payable solely from municipal energy sales and use and municipal telecommunications license tax revenues, and tax increment revenue from the Market Station project area. Pledged taxes were projected to produce 213% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$18,249,593, payable through November 2030. For the current year, principal and interest paid and total municipal energy sales and use tax and municipal telecommunications license tax revenues were \$944,877 and \$3,199,737, respectively.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Purpose	Issue Date	Original Borrowing	Interest Rates	Final Maturity	Amount
Business-type Activities:					
Water system improvements	2001	\$ 3,000,000	2.40%	2022	\$ 889,000
Wastewater treatment	2002	1,230,000	0.00%	2022	<u>307,500</u>
TOTAL					<u>\$ 1,196,500</u>

The City has pledged future revenues of the City's water system to repay \$3 million in water revenue bonds issued in April 2001. The bonds are payable solely from revenues of the City's water system and are payable through January 2022. The total principal and interest remaining to be paid on the bonds is \$954,016. Principal and interest paid for the current year and total water utility fund operating income (excluding depreciation) were \$190,296 and \$615,974, respectively.

The City has pledged future sewer revenues, net of specified operation and maintenance expenses, to repay \$1.23 million in sewer revenue bonds issued in August 2002. The bonds are payable solely from the net revenues of the City's sewer utility fund and are payable through February 2022. The City has also pledged future sewer net revenues to repay its portion of \$35 million in sewer revenue bonds issued by Central Valley Water Reclamation Facility in April 2005. The City's portion of these bonds was \$464,493. These bonds were paid off during the current year. The total principal and interest remaining to be paid on the sewer revenue bonds is \$307,500. Principal and interest paid for the current year and total sewer utility fund net revenues were \$330,861 and \$527,965, respectively.

Revenue bond debt service requirements to maturity are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 665,000	\$ 582,666	\$ 230,500	\$ 21,336
2019	705,000	552,390	235,500	17,280
2020	755,000	520,123	239,500	13,104
2021	805,000	485,648	243,500	8,832
2022	770,000	450,840	247,500	4,464
2023-2027	4,725,000	1,674,627	-	-
2028-2031	5,090,000	468,299	-	-
TOTAL	<u>\$ 13,515,000</u>	<u>\$ 4,734,593</u>	<u>\$ 1,196,500</u>	<u>\$ 65,016</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds payable:					
Revenue bonds	\$ 13,855,000	\$ -	\$ (340,000)	\$ 13,515,000	\$ 665,000
Total bonds payable	13,855,000	-	(340,000)	13,515,000	665,000
Capital leases	955,183	80,199	(301,847)	733,535	308,783
Compensated absences	550,262	614,634	(601,733)	563,163	347,580
GOVERNMENTAL ACTIVITIES					
LONG-TERM LIABILITIES	<u>\$ 15,360,445</u>	<u>\$ 694,833</u>	<u>\$ (1,243,580)</u>	<u>\$ 14,811,698</u>	<u>\$ 1,321,363</u>
BUSINESS-TYPE ACTIVITIES:					
Bonds payable:					
2001 taxable water revenue bonds	\$ 1,054,000	\$ -	\$ (165,000)	\$ 889,000	\$ 169,000
2002 taxable sewer revenue bonds	369,000	-	(61,500)	307,500	61,500
Central Valley taxable sewer revenue bonds	261,419	-	(261,419)	-	-
Total bonds payable	1,684,419	-	(487,919)	1,196,500	230,500
Compensated absences	53,674	59,746	(62,616)	50,804	28,407
BUSINESS-TYPE ACTIVITIES					
LONG-TERM LIABILITIES	<u>\$ 1,738,093</u>	<u>\$ 59,746</u>	<u>\$ (550,535)</u>	<u>\$ 1,247,304</u>	<u>\$ 258,907</u>

Compensated absences in the governmental activities are generally liquidated by the General Fund.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. CAPITAL LEASES

During fiscal year 2014, the City entered into a lease agreement as lessee for financing the acquisition of fire equipment valued at \$1,000,152. During fiscal year 2015, the City entered into a lease agreement as lessee for financing the acquisition of public works equipment valued at \$418,660. During fiscal year 2017, the City entered into a lease agreement as lessee for financing the acquisition of public works equipment valued at \$80,199. This year, \$74,613 was included in depreciation expense. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates.

The assets acquired through the capital leases are as follows:

Assets:

Machinery and equipment	\$ 1,499,011
Less: accumulated depreciation	<u>(217,241)</u>
TOTAL	<u>\$ 1,281,770</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Year Ending June 30,</u>	
2018	\$ 325,385
2019	325,385
2020	<u>111,073</u>
Total minimum lease payments	761,843
Less: amount representing interest	<u>(28,308)</u>
Present value of minimum lease payments	<u>\$ 733,535</u>

8. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities and equipment. The bonds are secured by the property financed and are payable solely from payments received on the underlying loans. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2017, there was one series of Industrial Development Revenue Bonds outstanding, with an outstanding principal balance of \$338,222.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT SYSTEMS AND PENSION PLANS

General Information about the Pension Plan

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

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement 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 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

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

Summary of Benefits by System

<u>System</u>	<u>Final Average Salary</u>	<u>Years of service required and/or age eligible for benefit</u>	<u>Benefit percentage per year of service</u>	<u>COLA**</u>
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

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

<u>System</u>	<u>Final Average Salary</u>	<u>Years of service required and/or age eligible for benefit</u>	<u>Benefit percentage per year of service</u>	<u>COLA**</u>
Firefighters 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 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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, 2017 are as follows:

<u>Utah Retirement Systems</u>	<u>Employee</u>	<u>Employer</u>	<u>Employer</u>
		<u>Employee</u>	<u>401(k)</u>
Contributory System			
111 - Local Governmental Division Tier 2	N/A	14.91%	1.78%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety Retirement System			
Contributory System			
122 - Tier 2 DB Hybrid Public Safety	N/A	23.66%	1.33%
Noncontributory System			
75 - Other Division A with 4% COLA	N/A	35.71%	N/A
Firefighters System			
31 - Other Division A	15.05%	3.89%	N/A
132 - Tier 2 DB Hybrid Firefighters	N/A	10.75%	1.33%
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%
222 - Public Safety	N/A	12.99%	12.00%
232 - Firefighters	N/A	0.08%	12.00%

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

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 685,959	N/A
Public Safety System	874,983	-
Firefighters System	98,315	-
Tier 2 Public Employees System	254,533	-
Tier 2 Public Safety and Firefighters System	194,686	-
Tier 2 DC Only System	19,209	N/A
Tier 2 DC Public Safety and Firefighter System	1,883	N/A
Total contributions	\$ 2,129,568	\$ -

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

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

At June 30, 2017, the City reported a net pension asset of \$84,251 and a net pension liability of \$6,859,982.

	Measurement Date: December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share Dec. 31, 2015	Change
	\$	\$	%	%	%
Noncontributory System	\$ -	\$ 3,064,585	0.4772586%	0.4638931%	0.0133655%
Public Safety System	-	3,774,940	1.8602397%	1.8786968%	-0.0184571%
Firefighters System	75,694	-	9.6015631%	9.6025888%	-0.0010257%
Tier 2 Public Employees System	-	20,457	0.1833915%	0.1485526%	0.0348389%
Tier 2 Public Safety and Firefighters System	8,557	-	0.9858136%	0.7412166%	0.2445970%
Total Net Pension Asset/Liability	\$ 84,251	\$ 6,859,982			

The net pension asset and liability were measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, the City recognized pension expense of \$2,482,059.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

At June 30, 2017, the City 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	\$ 72,890	\$ 570,565
Changes in assumptions	1,470,918	475,788
Net difference between projected and actual earnings on pension plan investments	2,082,680	607,004
Changes in proportion and differences between contributions and proportionate share of contributions	59,920	181,211
Contributions subsequent to the measurement date	<u>1,022,337</u>	-
Total	<u>\$ 4,708,745</u>	<u>\$ 1,834,568</u>

\$1,022,337 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2017	\$ 527,545
2018	619,248
2019	765,768
2020	(112,416)
2021	(13,137)
Thereafter	64,834

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

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

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

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

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

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

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

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 6,347,793	\$ 3,064,585	\$ 324,927
Public Safety System	7,851,020	3,774,940	461,643
Firefighters System	2,737,262	(75,694)	(2,358,126)
Tier 2 Public Employees System	139,245	20,457	(69,911)
Tier 2 Public Safety and Firefighter	59,871	(8,557)	(61,143)
Total	<u>\$ 17,135,191</u>	<u>\$ 6,775,731</u>	<u>\$ (1,702,610)</u>

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

Defined Contribution Savings 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.

The City of South Salt Lake participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan
- Traditional IRA Plan

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

	2017	2016	2015
401(k) Plan			
Employer Contributions	\$ 384,292	\$ 340,337	\$ 341,814
Employee Contributions	246,546	221,331	215,292
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	207,053	203,228	206,810
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	47,313	26,660	22,368
Traditional IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	8,600	8,160	2,210

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT

The City of South Salt Lake, as a provider of municipal services, is exposed to a number of risks. Among these are; police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur.

There has not been any reduction in insurance coverage in the past year for any insurance category. The amounts of settlements for any of the past three years have not exceeded coverage amounts.

The City of South Salt Lake contracts with commercial insurance coverage for general liability, auto liability, law enforcement liability and public official's errors and omissions type risks. The City maintains an Insurance Reserve Fund to fund deductibles and small equipment losses. As a result, the City does not have any outstanding insurance liabilities from year to year. However, the City does have annual expenses, which change.

