

CITY OF SOUTH OGDEN

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

Together with Independent Auditor's Report



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF SOUTH OGDEN
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KEDDINGTON & CHRISTENSEN, CPAS

CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
South Ogden, Utah

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the City of South Ogden, Utah as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds, and, where applicable, cash flows thereof for the year then ended in conformity 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, the schedule of proportionate share of the net pension liability, the pension and OPEB schedules of contributions, and the notes to required supplementary information, as noted on the table of contents, 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 the 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 an opinion on the financial statements that collectively comprise the City of South Ogden, Utah's basic financial statements. The pension schedule is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2018, on our consideration of South Ogden City, Utah's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Ogden, Utah's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Salt Lake City, Utah
December 31, 2018

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018**

This document is a narrative overview and analysis of the financial activities of South Ogden City for the fiscal year ending June 30, 2018. South Ogden City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section.

Financial Highlights:

At the close of the most recent fiscal year the assets of South Ogden City exceeded its liabilities by \$49,113,132.

As of June 30, 2018, South Ogden City's governmental funds reported a combined ending fund balance of \$4,530,219. Of this amount, \$2,440,949 is available for spending at the City's discretion, while the remaining balance of \$2,089,270 is classified in accordance with GASB No. 54.

The greatest portion of the City's total long-term debt is comprised of the 2009 Sales & Excise Tax Revenue Bonds, the 2012 Road Revenue Bonds and the 2015 Sales & Excise Tax Revenue Refunding Bonds. The 2006 Bonds were refunded in 2015 and the initial issuance was used to fund a new city hall facility, parks building and to refurbish a fire station. The 2009 Bonds were issued as the City partnered with the local School District in the construction of a gym facility. The City has a 50% ownership in the facility and a usage agreement has been worked out between the two entities. The City has pledged future sales and excise tax revenues towards this bond. The 2012 bonds were issued to finance road construction. The 2004 Sales Tax Revenue Bonds were refunded in 2014 and were paid off in the current year ended. The 2006 Sales Tax Revenue Refunding Bonds were refunded in 2015. The total combined principal outstanding as of June 30, 2018 is \$7,941,000; these bonds will be fully retired by 2029.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to South Ogden City's basic financial statements. The City's basic financial statements include three component parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains required supplementary information, and other supplementary information in addition to the basic financial statements themselves.

1.) Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of South Ogden City's finances in a format similar to what is provided by private-sector businesses.

The Statement of Net Position presents information pertaining to all of South Ogden City's assets and liabilities. The difference between the two is 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. However, other non-financial factors need to be considered as well.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of South Ogden City include general government, public safety (police & fire), streets, public works, parks and recreation. The business-type activities of the City include providing water, sewer, solid waste, storm drain, and ambulance service.

SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018

2.) Fund financial statements: A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. South Ogden City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

There are three fund types in which all individual fund classifications can be categorized: Governmental Funds, Proprietary Funds and Fiduciary 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 short-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 short-term financing requirements. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

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

The City has identified four major governmental funds that are reported separately. They are the general fund, two special revenue funds, and a capital projects fund. There are two non-major funds included within this report.

South Ogden City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with State budget statutes.

Proprietary Funds: Proprietary funds account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds, one type of proprietary fund, to account for its business-type activities which, as previously stated, are water, sewer, solid waste, storm drain, and ambulance service. The City has identified five enterprise funds (as determined by generally accepted accounting principles) that meet the criteria for major fund classification. There are not any enterprise funds classified as non-major within this report. Internal Service Funds are also a form of Proprietary Fund and they are used to report activities that provide services and supplies internally for a City. South Ogden City has no Internal Service Funds.

Fiduciary Funds: Fiduciary funds are used to account for assets held by a City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. A City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. There are four fiduciary fund types: Pension (and other employee benefits) Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. South Ogden City has no fiduciary funds.

3.) Notes to the Financial Statements: The notes 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 Financial Statements can be found on pages 30 through 55 of this report.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

Differences between Government-Wide and Fund Statements

Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements. Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements. Those revenues are deferred on the governmental fund statements. Government-wide statements provide users with a broad overview of the City's finances in a fashion similar to a private-sector business.

Government-wide Financial Analysis

As previously noted, an increase or decrease in net position, when viewed over a period of time, may serve as a useful indicator of whether the financial position of a City is improving or deteriorating. In the case of South Ogden City, net position was \$49,113,132 at the close of fiscal year 2018, whereas, at the close of fiscal year 2017, the City's net position was \$41,752,189.

The largest portion of South Ogden City's net position is \$42,511,946 in net investment in capital assets. This reflects its investments in land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. South Ogden City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although South Ogden City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

South Ogden City's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 10,067,248 | \$ 7,275,052 | \$ 5,897,345 | \$ 4,601,945 | \$ 15,964,593 | \$ 11,876,997 |
| Capital assets | 43,511,539 | 39,585,185 | 7,928,341 | 7,509,949 | 51,439,880 | 47,095,134 |
| Total Assets | <u>53,578,787</u> | <u>46,860,237</u> | <u>13,825,686</u> | <u>12,111,894</u> | <u>67,404,473</u> | <u>58,972,131</u> |
| Deferred Outflows of Resources | 1,696,847 | 1,562,308 | 292,029 | 267,153 | 1,988,876 | 1,829,461 |
| Current and other liabilities | 4,268,602 | 3,362,527 | 1,082,706 | 741,682 | 5,351,308 | 4,104,209 |
| Long-term liabilities | 9,854,111 | 11,173,385 | 307,270 | 439,379 | 10,161,381 | 11,612,764 |
| Total Liabilities | <u>14,122,713</u> | <u>14,535,912</u> | <u>1,389,976</u> | <u>1,181,061</u> | <u>15,512,689</u> | <u>15,716,973</u> |
| Deferred Inflows of Resources | 4,513,000 | 3,243,526 | 254,528 | 88,904 | 4,767,528 | 3,332,430 |
| Net position: | | | | | | |
| Net investment in capital assets | 34,583,605 | 30,008,676 | 7,928,341 | 7,509,949 | 42,511,946 | 37,518,625 |
| Restricted | 726,874 | 1,451,247 | 534,955 | 255,656 | 1,261,829 | 1,706,903 |
| Unrestricted | 1,329,442 | (816,816) | 4,009,915 | 3,343,477 | 5,339,357 | 2,526,661 |
| Total Net Position | <u>\$ 36,639,921</u> | <u>\$ 30,643,107</u> | <u>\$ 12,473,211</u> | <u>\$ 11,109,082</u> | <u>\$ 49,113,132</u> | <u>\$ 41,752,189</u> |

At the end of the fiscal year, the City was able to report positive balances in net position, for total government activities and for the separate governmental and business-type activities.

Governmental Activities: Governmental activities are reflected in the government-wide activities statement. The governmental activities had a increase, including prior period adjustments, in total net position of \$5,996,814 in 2018.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

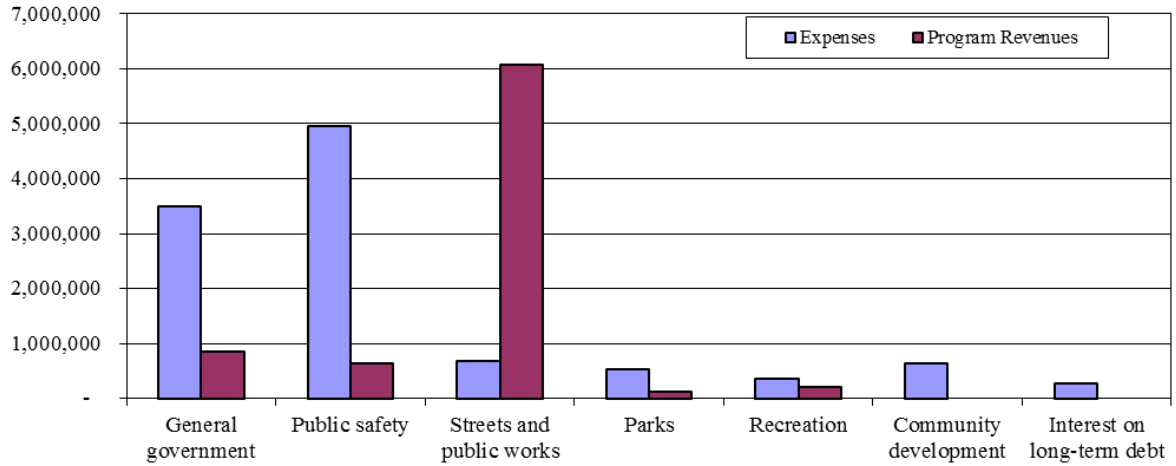
Taxes are the main source of revenue in the General Fund consisting of 72.49% of total revenue in 2018. The City receives six kinds of taxes (property, sales, delinquent property, fee-in-lieu, franchise, and Prop 1 taxes). Current year property taxes and sales taxes account for 32.96% and 43.00% respectively of total taxes collected in 2018. These numbers differ from the trend the City has seen over the last few years, as the City Council approved a property tax increase in FY 2018. Sales tax revenues continue to increase as local sales continue to be strong and the City is able to add some new businesses. Also, as property values continue to increase the City's certified tax rate had slowly been decreasing but as mentioned the approved property tax increase altered that and provided a significant increase in property tax revenues for the year under review. The City also continues to experience a small amount of property tax growth due to new construction. The gap between these two revenues will narrow as the City will again be increasing property taxes as it looks ahead to fiscal year 2019. A new County-wide tax was imposed in 2017 after being voted in and is referred to as Prop 1 Highway Tax. It is one-tenth of one percent sales tax and is designated to be spent on streets, sidewalks and trails within the City. In fiscal year 2018 the City received \$257,097 of Prop 1 monies.

