

CITY OF TAYLORSVILLE

Taylorsville, Utah

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by:

Scott P. Harrington

Chief Financial Officer / Assistant City Administrator



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CITY OF TAYLORSVILLE
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31 October 2018

Honorable Kristie S. Overson, Mayor
Brad Christopherson, Taylorsville City Council Chair
Daniel Armstrong, Taylorsville City Council Vice-Chair
Ernest Burgess, Taylorsville City Councilmember
Curt Cochran, Taylorsville City Councilmember
Meredith Harker, Taylorsville City Councilmember

Dear Elected Officials, Citizens of Taylorsville and Interested Parties,

It is our great pleasure to present to you the *Comprehensive Annual Financial Report* (CAFR) for the City of Taylorsville (the City) for the fiscal year ended June 30, 2018. Utah State law, §10-6-150(1), requires that all local governments publish this report within six months of the close of each fiscal year.

The CAFR of Taylorsville includes a comprehensive financial analysis covering all funds and financial transactions for the fiscal year, which began on July 1, 2017, and ended June 30, 2018. It is presented in conformity with Generally Accepted Accounting Principles (GAAP) and represents the culmination of many hours of work by the City's administrative staff, with assistance from accounting, auditing and financial professionals under contract with the City. The Independent Auditors' Report, contained herein, was written and submitted by the accounting firm of Hansen, Bradshaw, Malmrose and Erickson, P.C., in effort to provide reasonable assurance that the financial statements of the City are free of material misstatements.

Responsibility for the CAFR's accuracy rests with the City. Accordingly, we vouch for the accuracy and fairness of the information presented. We assert that to the best of our knowledge and belief this financial report is complete and reliable in all significant aspects.

Profile of Taylorsville City

The City of Taylorsville was incorporated on July 1, 1996, through the grassroots efforts of citizens who developed a vision that would provide greater local control of community planning, economic development and municipal service delivery. Today, more than 20 years later, the City continues to build on that foundation while keeping eyes keenly focused on the future. To that end, the City has rolled out a "20/20 Vision" for the Year 2020 and beyond. That vision focuses on new business and economic growth taking place across the City, as well as development opportunities and projects on the horizon. It includes plans for a new \$39 million regional Performing Arts Center, efforts to bring

new business and housing to the City, plans for prime development locations, transportation and land use.

One recent example of that focus is the opening this past year of the Summit Vista retirement community. For many years and across several administrations, the City has worked in partnership with citizens, business leaders and government agencies to bring to Taylorsville this first-of-its-kind development. Indeed, the state’s largest daily newspaper described the continuing-care retirement community — with its 1,800 housing units for seniors, 62,000-square-foot field house, four restaurants and other amenities — as “unlike anything in Utah.” (*The Salt Lake Tribune*, Sept. 23, 2018)

The current population of Taylorsville is estimated at 59,992 as of July 1, 2017, with an approximate annual growth rate of 3.1%, in an area encompassing 10.7 square miles. It is centrally located in the middle of the Salt Lake Valley, connecting in physical proximity several neighboring cities. Its location between major thoroughfares, I-215 and Bangerter Highway, makes transportation a high priority.

The quality of life in Taylorsville is high with many cultural and recreational activities available within the City or nearby. The City values its reputation as a well-maintained residential and business community. The City is proud of the stunning scenic background provided by the Wasatch Mountains to the east and Oquirrh Mountains to the west. A river also runs through it; the Jordan River, with its bike and walking trails and beautiful natural habitat, is without question a prize gem of the City. Residents of Taylorsville place a high value on the natural element of the Jordan River corridor, as well as the open spaces and parks that dot the area. Among them is the large Swensen Valley Regional Park, home to the popular Taylorsville Dayzz, the City’s annual summer celebration that draws thousands of people each year for carnival rides, a parade, entertainment and fireworks. A bustling suburb of Utah’s capital city, Taylorsville represents a balance of homes, businesses and thriving commercial areas.

While Taylorsville remains one of Utah's newest cities, the area has a rich history extending hundreds of years. Some of the region’s first named visitors were Fremont people who used the area to hunt and gather food along the Jordan River more than a thousand years ago. Early settlers observed small encampments of the Ute Tribe in the cottonwoods along the Jordan River, and in 1848, pioneers Joseph and Susanna Harker crossed over the Jordan River to found the Taylorsville-Bennion areas originally referred to as "Over Jordan." Because its incorporation in 1996 occurred in Utah’s centennial year, Taylorsville is sometimes called “Utah’s Centennial City.”

The City is organized under a Council-Mayor form of Municipal Government, with the Mayor serving the community as Chief Executive Officer of the City. Under this form of government, the City Council is the legislative body, enacting ordinances and adopting the City's annual budget. The Mayor oversees the administration of the City through the Community Development, the Court and the Administrative Departments, utilizing the budget adopted by the City Council.

Services Provided

The City provides a full spectrum of municipal services through a combination of contracts with private firms, and other governmental agencies and through the direct employment of City employees. These services include:

- Law enforcement by interlocal agreement with the Unified Police Department of Salt Lake
- Fire protection and emergency medical services through Unified Fire Authority
- Municipal court services
- Roadway, storm drain, street lighting and other infrastructure construction and maintenance through contracts with private contractors and Salt Lake County Public Works
- Engineering services through contracts with several private engineering firms, the primary firm being Forsgren and Associates
- Building inspection, planning and zoning services
- Park construction and maintenance
- Economic development and community cultural events

Economic Condition and Outlook

Like the State of Utah, the immediate economic outlook for the City of Taylorsville appears strong. It is moving past recent challenges experienced in the depth of the recession, when the City experienced a significant decrease in municipal tax revenue (primarily sales tax). Throughout the economic downturn, citizens and City employees sacrificed by reducing City expenditures, resulting in decreased services in road and infrastructure maintenance and snowplowing. Despite the economic slowdown in retail sales, the City has continued to enjoy continued business construction and new business development opportunities. The City remains committed to putting those past challenges behind it while celebrating business successes, including:

- The opening of several new infill and inline businesses.
- Summit Vista's first club house and first residential tower opened and residents are moving in. The second residential tower is currently under way and planned to open spring of 2019
- A new Texas Roadhouse building opened in Legacy Plaza at 54th
- Construction of several new business in Meadowbrook Plaza, Westwood Village and Sorenson Research Park
- New office buildings are in the application and approval processes at Nelson Laboratories, Sorenson Research Park and Tech27 Business Park
- The former RC Willey building site were sold and new businesses there include Standard Plumbing, Popeye's and Starbucks.

The City received 39.7% of its general fund revenue from sales taxes, and 16.1% from real property, personal property and motor vehicle taxes.

Long-Term Planning and Major Initiatives

Rebuilding from deferred maintenance remains a priority of the City, with particular focus on streets, storm drains, parks and government buildings. The City Council has increased funding dedicated to these initiatives and continues to recognize economic development as essential to success.

Looking forward, the Mayor and City Council have set challenging goals for Taylorsville's future. Their 20/20 Vision for the next decade-plus will be carried out through concerted economic development activities with City business partners, continued government efficiencies and ongoing adherence to fiscal discipline. The City is well positioned to meet its economic growth goals, especially considering its ideal location in the Salt Lake Valley, educated population, and strong business and government partnerships.

Major initiatives and projects include significant road, storm drain, park and beautification projects throughout the City over the next several fiscal years. The City has entered into agreements with the State, Utah Transit Authority, Salt Lake County and Murray City to create a mass transit corridor running primarily along 4700 South from the Murray TRAX line to the Salt Lake Community College. The route will provide transit opportunities to many of the City's major employers including those who work in the Sorenson Research Park, Nelson Labs, Convergys and others.

In addition to the Bus Rapid Transit and Midvalley Connector projects, additional transportation priorities on which the City is focused include:

- Bangerter Interchange at 6200 South
- 4700 South and 2700 West Intersection
- Redwood Beautification (4100-5400 South)

The City also remains committed to maximizing and maintaining recreational areas. One priority is to connect all open spaces with trails, and the City has begun that work, utilizing monies from the State and Taylorsville for this project.

Financial Information and Policies

As a government entity, the City of Taylorsville maintains financial internal accounting control through separate funds, rather than as a single accounting entity, allowing for greater transparency. 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, Economic Development Fund, Capital Project Fund and other Non-Major funds. The Storm Drain Fund is the City's only enterprise funds. Each fund is treated as a distinct, balanced accounting entity.

The City's administration has the responsibility for establishing and maintaining an internal control structure that will safeguard the assets of the government from loss, theft, or misuse. At the same time, management has the responsibility to ensure that adequate

accounting data are maintained and compiled to support the preparation of financial statements in conformity with GAAP and also follow state and legal guidelines.

The internal control structure is designed to provide reasonable, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that activity. The valuation of costs and benefits requires estimates and judgments by management and is reviewed as part of the annual audit to assure that the existing internal controls are following GAAP.

Comprehensive budgets are essential in governmental accounting and in maintaining financial control. The City's budget for all funds is adopted by the City Council each year and adjusted during the year as needed. Utah State law requires a balanced budget for each individual fund and requires department expenditures to conform to departmental appropriation. Finally, the law recognizes declared emergencies (natural disasters) as the only circumstance where individual budget may be overspent.

GENERAL FUND — General Fund revenues totaled \$22,498,629 in the fiscal year ending June 30, 2018. Property taxes, motor vehicle taxes, and general sales taxes constitute the major sources of revenue. All tax categories in aggregate generated 72.6% of general fund revenue.

The unassigned General Fund balance for the year was \$5,602,875, which is equivalent to 90 calendar days of operation expenditures should the City need to use these funds in an emergency. The fund balance represents about 24.9% of General Fund revenue.

DEBT ADMINISTRATION — In this accounting period the City managed total debt in the amount of \$7,955,000 in the form of sales tax revenue bonds for storm drain and road infrastructure improvements. Short-term-debt, is debt that is due in less than one year, payable during the 2017-2018 fiscal year totaled \$750,000.

INDEPENDENT AUDIT — The Utah State Municipal Code requires an annual audit by independent public accountants. The City's consultant selection committee has recommended, and the City Council has selected, Hansen, Bradshaw, Malmrose & Erickson, P.C. to perform the audit required by state law and to meet the requirements of the Federal Single Audit Act. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report.

Acknowledgements

We respectfully acknowledge this financial report is a numerical representation of the dedication of all our City employees and contractors. Of course, the cost of providing quality government services is not represented in a set of financial schedules and audited numbers some things simply cannot be measured. Yet Taylorsville's general excellence is evident. The success of the community is due in large part to the dedication of its City

employees and elected servants, as well as the commitment of its citizens, to making Taylorsville the best place in Utah to live, work and play. A special thank you to the entire City staff and City contractors who contributed to the preparation of this Comprehensive Annual Financial Report. We express our sincere appreciation for their contributions.

Respectfully,



John H. Taylor, P.E.
City Administrator/City Treasurer



Scott P. Harrington
C.F.O./Assistant City Administrator

Elected Officials

Mayor

Kristie Overson

Council Chairman

Brad Christopherson

Council Vice Chairman

Daniel Armstrong

Council Member

Meredith Harker

Council Member

Ernest Burgess

Council Member

Curt Cochran

Appointed Officials

City Administrator / Treasurer

John Taylor

C.F.O./ Assistant City Administrator

Scott Harrington

Community Development Director

Mark McGrath

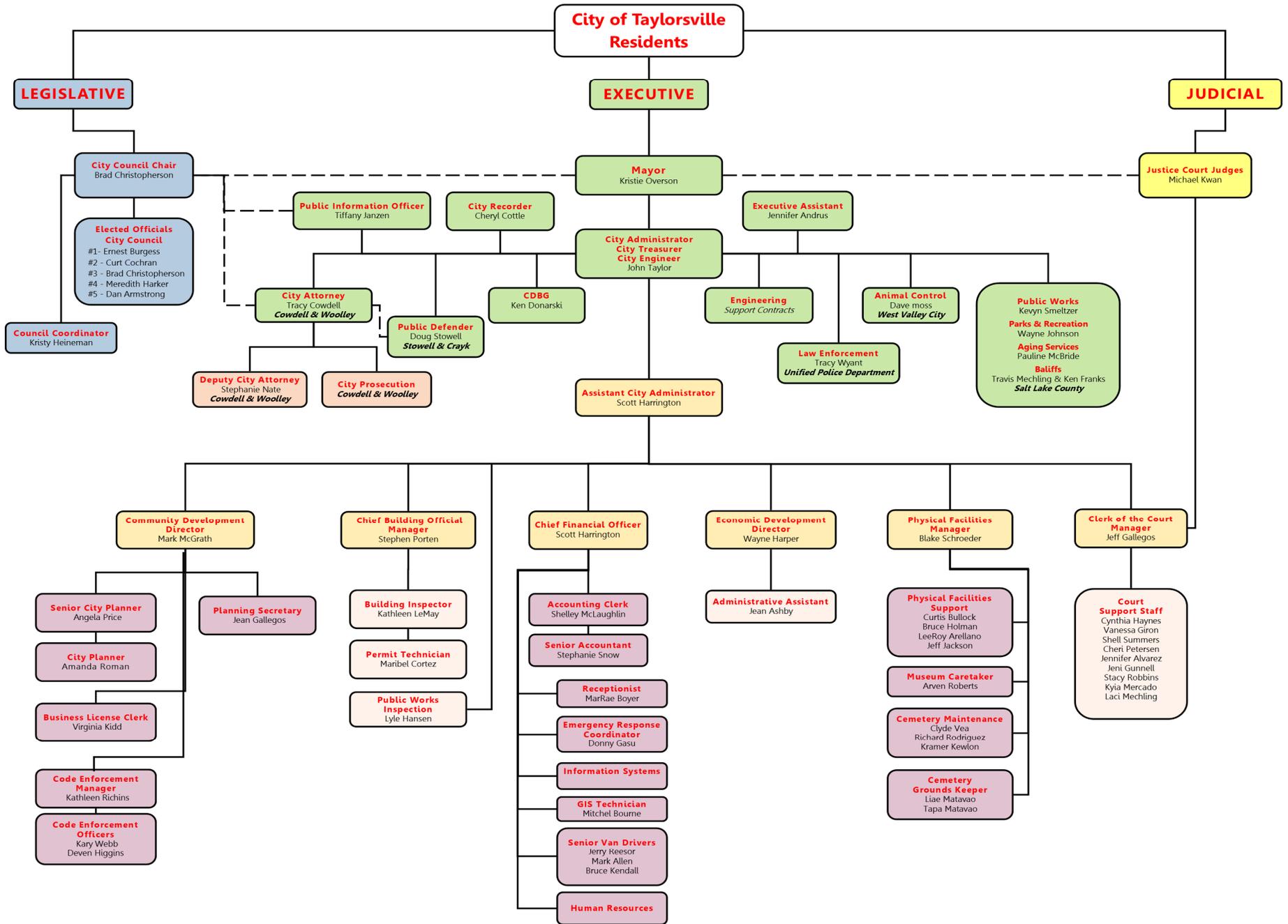
Justice Court Judge

Michael W. Kwan

Recorder

Cheryl Peacock-Cottle

¹ Justice Court Judges were appointed by the Mayor, with the advice and consent of the City Council for the 2009-2010 fiscal year. In November 2010 the Judges stood for a retention election for the first time.



Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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Bountiful, Utah 84010
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*Members of the
American Institute
of Certified Public
Accountants*

*Members of the
Private Company
Practice Section*

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Taylorsville, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Taylorsville, Utah ("the City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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.

Auditors' 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 auditors' 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 City'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 City'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Taylorsville, Utah, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue economic development fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 5-12 and 49-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, combining component unit financial statements, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the combining component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, and combining component unit financial statements 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 audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 25, 2018

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CITY OF TAYLORSVILLE
Management's Discussion and Analysis
For the year ended June 30, 2018

**Management's Discussion and Analysis
for fiscal year 2017-18**

The following discussion and analysis of the City of Taylorsville's financial performance provides a narrative overview and analysis of its financial activities for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information we have provided in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- Primary government total assets exceeded total liabilities at the close of 2018 by \$180,955,158 (net position). Of this amount, \$161,876,346 was invested in capital assets and \$6,068,006 was restricted for debt service, future construction, parks and other purposes. The City's governmental activities have an unrestricted net position of \$11,051,826. The City's business-type activities have an unrestricted net position of \$1,958,980.
- The City's total net position increased by \$589,839 in 2018. The net position of the governmental activities decreased by \$101,338 in 2018 compared to a net increase of \$1,775,776 in 2017.
- At the close of 2018, the City's governmental funds reported combined ending fund balances of \$18,692,028. The restricted, assigned and non-spendable portion of the fund balance is \$13,089,153.
- At the end of 2018, the unassigned fund balance for the General Fund was \$5,602,875. This is up by 5% over last year when compared to last year's total of \$5,338,035.
- The City's business-type activities reported net position of \$10,881,689 as of the end of June 30, 2018, which was a \$691,177 increase from 2017.
- Sales tax revenues surpassed the prior all time high set in FY2007 before the great recession.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the basic financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City'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 the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or other charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development and parks and recreation. The business-type activities of the City are its storm water management fund.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate entities for which the City is financially accountable:

- Redevelopment Agency of City of Taylorsville
- Taylorsville Arts Council
- Taylorsville Dayzz

Financial information for the Redevelopment Agency is blended and reported together with the financial information of the primary government. The other two component units are reported discretely from the financial information of the primary government.

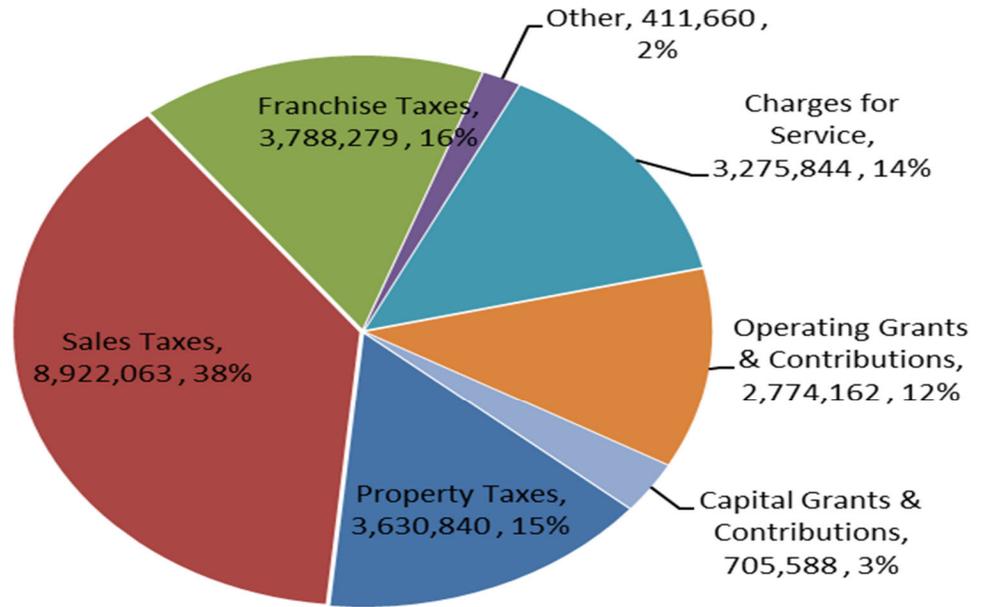
The government-wide financial statements are summarized with the following charts and graphs.

CITY OF TAYLORSVILLE
Management's Discussion and Analysis
For the year ended June 30, 2018

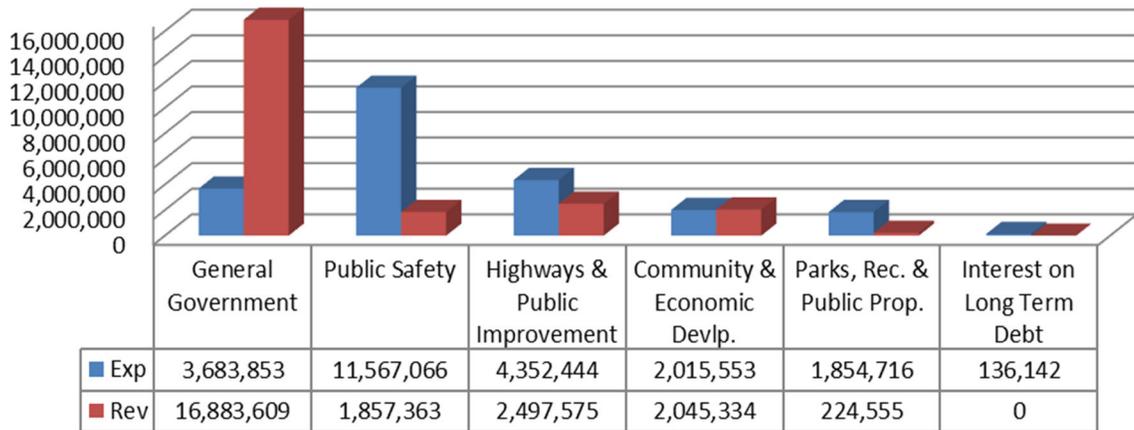
	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017	Business-Type Activities June 30, 2018	Business-Type Activities June 30, 2017	Totals June 30, 2018	Totals June 30, 2017
Current and other assets	\$ 24,507,226	\$ 24,760,297	\$ 2,230,354	\$ 3,035,330	\$ 26,737,580	\$ 27,795,627
Capital assets	156,788,969	156,273,372	11,476,141	10,270,699	168,265,110	166,544,071
Total Assets	181,296,195	181,033,669	13,706,495	13,306,029	195,002,690	194,339,698
Total deferred outflows of resources	739,988	753,291	86,968	99,392	826,956	852,683
Long-term debt outstanding	5,522,376	6,476,146	2,640,400	2,900,300	8,162,776	9,376,446
Other liabilities	1,905,805	1,418,744	271,374	314,609	2,177,179	1,733,353
Total Liabilities	7,428,181	7,894,890	2,911,774	3,214,909	10,339,955	11,109,799
Total deferred inflows of resources	4,534,533	3,717,263	-	-	4,534,533	3,717,263
Net assets:						
Net investment in capital assets	152,953,637	152,152,135	8,922,709	7,469,791	161,876,346	159,621,926
Restricted	6,068,006	7,475,793	-	-	6,068,006	7,475,793
Unrestricted	11,051,826	10,546,879	1,958,980	2,720,721	13,010,806	13,267,600
Total Net Position	\$ 170,073,469	\$ 170,174,807	\$ 10,881,689	\$ 10,190,512	\$ 180,955,158	\$ 180,365,319

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017	Business-Type Activities June 30, 2018	Business-Type Activities June 30, 2017	Total June 30, 2018	Total June 30, 2017
Revenues						
Program revenues:						
Charges for services	\$ 3,275,844	\$ 3,434,213	\$ 1,315,259	\$ 1,164,767	\$ 4,591,103	\$ 4,598,980
Operating grants and contributions	2,774,162	2,672,083	-	-	2,774,162	2,672,083
Capital grants and contributions	705,588	1,871,459	239,663	-	945,251	1,871,459
General revenues:						
Property taxes	3,630,840	3,629,285	-	-	3,630,840	3,629,285
Other taxes	12,710,342	11,987,201	-	-	12,710,342	11,987,201
Other revenues	411,660	608,068	84	31,289	411,744	639,357
Total revenue	23,508,436	24,202,309	1,555,006	1,196,056	25,063,442	25,398,365
Program expenses:						
General government	3,683,853	3,276,400	863,829	826,814	4,547,682	4,103,214
Public safety	11,567,066	11,750,680	-	-	11,567,066	11,750,680
Highway and public improvements	4,352,444	4,159,275	-	-	4,352,444	4,159,275
Community and economic development	2,015,553	2,344,739	-	-	2,015,553	2,344,739
Parks and public property	1,854,716	750,256	-	-	1,854,716	750,256
Interest on long term debt	136,142	145,183	-	-	136,142	145,183
Total expenses	23,609,774	22,426,533	863,829	826,814	24,473,603	23,253,347
Increase in net position	(101,338)	1,775,776	691,177	369,242	589,839	2,145,018
Net Position Beginning of Year	170,174,807	168,399,031	10,190,512	9,821,270	180,365,319	178,220,301
Net Position End of year	\$ 170,073,469	\$ 170,174,807	\$ 10,881,689	\$ 10,190,512	\$ 180,955,158	\$ 180,365,319

Revenues by Source Governmental Activities Fy 2018



Expenses and Program Revenue FY 2018



Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$180.9 million at the close of 2018.

The largest portion of the City's net position (89.5%) reflects its net investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure). The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, because capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.4%) represents resources that are subject to restrictions as to how they may be used. Of the total \$6.1 million restricted net position, \$352,392 is restricted for road maintenance project (Class C roads), \$1,736,776 is restricted for park construction projects, and \$3,896,903 is restricted for other future capital projects and \$81,935 is reserved for use in our home fund projects. The unrestricted balance is \$13,010,806.

At the end of the current fiscal year, the City was able to report positive balances in unrestricted net position for the government as a whole and for its separate governmental activities as was the case in the last several prior years. The business-type activities reported positive balances in unrestricted net position at the end of the current year, as was the case in the last several prior years. The primary differences in net position between the two years for governmental activities was increases in construction project payables, increases in deferred inflows related to pensions, and reductions of long-term debt. The business-type activities net position change was a result of increased charges for services and a grant received for approximately \$240,000.

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 Taylorsville City, 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 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 the 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

CITY OF TAYLORSVILLE
Management's Discussion and Analysis
For the year ended June 30, 2018

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.

The City maintains five 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 (major), Capital Projects- Infrastructure (major), Capital Projects- Building (nonmajor), Park-Impact (nonmajor) and the Economic Development Fund (major). The basic governmental fund financial statements can be found on pages 15 -18 of this report.

Enterprise Funds

The proprietary fund financial statements provide separate information for the Storm Water Management Fund.

Notes to the Financial Statements

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24-47 of this report.

Required Supplementary Information and Other Information

Other information in addition to the basic financial statements and accompanying notes presents certain required supplementary information concerning the City's accounting and reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts.

The combining statements and budgetary comparisons in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 53-59 of this report.

Financial Analysis of the Governmental Funds

The General Fund is responsible for all of the General Services Provided by Taylorsville City. The City is in a good financial position, our fund balance is nearing the maximum allowed by state law, which is 25% of current revenues. Taylorsville also entered into a joint venture with Salt Lake County on a performing arts center. The City contributed 1 million dollars this fiscal year to this multiyear project. We also had an increase in building permits with the start of construction of Summit Vista Life Plan Community.