For the year ended June 30, 2017, the Insurance Reserve Fund paid \$607,123 in expenses. Current expenses include insurance deductible for insurance coverage and claims on uninsured property such as police and other City vehicles and small trucks, legal fees and insurance premiums.

11. REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17C-1-605(2), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2017:

A. The tax increment collected by the Agency for each project area is as follows:

Project Area	2017
Upper Millcreek	\$ 53,858
Post Office Place	93,566
Metro - Center	22,664
Westech	<u>132,589</u>
 TOTAL	 <u>\$ 302,677</u>

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with project areas is as follows:

Project Area	2017
Excise tax and tax increment revenue bonds	\$ 13,515,000
Interfund notes payable	<u>1,812,609</u>
	<u>\$ 15,327,609</u>

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. REDEVELOPMENT AGENCY (CONTINUED)

D. The actual amount expended for:

Administrative costs of the Agency	\$ 408,290
Principal on bonds payable	340,000
Interest and fiscal charges on bonds	604,877
Market Station improvement costs	1,351,102
Loss on impairment of property held for sale	<u>1,862,546</u>
	<u><u>\$ 4,566,815</u></u>

12. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of most of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

13. COMMITMENTS

Central Valley Water Reclamation Facility - the City has committed with six other entities to fund future capital projects of the Central Valley Water Reclamation Facility.

During the year ended June 30, 2015, the City entered into an agreement with Salt Lake County for the installation of new street lighting on State Street. As of June 30, 2017, the City had a remaining commitment of approximately \$75,000 under the agreement.

During the year ended June 30, 2017, the City entered into an agreement with a contractor to upgrade traffic signals in four intersections on 2700 South. As of June 30, 2017, the City had a remaining commitment of approximately \$300,000 under the agreement.

During the year ended June 30, 2017, the City entered into an agreement with a contractor for the Central Park restroom project. As of June 30, 2017, the City had a remaining commitment of approximately \$150,000 under the agreement.

During the year ended June 30, 2017, the City entered into an agreement with a contractor for a City Hall HVAC control project. As of June 30, 2017, the City had a remaining commitment of \$83,000 under the agreement.

CITY OF SOUTH SALT LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, Central Valley Water Reclamation Facility issued approximately \$28,600,000 in revenue bonds for capital improvements to the plant. The bonds mature in 20 years and bear interest at 3.00% to 5.00%. The City's portion of the liability is approximately \$2,900,000, and estimated annual debt service is approximately \$225,000.

Also subsequent to June 30, 2017, the City Council authorized the purchase of three ambulance vehicles. The estimated total cost of the acquisition is approximately \$580,000. The purchase and delivery of the vehicles will be finalized in December 2017.

Subsequent to June 30, 2017, the City executed a contract with a contractor to install new traffic signals at the 400 East Streetcar crossing. The amount of the contract is approximately \$112,000.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SOUTH SALT LAKE

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Variance with Final Budget-	
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Property taxes	\$ 5,143,147	\$ 5,143,147	\$ 5,246,134	\$ 102,987
Sales taxes	10,990,581	11,018,581	10,370,941	(647,640)
Other taxes	3,428,000	3,428,000	3,242,318	(185,682)
Licenses and permits	1,580,000	1,598,000	1,883,342	285,342
Intergovernmental	2,942,796	3,852,796	2,794,912	(1,057,884)
Charges for services	307,000	342,000	639,188	297,188
Fines and forfeitures	1,110,000	1,110,000	937,493	(172,507)
Investment earnings	40,000	40,000	74,045	34,045
Rental income	365,000	365,000	310,479	(54,521)
Miscellaneous revenues	359,193	386,743	306,120	(80,623)
TOTAL REVENUES	26,265,717	27,284,267	25,804,972	(1,479,295)
EXPENDITURES:				
Current:				
General government:				
Administrative	1,910,000	1,984,070	1,932,210	51,860
City council	253,600	253,600	206,620	46,980
Municipal court	750,950	750,950	667,396	83,554
City attorney	666,800	666,800	659,164	7,636
City hall building	385,000	385,000	376,747	8,253
Public buildings	437,100	463,100	411,210	51,890
Public safety:				
Police department	7,563,503	7,564,583	7,430,274	134,309
Dispatching	517,000	517,000	513,911	3,089
Urban livability	671,800	673,800	556,951	116,849
Fire department	4,806,500	4,806,500	4,537,651	268,849
Highways and public improvements:				
Streets and highways	2,361,750	2,361,750	1,946,603	415,147
Engineering	189,200	194,200	165,415	28,785
Public assets	572,000	572,000	556,471	15,529
Building and planning services	912,825	912,825	840,921	71,904
Parks, recreation and culture:				
Recreation	451,750	451,750	429,617	22,133
Parks	370,450	370,850	319,357	51,493
SSL Promise	2,101,989	3,011,989	2,320,536	691,453
Community events	136,500	176,500	147,867	28,633
Capital outlay: Highways and public improvements - Streets	170,000	170,000	232,930	(62,930)
TOTAL EXPENDITURES	25,228,717	26,287,267	24,251,851	2,035,416
EXCESS OF REVENUES OVER EXPENDITURES	1,037,000	997,000	1,553,121	556,121
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	(1,288,000)	(1,288,000)	(1,288,000)	-
Sale of capital assets	1,000	1,000	276	(724)
TOTAL OTHER FINANCING SOURCES (USES)	(1,287,000)	(1,287,000)	(1,287,724)	(724)
NET CHANGE IN FUND BALANCES	(250,000)	(290,000)	265,397	555,397
FUND BALANCES - BEGINNING	4,084,865	4,084,865	4,084,865	-
FUND BALANCES - ENDING	\$ 3,834,865	\$ 3,794,865	\$ 4,350,262	\$ 555,397

CITY OF SOUTH SALT LAKE

REDEVELOPMENT AGENCY

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 250,000	\$ 250,000	\$ 302,677	\$ 52,677
Investment earnings	-	-	431	431
Rental income	-	-	2,012	2,012
TOTAL REVENUES	250,000	250,000	305,120	55,120
EXPENDITURES:				
Current:				
General government:	516,000	516,000	408,290	107,710
Highways and public improvements	2,025,000	2,025,000	1,351,102	673,898
Redevelopment	75,000	75,000	-	75,000
Debt Service:				
Principal retirement	340,000	340,000	340,000	-
Interest and fiscal charges	605,000	605,000	604,877	123
Capital Outlay:				
Purchase of property acquired for redevelopment	-	-	-	-
TOTAL EXPENDITURES	3,561,000	3,561,000	2,704,269	856,731
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,311,000)	(3,311,000)	(2,399,149)	911,851
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	1,288,000	1,288,000	1,288,000	-
Proceeds from sale of property acquired for redevelopment	3,074,450	3,074,450	3,068,200	(6,250)
Property sale closing costs	<u>(200,000)</u>	<u>(200,000)</u>	<u>(15,420)</u>	<u>184,580</u>
TOTAL OTHER FINANCING SOURCES (USES)	4,162,450	4,162,450	4,340,780	178,330
NET CHANGE IN FUND BALANCES	851,450	851,450	1,941,631	1,090,181
FUND BALANCES - BEGINNING	9,155,500	9,155,500	9,155,500	-
FUND BALANCES - ENDING	\$ 10,006,950	\$ 10,006,950	\$ 11,097,131	\$ 1,090,181

CITY OF SOUTH SALT LAKE

**SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
(Provided by Utah Retirement Systems)**

**JUNE 30, 2017
LAST 10 FISCAL YEARS***

	Noncontributory System	Public Safety System	Firefighters System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
<u>2017</u>					
Proportion of the net pension liability (asset)	47.7258600%	1.8602397%	9.6015631%	0.1833915%	0.9858136%
Proportionate share of the net pension liability (asset)	\$ 3,064,585	\$ 3,774,940	\$ (75,694)	\$ 20,457	\$ (8,557)
Covered employee payroll	\$ 3,914,785	\$ 2,734,900	\$ 2,848,274	\$ 1,503,949	\$ 814,504
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	78.28%	138.03%	-2.66%	1.36%	-1.05%
Plan fiduciary net position as a percentage of its covered employee payroll	87.3%	86.5%	100.4%	95.1%	103.6%
<u>2016</u>					
Proportion of the net pension liability (asset)	0.4638931%	1.8786968%	9.6025888%	0.1485526%	0.7412166%
Proportionate share of the net pension liability (asset)	\$ 2,624,933	\$ 3,365,218	\$ (173,922)	\$ (324)	\$ (10,829)
Covered employee payroll	\$ 3,845,815	\$ 2,803,802	\$ 2,726,926	\$ 959,808	\$ 441,213
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	68.25%	120.02%	-6.38%	-0.03%	-2.45%
Plan fiduciary net position as a percentage of its covered employee payroll	87.8%	87.1%	101.0%	100.2%	110.7%
<u>2015</u>					
Proportion of the net pension liability (asset)	0.4844024%	1.9929293%	10.1011834%	0.1525036%	0.3347151%
Proportionate share of the net pension liability (asset)	\$ 2,103,389	\$ 2,506,274	\$ (576,412)	\$ (4,622)	\$ (4,952)
Covered employee payroll	\$ 4,029,647	\$ 3,049,752	\$ 2,789,645	\$ 748,865	\$ 138,515
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	52.20%	82.18%	-20.66%	-0.62%	-3.58%
Plan fiduciary net position as a percentage of its covered employee payroll	90.2%	90.5%	103.5%	103.5%	120.5%

* GASB 68 was implemented in fiscal year 2015; therefore, there is only information for two prior years available for this schedule.