South Ogdan City's Changes in Net Position

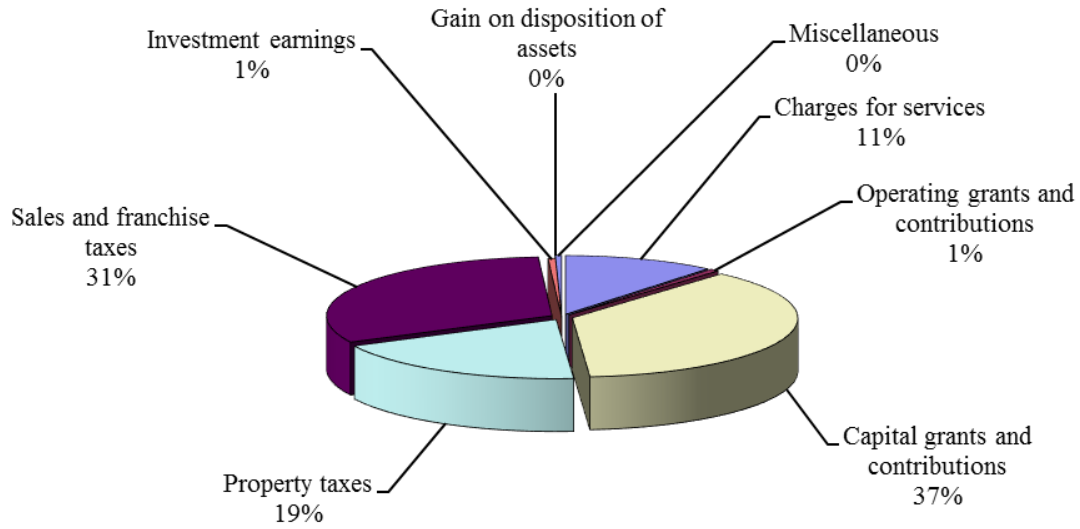
| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,761,661 | \$ 1,324,561 | \$ 5,990,732 | \$ 4,994,140 | \$ 7,752,393 | \$ 6,318,701 |
| Operating grants and contributions | 100,862 | 112,494 | - | - | 100,862 | 112,494 |
| Capital grants and contributions | 6,032,617 | 2,373,125 | 303,788 | 48,831 | 6,336,405 | 2,421,956 |
| General revenues: | | | | | | |
| Property taxes | 3,046,568 | 2,855,104 | - | - | 3,046,568 | 2,855,104 |
| Sales and franchise taxes | 5,092,096 | 4,951,701 | - | - | 5,092,096 | 4,951,701 |
| Investment earnings | 85,452 | 57,098 | 75,385 | 41,321 | 160,837 | 98,419 |
| Gain on disposition of assets | - | 19,445 | - | - | - | 19,445 |
| Miscellaneous | 72,167 | 118,521 | 58,326 | 60,599 | 130,493 | 179,120 |
| Total Revenues | 16,191,423 | 11,812,049 | 6,428,231 | 5,144,891 | 22,619,654 | 16,956,940 |
| Expenses: | | | | | | |
| General government | 3,485,023 | 3,470,672 | - | - | 3,485,023 | 3,470,672 |
| Public safety | 5,013,855 | 5,083,000 | - | - | 5,013,855 | 5,083,000 |
| Streets and public works | 685,024 | 710,869 | - | - | 685,024 | 710,869 |
| Parks | 523,707 | 454,018 | - | - | 523,707 | 454,018 |
| Recreation | 365,301 | 323,379 | - | - | 365,301 | 323,379 |
| Community development | 635,647 | 268,880 | - | - | 635,647 | 268,880 |
| Interest on long-term debt | 265,795 | 293,337 | - | - | 265,795 | 293,337 |
| Water | - | - | 1,042,989 | 1,167,535 | 1,042,989 | 1,167,535 |
| Sewer | - | - | 1,790,212 | 1,716,645 | 1,790,212 | 1,716,645 |
| Storm drain | - | - | 572,768 | 573,744 | 572,768 | 573,744 |
| Solid waste | - | - | 827,450 | 763,900 | 827,450 | 763,900 |
| Ambulance | - | - | 656,914 | 625,843 | 656,914 | 625,843 |
| Total Expenses | 10,974,352 | 10,604,155 | 4,890,333 | 4,847,667 | 15,864,685 | 15,451,822 |
| Change in net position before transfers | 5,217,071 | 1,207,894 | 1,537,898 | 297,224 | 6,754,969 | 1,505,118 |
| Transfers | 320,463 | - | (320,463) | - | - | - |
| Change in Net Position | 5,537,534 | 1,207,894 | 1,217,435 | 297,224 | 6,754,969 | 1,505,118 |
| Net Position, Beginning | 30,643,107 | 29,435,213 | 11,109,082 | 10,811,858 | 41,752,189 | 40,247,071 |
| Prior Period Adjustment | 459,280 | - | 146,694 | - | 605,974 | - |
| Net Position, Ending | \$ 36,639,921 | \$ 30,643,107 | \$ 12,473,211 | \$ 11,109,082 | \$ 49,113,132 | \$ 41,752,189 |

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

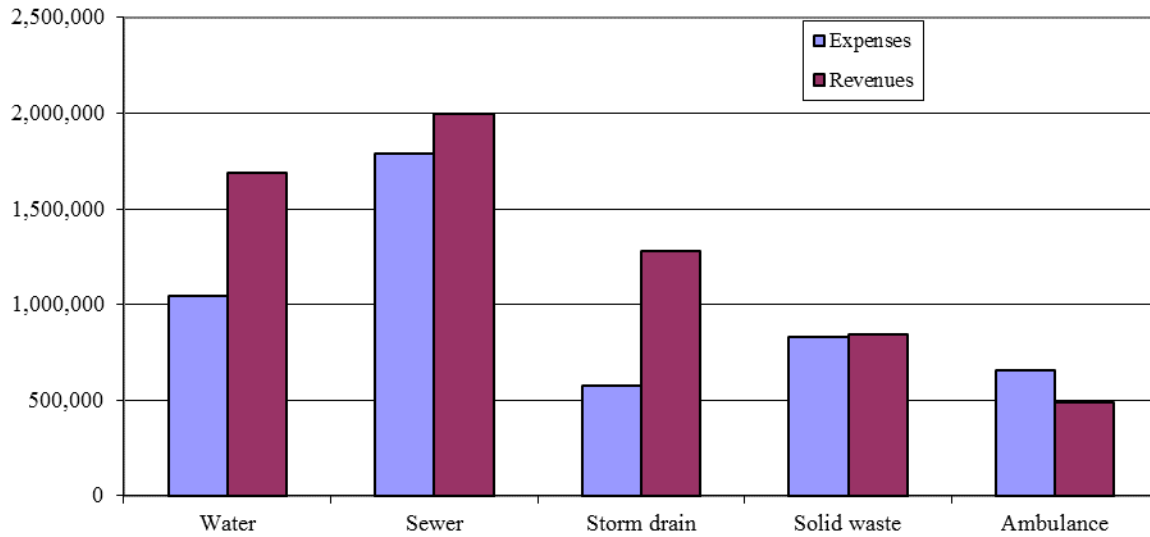


**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

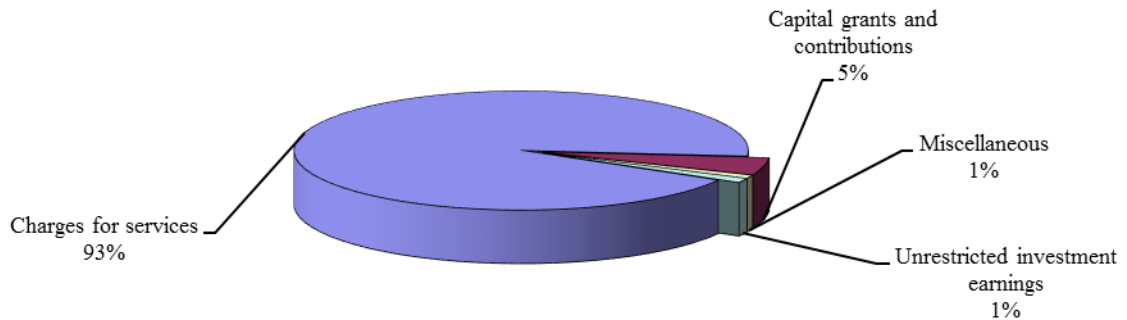
Business-type Activities: Business-type activities have increased, including prior period adjustments, the City's net position by \$1,364,129 during fiscal year 2018.

The majority of revenues in the business-type activities are in charges for services, which account for 97.76% of the revenues for fiscal year 2018.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

Financial Analysis of Governmental Funds:

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of resources available to spend. Such information is useful in assessing the City's financing requirements.

As of June 30, 2018, the City's governmental funds reported a combined ending fund balances of \$4,530,219. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for the business-type activities as is provided in the government-wide financial statements. However, the difference is that these fund statements provide more detail.

General Fund Budgetary Highlights:

The original budget adopted in fiscal year 2018 for the general fund totaled \$13,186,913. The City Council approved budget amendments during the year bringing the modified total general fund budget to \$11,670,624.