The Redevelopment Fund managed debt service payments in the amount of \$226,000. Tax revenue collected were up by \$51,040 over the last year, due to continued economic development efforts in the City.

CITY OF TAYLORSVILLE
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The Infrastructure Fund continued to invest in decorative walls along 3200 W. and 6200 S. The Bus Rapid Transit Project in the 4700 S. Corridor is almost out of the design phase. Taylorsville will continue to contribute funds to this project in the upcoming year.

Budgetary Highlights

The City adopts an annual appropriation budget for its General Fund and all special revenue and capital project funds. Budgetary comparison schedules have been provided for these to demonstrate compliance with the annual budget requirements and the City's accounting processes. The actual general fund expenditures were \$20,190,810.93 which is 91.4% of budget. The revenue collected for the General Fund this year totaled \$22,498,628 or 98.1% of budget. We were able to transfer \$1,974,549 to the Infrastructure Fund to help fund the performing arts center and upcoming road projects.

Capital Assets and Debt Administration

The City's infrastructure is currently in good condition. The increase in infrastructure expenditures over the past five years has had a positive impact on the integrity of our infrastructure assets; however, deferred maintenance to our infrastructure and delayed capital improvement projects in prior years (2008-2012) will require increased spending and maintenance in the future to avoid an accelerated degradation of assets. The following charts show our investment in capital assets and the outstanding debt used to finance these projects.

	Governmental Activities		Business type Activities	
	2018	2017	2018	2017
Land and water rights	\$ 129,729,639	\$ 129,721,939	\$ -	\$ -
Construction in progress	3,332,291	1,319,848	21,541	290,822
Building and improvements	12,363,474	12,942,254	-	-
Office furniture and equipment	120,020	148,134	-	1,689
Vehicles and equipment	147,465	61,140	-	-
Infrastructure	11,096,080	12,080,057	11,454,600	9,978,188
	<u>\$ 156,788,969</u>	<u>\$ 156,273,372</u>	<u>\$ 11,476,141</u>	<u>\$ 10,270,699</u>

At June 30, 2018, the City had \$7,205,000 of long-term bonds outstanding, secured by specified revenue sources, (i.e. sales tax revenue bonds/ property tax revenue bonds). The City does not have any capital lease. See chart below.

CITY OF TAYLORSVILLE
Management's Discussion and Analysis
For the year ended June 30, 2018

	Governmental Activities		Business type Activities	
	2018	2017	2018	2017
Revenue bonds payable	\$ 4,564,600	\$ 5,054,700	\$ 2,640,400	\$ 2,900,300
Compensated absences	215,850	174,548	-	-
	<u>\$ 4,780,450</u>	<u>\$ 5,229,248</u>	<u>\$ 2,640,400</u>	<u>\$ 2,900,300</u>

The City's total bonded debt decreased by \$750,000 during fiscal year 2018. The key factor in this decrease was the regular scheduled payment of debt. The City maintains bond ratings as follows: "AA" rating from Standard & Poor's on its sales and use tax bonds series 2015. The City refunded the 2006 bonds in 2015 and made the last outstanding payment on the 2006 bonds in November of 2016.

The City has not issued general obligation bonds and therefore has no general obligation debt as of June 30, 2018. Sales and use tax bonds are special debts of the City and are not considered general obligation bonds by the state.

Additional information regarding the City's long-term debt can be found in Note 6 on page 38-39 of this report.

Economic Factors and the Next Year's Budget and Rates

- The unemployment rate for the City and for Utah was at 3.0% at the end of June 2018, which was slightly lower than the 3.8% rate for 2017. The national rate was 3.9% as of the end of June 2018.
- The City expects a 1% increase in its tax revenue for the coming year. These factors were considered when the City prepared its 2018-2019 fiscal year budget.
- The City Council has continued to invest in economic development as one of the top priorities in the City for the next fiscal year. To that end, four redevelopment agency areas have been identified and the City plans to continue to invest in infrastructure in these areas.
- The City feels it is important to continue to improve arts and culture opportunities for the community. The Council has entered into a contract with Salt Lake County to build a state of the art performing arts center in Taylorsville which, will begin construction in 2019.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to provide accountability for the money the City received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Scott Harrington, Chief Financial Officer, 801-963-5400, 2600 West Taylorsville Boulevard, Taylorsville, Utah 84129.

CITY OF TAYLORSVILLE
Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and cash equivalents	\$ 13,111,114	\$ 1,969,966	\$ 15,081,080	\$ 335,183
Receivables, net of allowance				
Taxes	5,940,026	-	5,940,026	-
Intergovernmental	424,555	-	424,555	-
Accounts	25,845	260,331	286,176	19,944
Prepaid expenses	16,357	-	16,357	-
Notes receivable	81,935	-	81,935	-
Restricted assets:				
Cash and cash equivalents	4,907,394	57	4,907,451	-
Capital assets not being depreciated:				
Land and water rights	129,729,639	-	129,729,639	-
Construction in progress	3,332,291	21,541	3,353,832	-
Capital assets - net of accumulated depreciation:				
Buildings and improvements	12,363,474	-	12,363,474	-
Office furniture and equipment	120,020	-	120,020	24,626
Vehicles and equipment	147,465	-	147,465	-
Infrastructure	11,096,080	11,454,600	22,550,680	-
Total assets	181,296,195	13,706,495	195,002,690	379,753
<u>Deferred Outflows of Resources</u>				
Deferred loss on refunding	102,090	86,968	189,058	-
Deferred outflows related to pensions	637,898	-	637,898	-
Total deferred outflows of resources	739,988	86,968	826,956	-
<u>Liabilities</u>				
Accounts payable	1,201,043	260,680	1,461,723	121,678
Accrued liabilities	685,885	-	685,885	-
Accrued interest payable	18,877	10,694	29,571	-
Noncurrent liabilities:				
Due within one year	524,892	264,500	789,392	-
Due in more than one year	4,255,558	2,375,900	6,631,458	-
Net pension liability	741,926	-	741,926	-
Total liabilities	7,428,181	2,911,774	10,339,955	121,678
<u>Deferred Inflows of Resources</u>				
Deferred property tax revenue	3,928,270	-	3,928,270	-
Deferred inflows related to pensions	606,263	-	606,263	-
Total deferred inflows of resources	4,534,533	-	4,534,533	-
<u>Net Position</u>				
Net investment in capital assets	152,953,637	8,922,709	161,876,346	24,626
Restricted for:				
Future construction	3,896,903	-	3,896,903	-
Class C roads	352,392	-	352,392	-
Federal programs	81,935	-	81,935	-
Parks	1,736,776	-	1,736,776	-
Unrestricted	11,051,826	1,958,980	13,010,806	233,449
Total net position	\$ 170,073,469	\$ 10,881,689	\$ 180,955,158	\$ 258,075

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Functions / Programs								
Primary Government:								
Governmental activities								
General government	\$ 3,683,853	\$ 38,880	\$ 91,887	\$ -	\$ (3,553,086)		\$ (3,553,086)	
Public safety	11,567,066	1,759,251	98,112	-	(9,709,703)		(9,709,703)	
Highways and public improvements	4,352,444	-	1,962,457	535,118	(1,854,869)		(1,854,869)	
Community and economic development	2,015,553	1,423,628	621,706	-	29,781		29,781	
Parks, recreation and public property	1,854,716	54,085	-	170,470	(1,630,161)		(1,630,161)	
Interest and fiscal charges on long-term debt	136,142	-	-	-	(136,142)		(136,142)	
Total governmental activities	23,609,774	3,275,844	2,774,162	705,588	(16,854,180)		(16,854,180)	
Business-type activities								
Storm drain	863,829	1,315,259	-	239,663		\$ 691,093	691,093	
Total Primary Government	\$ 24,473,603	\$ 4,591,103	\$ 2,774,162	\$ 945,251	(16,854,180)	691,093	(16,163,087)	
Component Units:								
Taylorsville Dayzz, Inc.	\$ 174,619	\$ 40,419	\$ 110,200	\$ -				\$ (24,000)
Taylorsville Art Council	52,457	28,971	25,896	-				2,410
Total component units	\$ 227,076	\$ 69,390	\$ 136,096	\$ -				(21,590)
General Revenues:								
Taxes								
Property taxes					3,630,840	-	3,630,840	-
Sales taxes					8,922,063	-	8,922,063	-
Franchise taxes					3,788,279	-	3,788,279	-
Investment earnings					350,602	84	350,686	522
Other					61,058	-	61,058	-
Total general revenues					16,752,842	84	16,752,926	522
Change in net position					(101,338)	691,177	589,839	(21,068)
Net position - beginning					170,174,807	10,190,512	180,365,319	279,143
Net position - ending					\$ 170,073,469	\$ 10,881,689	\$ 180,955,158	\$ 258,075

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Balance Sheet – Governmental Funds
June 30, 2018

	Governmental Fund Types				
	General	Capital Projects	Special Revenue	Other Governmental Funds	Total Governmental Funds
		Infrastructure	Economic Development		
<u>Assets</u>					
Cash and cash equivalents	\$ 4,440,371	\$ 5,619,330	\$ 1,172,291	\$ 1,879,122	\$ 13,111,114
Receivables:					
Taxes	5,295,276	-	644,750	-	5,940,026
Intergovernmental	424,555	-	-	-	424,555
Other, net	25,845	-	-	-	25,845
Prepaid expenses	16,357	-	-	-	16,357
Due from other funds	43,240	-	-	-	43,240
Notes receivable	81,935	-	-	-	81,935
Restricted assets:					
Cash and cash equivalents	383,297	3,896,903	627,194	-	4,907,394
Total assets	\$ 10,710,876	\$ 9,516,233	\$ 2,444,235	\$ 1,879,122	\$ 24,550,466
<u>Liabilities</u>					
Accounts payable	\$ 687,912	\$ 513,131	\$ -	\$ -	\$ 1,201,043
Accrued liabilities	685,885	-	-	-	685,885
Due to other funds	-	-	43,240	-	43,240
Total liabilities	1,373,797	513,131	43,240	-	1,930,168
<u>Deferred Inflows of Resources</u>					
Deferred property tax revenue	3,283,520	-	644,750	-	3,928,270
Total deferred inflows of resources	3,283,520	-	644,750	-	3,928,270
<u>Fund Balances</u>					
Nonspendable	16,357	-	-	-	16,357
Restricted for:					
Future construction	-	3,896,903	-	-	3,896,903
Class C roads	352,392	-	-	-	352,392
Federal programs	81,935	-	-	-	81,935
Parks	-	-	-	1,736,776	1,736,776
Assigned to:					
Infrastructure fund	-	5,106,199	-	-	5,106,199
Economic development fund	-	-	1,756,245	-	1,756,245
Buildings fund	-	-	-	142,346	142,346
Unassigned	5,602,875	-	-	-	5,602,875
Total fund balances	6,053,559	9,003,102	1,756,245	1,879,122	18,692,028
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,710,876	\$ 9,516,233	\$ 2,444,235	\$ 1,879,122	\$ 24,550,466

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - total governmental funds (page 15)	\$ 18,692,028
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	156,788,969
Other long-term assets not available for current period expenditures and are therefore either deferred or not applicable to funds.	102,090
Interest payable is not due and payable in the current period and therefore is not recorded in the funds.	(18,877)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,780,450)
Net pension assets and liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(710,291)</u>
Net position - governmental activities (page 13)	<u><u>\$ 170,073,469</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2018

	Governmental Fund Types				Total Governmental Funds
	Capital Projects	Special Revenue	Other Governmental		
	General	Infrastructure	Economic Development	Funds	
Revenues					
Taxes	\$ 16,331,180	\$ -	\$ 10,002	\$ -	\$ 16,341,182
Impact fees	-	-	-	170,470	170,470
Licenses and permits	852,291	-	-	-	852,291
Intergovernmental	2,464,990	-	261,240	-	2,726,230
Charges for services	778,750	-	-	-	778,750
Fines and forfeitures	1,692,735	-	-	-	1,692,735
Miscellaneous	39,132	21,926	-	-	61,058
Interest income	339,551	-	11,051	-	350,602
Total revenues	22,498,629	21,926	282,293	170,470	22,973,318
Expenditures					
General government	2,529,355	-	-	-	2,529,355
Public safety	11,438,743	-	-	-	11,438,743
Highways and public improvements	2,986,362	-	-	-	2,986,362
Community and economic development	1,844,148	-	26,378	-	1,870,526
Parks, recreation, and public property	410,873	1,100,000	-	33,028	1,543,901
Non-departmental	595,079	-	-	-	595,079
Debt service:					
Principal	305,100	-	185,000	-	490,100
Interest	81,150	-	42,442	-	123,592
Capital outlay:					
Highways and public improvements	-	2,717,862	-	-	2,717,862
Total expenditures	20,190,810	3,817,862	253,820	33,028	24,295,520
Excess (deficiency) of revenues over (under) expenditures	2,307,819	(3,795,936)	28,473	137,442	(1,322,202)
Other Financing Sources (Uses)					
Transfers in	-	2,050,000	226,000	-	2,276,000
Transfers out	(2,276,000)	-	-	-	(2,276,000)
Sale of capital assets	3,894	159,394	-	-	163,288
Total other financing sources (uses)	(2,272,106)	2,209,394	226,000	-	163,288
Net change in fund balances	35,713	(1,586,542)	254,473	137,442	(1,158,914)
Fund balances, beginning of year	6,017,846	10,589,644	1,501,772	1,741,680	19,850,942
Fund balances, end of year	\$ 6,053,559	\$ 9,003,102	\$ 1,756,245	\$ 1,879,122	\$ 18,692,028