CITY OF SOUTH SALT LAKE

SCHEDULE OF PENSION CONTRIBUTIONS (Provided by Utah Retirement Systems)

JUNE 30, 2017
LAST 10 FISCAL YEARS**

	As of Fiscal Year Ended June 30,	Contributions in Relation to the				Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll ***
		Actuarial Determined Contributions		Contractually Required Contribution	Contribution Deficiency (Excess)		
Noncontributory System	2014	\$ 714,812	\$ 714,812	\$ -	\$ 4,166,753		17.16%
	2015	709,411	709,411	-	3,902,803		18.18%
	2016	682,065	682,065	-	3,804,154		17.93%
	2017	685,959	685,959	-	3,829,211		17.91%
Public Safety System	2014	\$ 961,403	\$ 961,403	\$ -	\$ 3,145,760		30.56%
	2015	962,509	962,509	-	2,937,283		32.77%
	2016	877,139	877,139	-	2,692,988		32.57%
	2017	874,983	874,983	-	2,674,697		32.71%
Firefighters System	2014	\$ 77,323	\$ 77,323	\$ -	\$ 2,748,282		2.81%
	2015	100,933	100,933	-	2,784,354		3.63%
	2016	106,229	106,229	-	2,807,604		3.78%
	2017	98,315	98,315	-	2,679,155		3.67%
Tier 2 Public Employees System*	2014	\$ 81,435	\$ 81,435	\$ -	\$ 583,420		13.96%
	2015	129,757	129,757	-	868,534		14.94%
	2016	175,619	175,619	-	1,177,861		14.91%
	2017	254,533	254,533	-	1,707,553		14.91%
Tier 2 Public Safety and Firefighter System*	2014	\$ 23,024	\$ 23,024	\$ -	\$ 117,746		19.55%
	2015	57,347	57,347	-	253,843		22.59%
	2016	129,495	129,495	-	589,487		21.97%
	2017	194,686	194,686	-	989,937		19.67%
Tier 2 Public Employees DC Only System*	2014	\$ 2,616	\$ 2,616	\$ -	\$ 46,878		5.58%
	2015	3,507	3,507	-	52,047		6.74%
	2016	8,426	8,426	-	125,949		6.69%
	2017	19,209	19,209	-	287,248		6.69%
Tier 2 Public Safety and Firefighter System* DC Only System*	2014	\$ 23	\$ 23	\$ -	\$ 21,205		0.11%
	2015	33	33	-	41,347		0.08%
	2016	37	37	-	46,859		0.08%
	2017	1,883	1,883	-	83,584		2.25%

* 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.

** GASB 68 was implemented in fiscal year 2015; therefore, there is only information for three prior years available for this schedule.

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

CITY OF SOUTH SALT LAKE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

1. GENERAL FUND BUDGETARY INFORMATION

The budget for the general fund is adopted and presented on a basis consistent with U.S. generally accepted accounting principles.

2. REDEVELOPMENT AGENCY BUDGETARY INFORMATION

Following is a reconciliation of redevelopment agency fund balance from budgetary basis to U.S. generally accepted accounting principles (GAAP) basis:

Ending fund balance - budgetary basis	\$ 11,097,131
Impairment loss on property held for sale, not reported as an expenditure under the budgetary basis	(1,847,126)
Proceeds from sale of property acquired for redevelopment, net of gain and closing costs, reported as revenue under the budgetary basis	<u>(3,068,200)</u>
Ending fund balance - GAAP basis	<u>\$ 6,181,805</u>

3. PENSION SCHEDULES

Changes in Assumptions

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

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OTHER SUPPLEMENTARY INFORMATION

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CITY OF SOUTH SALT LAKE

COMBINING STATEMENT OF NET POSITION

NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2017

	Solid Waste Collection Fund	Housing Fund	Total Nonmajor Proprietary Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 302,217	\$ 733,240	\$ 1,035,457
Accounts receivable, net	(274)	8,897	8,623
Due from other governmental units	-	40,517	40,517
TOTAL CURRENT ASSETS	301,943	782,654	1,084,597
Noncurrent assets:			
Capital assets:			
Land	-	458,411	458,411
Buildings	-	62,691	62,691
Less: accumulated depreciation	-	(40,749)	(40,749)
TOTAL NONCURRENT ASSETS	-	480,353	480,353
TOTAL ASSETS	301,943	1,263,007	1,564,950
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources relating to pensions	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-

CITY OF SOUTH SALT LAKE

COMBINING STATEMENT OF NET POSITION (CONTINUED)

NONMAJOR PROPRIETARY FUNDS

JUNE 30, 2017

	Solid Waste Collection Fund	Housing Fund	Total Nonmajor Proprietary Funds
LIABILITIES:			
Current liabilities:			
Accounts payable	36,129	7,767	43,896
Salaries payable	1,363	-	1,363
Unearned revenue	-	15,977	15,977
TOTAL CURRENT LIABILITIES	37,492	23,744	61,236
Noncurrent liabilities:			
Net pension liability	-	-	-
TOTAL NONCURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	37,492	23,744	61,236
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources relating to pensions	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION:			
Net investment in capital assets	-	480,353	480,353
Unrestricted	264,451	758,910	1,023,361
TOTAL NET POSITION	\$ 264,451	\$ 1,239,263	\$ 1,503,714

CITY OF SOUTH SALT LAKE

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION**

NONMAJOR PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Solid Waste Collection Fund	Housing Fund	Total Nonmajor Proprietary Funds
OPERATING REVENUES:			
Solid waste collection fees	\$ 490,349	\$ -	\$ 490,349
Other services	<u>9,880</u>	<u>45,922</u>	<u>55,802</u>
TOTAL OPERATING REVENUES	<u>500,229</u>	<u>45,922</u>	<u>546,151</u>
OPERATING EXPENSES:			
Employee salaries	24,454	-	24,454
Employee benefits	(4,346)	-	(4,346)
Supplies	3,615	-	3,615
Equipment supplies and maintenance	20,887	-	20,887
Repairs and maintenance	-	24,696	24,696
Depreciation	-	3,135	3,135
Waste collection contract	347,295	-	347,295
Sundry expense	-	2,730	2,730
Insurance	2,000	-	2,000
Furniture and equipment	13,867	-	13,867
TOTAL OPERATING EXPENSES	<u>407,772</u>	<u>30,561</u>	<u>438,333</u>
OPERATING INCOME	<u>92,457</u>	<u>15,361</u>	<u>107,818</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	-	1,689	1,689
Federal grant revenue	-	40,516	40,516
Housing program expenses	-	(55,797)	(55,797)
Loss on housing loans relinquished to County	<u>-</u>	<u>(750,916)</u>	<u>(750,916)</u>
TOTAL NONOPERATING REVENUES	<u>-</u>	<u>(764,508)</u>	<u>(764,508)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>92,457</u>	<u>(749,147)</u>	<u>(656,690)</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>92,457</u>	<u>(749,147)</u>	<u>(656,690)</u>
NET POSITION - BEGINNING	<u>171,994</u>	<u>1,988,410</u>	<u>2,160,404</u>
NET POSITION - ENDING	<u>\$ 264,451</u>	<u>\$ 1,239,263</u>	<u>\$ 1,503,714</u>

CITY OF SOUTH SALT LAKE

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Solid Waste Collection Fund	Housing Fund	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 505,541	\$ -	\$ 505,541
Payments to suppliers	(379,549)	54,161	(325,388)
Payments to employers	<u>(30,809)</u>	<u>(25,867)</u>	<u>(56,676)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>95,183</u>	<u>28,294</u>	<u>123,477</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Grants and contributions received	-	60,451	60,451
Grants and contributions used	<u>-</u>	<u>(55,797)</u>	<u>(55,797)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>4,654</u>	<u>4,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>-</u>	<u>1,689</u>	<u>1,689</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>1,689</u>	<u>1,689</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,183	34,637	129,820
CASH AND CASH EQUIVALENTS - BEGINNING	<u>207,034</u>	<u>698,603</u>	<u>905,637</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 302,217</u>	<u>\$ 733,240</u>	<u>\$ 1,035,457</u>

CITY OF SOUTH SALT LAKE

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

NONMAJOR PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Solid Waste Collection Fund	Housing Fund	Total Nonmajor Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income			
Operating income	<u>\$ 92,457</u>	<u>\$ 15,361</u>	<u>\$ 107,818</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	3,135	3,135
Net pension adjustment	(10,968)	-	(10,968)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	5,312	8,239	13,551
Increase (decrease) in:			
Accounts payable and accrued liabilities	<u>8,382</u>	<u>1,559</u>	<u>9,941</u>
 TOTAL ADJUSTMENTS			
 TOTAL ADJUSTMENTS	<u>2,726</u>	<u>12,933</u>	<u>15,659</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES			
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 95,183</u>	<u>\$ 28,294</u>	<u>\$ 123,477</u>

CITY OF SOUTH SALT LAKE

LEASED EQUIPMENT DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES:				
Investment earnings	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
TOTAL REVENUES	_____ -	_____ -	_____ -	_____ -
EXPENDITURES:				
Debt Service:				
Principal retirement	282,500	282,500	281,797	703
Interest and fiscal charges	27,800	27,800	23,538	4,262
TOTAL EXPENDITURES	310,300	310,300	305,335	4,965
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(310,300)	(310,300)	(305,335)	4,965
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	310,300	310,300	305,335	(4,965)
TOTAL OTHER FINANCING SOURCES (USES)	310,300	310,300	305,335	(4,965)
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING	_____ -	_____ -	_____ -	_____ -
FUND BALANCES - ENDING	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