Explanation of variances between original budgeted amounts and final budgeted amounts:

- There were some additional State/Local Grants that were received, some miscellaneous revenues, and an increase in animal adoptions throughout the year.
- The variances on the expenditures side are associated with some additional expenditures that are tied to the new revenues, also in the recreation department due to enhanced youth programs and a few miscellaneous items.
- An additional full-time firefighter position was added.
- A lease package for equipment and vehicles was removed from the City's budget as well as some other projects allowing the Council to re-focus and be more aggressive with the FY 2019 budget when addressing equipment and projects.

Capital Assets and Debt Administration:

As of June 30, 2018, the City has invested \$51,439,880 net of accumulated depreciation in capital assets for its governmental and business-type activities. This amount is \$4,344,746 more than 2017. The City feels that its ability to increase capital assets will improve moving forward. The City Council put in place for the fiscal year 2018 budget process some significant revenue generating steps to work towards fiscal sustainability. The governing body is committed to working towards fiscal sustainability for FY 2019. These new monies will allow for infrastructure projects to be undertaken, heavy equipment and vehicles to be replaced as well as additional resources allocated to the City's streets for repairs and maintenance.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

South Ogden City's Capital Assets (Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 10,911,713 | \$ 10,911,713 | \$ 412,413 | \$ 412,413 | \$ 11,324,126 | \$ 11,324,126 |
| Construction in progress | 7,084,654 | 2,186,755 | 782,725 | 5,627 | 7,867,379 | 2,192,382 |
| Building and improvements | 9,036,729 | 9,290,260 | 1,018 | 2,036 | 9,037,747 | 9,292,296 |
| Machinery and equipment | 640,923 | 892,180 | 317,927 | 421,580 | 958,850 | 1,313,760 |
| Infrastructure | 15,837,520 | 16,304,277 | 6,414,258 | 6,668,293 | 22,251,778 | 22,972,570 |
| Total Capital Assets | \$ 43,511,539 | \$ 39,585,185 | \$ 7,928,341 | \$ 7,509,949 | \$ 51,439,880 | \$ 47,095,134 |

As of June 30, 2018, the City's Governmental Activities had a long-term debt outstanding balance of \$9,854,111. This amount is comprised of the following component parts:

2009 Sales & Excise Tax Revenue Bonds - \$965,000 – retires in 2024
 2012 Road Revenue Bonds - \$916,000 – retires in 2022
 2015 Sales Tax Refunding Bonds - \$6,060,000 – retires in 2029
 Capital leases - \$224,445
 Compensated absences - \$551,026
 Other post-employment benefits - \$669,844
 Weber School District Property Lease - \$467,785

As of June 30, 2018, the City's Business-type Activities had a long-term debt outstanding balance of \$307,271. This amount is comprised of the following component parts:

Compensated absences - \$55,683
 Other post-employment benefits - \$251,588

South Ogden City's Outstanding Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2018 | 2017, restated | 2018 | 2017, restated | 2018 | 2017, restated |
| Bonds payable | \$ 7,941,000 | \$ 8,761,000 | \$ - | \$ - | \$ 7,941,000 | \$ 8,761,000 |
| Notes payable | 467,794 | 512,500 | - | - | 467,794 | 512,500 |
| Capital leases | 224,446 | 303,009 | - | - | 224,446 | 303,009 |
| Compensated absences | 551,027 | 471,584 | 55,682 | 52,940 | 606,709 | 524,524 |
| Other post employment benefits | 669,844 | 666,012 | 251,588 | 239,745 | 921,432 | 905,757 |
| Total | \$ 9,854,111 | \$ 10,714,105 | \$ 307,270 | \$ 292,685 | \$ 10,161,381 | \$ 11,006,790 |

Economic Factors and Next Year's Budget and Rates:

Economic indicators for the state continue to be strong. The local area and the State of Utah as a whole are experiencing quite a robust economic time. Construction of commercial buildings as well as single and multi-family dwellings is moving at a brisk pace. The unemployment rate continues to be low, in the neighborhood of 3.2%, which is even lower than the national rate. Utah has recently been ranked as one of the top states in the nation for businesses.

**SOUTH OGDEN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2018**

The City's budget for fiscal year 2019 will include a number of items that had been removed in previous years as a result of the new monies generated and the Council's focus on replacing vehicles and heavy equipment and aggressively undertaking infrastructure projects. The City has nearly completed a 2 year project of expanding one of the main thoroughfares in the City with the assistance of the State and other local agencies. A master plan for future development is being drafted for the 12.74 acres of land purchased from the School District last year. A part of this property may be sold to the local college (Weber State University) to enhance their golf program and entice the adjoining golf and country club to be annexed in to the City. The City undertook an in-depth fiscal sustainability analysis and inventory of the needs for street repairs and utility infrastructure and put in to place some funding sources to begin the sustainability process. During the fiscal year 2019 budget process the City Council voted in a 10.06% property tax increase, a 3% utility fee increase for the water, sewer and storm drain funds to be implemented on September 1st and a continuation of the road improvement fee which was implemented on January 01, 2018. Both the Council and the residents of the City are committed to maintaining and improving the services provided and the quality of life that South Ogden City provides for its residents.

Request for Information:

This financial report is designed to provide a general overview of South Ogden City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

South Ogden City
Director of Finance
3950 Adams Avenue Suite #1
South Ogden, UT 84403

BASIC FINANCIAL STATEMENTS

SOUTH OGDEN CITY
STATEMENT OF NET POSITION
June 30, 2018

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,294,138 | \$ 4,898,248 | \$ 7,192,386 |
| Accounts receivable - net | 204,867 | 920,793 | 1,125,660 |
| Due from other governmental units | 1,763,540 | - | 1,763,540 |
| Taxes receivable | 3,775,923 | - | 3,775,923 |
| Prepaid expenses | 129 | 66,690 | 66,819 |
| Internal Balances | 546,594 | (546,594) | - |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 1,364,718 | 538,371 | 1,903,089 |
| Capital assets, not being depreciated: | | | |
| Land | 10,911,713 | 412,413 | 11,324,126 |
| Construction in progress | 7,084,654 | 782,725 | 7,867,379 |
| Capital assets, net of accumulated depreciation: | | | |
| Buildings and improvements | 9,036,729 | 1,018 | 9,037,747 |
| Machinery and equipment | 640,923 | 317,927 | 958,850 |
| Infrastructure | 15,837,520 | 6,414,258 | 22,251,778 |
| Net pension asset | 117,339 | 19,837 | 137,176 |
| Total Assets | <u>53,578,787</u> | <u>13,825,686</u> | <u>67,404,473</u> |
| Deferred Outflows of Resources: | | | |
| Pensions | 1,696,243 | 290,142 | 1,986,385 |
| Other post employment benefits | 604 | 1,887 | 2,491 |
| Total Deferred Outflows of Resources | <u>1,696,847</u> | <u>292,029</u> | <u>1,988,876</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 55,275,634</u> | <u>\$ 14,117,715</u> | <u>\$ 69,393,349</u> |

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

SOUTH OGDEN CITY
STATEMENT OF NET POSITION (Continued)
June 30, 2018

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 1,417,924 | \$ 764,318 | \$ 2,182,242 |
| Accrued liabilities | 333,558 | 5,328 | 338,886 |
| Accrued interest payable | 50,532 | - | 50,532 |
| Payable from restricted assets: | | | |
| Accounts payable | 333,958 | 2,516 | 336,474 |
| Developer and customer deposits | 35,431 | 900 | 36,331 |
| Unearned Revenue | 268,455 | - | 268,455 |
| Compensated absences | 112,689 | 55,682 | 168,371 |
| Other post employment benefits | 6,136 | 12,785 | 18,921 |
| Notes payable | 46,047 | - | 46,047 |
| Bonds payable | 862,000 | - | 862,000 |
| Capital leases | 60,868 | - | 60,868 |
| Noncurrent Liabilities: | | | |
| Compensated absences | 438,338 | - | 438,338 |
| Other post employment benefits | 663,708 | 238,803 | 902,511 |
| Notes payable | 421,747 | - | 421,747 |
| Bonds payable | 7,079,000 | - | 7,079,000 |
| Capital leases | 163,578 | - | 163,578 |
| Net pension liability | 1,828,744 | 309,644 | 2,138,388 |
| Total Liabilities | <u>14,122,713</u> | <u>1,389,976</u> | <u>15,512,689</u> |
| Deferred Inflows of Resources: | | | |
| Deferred revenue-property taxes | 3,030,364 | - | 3,030,364 |
| Pensions | 1,474,126 | 251,991 | 1,726,117 |
| Other post employment benefits | 8,510 | 2,537 | 11,047 |
| Total Deferred Inflows of Resources | <u>4,513,000</u> | <u>254,528</u> | <u>4,767,528</u> |
| Net Position: | | | |
| Net investment in capital assets | 34,583,605 | 7,928,341 | 42,511,946 |
| Restricted for: | | | |
| Roads | 194,979 | - | 194,979 |
| Impact fees | 307,712 | 534,955 | 842,667 |
| Debt service | 191,725 | - | 191,725 |
| State grants | 32,458 | - | 32,458 |
| Unrestricted | 1,329,442 | 4,009,915 | 5,339,357 |
| Total Net Position | <u>36,639,921</u> | <u>12,473,211</u> | <u>49,113,132</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 55,275,634</u> | <u>\$ 14,117,715</u> | <u>\$ 69,393,349</u> |