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 17)	\$ (1,158,914)
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.	(2,769,527)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position. Governmental funds also do not report contributed capital assets as revenue.	3,452,424
Proceeds from sale of capital assets is recorded as income in the governmental funds. However, only the gain or loss on the sale of capital assets is recorded in the statement of activities.	(167,300)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	475,515
Accrued pension costs are not reported as an expenditure in the current period for governmental funds but are recorded as an expense in the statement of activities.	105,731
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.	(39,267)
Change in net position of governmental activities (page 14)	<u>\$ (101,338)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Taxes	\$ 16,056,928	\$ 15,826,928	\$ 16,331,180	\$ 504,252
Licenses and permits	641,000	941,000	852,291	(88,709)
Intergovernmental	3,213,492	3,032,990	2,464,990	(568,000)
Charges for services	347,600	961,600	778,750	(182,850)
Fines and forfeitures	1,838,000	1,838,000	1,692,735	(145,265)
Miscellaneous	51,500	57,000	39,132	(17,868)
Interest income	145,000	295,000	339,551	44,551
Total revenues	<u>22,293,520</u>	<u>22,952,518</u>	<u>22,498,629</u>	<u>(453,889)</u>
<u>Expenditures</u>				
General government				
City council	267,650	267,650	214,834	52,816
Mayor	149,062	149,062	134,101	14,961
Administrative services	1,948,240	1,987,140	1,733,462	253,678
Governmental buildings	523,171	526,171	446,958	79,213
Public safety				
Court operations	1,939,859	1,939,859	1,608,590	331,269
Animal control	454,000	454,000	434,956	19,044
Fire and VECC	428,000	-	-	-
Police	9,364,969	9,445,402	9,395,197	50,205
Highways and public improvements	3,078,044	3,082,544	2,986,362	96,182
Community and economic development				
Planning commission	13,700	13,700	5,744	7,956
Community activities	54,000	64,000	41,892	22,108
Citizens committees	101,600	108,600	100,747	7,853
CDBG programs	603,492	797,857	445,135	352,722
Community development	612,507	617,007	501,076	115,931
Economic development	273,481	286,231	244,234	41,997
Building and inspection	567,584	619,984	505,320	114,664
Parks, recreation, and public property	333,466	542,466	410,873	131,593
Non-departmental	738,436	793,236	595,079	198,157
Debt service:				
Principal	306,100	306,100	305,100	1,000
Interest	86,000	88,000	81,150	6,850
Total expenditures	<u>21,843,361</u>	<u>22,089,009</u>	<u>20,190,810</u>	<u>1,898,199</u>
Excess of revenues over expenditures	<u>450,159</u>	<u>863,509</u>	<u>2,307,819</u>	<u>1,444,310</u>
<u>Other Financing Sources (Uses)</u>				
Transfers out	(1,762,036)	(2,606,386)	(2,276,000)	330,386
Sale of capital assets	20,000	40,000	3,894	(36,106)
Total other financing sources (uses)	<u>(1,742,036)</u>	<u>(2,566,386)</u>	<u>(2,272,106)</u>	<u>294,280</u>
Net change in fund balance	<u>\$ (1,291,877)</u>	<u>\$ (1,702,877)</u>	<u>35,713</u>	<u>\$ 1,738,590</u>
Fund balance, beginning of year			<u>6,017,846</u>	
Fund balance, end of year			<u>\$ 6,053,559</u>	

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – Economic Development Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Property taxes	\$ 250,000	\$ 250,000	\$ 10,002	\$ (239,998)
Intergovernmental	-	-	261,240	261,240
Interest income	5,000	5,000	11,051	6,051
Total revenues	<u>255,000</u>	<u>255,000</u>	<u>282,293</u>	<u>27,293</u>
<u>Expenditures</u>				
Economic development projects	352,000	352,000	26,378	325,622
Debt service:				
Principal	185,000	185,000	185,000	-
Interest	45,000	45,000	42,442	2,558
Total expenditures	<u>582,000</u>	<u>582,000</u>	<u>253,820</u>	<u>328,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(327,000)</u>	<u>(327,000)</u>	<u>28,473</u>	<u>355,473</u>
<u>Other Financing Sources</u>				
Transfers in	<u>226,000</u>	<u>226,000</u>	<u>226,000</u>	<u>-</u>
Total other financing sources	<u>226,000</u>	<u>226,000</u>	<u>226,000</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (101,000)</u></u>	<u><u>\$ (101,000)</u></u>	<u>254,473</u>	<u><u>\$ 355,473</u></u>
Fund balance, beginning of year			<u>1,501,772</u>	
Fund balance, end of year			<u><u>\$ 1,756,245</u></u>	

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Statement of Net Position – Proprietary Fund
June 30, 2018

	<u>Storm Drain</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,969,966
Receivables:	
Accounts	<u>260,331</u>
Total current assets	<u>2,230,297</u>
Noncurrent assets:	
Cash and cash equivalents, restricted	<u>57</u>
Capital assets:	
Machinery and equipment	39,445
Infrastructure	15,223,125
Construction in progress	21,541
Accumulated depreciation	<u>(3,807,970)</u>
Net capital assets	<u>11,476,141</u>
Total noncurrent assets	<u>11,476,198</u>
Total assets	<u>13,706,495</u>
<u>Deferred Outflows of Resources</u>	
Deferred loss on refunding	<u>86,968</u>
Total deferred outflows of resources	<u>86,968</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	260,680
Accrued interest payable	10,694
Long-term debt, current portion	<u>264,500</u>
Total current liabilities	<u>535,874</u>
Noncurrent liabilities:	
Revenue bonds payable, due after one year	<u>2,375,900</u>
Total noncurrent liabilities	<u>2,375,900</u>
Total liabilities	<u>2,911,774</u>
<u>Net Position</u>	
Net investment in capital assets	8,922,709
Unrestricted	<u>1,958,980</u>
Total net position	<u>\$ 10,881,689</u>

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Year Ended June 30, 2018

	Storm Drain
<u>Operating Revenues</u>	
Sales and charges for services	\$ 1,166,913
Miscellaneous	239,663
Total operating revenues	<u>1,406,576</u>
<u>Operating Expenses</u>	
Administration and general	133,842
Repairs and maintenance	312,641
Depreciation	338,636
Total operating expenses	<u>785,119</u>
Operating income	<u>621,457</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest income	84
Interest expense	(78,710)
Impact fees	148,346
Total nonoperating revenues (expenses)	<u>69,720</u>
Change in net position	691,177
Total net position, beginning	<u>10,190,512</u>
Total net position, ending	<u><u>\$ 10,881,689</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF TAYLORSVILLE
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2018

	Storm Drain
Cash flows from operating activities	
Receipts from customers and users	\$ 1,278,357
Payments to suppliers	(488,666)
Net cash provided by operating activities	<u>789,691</u>
Net cash provided by noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities	
Acquisition of property, plant, and equipment	(1,544,078)
Impact fees	148,346
Principal paid on capital debt	(259,900)
Interest paid on capital debt	(67,338)
Net cash used by capital and related financing activities	<u>(1,722,970)</u>
Cash flows from investing activities	
Interest received	<u>84</u>
Net cash provided by investing activities	<u>84</u>
Net decrease in cash and cash equivalents	(933,195)
Cash and cash equivalents, beginning of year	<u>2,903,218</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,970,023</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 621,457
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	338,636
Changes in assets and liabilities:	
Accounts receivable	(128,219)
Accounts payable	(42,183)
Net cash provided by operating activities	<u><u>\$ 789,691</u></u>

The accompanying notes are an integral part of this financial statement.



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CITY OF TAYLORSVILLE
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Taylorsville (the City) was incorporated on July 1, 1996, under the provisions of the State of Utah. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, highways, culture-recreation, municipal justice court, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Component units that do not meet the criteria for being blended into the City's primary government are reported discretely.

Discretely Presented Component Units

The Taylorsville Arts Council (the Arts Council) provides cultural and recreational activities for the residents of the City. The Arts Council's governing body consists of the City's Mayor, the Chairman of the City Council, the Chairman of the Arts Council, who is appointed by the Mayor, the Vice-Chair, and Treasurer.

In 2012, Taylorsville Dayzz Inc. was created. This entity provides funding and operations of Taylorsville Dayzz, which is the City's birthday celebration.

Financial information for the component units may be obtained at the City's office, located at 2600 West Taylorsville Blvd., Taylorsville, Utah 84129.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. The City's general administrative services, public safety, highways and streets, planning and engineering, and parks are all classified as governmental activities. Storm water collection services are classified as business-type activities.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City and its component units. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments are recorded only when payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The following fund types are used by the City:

The City reports the following major governmental funds:

- The General Fund is the City'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 Infrastructure – Capital Projects Fund accounts for the acquisition and construction of the City's major infrastructure projects, other than those financed by proprietary funds.
- The Economic Development – Special Revenue Fund accounts for economic development and redevelopment agency activities and the expenditure of bond monies related to economic development.

The City reports the following major proprietary fund:

- The Storm Drain Fund accounts for the operation and maintenance of the storm drain system and capital projects for the storm system.

Additionally, the City reports the following fund types:

- Special revenue funds: The City accounts for park impact fees in a special revenue fund.
- Capital project funds account for the acquisition of fixed assets of the City. The City accounts for building construction in a capital project fund.

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 all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales, services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

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

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed General Fund balance until it exceeds 5% of the General Fund revenues. Until the sum of the stated categories of fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law prohibits the accumulation of the stated fund balance categories in any amount greater than 25% of the current year's actual revenues.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Special Revenue Funds, and Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is not practicable or appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents and Investments

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. Investments consist of debt securities and are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to or due from other funds”. Advances between funds as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources.

Tax, intergovernmental and other receivables at June 30, 2018, consisted of property tax, sales tax, franchise tax, grants, utility billings, and other miscellaneous items. The utility billings for charged services are billed to customers on a monthly basis. Unbilled service accounts receivable at June 30, 2018 were estimated based on July billings and are included in the operating revenues and accounts receivable at year end. Taxes, grants, and utility charges are deemed collectible in full, so no allowance for uncollectibles is recorded. However, the City has estimated \$8,313 to be uncollectible on its other receivables.

Restricted Assets

Certain assets are classified as restricted because their use is restricted by an independent third party, enabling legislation, or other laws and statutes. These restrictions may include future debt service payments, unexpended portions of bonds issued for capital construction, and other agreements with third parties.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amounts not rounded) and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of fixed assets is computed using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings and Improvements	5-30
Office Furniture and Equipment	3-20
Vehicles and Equipment	7-10
Infrastructure	20-50

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Compensated absences

Accumulated unpaid time off with pay is accrued as incurred based on the years of service for each employee. Time off with pay is accumulated on a monthly basis and is fully vested when earned. Accumulated vacation cannot exceed 320 hours at the end of the fiscal year and any paid leave time in excess of this amount is forfeited. No payments will be made in lieu of taking time off, except for accrued time off with pay at the time of termination or in extenuating circumstances, which payment must be approved by the Mayor or Mayor's designee. The amount of accumulated time off with pay is accrued when incurred in the government-wide financial statements.

Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. All property taxes levied by the City are assessed and collected by Salt Lake County. Taxes are levied as of January 1 and due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise taxes are collected by utility companies and remitted to the City periodically.

Pensions

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is, therefore, deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is, therefore, deferred until that time. Governmental funds report unavailable revenue from property taxes as deferred inflows of resources until such time they can be recognized as revenue in the period that they become available.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

GASB Statement No. 54 provided new reporting categories for fund balance in governmental funds. The categories and descriptions are as follows:

Nonspendable Fund Balance – Prepaid expenditures and other similar assets not in a spendable form that are contractually required to be maintained intact are classified as nonspendable fund balance.

Restricted Fund Balance – Assets that are constrained by externally imposed restrictions, or by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts formally designated by City Council through ordinance or resolution for a specific purpose that cannot be used for another purpose unless the City Council formally changes the use through a superseding ordinance or resolution.

Assigned Fund Balance – Amounts constrained by City Council or City Management for a specific purpose normally through the appropriations process in establishing and amending budgets. Furthermore, funds in special revenue, capital project, and permanent fund are by their nature assigned to the purpose for which the resources are collected.

Unassigned Fund Balance – Amounts that may be used for any governmental purpose.

When an expenditure qualifies to be used from more than one fund balance classification identified above, it is the City's policy to use resources in the following order: restricted, committed, assigned, and then unassigned.

The City has adopted a formal policy on minimum fund balance for the general fund of 19.5%. State statute requires the City to maintain a minimum fund balance in the general fund of at least 5% of total revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Inter-fund transactions

During the course of normal operations, the City has transactions between funds to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits and cash on hand. Investments are stated at cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents," which also includes cash accounts that are separately held by several of the City's funds.

As of June 30, 2018, the City's demand deposits and cash on hand amounted to \$1,057,726.