CITY OF SOUTH SALT LAKE

CAPITAL PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Sales taxes	\$ 1,420,419	\$ 1,447,419	\$ 3,113,738	\$ 1,666,319
Intergovernmental	2,124,500	2,184,500	1,110,007	(1,074,493)
Impact fees	-	-	13,416	13,416
Investment earnings	65,000	65,000	152,926	87,926
Miscellaneous revenues	-	5,000	33,000	28,000
TOTAL REVENUES	<u>3,609,919</u>	<u>3,701,919</u>	<u>4,423,087</u>	<u>721,168</u>
EXPENDITURES:				
Debt service:				
Principal	-	-	20,050	(20,050)
Capital outlay:				
General government	761,000	761,000	315,273	445,727
Public safety	464,000	509,000	444,044	64,956
Highways and public improvements	1,991,000	2,191,000	437,754	1,753,246
Parks and recreation	<u>413,500</u>	<u>1,799,500</u>	<u>1,529,842</u>	<u>269,658</u>
TOTAL EXPENDITURES	<u>3,629,500</u>	<u>5,260,500</u>	<u>2,746,963</u>	<u>2,513,537</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(19,581)</u>	<u>(1,558,581)</u>	<u>1,676,124</u>	<u>3,234,705</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	(390,300)	(390,300)	(341,335)	48,965
Capital leases	-	-	80,199	80,199
Sale of capital assets	<u>55,000</u>	<u>55,000</u>	<u>13,805</u>	<u>(41,195)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(335,300)</u>	<u>(335,300)</u>	<u>(247,331)</u>	<u>87,969</u>
NET CHANGE IN FUND BALANCES	<u>(354,881)</u>	<u>(1,893,881)</u>	<u>1,428,793</u>	<u>3,322,674</u>
FUND BALANCES - BEGINNING	<u>11,509,300</u>	<u>11,509,300</u>	<u>11,509,300</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$11,154,419</u>	<u>\$ 9,615,419</u>	<u>\$12,938,093</u>	<u>\$ 3,322,674</u>

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Statistical Section

City of South Salt Lake

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STATISTICAL SECTION

This part of the City of South Salt Lake's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	86
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	93
These schedules contain information to help the reader assess one of the government's revenue sources, sales taxes.	
Debt Capacity	97
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	103
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	106
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

City of South Salt Lake
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 36,418	\$ 37,994	\$ 40,522	\$ 42,309	\$ 43,342	\$ 43,908	\$ 43,243	\$ 43,232	\$ 44,489	\$ 44,327
Restricted	1,221	1,210	1,064	4,343	3,170	2,461	3,011	2,698	1,601	2,349
Unrestricted	22,045	22,576	22,984	18,475	18,581	15,698	16,106	10,002	10,252	8,234
Total governmental activities net position	<u>\$ 59,684</u>	<u>\$ 61,780</u>	<u>\$ 64,570</u>	<u>\$ 65,127</u>	<u>\$ 65,093</u>	<u>\$ 62,067</u>	<u>\$ 62,360</u>	<u>\$ 55,932</u>	<u>\$ 56,342</u>	<u>\$ 54,910</u>
Business-type activities										
Net investment in capital assets	\$ 9,122	\$ 10,493	\$ 10,450	\$ 10,214	\$ 10,269	\$ 10,752	\$ 10,826	\$ 10,513	\$ 10,809	\$ 11,132
Restricted	864	723	807	808	894	978	1,064	1,147	748	1,001
Unrestricted	9,348	8,011	7,483	7,452	7,442	7,638	7,464	7,323	8,666	7,872
Total business-type activities net position	<u>\$ 19,334</u>	<u>\$ 19,227</u>	<u>\$ 18,740</u>	<u>\$ 18,474</u>	<u>\$ 18,605</u>	<u>\$ 19,368</u>	<u>\$ 19,354</u>	<u>\$ 18,983</u>	<u>\$ 20,223</u>	<u>\$ 20,005</u>
Primary government										
Net investment in capital assets	\$ 45,540	\$ 48,487	\$ 50,972	\$ 52,523	\$ 53,611	\$ 54,660	\$ 54,069	\$ 53,745	\$ 55,298	\$ 55,459
Restricted	2,085	1,933	1,871	5,151	4,064	3,439	4,075	3,845	2,349	3,350
Unrestricted	31,393	30,587	30,467	25,927	26,023	23,336	23,570	17,325	18,918	16,106
Total primary government net position	<u>\$ 79,018</u>	<u>\$ 81,007</u>	<u>\$ 83,310</u>	<u>\$ 83,601</u>	<u>\$ 83,698</u>	<u>\$ 81,435</u>	<u>\$ 81,714</u>	<u>\$ 74,915</u>	<u>\$ 76,565</u>	<u>\$ 74,915</u>

* GASB 68 implemented in FY 2015

Source: South Salt Lake Finance Department

City of South Salt Lake
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General government	\$ 4,217	\$ 3,920	\$ 4,538	\$ 5,823	\$ 5,386	\$ 5,430	\$ 6,489	\$ 5,224	\$ 5,122	\$ 5,367
Public safety	12,970	12,627	13,103	13,238	13,445	13,721	13,683	13,418	13,639	14,444
Highways and public improvements	3,994	4,057	4,233	4,131	4,505	8,332	6,493	4,722	3,994	4,464
Parks, recreation and culture	1,052	1,201	1,771	2,124	2,133	1,881	2,175	2,546	3,010	4,123
Redevelopment	445	259	312	685	901	506	665	4,820	2,268	3,198
Interest on long-term debt	196	168	183	626	968	801	948	669	641	618
Total Governmental Activities	<u>22,874</u>	<u>22,232</u>	<u>24,140</u>	<u>26,627</u>	<u>27,338</u>	<u>30,671</u>	<u>30,453</u>	<u>31,399</u>	<u>28,674</u>	<u>32,214</u>
Business-type Activities:										
Water utility	1,809	1,829	1,815	1,907	1,831	2,014	2,104	2,194	2,219	2,204
Sewer utility	1,567	1,609	1,340	1,102	1,320	1,297	1,483	1,478	1,594	1,871
Solid waste collection *	n/a	n/a	n/a	n/a	n/a	n/a	443	407	408	
Recycled waste **	24	12	n/a							
Housing	272	264	178	209	196	198	222	353	70	837
Ambulance services ***	n/a	16	1,159	1,235	1,165	1,205	1,178	1,205	1,365	1,388
Total Business-type Activities	<u>3,672</u>	<u>3,730</u>	<u>4,492</u>	<u>4,453</u>	<u>4,512</u>	<u>4,714</u>	<u>4,987</u>	<u>5,673</u>	<u>5,655</u>	<u>6,708</u>
Total Expenses	<u><u>\$ 26,546</u></u>	<u><u>\$ 25,962</u></u>	<u><u>\$ 28,632</u></u>	<u><u>\$ 31,080</u></u>	<u><u>\$ 31,850</u></u>	<u><u>\$ 35,385</u></u>	<u><u>\$ 35,440</u></u>	<u><u>\$ 37,072</u></u>	<u><u>\$ 34,329</u></u>	<u><u>\$ 38,922</u></u>
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 1,606	\$ 1,510	\$ 1,704	\$ 1,617	\$ 1,780	\$ 2,094	\$ 2,138	\$ 2,068	\$ 2,301	\$ 2,751
Public Safety	1,787	1,592	1,674	1,486	1,426	1,282	1,136	1,042	1,049	980
Highways and public improvements	-	-	-	-	-	-	-	-	-	-
Parks and recreation	25	43	62	58	65	34	29	31	35	64
Operating grants and contributions	1,124	1,105	2,609	2,515	2,035	1,362	1,745	2,692	3,236	3,284
Capital grants and contributions	764	36	232	608	57	719	3,249	1,438	228	1,123
Total Governmental Activities	<u>5,306</u>	<u>4,286</u>	<u>6,281</u>	<u>6,284</u>	<u>5,363</u>	<u>5,491</u>	<u>8,297</u>	<u>7,271</u>	<u>6,849</u>	<u>8,202</u>
Business-type Activities:										
Charges for services:										
Water utility	1,925	1,862	1,768	1,794	1,804	2,427	2,317	2,283	2,259	2,265
Sewer utility	1,428	1,415	1,238	1,234	1,229	1,242	1,292	1,290	1,613	2,002
Solid waste collection *	n/a	n/a	n/a	n/a	n/a	n/a	495	504	500	
Recycled waste **	24	12	n/a							
Housing	104	119	92	111	147	214	103	66	52	46
Ambulance services ***	n/a	-	821	897	1,002	862	957	965	1,201	1,284
Operating grants and contributions	335	225	75	138	111	89	59	246	110	92
Capital grants and contributions	-	-	-	-	176	291	-	-	-	252
Total Business-type Activities	<u>3,816</u>	<u>3,633</u>	<u>3,994</u>	<u>4,174</u>	<u>4,469</u>	<u>5,125</u>	<u>4,728</u>	<u>5,345</u>	<u>5,739</u>	<u>6,441</u>
Total Program Revenues	<u><u>\$ 9,122</u></u>	<u><u>\$ 7,919</u></u>	<u><u>\$ 10,275</u></u>	<u><u>\$ 10,458</u></u>	<u><u>\$ 9,832</u></u>	<u><u>\$ 10,616</u></u>	<u><u>\$ 13,025</u></u>	<u><u>\$ 12,616</u></u>	<u><u>\$ 12,588</u></u>	<u><u>\$ 14,643</u></u>