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

SOUTH OGDEN CITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue & Changes in Net Position | | | |
|---|----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 3,485,023 | \$ 791,070 | \$ 63,141 | \$ - | \$ (2,630,812) | \$ - | \$ (2,630,812) |
| Public safety | 5,013,855 | 517,446 | 19,595 | 89,500 | (4,387,314) | - | (4,387,314) |
| Streets and public works | 685,024 | 256,554 | - | 5,822,612 | 5,394,142 | - | 5,394,142 |
| Parks | 523,707 | 9,175 | - | 120,505 | (394,027) | - | (394,027) |
| Recreation | 365,301 | 187,416 | 18,126 | - | (159,759) | - | (159,759) |
| Community development | 635,647 | - | - | - | (635,647) | - | (635,647) |
| Interest on long-term debt | 265,795 | - | - | - | (265,795) | - | (265,795) |
| Total Governmental Activities | <u>10,974,352</u> | <u>1,761,661</u> | <u>100,862</u> | <u>6,032,617</u> | <u>(3,079,212)</u> | <u>-</u> | <u>(3,079,212)</u> |
| Business-type Activities: | | | | | | | |
| Water | 1,042,989 | 1,684,151 | - | 5,471 | - | 646,633 | 646,633 |
| Sewer | 1,790,212 | 1,996,511 | - | - | - | 206,299 | 206,299 |
| Storm drain | 572,768 | 981,647 | - | 298,317 | - | 707,196 | 707,196 |
| Solid waste | 827,450 | 841,824 | - | - | - | 14,374 | 14,374 |
| Ambulance | 656,914 | 486,599 | - | - | - | (170,315) | (170,315) |
| Total Business-type Activities | <u>4,890,333</u> | <u>5,990,732</u> | <u>-</u> | <u>303,788</u> | <u>-</u> | <u>1,404,187</u> | <u>1,404,187</u> |
| Total Government | <u>\$ 15,864,685</u> | <u>\$ 7,752,393</u> | <u>\$ 100,862</u> | <u>\$ 6,336,405</u> | <u>(3,079,212)</u> | <u>1,404,187</u> | <u>(1,675,025)</u> |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 3,046,568 | - | 3,046,568 |
| Sales taxes | | | | | 3,885,218 | - | 3,885,218 |
| Franchise taxes | | | | | 1,206,878 | - | 1,206,878 |
| Interest | | | | | 85,452 | 75,385 | 160,837 |
| Miscellaneous | | | | | 72,167 | 58,326 | 130,493 |
| Transfers | | | | | <u>320,463</u> | <u>(320,463)</u> | <u>-</u> |
| Total General Revenues and Transfers | | | | | <u>8,616,746</u> | <u>(186,752)</u> | <u>8,429,994</u> |
| Change in Net Position | | | | | 5,537,534 | 1,217,435 | 6,754,969 |
| Net Position, Beginning | | | | | <u>30,643,107</u> | <u>11,109,082</u> | <u>41,752,189</u> |
| Prior Period Adjustment | | | | | <u>459,280</u> | <u>146,694</u> | <u>605,974</u> |
| Net Position, Ending | | | | | <u>\$ 36,639,921</u> | <u>\$ 12,473,211</u> | <u>\$ 49,113,132</u> |

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

SOUTH OGDEN CITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

| | General Fund | Special Revenue | | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|---------------------|-------------------------|---------------------|-----------------------------------|--------------------------------|
| | | South Ogden Days | Road Improvement Fee | | | |
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 1,606,155 | \$ 41,006 | \$ - | \$ 175,799 | \$ 471,178 | \$ 2,294,138 |
| Accounts receivable | 135,998 | 23,408 | 45,461 | - | - | 204,867 |
| Due from other governmental units | 118,910 | - | - | 1,644,630 | - | 1,763,540 |
| Taxes receivable | 3,742,536 | - | - | - | 33,387 | 3,775,923 |
| Prepaid items | 129 | - | - | - | - | 129 |
| Due from other funds | 816,894 | - | - | - | - | 816,894 |
| Restricted cash and cash equivalents | 531,323 | - | - | 641,670 | 191,725 | 1,364,718 |
| Total Assets | \$ 6,951,945 | \$ 64,414 | \$ 45,461 | \$ 2,462,099 | \$ 696,290 | \$ 10,220,209 |
| Liabilities: | | | | | | |
| Accounts payable | \$ 131,397 | \$ 53,132 | \$ - | \$ 1,172,469 | \$ 60,926 | \$ 1,417,924 |
| Accrued liabilities | 323,322 | 10,236 | - | - | - | 333,558 |
| Payable from restricted assets: | | | | | | |
| Accounts payable | - | - | - | 333,958 | - | 333,958 |
| Developer deposits | 35,431 | - | - | - | - | 35,431 |
| Unearned revenue | 268,455 | - | - | - | - | 268,455 |
| Due to other funds | - | - | - | - | 270,300 | 270,300 |
| Total Liabilities | 758,605 | 63,368 | - | 1,506,427 | 331,226 | 2,659,626 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue-property taxes | \$ 3,011,244 | \$ - | \$ - | \$ - | \$ 19,120 | \$ 3,030,364 |

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

SOUTH OGDEN CITY
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
June 30, 2018

| | General Fund | Special Revenue | | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|-------------------------|---------------------|-----------------------------------|--------------------------------|
| | | South Ogden Days | Road Improvement Fee | | | |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | \$ 129 | \$ - | \$ - | \$ - | \$ - | \$ 129 |
| Restricted: | | | | | | |
| Class "C" roads | 194,979 | - | - | - | - | 194,979 |
| Impact fees | - | - | - | 307,712 | - | 307,712 |
| Debt service | - | - | - | - | 191,725 | 191,725 |
| State grants | 32,458 | - | - | - | - | 32,458 |
| Committed: | | | | | | |
| Construction | 75,243 | - | - | - | - | 75,243 |
| Employee benefits | 438,338 | - | - | - | - | 438,338 |
| Assigned: | | | | | | |
| Special revenue funds | - | 1,046 | 45,461 | - | 56,678 | 103,185 |
| Debt service | - | - | - | - | 97,541 | 97,541 |
| Capital projects | - | - | - | 647,960 | - | 647,960 |
| Unassigned | 2,440,949 | - | - | - | - | 2,440,949 |
| Total Fund Balances | 3,182,096 | 1,046 | 45,461 | 955,672 | 345,944 | 4,530,219 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 6,951,945 | \$ 64,414 | \$ 45,461 | \$ 2,462,099 | \$ 696,290 | \$ 10,220,209 |

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

SOUTH OGDEN CITY
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 - Governmental Funds | \$ | 4,530,219 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 43,511,539 |
| The net pension asset resulting from pension assets exceeding pension liabilities is not an available resource and, therefore, is not reported in the funds. | | 117,339 |
| Deferred outflows of resources related to pensions and other postemployment benefits are not an available resource and, therefore, are not reported in the funds. | | 1,696,847 |
| Deferred inflows of resources related to pensions and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds. | | (1,482,636) |
| Interest expense is not due and payable in the current period and, therefore, is not recorded in the funds. | | (50,532) |
| Long-term liabilities, including bonds, capital leases, net pension, and net other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds. | | (11,682,855) |
| Total Net Position - Governmental Activities | \$ | <u>36,639,921</u> |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

| | General Fund | Special Revenue | | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|---------------------|---------------------|-------------------------|---------------------|-----------------------------------|--------------------------------|
| | | South Ogden Days | Road Improvement Fee | | | |
| Revenues: | | | | | | |
| Property taxes | \$ 2,952,245 | \$ - | \$ - | \$ - | \$ 94,323 | \$ 3,046,568 |
| Sales taxes | 3,774,490 | - | - | - | 110,728 | 3,885,218 |
| Franchise taxes | 1,206,878 | - | - | - | - | 1,206,878 |
| Licenses and permits | 435,845 | - | - | - | - | 435,845 |
| Intergovernmental | 682,727 | - | - | - | - | 682,727 |
| Charges for services | 240,862 | - | 252,141 | 245,056 | - | 738,059 |
| Fines and forfeitures | 664,322 | - | - | - | - | 664,322 |
| Interest | 77,962 | - | - | 2,851 | 4,639 | 85,452 |
| Miscellaneous | 205,628 | 59,544 | - | - | - | 265,172 |
| Total Revenues | 10,240,959 | 59,544 | 252,141 | 247,907 | 209,690 | 11,010,241 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 1,666,012 | - | - | - | 6,000 | 1,672,012 |
| Public safety | 4,737,127 | - | - | - | - | 4,737,127 |
| Streets and public works | 592,910 | - | - | - | - | 592,910 |
| Parks | 526,079 | - | - | - | - | 526,079 |
| Recreation | 243,149 | 120,497 | - | - | - | 363,646 |
| Community development | - | - | - | - | 635,646 | 635,646 |
| Debt service: | | | | | | |
| Principal | 44,706 | - | - | - | 820,000 | 864,706 |
| Interest | 15,375 | - | - | - | 241,981 | 257,356 |
| Capital leases: | | | | | | |
| Principal | 78,566 | - | - | - | - | 78,566 |
| Interest | 12,540 | - | - | - | - | 12,540 |
| Capital outlay | - | - | - | 5,849,483 | - | 5,849,483 |
| Total Expenditures | \$ 7,916,464 | \$ 120,497 | \$ - | \$ 5,849,483 | \$ 1,703,627 | \$ 15,590,071 |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2018

| | General Fund | Special Revenue | | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------|---------------------|-------------------------|---------------------|-----------------------------------|--------------------------------|
| | | South Ogden Days | Road Improvement Fee | | | |
| Excess (deficiency) of revenues over (under) expenditures | \$ 2,324,495 | \$ (60,953) | \$ 252,141 | \$ (5,601,576) | \$ (1,493,937) | \$ (4,579,830) |
| Other Financing Sources (Uses): | | | | | | |
| Contributions | - | - | - | 5,086,910 | - | 5,086,910 |
| Transfers in | 395,706 | 72,781 | - | 1,243,069 | 1,057,047 | 2,768,603 |
| Transfers out | (2,166,217) | - | (206,680) | (75,243) | - | (2,448,140) |
| Total Other Financing Sources (Uses) | (1,770,511) | 72,781 | (206,680) | 6,254,736 | 1,057,047 | 5,407,373 |
| Net Change in Fund Balances | 553,984 | 11,828 | 45,461 | 653,160 | (436,890) | 827,543 |
| Fund Balance, Beginning | 2,628,112 | (10,782) | - | 302,512 | 782,834 | 3,702,676 |
| Fund Balance, Ending | \$ 3,182,096 | \$ 1,046 | \$ 45,461 | \$ 955,672 | \$ 345,944 | \$ 4,530,219 |