Deposits – Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

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 (UMMA) that relate to the deposit and investment of public funds.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

The City follows the requirements of UMMA (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository, which is defined as a 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. UMMA defines types of securities authorized as appropriate investments for the City's funds 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; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); 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 UMMA; and the Utah State Public Treasurers' Investment Fund. The City has complied with the UMMA and rules of the Money Management Council with regard to deposits and investments. The City has a separate deposit and investment policy which requires City to follow UMMA.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by UMMA. 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 of the PTIF, net of administration fees, 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.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instruments. The prices are determined using significant unobservable inputs or valuation techniques. Quoted prices for identical investments in active markets.

At June 30, 2018, the City had the following recurring fair value measurements.

	06/30/18	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
PTIF	\$ 18,297,040	\$ -	\$ 18,297,040	\$ -
Total debt securities	\$ 18,297,040	\$ -	\$ 18,297,040	\$ -

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2018, \$1,735,817 of the City's \$2,436,375 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized. UMMA does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. UMMA requires that the City keep deposits in a qualified depository, which the City has done.

Custodial credit risk – investments 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 that are in the possession of an outside party. Of the City's investment in the PTIF of \$18,297,040, the City has no custodial credit risk exposure as the PTIF is an external investment pool managed by the Utah State Treasurer and is not categorized as to custodial 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 limiting the credit risks of investments is to comply with UMMA.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to UMMA. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. 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 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2018, the City's investments had the following maturities and ratings:

Investment Type	Fair Value	Investment Maturities (in Years)		Quality Ratings
		Less Than 1	1-5	
PTIF	\$ 18,297,040	\$ 18,297,040	\$ -	Unrated
	<u>\$ 18,297,040</u>	<u>\$ 18,297,040</u>	<u>\$ -</u>	

Concentration of credit risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's policy for reducing this 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 the total dollar amount held in the portfolio. The City's investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer.

The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasurers' Office.

The City did not enter into any reverse repurchase agreements during the year. Bond deposits are held by an appointed trustee in accordance with the Bond Resolutions. Repurchase agreements are secured by uninsured, unregistered securities held by the counter party but not in the City's name.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

3. RESTRICTED CASH AND CASH EQUIVALENTS

Certain assets are restricted to use as follows as of June 30, 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental activities		
Restricted for unspent bond proceeds	\$ 627,194	\$ 57
Restricted for funds held in trust for Justice Court	24,392	-
Restricted for employee cafeteria plan	6,513	-
Restricted for "C" road funds	352,392	-
Restricted for capital projects - infrastructure	<u>3,896,903</u>	<u>-</u>
Total restricted cash and cash equivalents	<u>\$ 4,907,394</u>	<u>\$ 57</u>

4. CAPITAL ASSETS AND DEPRECIATION

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

	<u>07/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/18</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land and water rights	\$ 129,721,939	\$ 175,000	\$ (167,300)	\$ 129,729,639
Construction in progress	<u>1,319,848</u>	<u>2,012,443</u>	<u>-</u>	<u>3,332,291</u>
Total capital assets, not being depreciated	<u>131,041,787</u>	<u>2,187,443</u>	<u>(167,300)</u>	<u>133,061,930</u>
Capital assets, being depreciated:				
Buildings and improvements	21,386,957	783,330	-	22,170,287
Office furniture and equipment	1,511,488	17,899	-	1,529,387
Vehicles and equipment	502,575	103,634	(17,279)	588,930
Infrastructure	<u>57,178,289</u>	<u>360,118</u>	<u>-</u>	<u>57,538,407</u>
Total capital assets, being depreciated	<u>80,579,309</u>	<u>1,264,981</u>	<u>(17,279)</u>	<u>81,827,011</u>
Accumulated depreciation:				
Buildings and improvements	8,444,703	1,362,110	-	9,806,813
Office furniture and equipment	1,363,354	46,013	-	1,409,367
Vehicles and equipment	441,435	17,309	(17,279)	441,465
Infrastructure	<u>45,098,232</u>	<u>1,344,095</u>	<u>-</u>	<u>46,442,327</u>
Total accumulated depreciation	<u>55,347,724</u>	<u>2,769,527</u>	<u>(17,279)</u>	<u>58,099,972</u>
Total capital assets, net of accumulated depreciation	<u>25,231,585</u>	<u>(1,504,546)</u>	<u>-</u>	<u>23,727,039</u>
Governmental capital assets, net	<u>\$ 156,273,372</u>	<u>\$ 682,897</u>	<u>\$ (167,300)</u>	<u>\$ 156,788,969</u>

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

4. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	07/01/17	Increases	Decreases	06/30/18
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 290,822	\$ -	\$ (269,281)	\$ 21,541
Total capital assets, not being depreciated	290,822	-	(269,281)	21,541
Capital assets, being depreciated:				
Infrastructure	13,409,766	1,813,359	-	15,223,125
Equipment	39,445	-	-	39,445
Total capital assets, depreciated	13,449,211	1,813,359	-	15,262,570
Accumulated depreciation:				
Infrastructure	3,431,578	336,947	-	3,768,525
Equipment	37,756	1,689	-	39,445
Total accumulated depreciation	3,469,334	338,636	-	3,807,970
Total capital assets, net of accumulated depreciation	9,979,877	1,474,723	-	11,454,600
Business-type capital assets, net	<u>\$ 10,270,699</u>	<u>\$ 1,474,723</u>	<u>\$ (269,281)</u>	<u>\$ 11,476,141</u>

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

Governmental activities:	
General government	\$ 632,698
Public safety	143,053
Highways and public improvements	1,408,023
Community and economic development	167,021
Parks and public property	418,732
Total depreciation expense - governmental activities	<u>\$ 2,769,527</u>
Business-type activities:	
Storm drain	<u>\$ 338,636</u>

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

4. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Discretely presented component unit activity for the year ended June 30, 2018 is as follows:

	07/01/17	Increases	Decreases	06/30/18
<u>Component Unit</u>				
Capital assets, being depreciated:				
Equipment	\$ 53,462	\$ 3,010	\$ -	\$ 56,472
Total capital assets, depreciated	53,462	3,010	-	56,472
Accumulated depreciation:				
Equipment	24,450	7,396	-	31,846
Total accumulated depreciation	24,450	7,396	-	31,846
Total component unit capital assets, net	\$ 29,012	\$ (4,386)	\$ -	\$ 24,626

5. DEFERRED PROPERTY TAXES

In conjunction with the implementation of GASB pronouncement 33 “Accounting and Financial Reporting for Non-exchange Transactions” the City has accrued a property tax receivable and a deferred property tax revenue of \$3,928,270.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on January 1 and then are due and payable at November 30. Since the property tax levied on January 1, 2018 was not expected to be received within 60 days after the year ended June 30, 2018, the City was required to record a receivable and deferred revenue of the estimated amount of the total property tax levied on January 1, 2018.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

6. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term debt activity of the City for the year ended June 30, 2018, was as follow:

	<u>07/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/18</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Revenue bonds	\$ 5,054,700	\$ -	\$ (490,100)	\$ 4,564,600	\$ 505,500
Plus: unamortized premiums	3,250	-	(3,250)	-	-
Total bonds payable	<u>5,057,950</u>	<u>-</u>	<u>(493,350)</u>	<u>4,564,600</u>	<u>505,500</u>
Compensated absences	<u>174,548</u>	<u>190,596</u>	<u>(149,294)</u>	<u>215,850</u>	<u>19,392</u>
Governmental activities, long-term liabilities	<u>\$ 5,232,498</u>	<u>\$ 190,596</u>	<u>\$ (642,644)</u>	<u>\$ 4,780,450</u>	<u>\$ 524,892</u>
<u>Business-type activities</u>					
Bonds payable:					
Revenue bonds	\$ 2,900,300	\$ -	\$ (259,900)	\$ 2,640,400	\$ 264,500
Total bonds payable	<u>2,900,300</u>	<u>-</u>	<u>(259,900)</u>	<u>2,640,400</u>	<u>264,500</u>
Business-type activities, long-term liabilities	<u>\$ 2,900,300</u>	<u>\$ -</u>	<u>\$ (259,900)</u>	<u>\$ 2,640,400</u>	<u>\$ 264,500</u>

Revenue Bonds

Sales Tax Revenue Refunding Bonds, Series 2015, original issue of \$6,460,000, principal due in annual installments beginning November 2015, interest at 2.43% due in semi-annual installments beginning November 2015, with the final payment due November 2026. The bonds were issued to finance the partial refunding of the Series 2006 Sales Tax Revenue Bonds and paying the costs of issuance of the Series 2015 Bonds. Debt service payments will be made from the General Fund and Storm Drain Fund.

\$ 5,740,000

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Tax Increment and Sales Tax Revenue Refunding Bonds, Series 2015, original issue of \$2,015,000, principal payments due in annual installments starting in November 2015, interest at 2.59% and due in semi-annual payments with the final payment due November 2024. These bonds were issued to finance the refunding of the Series 2011B and 2011C Sales Tax Revenue Bonds, paying the costs of issuance, and additional costs related to economic development in the West Point RDA. Debt service payments will be made from tax increment from the RDA and backed by the General Fund sales tax revenues.

	1,465,000
Total Tax Revenue Bonds	\$ 7,205,000

Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest for the revenue bonds, as of June 30, 2018, are as follows:

Year Ending June 30,	Sales Tax Revenue Bonds		
	Principal	Interest	Totals
2019	\$ 770,000	\$ 167,914	\$ 937,914
2020	795,000	148,583	943,583
2021	815,000	128,698	943,698
2022	835,000	108,318	943,318
2023	845,000	57,570	902,570
2024-2027	3,145,000	180,059	3,325,059
Total Revenue Bonds Payable	\$ 7,205,000	\$ 791,142	\$ 7,996,142

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

7. RETIREMENT SYSTEMS AND PENSIONS PLANS

General Information about the Pension Plan

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (URS). URS is comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple-employer, cost-sharing, public employee retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost-sharing, public employee retirement systems.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning work on or after July 1, 2011, who have no previous service credit with URS, 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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%

*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.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

7. RETIREMENT SYSTEMS AND PENSIONS PLANS (CONTINUED)

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, 2018 are as follows:

Utah Retirement Systems

	Employee Paid	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System			
111- Local Governmental Division Tier 2	N/A	15.11%	1.58%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%

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

For fiscal year ended June 30, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 271,949	N/A
Tier 2 Public Employees System	71,852	-
Tier 2 DC Only System	10,729	N/A
Total Contributions	<u>\$ 354,530</u>	<u>-</u>

Contributions reported are 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.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

7. RETIREMENT SYSTEMS AND PENSIONS PLANS (CONTINUED)

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

At June 30, 2018, the City reported no net pension asset and a net pension liability of \$741,926.

	(Measurement Date): December 31, 2017				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change
Noncontributory System	\$ -	\$ 738,218	0.1684929%	0.1932836%	-0.0247907%
Tier 2 Public Employees System	-	3,708	0.0420613%	0.0518192%	-0.0097579%
Total Net Pension Asset / Liability	\$ -	\$ 741,926			

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

For the year ended June 30, 2018, the City recognized pension expense of \$248,705.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,606	\$ 48,651
Changes in assumptions	270,155	17,623
Net difference between projected and actual earnings on pension plan investments	160,096	422,725
Changes in proportion and differences between contributions and proportionate share of contributions	3,815	117,264
Contributions subsequent to the measurement date	187,226	-
Total	\$ 637,898	\$ 606,263

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

7. RETIREMENT SYSTEMS AND PENSIONS PLANS (CONTINUED)

The \$187,226 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2017. 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
2018	\$ (1,927)
2019	22,847
2020	(78,405)
2021	(91,930)
2022	(619)
Thereafter	3,759

Actuarial Assumptions

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

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

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

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

7. RETIREMENT SYSTEMS AND PENSIONS PLANS (CONTINUED)

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%	6.15%	2.46%
Debt securities	20%	40.00%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.95%. 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 was reduced to 6.95% from 7.20% from the prior measurement period.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

7. RETIREMENT SYSTEMS AND PENSIONS PLANS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.95%) or one percentage-point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 1,996,488	\$ 738,218	\$ (307,971)
Tier 2 Public Employees System	43,665	3,708	(27,104)
Total	\$ 2,040,153	\$ 741,926	\$ (335,075)

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 State 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.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

7. RETIREMENT SYSTEMS AND PENSIONS PLANS (CONTINUED)

Defined Contribution Savings Plans (Continued)

The City participates in a 401(k), 457(b), Roth IRA, and Traditional IRA Defined Contribution Savings Plans with URS. Employee and employer contributions to these plans for the year ended June 30, were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
401(k) Plan*			
Employer contributions	\$ 40,596	\$ 51,420	\$ 47,968
Employee contributions	53,411	64,262	68,067
457 Plan			
Employer contributions	-	-	-
Employee contributions	2,213	13,865	24,886
Roth IRA Plan			
Employer contributions	N/A	N/A	N/A
Employee contributions	2,675	4,050	5,050
Traditional IRA			
Employer contributions	N/A	N/A	N/A
Employee contributions	2,600	2,700	2,600

* The employer paid 401(k) contributions include the totals paid for employees in the Tier 2 Defined Contribution 401(k) Plan.

8. COMMITMENTS

The City has entered into several contracts with other governmental agencies to provide various services. These services include Public Safety (police, fire and paramedic) and Public Works. The term of each of these contracts is one year or less.

The City has contracted with West Valley City to provide animal control services. During 2009, West Valley City built an animal shelter, in which the City has an 18.3% interest. The shelter was financed with bonds, which the City is obligated and liable to pay its portion.