City of South Salt Lake
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental Activities	\$ (17,568)	\$ (17,946)	\$ (17,859)	\$ (20,343)	\$ (21,975)	\$ (25,180)	\$ (22,156)	\$ (24,128)	\$ (21,825)	\$ (24,012)
Business-type Activities	144	(97)	(498)	(279)	(43)	411	(259)	(328)	84	(267)
Total Net Expense	<u>\$ (17,424)</u>	<u>\$ (18,043)</u>	<u>\$ (18,357)</u>	<u>\$ (20,622)</u>	<u>\$ (22,018)</u>	<u>\$ (24,769)</u>	<u>\$ (22,415)</u>	<u>\$ (24,456)</u>	<u>\$ (21,741)</u>	<u>\$ (24,279)</u>
General Revenues and Transfers										
Governmental Activities:										
Taxes										
Property taxes	\$ 5,800	\$ 5,927	\$ 5,681	\$ 5,556	\$ 5,461	\$ 5,775	\$ 5,685	\$ 5,551	\$ 5,632	\$ 5,653
Sales taxes	10,601	10,417	10,754	12,110	13,314	13,307	13,557	13,749	14,291	13,485
Energy sales and use tax	3,077	3,136	3,009	3,074	3,086	3,232	3,296	3,252	3,294	3,200
Transient room tax	39	32	25	27	30	30	32	35	39	42
Unrestricted investment earnings	1,002	427	146	110	152	135	93	90	122	233
Gain on sale of capital assets	-	71	1,033	23	61	18	6	71	557	3
Loss on forgiveness of interfund note	-	-	-	-	-	-	-	-	(1,544)	-
Transfers	<u>(1,500)</u>	<u>32</u>	<u>-</u>	<u>-</u>	<u>(163)</u>	<u>(343)</u>	<u>(220)</u>	<u>(254)</u>	<u>(156)</u>	<u>(36)</u>
Total Governmental Activities	<u>\$ 19,019</u>	<u>\$ 20,042</u>	<u>\$ 20,648</u>	<u>\$ 20,900</u>	<u>\$ 21,941</u>	<u>\$ 22,154</u>	<u>\$ 22,449</u>	<u>\$ 22,494</u>	<u>\$ 22,235</u>	<u>\$ 22,580</u>
Business-type Activities:										
Unrestricted investment earnings	47	22	12	13	11	9	25	11	15	13
Gain on forgiveness of interfund note	-	-	-	-	-	-	-	-	1,544	-
Transfers	<u>1,500</u>	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>163</u>	<u>343</u>	<u>220</u>	<u>254</u>	<u>156</u>	<u>36</u>
Total Business-type Activities	<u>\$ 1,547</u>	<u>\$ (10)</u>	<u>\$ 12</u>	<u>\$ 13</u>	<u>\$ 174</u>	<u>\$ 352</u>	<u>\$ 245</u>	<u>\$ 265</u>	<u>\$ 1,715</u>	<u>\$ 49</u>
Total General Revenues and Transfers	<u>\$ 20,566</u>	<u>\$ 20,032</u>	<u>\$ 20,660</u>	<u>\$ 20,913</u>	<u>\$ 22,115</u>	<u>\$ 22,506</u>	<u>\$ 22,694</u>	<u>\$ 22,759</u>	<u>\$ 23,950</u>	<u>\$ 22,629</u>
Change in Net Position										
Governmental activities	\$ 1,451	\$ 2,096	\$ 2,789	\$ 557	\$ (34)	\$ (3,026)	\$ 293	\$ (1,634)	\$ 410	\$ (1,432)
Business-type activities	<u>1,691</u>	<u>(107)</u>	<u>(486)</u>	<u>(266)</u>	<u>131</u>	<u>763</u>	<u>(14)</u>	<u>(63)</u>	<u>1,799</u>	<u>(218)</u>
Total Change in Net Position	<u>\$ 3,142</u>	<u>\$ 1,989</u>	<u>\$ 2,303</u>	<u>\$ 291</u>	<u>\$ 97</u>	<u>\$ (2,263)</u>	<u>\$ 279</u>	<u>\$ (1,697)</u>	<u>\$ 2,209</u>	<u>\$ (1,650)</u>

Source: South Salt Lake Finance Department

* n/a - Not applicable, Solid Waste Collection program began July 1, 2014

** n/a - Not applicable, Recycled Waste program ended June 30, 2009

*** n/a - Not applicable, Ambulance Services program began May 1, 2009

City of South Salt Lake
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax		Sales Tax		Energy Sales and Use Tax		Transient Room Tax		Total
	\$		\$		\$		\$		
2008	\$ 5,800		\$ 10,601		\$ 3,077		\$ 39		\$ 19,517
2009	5,927		10,417		3,136		32		19,512
2010	5,681		10,754		3,009		25		19,469
2011	5,556		12,110		3,074		27		20,767
2012	5,461		13,314		3,086		30		21,891
2013	5,775		13,307		3,232		30		22,344
2014	5,685		13,557		3,296		32		22,570
2015	5,551		13,749		3,252		35		22,587
2016	5,632		14,291		3,294		39		23,256
2017	5,653		13,485		3,200		42		22,380

Source: South Salt Lake Finance Department

City of South Salt Lake
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>				
General Fund							
Unreserved	\$ 3,428	\$ 3,417	\$ 3,553				
Total general fund	<u>\$ 3,428</u>	<u>\$ 3,417</u>	<u>\$ 3,553</u>				
All other governmental funds							
Reserved	\$ 3,763	\$ 3,542	\$ 4,996				
Unreserved, reported in:							
Special revenue funds	(229)	324	124				
Capital projects funds	<u>11,777</u>	<u>11,828</u>	<u>10,703</u>				
Total all other governmental funds	<u>\$ 15,311</u>	<u>\$ 15,694</u>	<u>\$ 15,823</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund							
Unassigned	\$ 3,659	\$ 3,502	\$ 3,606	\$ 3,573	\$ 3,573	\$ 4,085	\$ 4,350
All other governmental funds							
Assigned	\$ 25,632	\$ 25,401	\$ 22,180	\$ 22,636	\$ 20,261	\$ 19,063	\$ 16,771
Restricted	<u>4,465</u>	<u>3,205</u>	<u>2,461</u>	<u>3,011</u>	<u>2,698</u>	<u>1,601</u>	<u>2,349</u>
Total all other governmental funds	<u>\$ 30,097</u>	<u>\$ 28,606</u>	<u>\$ 24,641</u>	<u>\$ 25,647</u>	<u>\$ 22,959</u>	<u>\$ 20,664</u>	<u>\$ 19,120</u>

Source: South Salt Lake Finance Department

GASB 54 was implemented June 30, 2011

City of South Salt Lake
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 19,518	\$ 19,366	\$ 19,456	\$ 20,782	\$ 21,919	\$ 22,328	\$ 22,521	\$ 22,564	\$ 23,164	\$ 22,276
Licenses and permits	956	864	906	832	902	933	1,067	1,301	1,595	1,883
Intergovernmental	1,956	1,125	2,745	2,899	1,847	1,786	4,490	3,543	2,850	3,905
Charges for services	367	329	325	426	441	540	592	277	337	639
Fines and forfeitures	1,534	1,342	1,546	1,427	1,383	1,234	1,086	979	921	937
Investment earnings	980	416	142	107	148	132	90	84	118	227
Miscellaneous	493	627	759	700	790	997	842	1,016	1,000	666
Total Revenues	<u>25,804</u>	<u>24,069</u>	<u>25,879</u>	<u>27,173</u>	<u>27,430</u>	<u>27,950</u>	<u>30,688</u>	<u>29,764</u>	<u>29,985</u>	<u>30,533</u>
Expenditures										
Current:										
General government	3,763	3,513	3,951	4,483	4,175	4,566	4,538	4,666	4,544	4,662
Public safety	11,839	11,828	12,000	12,258	12,627	12,782	12,705	12,762	12,706	13,039
Highways and public improvements	3,174	3,286	3,293	3,561	4,470	3,695	3,813	3,815	3,547	4,861
Parks, recreation and culture	963	1,113	1,643	2,027	2,015	1,728	2,024	2,447	2,926	3,217
Redevelopment	445	259	244	649	232	314	242	4,722	1,804	1,863
Debt service:										
Principal	527	510	826	791	916	693	712	936	930	642
Interest and fiscal charges	203	176	181	117	1,270	791	895	676	653	628
Bond issuance costs	-	-	-	234	69	-	-	-	-	-
Capital outlay	<u>6,321</u>	<u>3,136</u>	<u>5,871</u>	<u>3,710</u>	<u>3,206</u>	<u>6,926</u>	<u>5,888</u>	<u>2,717</u>	<u>3,527</u>	<u>2,959</u>
Total expenditures	<u>27,235</u>	<u>23,821</u>	<u>28,009</u>	<u>27,830</u>	<u>28,980</u>	<u>31,495</u>	<u>30,817</u>	<u>32,741</u>	<u>30,637</u>	<u>31,871</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (1,431)</u>	<u>\$ 248</u>	<u>\$ (2,130)</u>	<u>\$ (657)</u>	<u>\$ (1,550)</u>	<u>\$ (3,545)</u>	<u>\$ (129)</u>	<u>\$ (2,977)</u>	<u>\$ (652)</u>	<u>\$ (1,338)</u>

City of South Salt Lake
Changes in Fund Balances of Governmental Funds (continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Transfers in	\$ 14	\$ 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(1,514)	-	-	-	(163)	(343)	(220)	(254)	(156)	(36)
Proceeds from loans/bonds	-	-	500	16,702	-	-	-	-	-	-
Capital leases	-	-	583	503	-	-	997	420	-	80
Loss on forgiveness of interfund note	-	-	-	-	-	-	-	-	(1,544)	-
Sale of capital assets	34	92	1,312	105	65	27	326	122	570	14
Payment to refunded bond escrow agent	-	-	-	(2,273)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(1,466)	124	2,395	15,037	(98)	(316)	1,103	288	(1,130)	58
Net change in fund balances	\$ (2,897)	\$ 372	\$ 265	\$ 14,380	\$ (1,648)	\$ (3,861)	\$ 974	\$ (2,689)	\$ (1,782)	\$ (1,280)
Debt service as a percentage of noncapital expenditures	3.5%	3.3%	4.4%	3.6%	8.2%	5.1%	5.6%	5.3%	5.7%	4.3%

Source: South Salt Lake Finance Department

City of South Salt Lake
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax (a)		Sales Tax	Energy Sales and Use Tax		Transient Room Tax		Total
	\$			\$		\$		
2008	\$ 5,800		\$ 10,601	\$ 3,077		\$ 39		\$ 19,517
2009	5,781		10,417	3,136		32		19,366
2010	5,668		10,753	3,009		25		19,455
2011	5,570		12,111	3,074		27		20,782
2012	5,489		13,314	3,086		30		21,919
2013	5,759		13,307	3,232		30		22,328
2014	5,635		13,557	3,297		32		22,521
2015	5,528		13,749	3,252		35		22,564
2016	5,540		14,291	3,294		39		23,164
2017	5,549		13,485	3,200		42		22,276

(a) Includes delinquent collections and motor vehicle apportionment.