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

SOUTH OGDEN CITY
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 are different because:

| | | |
|---|-----------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 827,543 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | 3,926,354 |
| The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items: | | 943,271 |
| In the statement of activities, accrued interest on debt is recorded. | | 4,101 |
| In the statement of activities, current changes to the net pension asset account to increase pension expense. The Governmental Funds do not adjust pension contribution expense. | | 99,918 |
| In the statement of activities, current changes to the net pension liability account to increase pension expense. The Governmental Funds do not adjust pension contribution expense. | | 643,731 |
| In the statement of activities, the current year's pension contributions from January to June are removed from pension expense and shown on the statement of net position as deferred outflows of resources - pensions. The Governmental Funds do not adjust pension contribution expense. | | 133,933 |
| In the statement of activities, the differences between expected and actual results and changes in assumptions decrease pension expense and are shown on the statement of net position as deferred inflows of resources - pensions. The Governmental Funds do not adjust for these differences. | | (950,136) |
| Some expenses (accrued leave, other post employment benefits) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | (91,181) |
| Changes in net position of governmental activities | \$ | <u>5,537,534</u> |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|---------------------------|----------------------------------|-------------------------------|---------------------------------|---|
| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 2,913,282 | \$ 2,913,282 | \$ 2,952,245 | \$ 38,963 |
| Sales taxes | 3,679,912 | 3,679,912 | 3,774,490 | 94,578 |
| Franchise taxes | 1,291,154 | 1,291,154 | 1,206,878 | (84,276) |
| Licenses and permits | 339,164 | 339,164 | 435,845 | 96,681 |
| Intergovernmental | 1,110,554 | 1,132,238 | 682,727 | (449,511) |
| Charges for services | 197,498 | 218,898 | 240,862 | 21,964 |
| Fines and forfeitures | 539,032 | 574,632 | 664,322 | 89,690 |
| Interest | 38,654 | 38,654 | 77,962 | 39,308 |
| Miscellaneous | 147,750 | 166,048 | 205,628 | 39,580 |
| Total Revenues | <u>10,257,000</u> | <u>10,353,982</u> | <u>10,240,959</u> | <u>(113,023)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| City council | 163,501 | 163,501 | 163,144 | 357 |
| Legal | 92,101 | 92,101 | 84,112 | 7,989 |
| Municipal court | 382,655 | 413,585 | 395,432 | 18,153 |
| Administrative | 188,125 | 181,025 | 172,347 | 8,678 |
| Non-departmental | 696,035 | 632,937 | 575,094 | 57,843 |
| Building and grounds | 154,500 | 163,510 | 191,324 | (27,814) |
| Planning and zoning | 75,400 | 80,400 | 84,559 | (4,159) |
| Public safety: | | | | |
| Police | 3,182,946 | 3,109,688 | 2,988,179 | 121,509 |
| Fire | 1,558,304 | 1,619,871 | 1,592,893 | 26,978 |
| Inspection and planning | 130,174 | 155,574 | 156,055 | (481) |
| Streets and public works | 2,399,035 | 922,818 | 592,910 | 329,908 |
| Parks | 1,189,662 | 922,318 | 526,079 | 396,239 |
| Recreation | 247,942 | 247,942 | 243,149 | 4,793 |
| Debt service: | | | | |
| Principal | 44,706 | 44,706 | 44,706 | - |
| Interest | 15,375 | 15,375 | 15,375 | - |
| Capital leases: | | | | |
| Principal | 364,546 | 85,088 | 78,566 | 6,522 |
| Interest | 5,552 | 5,667 | 12,540 | (6,873) |
| Total Expenditures | <u>\$ 10,890,559</u> | <u>\$ 8,856,106</u> | <u>\$ 7,916,464</u> | <u>\$ 939,642</u> |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND (Continued)
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|----------------------------------|-------------------------------|---------------------------------|---|
| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | | |
| Excess (deficiency) of revenues over (under) expenditures | \$ (633,559) | \$ 1,497,876 | \$ 2,324,495 | \$ 826,619 |
| Other Financing Sources (Uses): | | | | |
| Notes payable issued | 1,130,791 | - | - | - |
| Sale of capital assets | 2,500 | 3,818 | - | (3,818) |
| Transfers in | 280,453 | 321,009 | 395,706 | 74,697 |
| Transfers out | (1,646,496) | (2,164,660) | (2,166,217) | (1,557) |
| Total Other Financing Sources (Uses) | <u>(232,752)</u> | <u>(1,839,833)</u> | <u>(1,770,511)</u> | <u>69,322</u> |
| Net Change in Fund Balance | <u>\$ (866,311)</u> | <u>\$ (341,957)</u> | 553,984 | <u>\$ 895,941</u> |
| Fund Balance, Beginning | | | <u>2,628,112</u> | |
| Fund Balance, Ending | | | <u>\$ 3,182,096</u> | |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – SOUTH OGDEN DAYS FUND
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|----------------------------------|-------------------------------|---------------------------------|---|
| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | | |
| Revenues: | | | | |
| Miscellaneous | \$ 62,100 | \$ 62,100 | \$ 59,544 | \$ (2,556) |
| Total Revenues | <u>62,100</u> | <u>62,100</u> | <u>59,544</u> | <u>(2,556)</u> |
| Expenditures: | | | | |
| Recreation | 112,100 | 134,881 | 120,497 | 14,384 |
| Total Expenditures | <u>112,100</u> | <u>134,881</u> | <u>120,497</u> | <u>14,384</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(50,000)</u> | <u>(72,781)</u> | <u>(60,953)</u> | <u>11,828</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 50,000 | 72,781 | 72,781 | - |
| Total Other Financing Sources (Uses) | <u>50,000</u> | <u>72,781</u> | <u>72,781</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 11,828 | <u>\$ 11,828</u> |
| Fund Balance, Beginning | | | <u>(10,782)</u> | |
| Fund Balance, Ending | | | <u>\$ 1,046</u> | |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – ROAD IMPROVEMENT FEE FUND
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|----------------------------------|-------------------------------|---------------------------------|---|
| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | | |
| Revenues: | | | | |
| Charges for services | \$ - | \$ 254,644 | \$ 252,141 | \$ (2,503) |
| Total Revenues | <u>-</u> | <u>254,644</u> | <u>252,141</u> | <u>(2,503)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>254,644</u> | <u>252,141</u> | <u>(2,503)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>-</u> | <u>(254,644)</u> | <u>(206,680)</u> | <u>47,964</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(254,644)</u> | <u>(206,680)</u> | <u>47,964</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>45,461</u> | <u>\$ 45,461</u> |
| Fund Balance, Beginning | | | <u>-</u> | |
| Fund Balance, Ending | | | <u>\$ 45,461</u> | |

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

SOUTH OGDEN CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Total |
|--|---|---------------------|---------------------|-------------------|-------------------|----------------------|
| | Water | Sewer | Storm Drain | Solid Waste | Ambulance | |
| Assets: | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 2,203,094 | \$ 1,441,673 | \$ 875,080 | \$ 377,994 | \$ 407 | \$ 4,898,248 |
| Accounts receivable, net | 282,736 | 312,566 | 101,983 | 88,863 | 134,645 | 920,793 |
| Prepays | 66,690 | - | - | - | - | 66,690 |
| Due from other funds | 45,203 | 45,203 | - | - | - | 90,406 |
| Total Current Assets | 2,597,723 | 1,799,442 | 977,063 | 466,857 | 135,052 | 5,976,137 |
| Noncurrent Assets: | | | | | | |
| Restricted cash and cash equivalents | 125,040 | - | 412,431 | 900 | - | 538,371 |
| Net pension asset | 7,290 | 4,668 | 3,904 | - | 3,975 | 19,837 |
| Capital assets not being depreciated: | | | | | | |
| Land | 295,405 | 16,274 | 100,734 | - | - | 412,413 |
| Construction in progress | 619,160 | - | 163,565 | - | - | 782,725 |
| Capital assets, net of accumulated depreciation: | | | | | | |
| Buildings and improvements | 85 | 933 | - | - | - | 1,018 |
| Machinery and equipment | 17,395 | 174,155 | 19,224 | 22,645 | 84,508 | 317,927 |
| Infrastructure | 3,197,748 | 1,869,684 | 1,346,826 | - | - | 6,414,258 |
| Total Noncurrent Assets | 4,262,123 | 2,065,714 | 2,046,684 | 23,545 | 88,483 | 8,486,549 |
| Total Assets | 6,859,846 | 3,865,156 | 3,023,747 | 490,402 | 223,535 | 14,462,686 |
| Deferred Outflows of Resources: | | | | | | |
| Pensions | 106,720 | 71,070 | 55,369 | - | 56,983 | 290,142 |
| Other post employment benefits | 1,887 | - | - | - | - | 1,887 |
| Total Deferred Outflows of Resources | 108,607 | 71,070 | 55,369 | - | 56,983 | 292,029 |
| Total Assets and Deferred Outflows of Resources | \$ 6,968,453 | \$ 3,936,226 | \$ 3,079,116 | \$ 490,402 | \$ 280,518 | \$ 14,754,715 |