The City has also contracted with outside entities for Plan Review/Building Inspection, Engineering and Technical Services, and Legal Services. The term of each contract is one year.

9. CONTINGENT LIABILITIES

The City is involved in various claims and legal actions arising in the ordinary course of events. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the City's financial position or results of operations.

CITY OF TAYLORSVILLE
Notes to the Financial Statements (Continued)
June 30, 2018

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2018, there were no outstanding unpaid claims for the City. Also, the City had no claim settlements during the three years ending June 30, 2018 which exceeded its insurance coverage. The City also has fidelity bond coverage with a private carrier.

11. TRANSFERS RECONCILIATION

Transfers among the funds for the year ended June 30, 2018 are described below: Transfers are made to meet the ongoing needs of the City to complete various projects.

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 2,276,000
Infrastructure - Capital Projects Fund	2,050,000	-
Economic Development Fund	226,000	-
	<u>\$ 2,276,000</u>	<u>\$ 2,276,000</u>

CITY OF TAYLORSVILLE
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	As of December 31,	Proportion of Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of its Covered- Employee Payroll
Noncontributory System	2014	0.2011554%	\$ 873,464 #	\$ 1,773,707	49.20%	90.20%
	2015	0.1931631%	1,093,011	1,668,459	65.51%	87.80%
	2016	0.1932836%	1,241,117	1,667,951	74.41%	87.30%
	2017	0.1684929%	738,218	1,474,482	50.07%	91.90%
Public Safety System	2014	0.0232587%	\$ 29,250	\$ 34,810	84.00%	90.50%
	2015	N/A	N/A	N/A	N/A	N/A
Tier 2 Public Employees System	2014	0.0645429%	\$ (1,956)	\$ 316,857	-0.60%	103.50%
	2015	0.0574684%	(125)	371,267	-0.03%	100.20%
	2016	0.0518192%	5,780	424,958	1.36%	95.10%
	2017	0.0420613%	3,708	411,697	0.90%	97.40%

Note:

* This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

CITY OF TAYLORSVILLE
Schedule of Contributions
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Noncontributory System	2014	\$ 311,668	\$ 311,668	\$ -	\$ 1,935,667	16.10%
	2015	294,154	294,154	-	1,721,135	17.09%
	2016	276,036	276,036	-	1,594,972	17.31%
	2017	277,487	277,487	-	1,599,416	17.35%
	2018	271,949	271,949	-	1,602,253	16.97%
Public Safety System	2014	\$ 13,343	\$ 13,343	\$ -	\$ 41,515	32.14%
	2015	4,803	4,803	-	14,111	34.04%
	2016	-	-	-	-	0.00%
Tier 2 Public Employees System*	2014	\$ 32,297	\$ 32,297	\$ -	\$ 230,856	13.99%
	2015	55,402	55,402	-	370,832	14.94%
	2016	60,829	60,829	-	407,977	14.91%
	2017	62,809	62,809	-	421,253	14.91%
	2018	71,852	71,852	-	475,126	15.12%
Tier 2 Public Employees DC Only System*	2014	\$ 1,662	\$ 1,662	\$ -	\$ 29,787	5.58%
	2015	2,574	2,574	-	38,300	6.72%
	2016	9,193	9,193	-	137,413	6.69%
	2017	11,521	11,521	-	172,215	6.69%
	2018	10,729	10,729	-	160,373	6.69%

Note:

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

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

* 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.

1. ACTUARIALLY DETERMINED PENSION CONTRIBUTIONS

Contribution rates include an amount for normal cost, the estimated amount necessary to finance benefits earned by the members during the current year, and an amount for amortization of the unfunded or excess funded actuarial accrued liability over a closed 20-year amortization period. The rates are determined using the entry age actuarial cost method.

Contributions made were in accordance with actuarially computed funding requirements. For contribution rate purposes the actuary evaluates the assets of the plan based on a 5-year smoothed expected return wherein 20 percent of a year's excess or shortfall of expected return is recognized each year for five years.

2. CHANGES IN ASSUMPTIONS

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



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CITY OF TAYLORSVILLE
Combining Balance Sheet – Non-major Governmental Funds
June 30, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Park Impact	Buildings	
<u>Assets</u>			
Cash and cash equivalents	\$ 1,736,776	\$ 142,346	\$ 1,879,122
Total assets	<u>\$ 1,736,776</u>	<u>\$ 142,346</u>	<u>\$ 1,879,122</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>			
Restricted for parks	1,736,776	-	1,736,776
Assigned	-	142,346	142,346
Total fund balances	<u>1,736,776</u>	<u>142,346</u>	<u>1,879,122</u>
Total liabilities and fund balances	<u>\$ 1,736,776</u>	<u>\$ 142,346</u>	<u>\$ 1,879,122</u>

CITY OF TAYLORSVILLE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Non-major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
	Park Impact	Buildings	
<u>Revenues</u>			
Impact fees	\$ 170,470	\$ -	\$ 170,470
Total revenues	<u>170,470</u>	<u>-</u>	<u>170,470</u>
<u>Expenditures</u>			
Parks, recreation, and public property	33,028	-	33,028
Total expenditures	<u>33,028</u>	<u>-</u>	<u>33,028</u>
Net change in fund balances	137,442	-	137,442
Fund balances, beginning of year	<u>1,599,334</u>	<u>142,346</u>	<u>1,741,680</u>
Fund balances, end of year	<u><u>\$ 1,736,776</u></u>	<u><u>\$ 142,346</u></u>	<u><u>\$ 1,879,122</u></u>

CITY OF TAYLORSVILLE
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Parks Impact Special Revenue Fund – Budget to Actual
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>				
Impact fees	\$ 40,000	\$ 65,000	\$ 170,470	\$ 105,470
Total revenues	<u>40,000</u>	<u>65,000</u>	<u>170,470</u>	<u>105,470</u>
<u>Expenditures</u>				
Park projects	<u>15,000</u>	<u>95,000</u>	<u>33,028</u>	<u>61,972</u>
Total expenditures	<u>15,000</u>	<u>95,000</u>	<u>33,028</u>	<u>61,972</u>
Net change in fund balance	<u>\$ 25,000</u>	<u>\$ (30,000)</u>	137,442	<u>\$ 167,442</u>
Fund balance, beginning of year			<u>1,599,334</u>	
Fund balance, end of year			<u>\$ 1,736,776</u>	

CITY OF TAYLORSVILLE
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Infrastructure Capital Projects Fund – Budget to Actual
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Miscellaneous	\$ 90,000	\$ 90,000	\$ 21,926	\$ (68,074)
Total revenues	90,000	90,000	21,926	(68,074)
<u>Expenditures</u>				
Art Center	1,100,000	1,100,000	1,100,000	-
Capital outlay	6,704,000	7,148,350	2,717,862	4,430,488
Total expenditures	7,804,000	8,248,350	3,817,862	4,430,488
Excess (deficiency) of revenues over (under) expenditures	(7,714,000)	(8,158,350)	(3,795,936)	4,362,414
<u>Other Financing Sources</u>				
Transfers in	1,536,036	2,380,386	2,050,000	(330,386)
Sale of capital assets	-	160,000	159,394	(606)
Total other financing sources	1,536,036	2,540,386	2,209,394	(330,992)
Net change in fund balance	<u>\$ (6,177,964)</u>	<u>\$ (5,617,964)</u>	(1,586,542)	<u>\$ 4,031,422</u>
Fund balance, beginning of year			<u>10,589,644</u>	
Fund balance, end of year			<u>\$ 9,003,102</u>	

CITY OF TAYLORSVILLE
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Buildings Capital Projects Fund – Budget to Actual
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Impact fees	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<u>Expenditures</u>				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>142,346</u>	
Fund balance, end of year			<u>\$ 142,346</u>	

CITY OF TAYLORSVILLE
Combining Statement of Net Position – Component Units
June 30, 2018

	Taylorsville Dayzz, Inc.	Taylorsville Arts Council	Total Component Units
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 288,170	\$ 47,013	\$ 335,183
Accounts receivable	19,849	95	19,944
Total current assets	308,019	47,108	355,127
Noncurrent assets:			
Machinery and equipment	3,123	53,349	56,472
Accumulated depreciation	(2,474)	(29,372)	(31,846)
Total noncurrent assets	649	23,977	24,626
Total assets	308,668	71,085	379,753
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	107,612	14,066	121,678
Total current liabilities	107,612	14,066	121,678
Noncurrent liabilities:			
	-	-	-
Total liabilities	107,612	14,066	121,678
<u>Net Position</u>			
Net investment in capital assets	649	23,977	24,626
Unrestricted	200,407	33,042	233,449
Total net position	\$ 201,056	\$ 57,019	\$ 258,075

CITY OF TAYLORSVILLE**Combining Statement of Revenues, Expenses, and Changes in Net Position –****Component Units****For the Year Ended June 30, 2018**

	Taylorsville Dayzz, Inc.	Taylorsville Arts Council	Total Component Units
<u>Operating Revenues</u>			
Sales and charges for services	\$ 40,419	\$ 28,971	\$ 69,390
Grants and contributions	110,200	25,896	136,096
Total operating revenues	150,619	54,867	205,486
<u>Operating Expenses</u>			
Community events	173,994	45,686	219,680
Depreciation	625	6,771	7,396
Total operating expenses	174,619	52,457	227,076
Operating income	(24,000)	2,410	(21,590)
<u>Nonoperating Revenues</u>			
Interest income	512	10	522
Total nonoperating revenues	512	10	522
Change in net position	(23,488)	2,420	(21,068)
Total net position, beginning	224,544	54,599	279,143
Total net position, ending	\$ 201,056	\$ 57,019	\$ 258,075



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CITY OF TAYLORSVILLE
Net Position by Component
Last Ten Fiscal Years
Accrual Basis of Accounting
Amounts Expressed In Thousands

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Invested in capital assets, net of related debt	\$ 152,954	\$ 152,152	\$ 153,247	\$ 152,911	\$ 149,200	\$ 150,816	\$ 151,613	\$ 152,071	\$ 152,275	\$ 150,727
Restricted	6,068	7,476	5,494	5,497	4,178	1,928	711	1,396	3,518	2,171
Unrestricted	<u>11,051</u>	<u>10,547</u>	<u>9,658</u>	<u>8,672</u>	<u>12,843</u>	<u>4,193</u>	<u>4,922</u>	<u>4,657</u>	<u>2,993</u>	<u>3,089</u>
Total governmental activities net position	<u>170,073</u>	<u>170,175</u>	<u>168,399</u>	<u>167,080</u>	<u>166,221</u>	<u>156,937</u>	<u>157,246</u>	<u>158,124</u>	<u>158,786</u>	<u>155,987</u>
Business type activities										
Invested in capital assets, net of related debt	8,923	7,470	6,735	6,645	5,081	4,908	4,662	4,952	3,434	766
Restricted	-	-	-	-	-	-	-	394	730	3,483
Unrestricted	<u>1,959</u>	<u>2,721</u>	<u>3,086</u>	<u>2,780</u>	<u>4,140</u>	<u>3,974</u>	<u>4,000</u>	<u>3,107</u>	<u>3,945</u>	<u>3,486</u>
Total business type activities	<u>10,882</u>	<u>10,191</u>	<u>9,821</u>	<u>9,425</u>	<u>9,221</u>	<u>8,882</u>	<u>8,662</u>	<u>8,453</u>	<u>8,109</u>	<u>7,735</u>
Primary Government										
Invested in capital assets, net of related debt	161,876	159,622	159,982	159,556	154,281	155,724	156,275	157,023	155,710	151,493
Restricted	6,068	7,476	5,494	5,497	4,178	1,928	711	1,790	4,248	5,654
Unrestricted	<u>13,011</u>	<u>13,268</u>	<u>12,744</u>	<u>11,452</u>	<u>16,983</u>	<u>8,167</u>	<u>8,922</u>	<u>7,764</u>	<u>6,938</u>	<u>6,575</u>
Total Primary Government	<u>180,955</u>	<u>180,366</u>	<u>178,220</u>	<u>176,505</u>	<u>175,442</u>	<u>165,819</u>	<u>165,908</u>	<u>166,577</u>	<u>166,896</u>	<u>163,722</u>