Source: South Salt Lake Finance Department

City of South Salt Lake
Sales Tax Revenue Allocation by Fund
Last Ten Fiscal Years
(in thousands of dollars)

Year	General Fund	Capital Improvements Fund	Sales Tax Debt Service Fund	Total
2008	\$ 7,269	\$ 2,696	\$ 636	10,601
2009	7,503	2,274	640	10,417
2010	7,921	2,319	513	10,753
2011	8,897	2,860	354	12,111
2012	10,352	2,609	353	13,314
2013	10,267	2,993	47	13,307
2014	10,336	2,866	355	13,557
2015	10,651	2,739	359	13,749
2016	10,599	3,349	343	14,291
2017*	10,371	3,114	-	13,485

Sources: South Salt Lake Finance Department

Utah State Tax Commission

* Sales tax pledged debt was retired at 6/30/16 making an allocation to the Sales Tax Debt Service Fund unnecessary in FY 2017.

Prior to fiscal year 2007 the City of South Salt Lake received 75% of the 1% local option with the remaining 25% allocated to other cities and towns based on their percentage of statewide population. In 2007 state law changed the method of distribution resulting in the City of South Salt Lake receiving 50% of the 1% local option and being allocated an additional amount based on the City's share of the State's population.

City of South Salt Lake
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of South Salt Lake Local Option (a)	Salt Lake County Option	State of Utah	County Wide Mass Transit	Botanical Cultural, Zoo	Total Sales Tax Rate
2008	1.00%	0.50%	4.75%	0.50%	0.10%	6.85%
2009	1.00%	0.50%	4.75%	0.50%	0.10%	6.85%
2010	1.00%	0.50%	4.75%	0.50%	0.10%	6.85%
2011 (b)	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%
2012	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%
2013	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%
2014	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%
2015	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%
2016	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%
2017	1.20%	0.50%	4.75%	0.50%	0.10%	7.05%

Source: Utah State Tax Commission

(a) The State of Utah limits the amount of the local sales and use tax to 1%.

(b) In January 2011 the City of South Salt Lake imposed the 0.2% city option sales tax.

**City of South Salt Lake
Principal Sales Taxpayers
June 30, 2017 and June 30, 2008**

Taxpayer	2017 Rank	Type of Sales
RC Willey Home Furnishings	1	Retail Sales
Mark Miller Subaru	2	Auto Sales
Best Buy Stores	3	Retail Electronics
Salt Lake Valley Dodge/Chrysler	4	Auto Sales
Salt Lake Valley GMC	5	Auto Sales
Prestman Company	6	Auto Sales
Mountainland Design	7	Home Improvement Sales/Service
Prestman Company	8	Auto Sales
WW Grainger	9	Industrial Sales
Roofers Supply	10	Construction Supplies

Taxpayer	2008 Rank	Type of Sales
RC Willey Home Furnishings	1	Retail Sales
Best Buy Stores	2	Retail Electronics
Hinckley Dodge	3	Auto Sales
Salt Lake Valley GMC	4	Auto Sales
Mountainland Design	5	Home Improvement Sales/Service
Standard Builders Supply	6	Construction Supplies
Mark Miller Subaru	7	Auto Sales
Codale Electric	8	Construction Supplies
WW Grainger	9	Industrial Supply Sales
Roofers Supply	10	Construction Supplies

Utah State Tax Commission rules prohibit the City from disclosing annual amounts

Source: Utah State Tax Commission

City of South Salt Lake
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities						Business-Type Activities			Total Primary Government	Percentage of Household Income	Per Capita
	General Obligation Bonds	Sales Tax Revenue Bonds	Excise Tax Revenue Bonds	Capital Lease Obligations	Special Assessment Bonds	Notes Payable	Water Revenue Bonds	Sewer Revenue Bonds	Housing Loans			
2008	\$ -	\$ 3,615	\$ -	\$ -	\$ -	\$ -	\$ 2,245	\$ 1,022	\$ 60	\$ 6,942	3.33%	\$ 302
2009	-	3,105	-	-	-	-	2,108	992	-	6,205	2.98%	270
2010	-	2,575	-	386	-	400	1,968	1,134	-	6,463	3.10%	281
2011	-	1,680	15,000	598	-	300	1,825	1,052	-	20,455	6.48%	852
2012	-	1,365	15,000	306	-	-	1,678	969	-	19,318	6.12%	805
2013	-	1,026	14,740	208	-	-	1,528	885	-	18,387	7.23%	766
2014	-	687	14,465	1,103	-	-	1,374	801	-	18,430	7.25%	768
2015	-	340	14,170	1,230	-	-	1,216	716	-	17,672	6.95%	736
2016	-	-	13,855	955	-	-	1,054	631	-	16,495	5.80%	660
2017	-	-	13,515	734	-	-	889	308	-	15,446	5.43%	618

Sources: South Salt Lake Finance Department
United States Bureau of Census

City of South Salt Lake
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value	Per Capita
2017	n/a	n/a	n/a	n/a	n/a

Note: The City of South Salt Lake has not issued General Obligation Debt in the past ten years.

City of South Salt Lake
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(amounts expressed in thousands)

Governmental Unit	2016 Taxable Value	South Salt Lake's Portion of Taxable Value	Estimated Percentage Applicable (a)	Governmental Unit's General Obligation Debt	City's Portion of General Obligation Debt
State of Utah	\$ 240,124,539	\$ 2,050,921	0.85%	\$ 2,173,985	\$ 18,568
Central Utah Water Conservancy District	141,171,178	2,050,921	1.45%	229,525	3,335
Salt Lake County	91,781,634	2,050,291	2.23%	206,124	4,605
Granite School District	25,187,998	2,050,921	8.14%	185,800	15,129
Total				2,795,434	41,637
Less: State of Utah (b)				(2,173,985)	(18,568)
Total Overlapping Debt				<u>\$ 621,449</u>	<u>\$ 23,069</u>
Direct Debt (c):					
Excise Tax Revenue Bonds				\$ 13,515	
Capital Leases Payable				734	
Total Direct Debt				<u>14,249</u>	
Total Direct and Overlapping Debt				<u>\$ 37,318</u>	

(a) South Salt Lake's estimated percentage applicable is determined by calculating the percentage of the City's taxable value compared to the other governmental units' taxable value.

(b) The State of Utah does not levy property tax for payment of general obligation debt.

(c) The City of South Salt Lake has no direct outstanding general obligation debt.

Sources:

Utah State Auditor

Salt Lake County Auditor

Utah State Tax Commission

City of South Salt Lake
Legal Debt Margin Information
Last Ten Years
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 77,318	\$ 78,013	\$ 74,316	\$ 72,390	\$ 71,376	\$ 69,543	\$ 70,592	\$ 75,487	\$ 75,492	\$ 82,037
Total Net Debt Applicable to Limit (a)	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -	_____ -
Legal Debt Margin	<u>\$ 77,318</u>	<u>\$ 78,013</u>	<u>\$ 74,316</u>	<u>\$ 72,390</u>	<u>\$ 71,376</u>	<u>\$ 69,543</u>	<u>\$ 70,592</u>	<u>\$ 75,487</u>	<u>\$ 75,492</u>	<u>\$ 82,037</u>
Total Debt Applicable to the Limit as a percentage of Debt Limit (b)	n/a									

Legal Debt Margin Calculation for 2016

Taxable Value All Property	\$ 2,050,921
Debt Limit (4% of reasonable fair cash value) (c)	82,037
Debt applicable to limit:	
General Obligation Bonds	_____ -

Legal Debt Margin \$ 82,037

(a) The city has not issued General Obligation Bonds in the past ten years.

(b) Not Applicable

(c) The Utah State Constitution (Article 14, section 4) limits debt limit at 4% of taxable property.