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

SOUTH OGDEN CITY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)
June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|---|---------------------|---------------------|-------------------|-------------------|----------------------|
| | Water | Sewer | Storm Drain | Solid Waste | Ambulance | |
| Liabilities: | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable | \$ 79,506 | \$ 448,215 | \$ 158,041 | \$ 67,396 | \$ 11,160 | \$ 764,318 |
| Accrued wages & benefits | 1,672 | 314 | 789 | - | 2,553 | 5,328 |
| Payable from restricted assets: | | | | | | |
| Accounts payable | 406 | - | 2,110 | - | - | 2,516 |
| Customer deposits | - | - | - | 900 | - | 900 |
| Compensated absences | 23,844 | 18,509 | 13,329 | - | - | 55,682 |
| Other post employment benefits | 12,785 | - | - | - | - | 12,785 |
| Due to other funds | - | - | - | - | 637,000 | 637,000 |
| Total Current Liabilities | 118,213 | 467,038 | 174,269 | 68,296 | 650,713 | 1,478,529 |
| Noncurrent Liabilities: | | | | | | |
| Other post employment benefits | 209,974 | 28,829 | - | - | - | 238,803 |
| Net pension liability | 113,807 | 73,267 | 60,686 | - | 61,884 | 309,644 |
| Total Noncurrent Liabilities | 323,781 | 102,096 | 60,686 | - | 61,884 | 548,447 |
| Total Liabilities | 441,994 | 569,134 | 234,955 | 68,296 | 712,597 | 2,026,976 |
| Deferred Inflows of Resources: | | | | | | |
| Pensions | 92,684 | 61,596 | 48,167 | - | 49,544 | 251,991 |
| Other post employment benefits | 2,160 | 377 | - | - | - | 2,537 |
| Total Deferred Inflows of Resources | 94,844 | 61,973 | 48,167 | - | 49,544 | 254,528 |
| Net Position: | | | | | | |
| Net investment in capital assets | 4,129,793 | 2,061,046 | 1,630,349 | 22,645 | 84,508 | 7,928,341 |
| Restricted for impact fees | 124,634 | - | 410,321 | - | - | 534,955 |
| Unrestricted | 2,177,188 | 1,244,073 | 755,324 | 399,461 | (566,131) | 4,009,915 |
| Total Net Position | 6,431,615 | 3,305,119 | 2,795,994 | 422,106 | (481,623) | 12,473,211 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 6,968,453 | \$ 3,936,226 | \$ 3,079,116 | \$ 490,402 | \$ 280,518 | \$ 14,754,715 |

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

SOUTH OGDEN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
For the Year Ended June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|--|---------------------|------------------------|------------------------|---------------------|----------------------|
| | Water | Sewer | Storm Drain | Solid Waste | Ambulance | |
| Operating Revenues: | | | | | | |
| Charges for services | \$ 1,684,151 | \$ 1,996,511 | \$ 981,647 | \$ 841,824 | \$ 486,599 | \$ 5,990,732 |
| Miscellaneous | 39,495 | 6,203 | 156 | 1,278 | 11,194 | 58,326 |
| Total Operating Revenues | <u>1,723,646</u> | <u>2,002,714</u> | <u>981,803</u> | <u>843,102</u> | <u>497,793</u> | <u>6,049,058</u> |
| Operating Expenses: | | | | | | |
| Personnel services | 347,440 | 305,598 | 267,044 | - | 373,461 | 1,293,543 |
| Contractual services | 383,071 | 1,239,842 | 142,260 | 815,195 | 146,975 | 2,727,343 |
| Materials and supplies | 155,975 | 122,311 | 107,402 | 6,670 | 111,383 | 503,741 |
| Depreciation | 156,503 | 122,461 | 56,062 | 5,585 | 25,095 | 365,706 |
| Total Operating Expenses | <u>1,042,989</u> | <u>1,790,212</u> | <u>572,768</u> | <u>827,450</u> | <u>656,914</u> | <u>4,890,333</u> |
| Operating Income (Loss) | <u>680,657</u> | <u>212,502</u> | <u>409,035</u> | <u>15,652</u> | <u>(159,121)</u> | <u>1,158,725</u> |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest income | 41,481 | 15,583 | 11,539 | 6,782 | - | 75,385 |
| Total Nonoperating Revenues (Expenses) | <u>41,481</u> | <u>15,583</u> | <u>11,539</u> | <u>6,782</u> | <u>-</u> | <u>75,385</u> |
| Income (Loss) Before Capital Contributions and Transfers | 722,138 | 228,085 | 420,574 | 22,434 | (159,121) | 1,234,110 |
| Capital Contributions: | | | | | | |
| Impact fees | 5,471 | - | 298,317 | - | - | 303,788 |
| Transfers Out | <u>(120,934)</u> | <u>(100,709)</u> | <u>(61,024)</u> | <u>(37,796)</u> | <u>-</u> | <u>(320,463)</u> |
| Change in Net Position | 606,675 | 127,376 | 657,867 | (15,362) | (159,121) | 1,217,435 |
| Net Position, Beginning | 5,709,875 | 3,149,200 | 2,135,041 | 437,468 | (322,502) | 11,109,082 |
| Prior Period Adjustment | <u>115,065</u> | <u>28,543</u> | <u>3,086</u> | <u>-</u> | <u>-</u> | <u>146,694</u> |
| Net Position, Ending | <u>\$ 6,431,615</u> | <u>\$ 3,305,119</u> | <u>\$ 2,795,994</u> | <u>\$ 422,106</u> | <u>\$ (481,623)</u> | <u>\$ 12,473,211</u> |

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

SOUTH OGDEN CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the Year Ended June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|--|---------------------|------------------------|------------------------|------------------|---------------------|
| | Water | Sewer | Storm Drain | Solid Waste | Ambulance | |
| Cash Flows From Operating Activities: | | | | | | |
| Receipts from customers | \$ 1,615,584 | \$ 1,942,284 | \$ 921,072 | \$ 844,264 | \$ 486,307 | \$ 5,809,511 |
| Payments of customer deposits | - | - | - | (600) | - | (600) |
| Payments to suppliers | (464,752) | (774,567) | 24,705 | (702,847) | (186,589) | (2,104,050) |
| Payments to employees and related benefits | (348,078) | (308,421) | (267,932) | - | (377,678) | (1,302,109) |
| Payments for interfund services used | (138,732) | (182,712) | (142,260) | (113,172) | (67,584) | (644,460) |
| Net cash provided (used) by operating activities | <u>664,022</u> | <u>676,584</u> | <u>535,585</u> | <u>27,645</u> | <u>(145,544)</u> | <u>1,758,292</u> |
| Cash Flows From Non-Capital Financing Activities: | | | | | | |
| Payments from other funds | 20,599 | 20,599 | - | - | 152,951 | 194,149 |
| Transfers to other funds | (71,114) | (91,169) | (47,244) | (37,796) | - | (247,323) |
| Net cash provided (used) by non-capital financing activities | <u>(50,515)</u> | <u>(70,570)</u> | <u>(47,244)</u> | <u>(37,796)</u> | <u>152,951</u> | <u>(53,174)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | | | |
| Purchase of capital assets | (613,981) | - | (163,117) | - | (7,000) | (784,098) |
| Impact fees | 5,471 | - | 298,317 | - | - | 303,788 |
| Net cash provided (used) by capital and related financing activities | <u>(608,510)</u> | <u>-</u> | <u>135,200</u> | <u>-</u> | <u>(7,000)</u> | <u>(480,310)</u> |
| Cash Flows From Investing Activities: | | | | | | |
| Interest on investments | 41,481 | 15,583 | 11,539 | 6,782 | - | 75,385 |
| Net cash provided by investing activities | <u>41,481</u> | <u>15,583</u> | <u>11,539</u> | <u>6,782</u> | <u>-</u> | <u>75,385</u> |
| Net Increase (Decrease) In Cash | 46,478 | 621,597 | 635,080 | (3,369) | 407 | 1,300,193 |
| Cash and Cash Equivalents, Beginning | <u>2,281,656</u> | <u>820,076</u> | <u>652,431</u> | <u>382,263</u> | <u>-</u> | <u>4,136,426</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 2,328,134</u> | <u>\$ 1,441,673</u> | <u>\$ 1,287,511</u> | <u>\$ 378,894</u> | <u>\$ 407</u> | <u>\$ 5,436,619</u> |