CITY OF TAYLORSVILLE
Changes In Net Position
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses											
Governmental activities											
General government	\$ 3,684	\$ 3,276	\$ 2,531	\$ 3,063	\$ 3,164	\$ 3,044	\$ 2,730	\$ 2,662	\$ 2,755	\$ 2,813	\$ 2,500
Public safety	11,567	11,751	11,370	10,864	13,102	14,714	14,561	13,847	13,519	13,066	12,918
Highways and streets	4,352	4,159	4,477	4,051	4,120	3,984	4,544	3,843	4,563	4,755	5,083
Community development	2,016	2,345	2,448	2,397	2,290	1,965	1,771	2,031	1,726	1,867	1,616
Parks and recreation	1,855	750	597	510	470	443	374	315	-	466	102
Other	-	-	-	-	-	-	-	-	311	0	-
Interest on debt service	136	145	163	420	357	254	210	203	216	222	218
Total governmental expenses	<u>23,610</u>	<u>22,426</u>	<u>21,586</u>	<u>21,305</u>	<u>23,503</u>	<u>24,403</u>	<u>24,191</u>	<u>22,901</u>	<u>23,090</u>	<u>23,189</u>	<u>22,437</u>
Business type expenses											
Storm drain expenses	864	827	808	975	834	938	1,008	826	844	935	403
Total business expenses	<u>864</u>	<u>827</u>	<u>808</u>	<u>975</u>	<u>834</u>	<u>938</u>	<u>1,008</u>	<u>826</u>	<u>844</u>	<u>935</u>	<u>403</u>
Total primary government expenses	<u>\$ 24,474</u>	<u>\$ 23,253</u>	<u>\$ 22,394</u>	<u>\$ 22,279</u>	<u>\$ 24,337</u>	<u>\$ 25,341</u>	<u>\$ 25,199</u>	<u>\$ 23,727</u>	<u>\$ 23,934</u>	<u>\$ 24,124</u>	<u>\$ 22,840</u>
Program Revenues											
Governmental activities											
Charges for service											
General government	\$ 39	\$ 41	\$ 40	\$ 128	\$ 35	\$ 78	\$ 129	\$ 79	\$ 104	\$ 68	\$ 2
Public safety	1,759	2,400	2,313	2,160	2,119	2,161	2,684	2,567	2,437	1,565	1,517
Community development	1,424	951	955	751	839	662	715	759	664	880	734
Parks, recreation and public prop.	54	42	52	42	44	49	41	90	109	-	-
Operating grants and contributions	2,774	2,672	2,747	2,506	2,065	2,171	2,255	2,568	2,328	1,899	2,178
Capital grants and contributions	706	1,871	738	1,715	8,770	1,864	957	904	5,296	1,500	1,200
Total governmental program revenues	<u>6,756</u>	<u>7,977</u>	<u>6,845</u>	<u>7,302</u>	<u>13,872</u>	<u>6,985</u>	<u>6,781</u>	<u>6,967</u>	<u>10,938</u>	<u>5,912</u>	<u>5,631</u>
Business type revenue											
Storm drain revenue	1,315	1,165	1,204	1,178	1,171	1,155	1,212	1,161	1,201	1,257	1,146
Total business revenue	<u>1,315</u>	<u>1,165</u>	<u>1,204</u>	<u>1,178</u>	<u>1,171</u>	<u>1,155</u>	<u>1,212</u>	<u>1,161</u>	<u>1,201</u>	<u>1,257</u>	<u>1,146</u>
Total primary government program revenues	<u>8,071</u>	<u>9,142</u>	<u>8,049</u>	<u>8,480</u>	<u>15,043</u>	<u>8,140</u>	<u>7,993</u>	<u>8,128</u>	<u>12,139</u>	<u>7,169</u>	<u>6,777</u>
Net (expenses)/revenue											
Total primary government net expense	<u>\$ (16,403)</u>	<u>\$ (14,111)</u>	<u>\$ (14,345)</u>	<u>\$ (13,799)</u>	<u>\$ (9,294)</u>	<u>\$ (17,201)</u>	<u>\$ (17,207)</u>	<u>\$ (15,599)</u>	<u>\$ (11,795)</u>	<u>\$ (16,955)</u>	<u>\$ (16,063)</u>

CITY OF TAYLORSVILLE
Changes In Net Position
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues and Other Changes in Net Position										
General revenues:										
Property taxes	\$ 3,631	\$ 3,629	\$ 3,556	\$ 3,544	\$ 6,831	\$ 5,584	\$ 4,728	\$ 4,693	\$ 4,717	\$ 4,755
Sales taxes	8,922	8,143	8,271	7,938	7,663	7,450	7,277	6,778	6,717	7,377
Franchise taxes	3,788	3,844	3,924	3,858	4,004	3,951	3,648	3,588	3,391	3,588
Unrestricted investment earnings	351	215	122	92	98	71	79	63	81	189
Gain on sale of capital assets	-	176	-	-	-	2	483	18	21	4
Other revenues	61	249	188	381	323	54	0	139	41	59
Special item	-	-	-	-	-	-	322	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>16,753</u>	<u>16,256</u>	<u>16,061</u>	<u>15,813</u>	<u>18,919</u>	<u>17,113</u>	<u>16,537</u>	<u>15,279</u>	<u>14,968</u>	<u>15,972</u>
Changes in Net Position										
Governmental activities	(101)	1,776	1,319	1,811	9,284	(308)	(879)	(663)	2,800	(1,304)
Business activities	691	369	397	204	339	220	209	344	374	396
Net position beginning, as restated	<u>180,365</u>	<u>178,220</u>	<u>176,505</u>	<u>174,490</u>	<u>165,819</u>	<u>165,907</u>	<u>166,577</u>	<u>166,896</u>	<u>163,722</u>	<u>164,631</u>
Net position ending	<u>\$ 180,955</u>	<u>\$ 180,365</u>	<u>\$ 178,220</u>	<u>\$ 176,505</u>	<u>\$ 175,442</u>	<u>\$ 165,819</u>	<u>\$ 165,907</u>	<u>\$ 166,577</u>	<u>\$ 166,896</u>	<u>\$ 163,723</u>

CITY OF TAYLORSVILLE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Amount Expressed In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General fund								
Nonspendable	\$ 16	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	434	651	30	21	172	94	493	410
Unassigned	5,603	5,338	5,827	4,872	4,254	3,599	4,006	3,945
Total general fund	<u>\$ 6,054</u>	<u>\$ 5,989</u>	<u>\$ 5,857</u>	<u>\$ 4,893</u>	<u>\$ 4,426</u>	<u>\$ 3,693</u>	<u>\$ 4,498</u>	<u>\$ 4,355</u>
All other governmental funds								
Restricted:								
Future construction	\$ 3,897	\$ 5,225	\$ 3,470	\$ 3,677	\$ 3,600	\$ 1,563	\$ 4	\$ 879
Parks	1,737	1,599	1,994	1,799	406	271	214	107
Assigned to:								
Infrastructure fund	5,106	5,365	3,880	3,284	3,284	578	625	974
Economic development	1,756	1,502	1,578	1,576	5,409	625	438	585
Buildings fund	142	142	142	142	142	139	16	13
Unassigned	-	-	-	-	-	-	-	(10)
Total all other governmental funds	<u>\$ 12,638</u>	<u>\$ 13,833</u>	<u>\$ 11,064</u>	<u>\$ 10,478</u>	<u>\$ 12,841</u>	<u>\$ 3,176</u>	<u>\$ 1,297</u>	<u>\$ 2,548</u>

Note: Implementation of GASB 54 changed fund balance category presentation. The years from 2009 through 2010 are displayed below under the former GAAP categories. The presentations are not comparable and are therefore displayed separately.

	<u>2010</u>	<u>2009</u>
General fund		
Reserved	\$ -	\$ -
Unreserved	3,742	3,731
Total general fund	<u>\$ 3,742</u>	<u>\$ 3,731</u>
All other governmental funds		
Reserved	\$ 3,518	\$ 2,172
Unreserved, reported in:		
Special revenue	-	47
Capital projects	87	-
Permanent	8	-
Total all other governmental funds	<u>\$ 3,613</u>	<u>\$ 2,219</u>

CITY OF TAYLORSVILLE
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years-Expressed in Thousands

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues										
Taxes	\$ 16,341	\$ 15,616	\$ 15,751	\$ 15,341	\$ 18,498	\$ 16,986	\$ 15,652	\$ 15,058	\$ 14,825	\$ 15,721
Licenses and Permits	852	716	689	586	643	537	571	589	513	650
Intergovernmental	2,726	4,876	3,691	2,946	11,015	4,313	2,844	3,818	7,830	3,336
Charges for Services	779	416	437	409	341	334	426	447	431	376
Fines and Forfeitures	1,693	1,944	1,874	1,748	1,733	1,746	2,260	2,087	1,980	1,527
Interest Income	351	214	122	92	96	69	74	55	64	189
Impact Fees	170	21	81	81	138	62	47	26	99	23
Miscellaneous Revenue	61	823	211	399	328	46	483	139	41	59
Total Revenues	<u>22,973</u>	<u>24,626</u>	<u>22,855</u>	<u>21,601</u>	<u>32,793</u>	<u>24,093</u>	<u>22,357</u>	<u>22,219</u>	<u>25,783</u>	<u>21,881</u>
Expenditures										
General Government	2,529	2,229	2,208	2,117	1,912	1,990	2,277	2,008	2,035	2,043
Public Safety	11,439	11,584	11,257	10,789	13,013	14,623	14,004	13,495	13,017	12,528
Highways and Public Improvements	2,986	2,860	2,726	2,876	2,710	2,479	2,485	1,802	2,102	2,388
Community and Economic Developme	1,871	2,161	2,323	2,609	2,373	1,923	3,338	1,776	1,667	1,845
Parks, Recreation, and Public Property	1,544	848	320	448	249	311	183	150	149	77
Non-Departmental	595	545	601	544	648	655	522	508	443	507
Capital outlay	2,718	1,301	1,257	1,981	5,239	1,041	1,018	2,534	4,525	2,792
Debt service:										
Principal	490	474	482	5,995	269	219	218	201	316	357
Interest	124	137	132	433	224	224	212	205	217	228
Bond Issuance costs	-	-	-	103	59	32	82			
Total Expenditures	<u>24,295</u>	<u>22,138</u>	<u>21,306</u>	<u>27,895</u>	<u>26,696</u>	<u>23,497</u>	<u>24,339</u>	<u>22,679</u>	<u>24,471</u>	<u>22,765</u>
Excess of Revenues over (under) Expenditures	(1,322)	2,488	1,550	(6,293)	6,097	596	(1,982)	(460)	1,312	(884)
Other financing sources (uses)										
Transfers in	2,276	2,338	1,445	2,984	2,285	865	803	650	400	474
Transfer out	(2,276)	(2,338)	(1,445)	(2,984)	(2,285)	(865)	(803)	(650)	(400)	(474)
Proceeds on the Sale of Assets	163	442	-	2,015	30	2	130	18	92	5
Proceeds of Issuance of Debt	-	-	-	2,383	4,272	474	735	-	-	71
Total other financing sources (uses)	<u>163</u>	<u>442</u>	<u>-</u>	<u>4,398</u>	<u>4,302</u>	<u>476</u>	<u>865</u>	<u>18</u>	<u>92</u>	<u>76</u>
Net changes in fund balances	<u>(1,159)</u>	<u>2,930</u>	<u>1,550</u>	<u>(1,895)</u>	<u>10,399</u>	<u>1,072</u>	<u>(1,117)</u>	<u>(442)</u>	<u>1,405</u>	<u>(808)</u>
Debt service as a percentage of noncapital expenditures	2.8%	2.9%	3.1%	24.8%	2.3%	2.0%	1.8%	2.0%	2.7%	2.9%

CITY OF TAYLORSVILLE
 Assessed and Estimated Actual Value Taxable Property
 Last Ten Fiscal Years
 (Amounts Expressed In Thousands)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assed Value to Total Est. Actual Value
	Assessed Valuation	Estimated Actual Valuation	Assessed Valuation	Estimated Actual Valuation	Assessed Valuation	Estimated Actual Valuation	
2009	\$2,353,900	\$3,766,240	\$154,522	\$154,522	\$2,508,422	\$3,920,762	63.98%
2010	\$2,298,769	\$3,678,030	\$154,938	\$154,938	\$2,453,707	\$3,832,968	64.02%
2011	\$2,229,882	\$3,567,811	\$165,123	\$165,123	\$2,395,005	\$3,732,934	64.16%
2012	\$2,108,998	\$3,268,947	\$128,684	\$128,684	\$2,237,682	\$3,397,631	65.86%
2013	\$2,218,299	\$3,438,363	\$129,459	\$129,459	\$2,347,758	\$3,567,822	65.80%
2014	\$2,105,918	\$3,264,173	\$128,684	\$128,684	\$2,234,602	\$3,392,857	65.86%
2015	\$2,352,029	\$3,645,645	\$128,381	\$128,381	\$2,480,410	\$3,774,026	65.72%
2016	\$2,464,057	\$3,819,288	\$135,791	\$135,791	\$2,599,848	\$3,955,079	65.73%
2017	\$2,687,165	\$4,165,106	\$140,742	\$140,742	\$2,827,907	\$4,305,848	65.68%
2018	\$2,877,900	\$4,460,745	\$144,523	\$144,523	\$3,022,423	\$4,605,268	65.63%

Source: Information was taken from "Bond Certificate Worksheets" provided by the Salt Lake County Auditors Office.