Sources: Salt Lake County Auditor
Utah State Tax Commission

City of South Salt Lake
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Water Revenue Bonds

Fiscal Year	Water Charges	Less:		Available Revenue	Debt Service		Coverage
		Operating Expenses	Net		Principal	Interest	
2008	\$ 1,941	\$ 1,300	\$ 641	\$ 134	\$ 57		3.36
2009	1,873	1,286	587	137	54		3.07
2010	1,776	1,319	457	140	49		2.42
2011	1,794	1,459	335	143	46		1.77
2012	1,804	1,375	429	147	42		2.27
2013	2,427	1,551	876	150	38		4.66
2014	2,340	1,613	727	154	35		3.85
2015	2,291	1,712	579	158	31		3.06
2016	2,270	1,683	587	162	27		3.11
2017	2,401	1,649	752	165	23		4.00

State Sewer Loan/Central Valley Taxable Bonds

Fiscal Year	Sewer Charges	Less:		Available Revenue	Debt Service		Coverage
		Operating Expenses	Net		Principal	Interest	
2008	\$ 1,448	\$ 1,110	\$ 338	\$ 73	\$ 7		4.23
2009	1,425	1,112	313	74	7		3.86
2010	1,242	990	252	82	12		2.68
2011	1,233	976	257	83	12		2.71
2012	1,229	967	262	83	11		2.79
2013	1,242	946	296	83	11		3.15
2014	1,294	1,128	166	85	10		1.75
2015	1,292	1,102	190	85	9		2.02
2016	1,615	1,188	427	85	9		4.54
2017(a)	2,130	1,475	655	323	8		1.98

Public Safety Sales Tax Revenue Bonds

Fiscal Year	Sales Tax and Other Revenue	Less:		Available Revenue	Debt Service		Coverage
		Expenses	Net		Principal	Interest	
2008	\$ 667	\$ 3	\$ 664	\$ 490	\$ 173		1.00
2009	655	3	652	510	153		0.98
2010	517	3	514	530	131		0.78
2011(b)	355	3	352	400	73		0.74
2012	354	5	349	325	28		0.99
2013(c)	47	3	44	335	23		0.12
2014	355	3	352	335	17		1.00
2015	359	3	356	345	10		1.00
2016	343	-	343	340	3		1.00
2017	-	-	-	-	-		-

City of South Salt Lake
Pledged-Revenue Coverage (continued)
Last Ten Fiscal Years
(amounts expressed in thousands)

Special Improvement District Revenue Bonds

Fiscal Year	SID		Less: Expenses	Available Revenue	Net Debt Service		Coverage
	Revenue	39			Principal	Interest	
2008 (d)	\$ 39	\$ -		\$ 39	\$ 37	\$ 2	1.00

Excise Tax and Tax Increment Revenue Bonds Series 2010

Fiscal Year	Excise Tax		Less: Expenses	Available Revenue	Net Debt Service		Coverage
	Revenue	39			Principal	Interest	
2011(e)	\$ -	\$ -		\$ -	\$ -	\$ -	-
2012	3,086	-		3,086	-	1,212	2.55
2013	3,232	1		3,231	260	657	3.52
2014	3,296	1		3,295	275	645	3.58
2015	3,252	1		3,251	295	633	3.50
2016	3,294	1		3,293	315	619	3.53
2017	3,200	1		3,199	340	605	3.39

Source: South Salt Lake Finance Department

- (a) In FY 2017, the City paid off the outstanding balance of the Central Valley Water Reclamation Facility bonds.
- (b) The City refinanced the bonds in 2010 resulting in an amended debt service schedule
- (c) In FY 2013, approximately \$314,000 of fund balance was utilized for debt service.
- (d) Special improvement district revenue bonds were retired during fiscal year 2008 with no subsequent bonds being re-issued.
- (e) Excise Tax and Tax Increment Revenue Bonds were issued in December 2010 but no debt service was required in fiscal year 2011.

**City of South Salt Lake
Demographic and Economic Statistics**

Year	1990	1994	2000(a)	2010	2016	2020 Est.	
Population	10,129	10,693	22,038	23,617	24,630	26,445	
Population Breakdown	Female	Male	White	African American	Native American	Pacific Islander/Asian	
2015	45.0%	55.0%	57.5%	4.4%	2.6%	6.0%	29.5%

2016 Number of households - 8,665

2010 Average household size - 2.68

2015 Median household income - \$37,083

2015 Percentage of South Salt Lake households living in poverty - 26.8%

2016 Share of Salt Lake County Residents that live in South Salt Lake - 2.2%

2016 Share of Utah residents that live in South Salt Lake - .8%

2016 Estimated ratio of police officers per South Salt Lake resident - 1:417

2016 Unemployment rate in Salt Lake County was 3.4%

(a) In 1998 the City annexed approximately two square miles and 9,000 residents.

Sources: Wasatch Front Regional Council
Utah State Governor's Office of Planning and Budget
U.S. Bureau of Census
South Salt Lake Chamber of Commerce

Ten Year Demographic Information is Not Available
Personal Income Information is Not Available

City of South Salt Lake
Demographic and Economic Statistics
Top Ten Employers
June 30, 2017 and June 30, 2008

Employer - 2017 Rank	Type of Business	Number of Employees
Marriott Guest Services	Customer Service Center	500-999
Salt Lake County - Sheriff's Office	Public Safety Office	500-999
MVW US Services, LLC	Professional	500-999
Seaboard Foods	Food Processing	250-499
RC Willey Home Furnishings	Retail Home Furnishings	250-499
Bimbo Bakeries USA, Inc.	Wholesale Bakery	250-499
Westech Engineering Inc.	Machinery Manufacturing	250-499
Mondi Bags USA, Inc.	Manufacturing	250-499
Granite School District	Public Education Office	250-499
Salt Lake Behavioral Health, LLC	Professional	99-249

Employer - 2008 Rank	Type of Business	Number of Employees
Marriott Guest Services	Reservation Center	500-999
Utah Transit Authority	Public Transportation	500-999
Salt Lake County Sheriff's Office	Public Safety Office	500-999
Seaboard Foods	Food Processing	250-499
RC Willey Home Furnishings	Retail Home Furnishings	250-499
Westech Engineering	Machinery Manufacturing	250-499
Granite School District	Public Education Office	250-499
Pacific Flyway Wholesale	Sporting/Recreational Dist.	250-499
American Building Maintenance	Janitorial Services	250-499
Marriott Rewards	Customer Service Center	250-499

Sources: South Salt Lake Chamber of Commerce
South Salt Lake Community Development Department

City of South Salt Lake
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Administration (a)	27	27	27.5	29.5	31	30.5	30.5	29	26.5	26.5
Court	9	9	8	8	8	8	8	8	7.5	7.5
Public Safety:										
Police	74	74	73	73	75	73	70	77	75	78
Fire (b)	41	41	50	50	51	51	51	54	55	53
Urban Livability	7	7	8	8	9	8	8	9	6.5	7.5
Highways and Public Improvements:										
Streets & Highways	19	19	20	21	21	20	20	20	21.5	17.0
Engineering	1	1	1	1	1	1	1	1	2	3
Building & Planning	7	7	7	7	7	8	8	8	9.5	10.5
Parks, Recreation and Culture:										
Parks	3	3	3	3	3	4	4	3	N/A	N/A
Public Assets (e)	N/A	8.5	14.0							
Recreation (c)	7	9	15	17	27.5	33	5	4	8	8
Promise SSL (d)	-	-	-	-	-	-	26	27	63.5	82.0
Water	7	7	7	7	7	7	7	7	8	7
Sewer	3	3	3	3	3	3	3	3	3	3
Total	205	207	222.5	227.5	243.5	246.5	241.5	250.0	294.5	316.5

(a) Includes Administration, City Council, City Attorney

(b) In 2009, the City began providing ambulance service and hired 9 paramedics

(c) Beginning in 2010, additional federal afterschool program grants were received which resulted in FTE increases.

(d) In 2014, the Promise SSL program was split from the Recreation Department. Promise SSL manages the afterschool programs that are financed primarily by federal and private grants. Most of the employees are part-time, which have been converted to FTE's for this report.

(e) In FY 2016 the Public Assets department was created and contains 3 divisions: Fleet, Parks, and Facility Maintenance.

Source: South Salt Lake Human Resources

City of South Salt Lake
Operating Indicators by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Total Calls	43,832	41,365	43,902	43,137	46,850	46,710	44,706	47,928	50,628	47,327
Violent Crimes	968	1,056	1,006	938	847	908	1,045	868	893	810
Property Crimes	4,046	3,157	3,207	2,831	2,653	2,640	2,801	2,591	3,081	2,883
Traffic Citations	8,525	7,400	7,209	8,965	7,681	6,664	4,558	4,639	6,377	6,269
Fire										
Total Calls	4,467	4,587	4,451	4,270	4,419	4,990	4,858	5,187	5,453	5,616
Number of Fires	47	50	62	50	73	71	64	150	159	158
Medical Calls	3,276	3,387	3,469	3,168	3,762	3,931	3,778	4,012	4,337	4,378
Avg Response Time	5.1 minutes	5.0 minutes	5.6 minutes	4.1 minutes	3.9 minutes	3.9 minutes	4.1 minutes	4.1 minutes	4.3 minutes	4.4 minutes
Justice Court										
Total Cases Filed	9,092	8,522	9,390	9,764	9,997	8,316	6,897	6,435	6,772	6,821
Comm Service Hours Levied	5,609	9,975	22,080	20,781	18,955	20,694	13,530	12,183	10,935	9,417
Building & Zoning										
Building Permits	465	329	357	470	532	492	540	582	955	1,081
Business Licenses	2,369	3,078	3,108	2,938	2,930	2,850	3,028	3,294	3,306	3,275
Construction Value	\$ 32,763,924	\$ 31,072,220	\$ 53,811,539	\$ 17,131,910	\$ 20,805,126	\$ 17,769,113	\$ 19,594,621	\$ 44,460,032	\$ 60,198,705	\$ 91,819,843
Administration										
A/P Checks	5,654	5,613	6,353	6,457	6,238	5,680	5,345	5,904	5,665	5,437
Payroll Checks	6,518	6,931	7,700	8,535	8,816	8,026	8,387	8,579	8,256	10,062
Utility Billings	41,304	42,313	42,302	44,946	46,244	46,779	46,631	47,045	47,239	47,888