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

SOUTH OGDEN CITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|--|-------------------|------------------------|------------------------|---------------------|---------------------|
| | Water | Sewer | Storm Drain | Solid Waste | Ambulance | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss) | \$ 680,657 | \$ 212,502 | \$ 409,035 | \$ 15,652 | \$ (159,121) | \$ 1,158,725 |
| Adjustments to reconcile operating income (loss) to net cash from (used) by operating activities: | | | | | | |
| Depreciation | 156,503 | 122,461 | 56,062 | 5,585 | 25,095 | 365,706 |
| Revenue from General Fund for service not billed | (49,820) | (9,540) | (13,780) | - | - | (73,140) |
| (Increase) decrease in assets: | | | | | | |
| Accounts receivable | (58,242) | (50,890) | (46,951) | 1,162 | (11,486) | (166,407) |
| Prepays | (5,798) | - | - | - | - | (5,798) |
| Net pension asset | (6,310) | (4,250) | (3,243) | - | (3,348) | (17,151) |
| Deferred outflows | (10,345) | (5,696) | (4,347) | - | (4,488) | (24,876) |
| Increase (decrease) in liabilities: | | | | | | |
| Accounts payable | (58,640) | 404,874 | 132,107 | 5,846 | 4,185 | 488,372 |
| Accrued liabilities | (16,171) | (7,451) | (3,242) | - | (6,648) | (33,512) |
| Customer deposits | - | - | - | (600) | - | (600) |
| Net OPEB liability | 10,678 | 1,165 | - | - | - | 11,843 |
| Net pension liability | (40,653) | (27,378) | (20,892) | - | (21,571) | (110,494) |
| Deferred inflows | 62,163 | 40,787 | 30,836 | - | 31,838 | 165,624 |
| Net cash provided (used) by operating activities | \$ 664,022 | \$ 676,584 | \$ 535,585 | \$ 27,645 | \$ (145,544) | \$ 1,758,292 |

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

SOUTH OGDEN CITY NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Ogden City (the City) was incorporated in July 1936. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police, fire, inspection and animal control), streets and highways, public utilities (water, sewer, storm water, solid waste, and ambulance), parks, recreation, and general administrative services. The financial statements of South Ogden City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

(A) The Reporting Entity

As required by generally accepted accounting principles, these financial statements present South Ogden City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operation or financial relationships with the City.

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 Statement No. 14, "The Financial Reporting Entity". The basic, but not the only, criterion for including a potential component unit within the reporting agency 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.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

(B) Blended Component Unit

The South Ogden City Community Redevelopment Agency (CDRA) serves all the citizens of the City and is governed by the Mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government. The CDRA's sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax revenue. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the CDRA have been included in the financial reporting entity as a blended component unit. No separate financial statements are available for the CDRA.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities and interfund services provided.

The Statement of Net Position presents the City's assets and liabilities, with the difference reported as net position. Net Position is restricted when constraints placed upon it are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. 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; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

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

(D) Measurement Focus and Basis of Accounting

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

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures in the governmental fund financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source in the governmental fund financial statements. Amounts paid to reduce long-term debt in the government-wide financial statements are reported as a reduction of the related liability, rather than expenditures in the governmental fund statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The emphasis of the governmental fund financial statements is on major funds. All remaining governmental funds are aggregated and reported as nonmajor funds. 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 (generally within sixty days) to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual method of accounting. However, debt service expenditures, as well as expenditure related to compensated absences and claims and judgments are recorded when payment is due.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Measurement Focus and Basis of Accounting (Continued)

Sales and use taxes, franchise taxes and earned but not yet reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied and available only when cash is received by the county treasurer prior to the City's fiscal year end and remitted to the City within sixty days of its fiscal year end.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for specified purposes. The City has two major special revenue funds, the South Ogden Days Fund and the Road Improvement Fee Fund. The South Ogden Days Fund is used to report revenue and expenses from the South Ogden Days celebration. The Road Improvement Fee Fund is used to report revenues and expenses related to the fee charged to businesses and households within the City for road improvements.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The City accounts for various projects in a capital project fund.

The City reports the following major proprietary funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business. The intent of the governing body is that the costs of providing goods and services be financed and recovered primarily through user charges. The City operates Water, Sewer, Storm Drain, Garbage, and Ambulance Funds as Enterprise Funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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 operation. The principal operating revenues are the sales of goods and services to the customers, while the principal expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(E) Budgetary Data

Annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1, in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, capital projects and debt service funds are legally required and prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

**SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Budgetary Data (Continued)

The Budgetary Comparison schedules presented in this section of the report are for the City’s general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

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 fund balance categories 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 also prohibits the accumulation of the stated fund balance categories in any amount greater than 25% of the current year’s budgeted revenues.

(F) Taxes

The City’s tax rate is adopted before June 22 and the City is to certify the tax rate to the county Auditor before June 22. Budgets for the general, special revenue, debt service and capital projects funds are adopted in accordance with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah code Sections 10-6-109 through 10-6-135.

All property taxes levied by the City are collected by Weber County. Tax liens are attached as of January 1, are levied as of October 1, and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid, a lien is attached to the property, and the amount of taxes and penalties bears interest 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.

(G) Capital Assets

Capital assets, which include land, buildings, 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at acquisition value.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Depreciation of these assets is computed by the use of the straight-line method over their estimated useful lives as follows:

| | |
|---------------------------------|-------------|
| Buildings and improvements | 10-50 Years |
| Sewer collection system | 50 Years |
| Water distribution systems | 50 Years |
| Infrastructure and improvements | 10-30 Years |
| Machinery and equipment | 4-15 Years |
| Other improvements | 10-40 Years |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) 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 position. Bond premiums, discounts, and gain or loss on refunding are deferred and amortized over the life of the applicable debt.

(I) Cash and cash equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(J) Use of Estimates

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

(K) Equity Classifications

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

- (1) Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net position – consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “Net investment in capital assets”.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned.

- (1) Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) Restricted fund balance classifications are restricted by enabling legislation. Also reported if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) Committed fund balance classification include those funds that can only be used for specific purpose pursuant to constraints imposed by formal action (City Resolution) of the city council, which is government’s highest level of decision making authority.
- (4) Assigned fund balance classification includes amounts that are constrained by the government’s intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the Finance Director. It also includes all remaining amounts that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, nor committed and are intended to be used for specific purposes.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) Equity Classifications (Continued)

(5) Unassigned fund balance classification is for all other spendable amounts.

Proprietary Fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the city's policy to use committed resources first, followed by assigned resources, then unassigned resources as they are needed.

(L) 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 fair value.

(M) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred revenue from property taxes (described more fully in Note 13) and deferred inflows related to pension (discussed above) in this category.

NOTE 2 CASH AND INVESTMENTS

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

The City's deposit and investment policy is to follow the Utah Money Management Act; however, the City does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Components of cash and investments (including interest earning deposits) at June 30, 2018 are as follows:

| | |
|---|----------------------------|
| Cash on hand and on deposit: | |
| Petty Cash | \$ 250 |
| Cash on Deposit | 428,462 |
| Trustee Deposits | 194,736 |
| PTIF Investment | <u>8,472,027</u> |
| Total cash and investments | <u><u>\$ 9,095,475</u></u> |
| | |
| Cash and investments are included in the accompanying combined statement of net position as follows: | |
| Cash and cash equivalents | \$ 7,192,386 |
| Restricted cash and cash equivalents | <u>1,903,089</u> |
| Total cash and investments | <u><u>\$ 9,095,475</u></u> |

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

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of June 30, 2018, \$688,895 of the City’s \$1,162,400 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City’s investment in the Utah Public Treasurer’s Investment Fund has no 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 the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard and Poor’s; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined by the Act.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure by investing mainly in the Utah Public Treasurer’s Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment in the Utah Public Treasurer’s Investment Fund has no concentration of credit risk.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

The City invests in the Public Treasurer’s Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer’s Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). 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.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant’s share to the total funds in the PTIF based on the participant’s average daily balance. The PTIF allocates income and issues statements on a monthly basis. Additional information is available at the Utah State Treasurer’s Office.

For the year ended June 30, 2018, the City had investments of \$8,472,027 with the PTIF. This investment matures in less than one year and is not rated.

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:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2018, the City had the following cash and investments:

| | <u>Carrying</u> <u>Value</u> | <u>Fair Value</u> <u>Factor</u> | <u>Fair Value</u> | <u>Credit</u> <u>Rating</u> | <u>Weighted Avg.</u> <u>Maturity (Years)</u> |
|---|---------------------------------|------------------------------------|---------------------|--------------------------------|---|
| Cash on hand and on deposit: | | | | | |
| Cash on hand | \$ 250 | 1 | \$ 250 | N/A | N/A |
| Cash on deposit | 428,462 | 1 | 428,462 | N/A | N/A |
| Trustee Deposits | 194,736 | 1 | 194,736 | N/A | N/A |
| Utah State Treasurer's investment pool accounts | <u>8,472,027</u> | 1.003788 | <u>8,504,119</u> | N/A | N/A |
| Total cash on hand and deposit | <u>\$ 9,095,475</u> | | <u>\$ 9,127,567</u> | | |

The fair value measurement of the City’s PTIF investments is considered level 2.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

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

| | Amount |
|---|---------------------|
| Impact fees | \$ 884,447 |
| Debt service | 191,725 |
| Developer and customer deposits | 36,331 |
| Road funds | 194,979 |
| State liquor allotment | 32,458 |
| Retainage payable | 294,694 |
| Unearned revenue | 268,455 |
| Total restricted cash and cash equivalents | \$ 1,903,089 |

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of the allowance for doubtful accounts. As of June 30, 2018, the allowance for all funds is \$28,632.