CITY OF TAYLORSVILLE
Property Tax Rates – All Direct And Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	Taylorsville City	Salt Lake County	So. Salt Lake County	Jordan Valley Water Conservancy District	Central Utah Conservancy District	Unified Fire Authority	Other District Range(1)		Total Tax Rate Range (2)	
			Mosquito Abatement				Low	High	Low	High
2009	1.514	1.934	0.022	0.384	0.400		6.054	6.679	8.794	10.933
2010	1.690	2.278	0.025	0.400	0.421		6.047	7.955	9.171	12.769
2011	1.739	2.593	0.050	0.410	0.436		7.391	8.305	10.880	13.533
2012	1.794	2.517	0.052	0.424	0.436		6.796	8.761	10.225	13.984
2013	2.202	2.793	0.021	0.443	0.455		7.166	8.676	10.878	14.590
2014	2.722	3.180	0.021	0.424	0.446	2.192	6.994	9.094	11.065	15.887
2015	1.294	3.036	0.020	0.399	0.422	2.097	6.700	8.837	10.577	14.008
2016	1.250	2.531	0.019	0.040	0.041	2.000	7.555	9.601	10.186	13.482
2017	1.165	2.371	0.018	0.037	0.040	1.888	7.120	8.853	9.586	12.484
2018	1.090	2.238	0.017	0.040	0.040	1.812	7.036	9.037	9.371	12.462

Source: Tax Rate/Mill Levy File Listing Sheets from Salt Lake County Auditor's Office

- (1) The City of Taylorsville is divided into seven tax districts. All seven districts are taxed by six entities listed above. Each district is also taxed by other separate taxing entities. These other entities do not tax all the districts rather only certain districts. The following is a list of the the other entities and their tax rate: Granite School District (0.006481), Taylorsville Bennion Imp. Dist.(0.000146), Graniger-Hunter Imp. Dist.(0.000606), Kearns Imp. Dist.(0.000677), and Jordan School District(0.006906). The "Low" Rate provided here represents the tax district with the lowest combined tax rate from the other taxing entities. The "High" represents the tax district with the highest combined tax rate from the other taxing entities.
- (2) The total tax rate range represents the range within which all the property tax rates in the City of Taylorsville will fall.

CITY OF TAYLORSVILLE
Principal Property Taxpayers
Current Year and Nine Years Prior
(Per \$1,000 of Assessed Value)

Taxpayer	2018			Taxpayer	2009		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value		Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
TPP 217 Taylorsville, LLC	\$ 88,779	1	2.76%	Hermes Associates, LTD	\$ 46,662	1	1.66%
ARC HR5SLUT001, LLC	\$ 51,505	2	1.60%	Inland Western Taylorsville	\$ 38,542	2	1.37%
SLC Riverboat, LLC	\$ 34,493	3	1.07%	Arden Realty Limited	\$ 35,137	3	1.25%
PCCP JSP Fairway LLC	\$ 30,232	4	0.94%	Summerwood Associates	\$ 23,567	4	0.84%
Summerwood Associates LLC	\$ 27,621	5	0.86%	Fairstone Cascade LLC	\$ 23,393	5	0.83%
Wal-Mart Real Estate	\$ 24,977	6	0.78%	Hermes Associates LTD	\$ 21,126	6	0.75%
Gemini Settlers Point Fee	\$ 23,411	7	0.73%	PCCP JSP Fairway LLC	\$ 20,291	7	0.72%
The Mark Twain Limited	\$ 20,204	8	0.63%	Wal-Mart Real Estate	\$ 19,133	8	0.68%
ICU Medical Inc	\$ 17,932	9	0.56%	BC-GFS Settler's Point	\$ 15,263	9	0.54%
UT16 Taylorsville LLC	\$ 17,172	10	0.53%	Mikami Brothers	\$ 13,798	10	0.49%
SLC Sorenson 9 Equities LLC	\$ 16,079	11	0.50%	ICU Medical Inc.	\$ 13,179	11	0.47%
LSREF4 Dual, LLC	\$ 15,814	12	0.49%	DDR Family Centers LP	\$ 12,719	12	0.45%
Mikami Brothers	\$ 14,268	13	0.44%	Rural Enterprises	\$ 12,394	13	0.44%
Alliance Capital Development	\$ 13,493	14	0.42%	The Mark Twain Limited	\$ 12,341	14	0.44%
Silvercrest Apartments, LLC	\$ 13,295	15	0.41%	SRP Building IX, LLC	\$ 11,819	15	0.42%
	<u>\$ 409,275</u>		<u>12.71%</u>		<u>\$ 319,364</u>		<u>11.36%</u>

CITY OF TAYLORSVILLE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Per \$1,000 of Assessed Value)

<u>Fiscal</u>	<u>Total Tax</u>	<u>Current Tax</u>	<u>Percent of Taxes</u>	<u>Delinquent Tax</u>	<u>Total Tax</u>	<u>Collected as a Percentage of Total Tax</u>
2009	\$ 4,288,492	\$ 4,166,095	97.15%	\$ 85,045	\$ 4,251,140	99.13%
2010	\$ 4,274,369	\$ 4,131,283	96.65%	\$ 77,490	\$ 4,208,773	98.47%
2011	\$ 4,328,397	\$ 4,181,078	96.60%	\$ 85,736	\$ 4,266,814	98.58%
2012	\$ 4,299,666	\$ 4,169,257	96.97%	\$ 130,931	\$ 4,300,188	100.01%
2013	\$ 5,011,821	\$ 4,853,499	96.84%	\$ 92,428	\$ 4,945,927	98.69%
2014	\$ 6,489,413	\$ 6,333,771	97.60%	\$ 145,683	\$ 6,479,454	99.85%
2015	\$ 3,274,782	\$ 3,197,178	97.63%	\$ 90,931	\$ 3,288,109	100.41%
2016	\$ 3,313,484	\$ 3,203,620	96.68%	\$ 62,666	\$ 3,266,286	98.58%
2017	\$ 3,375,983	\$ 3,298,084	97.69%	\$ 61,376	\$ 3,359,460	99.51%
2018	\$ 3,398,184	\$ 3,318,991	97.67%	\$ 57,145	\$ 3,376,136	99.35%

CITY OF TAYLORSVILLE
 Ratios Of Outstanding Debt By Type
 Last Ten Fiscal Years
 (Amounts Expressed In Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>Capital Lease (000's)</u>	<u>Bonds</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2009	350	9,355	0.44%	\$ 35.69
2010	186	9,000	0.41%	\$ 35.98
2011	133	8,630	0.39%	\$ 37.90
2012	76	12,205	0.64%	\$ 32.47
2013	15	11,879	0.90%	\$ 22.39
2014	-	12,855	0.95%	\$ 22.37
2015	-	9,415	0.69%	\$ 22.43
2016	-	8,680	0.62%	\$ 23.22
2017	-	7,955	0.55%	\$ 23.80
2018	-	7,205	0.50%	\$ 24.19

CITY OF TAYLORSVILLE
 Computation of Direct And Overlapping Bonded Debt-
 General Obligation Bonds

Name of Governmental Units	Net Debt Outstanding	Percentage Applicable to City of Taylorsville	Amount
Direct Debt- City of Taylorsville	-	100.00%	-
Overlapping Debt:			
State of Utah:	\$ 2,498,191,000	0.18%	\$ 4,527,588
Salt Lake County:	\$ 202,110,000	5.28%	\$ 10,676,700
			<u>\$ 15,204,288</u>

CITY OF TAYLORSVILLE
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Amounts Expressed In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$ 128,832	\$ 117,639	\$ 109,005	\$ 100,938	\$ 97,559	\$ 92,177	\$ 88,115	\$ 99,932	\$ 102,112	\$ 112,474
Total net debt applicable to limit	\$ 7,205	\$ 7,955	\$ 8,680	\$ 9,415	\$ 12,855	\$ 9,038	\$ 8,965	\$ 8,630	\$ 9,000	\$ 9,355
Legal debt margin	\$ 121,627	\$ 109,684	\$ 100,325	\$ 91,523	\$ 84,704	\$ 83,139	\$ 79,150	\$ 91,302	\$ 93,112	\$ 103,119
Total net debt applicable to the limit as a percentage of debt limit	6%	7%	9%	10%	15%	11%	11%	9%	10%	9%
Legal Debt Margin Calculation										
Assessed value	\$3,220,797	\$2,940,970	\$2,725,125	\$2,523,449	\$2,438,970	\$2,304,415	\$2,202,882	\$2,498,307	\$2,552,788	\$2,811,852
Add back: Exempt real property										
Total assessed value	\$3,220,797	\$2,940,970	\$2,725,125	\$2,523,449	\$2,438,970	\$2,304,415	\$2,202,882	\$2,498,307	\$2,552,788	\$2,811,852
Debt limit (4% of total assets, value)	\$ 128,832	\$ 117,639	\$ 109,005	\$ 100,938	\$ 97,559	\$ 92,177	\$ 88,115	\$ 99,932	\$ 102,112	\$ 112,474
Debt applicable to limit										
General obligation bonds										
Less: Amount set aside for repayment on G.O Debt										
Total net debt applicable to limit										
Total debt margin	\$ 128,832	\$ 117,639	\$ 109,005	\$ 100,938	\$ 97,559	\$ 92,177	\$ 88,115	\$ 99,932	\$ 102,112	\$ 112,474

CITY OF TAYLORSVILLE
 Demographic Statistics And Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Square Miles (1)	New Lots Approved (1)	Total Housing Units (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment rate (3)
2009	58,539	10.7	29	20,717	1,236,110	21.116	5.70%
2010	58,652	10.7	14	20,731	1,285,300	21.914	7.20%
2011	58,945	10.7	7	20,738	1,301,276	22.076	7.30%
2012	59,240	10.7	93	20,831	1,317,497	22.240	6.00%
2013	59,536	10.7	28	20,859	1,327,657	22.399	4.70%
2014	60,519	10.7	8	20,867	1,353,931	22.372	3.30%
2015	60,433	10.7	71	20,938	1,355,270	22.426	3.40%
2016	60,514	10.7	28	20,966	1,464,015	24.193	4.00%
2017	60,436	10.7	14	20,980	1,462,128	24.193	3.10%
2018	59,992	10.7	63	21,043	1,451,386	24.193	3.10%

Source: 1) The City of Taylorsville, Community Development Department
 2) Utah State Tax Commission
 3) The Utah Department of Employment Security, Economics Department(June)

CITY OF TAYLORSVILLE
 General Governmental Tax Revenue By Source
 Last Ten Fiscal Years

FY	General Property Tax	General Sale and Use Tax	Franchise Taxes	Total Tax Revenue
2009	\$ 4,755,101	\$ 7,377,454	\$ 3,588,153	\$ 15,720,708
2010	\$ 4,717,352	\$ 6,716,524	\$ 3,391,262	\$ 14,825,138
2011	\$ 4,693,030	\$ 6,777,649	\$ 3,587,733	\$ 15,058,412
2012	\$ 4,727,535	\$ 7,276,810	\$ 3,647,798	\$ 15,652,143
2013	\$ 5,583,762	\$ 7,450,478	\$ 3,951,495	\$ 16,985,735
2014	\$ 6,831,440	\$ 7,662,586	\$ 4,004,310	\$ 18,498,336
2015	\$ 3,634,240	\$ 7,938,176	\$ 3,858,401	\$ 15,430,817
2016	\$ 3,708,342	\$ 8,270,194	\$ 3,924,424	\$ 15,902,960
2017	\$ 3,833,207	\$ 8,143,290	\$ 3,843,911	\$ 15,820,408
2018	\$ 3,892,080	\$ 8,922,063	\$ 3,788,279	\$ 16,602,422

CITY OF TAYLORSVILLE

Principal Employers

Employer	Employees
Salt Lake Community College	1300
Convergys (2 sites)	1233
CaptionCall	796
Granite School District	688
American Express	600
ICU Medical	500
Utah Department of Transportation	450
Walmart	450
Sterigenics International / Nelson Labs	385
Sorenson Communications	364
Citywide Homes Loans	286
Utah Department of Public Safety	270
Unified State Labs	181
Harmons	157
24 Hour Fitness	150
Ovivo USA	110
Complete Recovery Corp.	108
Fresh Market	102
Delta Health Systems	100
IHC Taylorsville Health Center	94
Old Spaghetti Factory	94
Avalon West Health & Rehabilitation	86
Ream's	84
Mark Johnson, LLC	80
3M Company	70
Applebee's Neighborhood Grill	70
Telenotes	70
ALS Laboratory Group	67
AT&T Mobility Services	67
Jo-Ann	65
Magpie Systems	63
CH2M Hill	61
Chick-fil-A	60
Shopko	60

CITY OF TAYLORSVILLE
Miscellaneous Statistics

Date of Incorporation	July 1, 1996
Form of Government	Mayor/Council
Number of employees	31 Full Time 15 Part Time
Appointed	5
Elected	6
Area in square miles	10.7
Registered voters	26,256

City of Taylorsville facilities and services:

Culture and Recreation:

Swimming Pools	2
Parks	15 (including County owned)
Libraries (County)	1
Golf Courses	2

Fire Protection:

Number of stations/COP	2
Fire Service	Provided by UFSA

Education:

Number of elementary schools	9*
Number of secondary schools	2*
Number of high schools	1*

- * City of Taylorsville residents attended two additional elementary schools, one additional secondary school, and one additional high school outside the City of Taylorsville boundaries.

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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 Members of City Council
City of Taylorsville, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Taylorsville, Utah ("the City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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'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 City'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 over financial reporting 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 financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 25, 2018

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

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

Honorable Mayor and Members of the City Council
City of Taylorsville, Utah

Report On Compliance

We have audited City of Taylorsville's ("the City") compliance with the applicable 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, 2018.

State compliance requirements were tested for the year ended June 30, 2018 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Restricted Revenues
- Open and Public Meetings Act
- Treasurer's Bond
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Impact Fees

Management's Responsibility

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

Auditors' 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 *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that 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 direct and material effect on a state compliance requirement occurred. An audit includes

examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance

In our opinion, City of Taylorsville complied, in all material respects, with the state compliance requirements referred for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters, which are required to be reported in accordance with the *State Compliance Audit Guide*.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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.

Purpose of This Report

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 report is not suitable for any other purpose.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 25, 2018