City of South Salt Lake
Operating Indicators by Function (continued)
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Attorney										
Traffic Cases Prosecuted (b)	715	707	707	691	674	207	2,159	6,352	4,756	5,167
DUI Cases Prosecuted	n/a	n/a	n/a	n/a	642	163	405	375	365	334
Criminal Cases Prosecuted	1,159	1,638	1,353	1,285	602	287	1,762	863	1,445	1,077
Public Works										
Road Improvements	1,747,631 sq ft	2,014,292 sq ft	3,647,945 sq ft	4,543,319 sq ft	2,977,130 sq ft	1,645,010 sq ft	2,545,249 sq ft	4,827,146 sq ft	3,678,883 sq ft	2,078,568 sq ft
Concrete Improvements	2,227 sq ft	3,513 sq ft	5,155 sq ft	4,509 sq ft	6,350 sq ft	9,128 sq ft	5,731 sq ft	9,260 sq ft	12,372 sq ft	22,368 sq ft
Curbside Cleanup Tons (a)	886 tons	701 tons	711 tons	744 tons	331 tons	142 tons	261 tons	283 tons	293 tons	302 tons
Water										
Gallons Produced	690 million	635 million	661 million	483 million	458 million	495 million	483 million	477 million	512 million	490 million
Gallons Purchased	287 million	448 million	297 million	356 million	411 million	421 million	488 million	364 million	332 million	315 million
Water Connections	3,335	3,331	3,323	3,323	3,325	3,332	3,334	3,381	3,390	3,366
Sewer										
Lines Inspected	9,600 ft	55,880 ft	48,580 ft	60,500 ft	2,324 ft	5,280 ft	-	3,025 ft	75,828 ft	2,735 ft
Lines Cleaned	7,600 ft	57,656 ft	48,580 ft	60,500 ft	2,324 ft	5,280 ft	161,000 ft	3,025 ft	75,828 ft	2,735 ft
Total Connections	2,598	2,600	2,582	2,586	2,584	2,584	2,597	2,624	2,636	2,606
Parks, Recreation and Culture										
Rec. Participants	2,348	3,850	4,250	4,810	4,625	5,250	4,752	3,981	3,730	3,628
Number of Programs	12	18	22	25	24	20	21	23	22	21

(a) In fiscal year 2012 the solid waste curbside cleanup program was reduced from two times/year to one time/year.

(b) In fiscal year 2015 a change in software necessitated a change in the way prosecutions are determined. All traffic cases are now considered to be prosecuted.

Source: South Salt Lake Finance Department

n/a - information not available

City of South Salt Lake
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Officer Vehicles	60	60	62	63	62	62	59	60	60	60
Animal Shelter	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Apparatus (Medium and Heavy)	6	6	6	6	6	6	6	6	6	6
Highways and Public Improvements										
Streets & Highways:										
Road Miles	75	75	75	75	75	75	75	75	75	75
Storm Drain Miles	50	50	50	50	50	50	50	50	50	50
Water:										
Water Line Miles	46	46	46	46	46	46	46	46	46	46
Fire Hydrants	540	541	541	540	542	542	542	543	545	549
Sewer:										
Sewer Line Miles	35	35	35	35	35	35	35	35	35	35
Maximum Flow Capacity	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93
Monthly Actual Flow Central Valley Facility (millions gallons/day)	2.96	2.88	2.91	2.91	2.75	2.90	2.96	3.04	2.98	3.28
Parks and Recreation										
Park Acreage	8	8	10	11	11	12	12	12	12	12
Sports Fields	1	1	1	1	1	1	1	1	1	1

Source: South Salt Lake Finance Department

Single Audit Section

City of South Salt Lake

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Certified Public Accountants • A Professional Corporation

James R. Beaudoin, PFS, CFP®, CPA
Wade K. Watkins, CPA
Daniel T. Barlow, CPA
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Adam C. Posey, MBA, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Salt Lake as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of South Salt Lake's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questions costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of South Salt Lake's Response to Findings

The City of South Salt Lake's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of South Salt Lake's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Pinnock, Robbins, Posy & Richey

Salt Lake City, Utah
December 12, 2017



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

James R. Beaudoin, PFS, CFP®, CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake, Utah

Report on Compliance for Each Major Federal Program

We have audited the City of South Salt Lake's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of South Salt Lake's major federal programs for the year ended June 30, 2017. The City of South Salt Lake's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of South Salt Lake's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of South Salt Lake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of South Salt Lake's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of South Salt Lake complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of South Salt Lake is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of South Salt Lake's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of South Salt Lake's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be a significant deficiency.

The City of South Salt Lake's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of South Salt Lake's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
December 12, 2017

CITY OF SOUTH SALT LAKE

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of South Salt Lake.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City of South Salt Lake, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the City of South Salt Lake expresses an unmodified opinion for all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
 - Twenty-First Century Community Learning Centers, CFDA number 84.287c
 - Child Care and Development Block Grant, CFDA number 93.575
8. The threshold used for distinguishing between Types A and B programs was \$750,000.
9. The City of South Salt Lake was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2017-001 Reconciliation of Balance Sheet Accounts

During our audit, we noted that certain balance sheet accounts did not agree to supporting documentation, including accounts in accounts payable, salaries, payable, water customer deposits, and capital assets. The City made adjustments to these various balances, but in some cases did not reconcile the detail to the general ledger. As a result, immaterial misstatements resulted in certain accounts payable, salaries payable, customer deposits, and capital assets balances.

CITY OF SOUTH SALT LAKE

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

2017-001 Reconciliation of Balance Sheet Accounts (Continued)

We recommend that the City strengthen existing policies to reconcile balances between detail, supporting documentation and the corresponding general ledger balances.

Management's Response:

Management will develop and adhere to an improved process in which to reconcile all supporting documents and information to general ledger balance sheet accounts. The process will include, but not be limited to, additional review and scrutiny of all applicable information.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Education

Twenty-First Century Community Learning Centers – CFDA No. 84.287c

Department of Health and Human Services

Child Care and Development Block Grant – CFDA No. 93.575

2017-002 Significant Deficiency

During our audit, we noted that the City does not have written policies relating specifically to the major federal award programs. 2 CFR 200 Subpart D – Post Federal Award Requirements, and Subpart E – Cost Principles, require the City to have written policies, procedures, and standards of conduct (“policies”). Specifically, 2 CFR section 200.302(b)(7) requires non-Federal entities to have written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles and the terms and conditions of the Federal award. We noted that there is documentary evidence of policies, including proper approval and reporting of costs to the respective passthrough entities. However, while the City has written policies in place related to cash disbursements, there are no written policies based on Uniform Guidance cost principles and grant terms and conditions.

We recommend that the City adopt written policies for each Federal award program to ensure that procedures are in place to timely determine allowability of activities and costs.

Management's Response:

Management has begun the process of gaining additional training from federal sources regarding requirements pertaining to federal cost principles. Written policies and procedures will be developed and applied to federal awards consistent with the requirements of the Uniform Guidance.

CITY OF SOUTH SALT LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Utah Department of Agriculture and Food: Specialty Crop Block Grant Program - Farm Bill	10.170	SCBGP 141631	\$ 5,891
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Salt Lake County: Community Development Block Grants/ Entitlement Grants	14.218	Various	34,625
<u>U.S. Department of Justice</u>			
Passed Through Utah Commission on Criminal and Juvenile Justice: Crime Victim Assistance (Note C) Violence Against Women Formula Grant (Note D)	16.575 16.588	16VOCA58 Various	129,456 23,812
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Various	50,007
<u>U.S. Department of Education</u>			
Passed Through Utah State Office of Education: Twenty-First Century Community Learning Centers	84.287c	Various	719,534
<u>U.S. Department of Health and Human Services</u>			
Passed Through Utah Department of Workforce Services: Temporary Assistance to Needy Families Child Care and Development Block Grant (Note E)	93.558 93.575	Various Various	642,078 610,061
Passed Through Salt Lake County: Social Services Block Grant (Note F) Block Grants for Prevention and Treatment of Substance Abuse	93.667 93.959	BJ14151C AL16531C	44,470 46,563
<u>Corporation for National and Community Service</u>			
AmeriCorps VISTA Training and Logistics Support	94.023		10,989
TOTAL			<u>\$ 2,317,486</u>

CITY OF SOUTH SALT LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of South Salt Lake under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE C – CRIME VICTIM ASSISTANCE

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$32,609 during the year ended June 30, 2017.

NOTE D – VIOLENCE AGAINST WOMEN FORMULA GRANT

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$13,208 during the year ended June 30, 2017.

NOTE E – CHILD CARE AND DEVELOPMENT BLOCK GRANT

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$512,500 during the year ended June 30, 2017.

NOTE F – SOCIAL SERVICES BLOCK GRANT

In accordance with the grant agreement, the City of South Salt Lake has expended matching contributions totaling \$4,373 during the year ended June 30, 2017.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

Honorable Mayor and City Council
City of South Salt Lake
South Salt Lake, Utah

Report on Compliance with General State Compliance Requirements

We have audited the City of South Salt Lake's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

Budgetary Compliance	Restricted Taxes and Related Revenues
Fund Balance	Open and Public Meetings Act
Justice Courts	Public Treasurer's Bond
Utah Retirements Systems	Tax Levy Revenue Recognition

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirements. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, the City of South Salt Lake complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
December 12, 2017