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

| | Balance | | Balance |
|--|----------------------|---------------------|----------------------|
| Governmental activities: | June 30, 2017 | Additions | Deletions |
| Governmental activities: | | | |
| Capital assets, not being depreciated: | | | June 30, 2018 |
| Land | \$ 10,911,713 | \$ - | \$ 10,911,713 |
| Construction in progress | 2,186,755 | 4,897,899 | 7,084,654 |
| Total capital assets, not being depreciated | 13,098,468 | 4,897,899 | 17,996,367 |
| Capital assets, being depreciated: | | | |
| Buildings and improvements | 12,997,345 | - | 12,997,345 |
| Machinery and equipment | 6,201,152 | 51,920 | 6,253,072 |
| Infrastructure | 42,667,432 | 1,058,043 | 43,725,475 |
| Total capital assets, being depreciated | 61,865,929 | 1,109,963 | 62,975,892 |
| Less accumulated depreciation for: | | | |
| Buildings and improvements | (3,707,085) | (253,531) | (3,960,616) |
| Machinery and equipment | (5,308,972) | (303,177) | (5,612,149) |
| Infrastructure | (26,363,155) | (1,524,800) | (27,887,955) |
| Total accumulated depreciation | (35,379,212) | (2,081,508) | (37,460,720) |
| Total capital assets, net of accumulated depreciation | 26,486,717 | (971,545) | 25,515,172 |
| Governmental activities capital assets, net | \$ 39,585,185 | \$ 3,926,354 | \$ 43,511,539 |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

Governmental activities depreciation expense was charged to functions/programs as follows:

| Governmental activities | |
|---|----------------------------|
| General government | \$ 1,807,174 |
| Public Safety | 169,583 |
| Streets and public works | 63,131 |
| Parks | 39,965 |
| Recreation | <u>1,655</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 2,081,508</u></u> |

The Business-type Activities property, plant and equipment consist of the following at June 30, 2018:

| Business-type Activities: | Balance | | | Balance |
|--|----------------------------|--------------------------|--------------------|----------------------------|
| | June 30, 2017 | Additions | Deletions | June 30, 2018 |
| Capital assets, not being depreciated: | | | | |
| Land and water rights | \$ 412,413 | \$ - | \$ - | \$ 412,413 |
| Construction in progress | <u>5,627</u> | <u>777,098</u> | <u>-</u> | <u>782,725</u> |
| Total capital assets, not being depreciated | <u>418,040</u> | <u>777,098</u> | <u>-</u> | <u>1,195,138</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 95,212 | - | - | 95,212 |
| Machinery and equipment | 2,167,187 | 7,000 | - | 2,174,187 |
| Infrastructure | <u>12,827,520</u> | <u>-</u> | <u>-</u> | <u>12,827,520</u> |
| Total capital assets, being depreciated | <u>15,089,919</u> | <u>7,000</u> | <u>-</u> | <u>15,096,919</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (93,176) | (1,018) | - | (94,194) |
| Machinery and equipment | (1,745,607) | (110,653) | - | (1,856,260) |
| Infrastructure | <u>(6,159,227)</u> | <u>(254,035)</u> | <u>-</u> | <u>(6,413,262)</u> |
| Total accumulated depreciation | <u>(7,998,010)</u> | <u>(365,706)</u> | <u>-</u> | <u>(8,363,716)</u> |
| Total capital assets, net of accumulated depreciation | <u>7,091,909</u> | <u>(358,706)</u> | <u>-</u> | <u>6,733,203</u> |
| Business-type activities capital assets, net | <u><u>\$ 7,509,949</u></u> | <u><u>\$ 418,392</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 7,928,341</u></u> |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 CAPITAL ASSETS (Continued)

The Business-type activities depreciation consists of the following at June 30, 2018:

Business-type activities

| | | |
|--|-----------|----------------|
| Water | \$ | 156,503 |
| Sewer | | 122,461 |
| Storm Drain | | 56,062 |
| Solid Waste | | 5,585 |
| Ambulance | | 25,095 |
| Total depreciation expense - business-type activities | \$ | 365,706 |

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2018:

| | June 30, 2017, Restated | Additions | Deletions | June 30, 2018 | Due Within One Year |
|---|--|-------------------|-----------------------|--------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Revenue bonds | \$ 8,761,000 | \$ - | \$ (820,000) | \$ 7,941,000 | \$ 862,000 |
| Notes payable | 512,500 | - | (44,706) | 467,794 | 46,047 |
| Capital leases | 303,009 | - | (78,563) | 224,446 | 60,868 |
| Compensated absences | 471,584 | 305,895 | (226,452) | 551,027 | 112,689 |
| Other post employment benefits | 666,012 | 10,885 | (7,053) | 669,844 | 6,136 |
| Governmental activities long-term liabilities | 10,714,105 | 316,780 | (1,176,774) | 9,854,111 | 1,087,740 |
| Business-type Activities: | | | | | |
| Compensated absences | 52,940 | 62,133 | (59,391) | 55,682 | 55,682 |
| Other post employment benefits | 239,745 | 26,538 | (14,695) | 251,588 | 12,785 |
| Business-type activities long-term liabilities | 292,685 | 88,671 | (74,086) | 307,270 | 68,467 |
| | \$ 11,006,790 | \$ 405,451 | \$ (1,250,860) | \$ 10,161,381 | \$ 1,156,207 |

Compensated absences and other postemployment benefits for governmental activities are liquidated by the general fund.

Governmental Activities:

Revenue Bonds

Series 2009 Sales and Excise Tax Revenue Bonds, original issue of \$2,065,000, principal due in annual installments beginning November 2009, interest at 3.00% to 4.50% due in semi-annual installments beginning May 2010, with the final payment due May 2024. The bonds were issued to finance the acquisition and construction of gym facilities adjoining a new school and related improvements.

\$ 965,000

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

| | |
|---|----------------------------|
| Series 2012 Road Revenue Bonds, original issue of \$2,166,000, principal due in annual installments beginning May 2013, interest at 2.075% due in semi-annual installments. The final payment is due May 2022. The bonds were issued to finance road construction. | \$ 916,000 |
| Series 2015 Sales and Excise Tax Revenue Bonds, original issue of \$6,328,000, principal due in annual installments beginning May 2016, interest at 1.22% due in semi-annual installments beginning November 2016, with the final payment due May 2029. The bonds were issued to refund the 2006 Sales Tax Revenue Refunding bonds. The economic gain was \$649,667 with a Gross Present Value Debt Service Savings of \$433,183. | <u>6,060,000</u> |
| Total Revenue Bonds - Governmental Activities | <u><u>\$ 7,941,000</u></u> |

Notes Payable

| | |
|--|--------------------------|
| Weber School District note, original issue of \$247,500, interest at 3.00%, principal and interest due in annual installments beginning July 2017, with the final payment due July 2026. The note was issued to finance the acquisition of land. The note is secured by land with a carrying value of \$365,000. | \$ 225,910 |
| Weber School District note, original issue of \$265,000, interest at 3.00%, principal and interest due in annual installments beginning July 2017, with the final payment due July 2026. The note was issued to finance the acquisition of land. The note is secured by land with a carrying value of \$397,500. | <u>241,884</u> |
| Total Notes Payable - Governmental Activities | <u><u>\$ 467,794</u></u> |

All of the City's Revenue Bonds are payable solely by a pledge and assignment of their associated revenue sources. The current revenue recognized during the period for Revenue bonds was \$4,128,549 compared to principal and interest of \$1,055,547. Principal and interest are 26% of pledged revenues for the year ending June 30, 2018. No interest was capitalized during the year; interest incurred and charged to expense totaled \$246,821.

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

| <u>Year Ending June 30,</u> | Governmental Activities | | Governmental Activities | |
|---------------------------------|--------------------------------|----------------------------|--------------------------------|-------------------------|
| | Revenue Bonds | | Notes Payable | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2019 | \$ 862,000 | \$ 218,990 | \$ 46,047 | \$ 14,034 |
| 2020 | 872,000 | 201,160 | 47,428 | 12,652 |
| 2021 | 896,000 | 182,282 | 48,851 | 11,230 |
| 2022 | 922,000 | 161,599 | 50,317 | 9,764 |
| 2023 | 702,000 | 138,901 | 51,826 | 8,255 |
| 2024-2028 | 3,055,000 | 401,276 | 223,326 | 16,997 |
| 2029 | 632,000 | 22,120 | - | - |
| | <u><u>\$ 7,941,000</u></u> | <u><u>\$ 1,326,327</u></u> | <u><u>\$ 467,794</u></u> | <u><u>\$ 72,931</u></u> |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 LONG-TERM DEBT (Continued)

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of equipment for the City. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital assets acquired through capital leases are as follows.

| | Amount |
|--------------------------------|---------------|
| Machinery and equipment | \$ 123,467 |
| Less: Accumulated depreciation | (74,080) |
| | \$ 49,387 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

| Year Ending June 30, | Amount |
|---|---------------|
| 2019 | \$ 68,686 |
| 2020 | 70,076 |
| 2021 | 44,492 |
| 2022 | 46,749 |
| 2023 | 11,844 |
| Total minimum lease payment | 241,847 |
| Less: amount representing interest | (17,401) |
| Present value of minimum lease payments | \$ 224,446 |

NOTE 7 COMPENSATED ABSENCES

Accumulated unpaid vacation, compensatory leave pay and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). The total compensated absences are reported in the government wide financial statements as long-term debt in accordance with the Governmental Accounting Standards. Based off of historical estimates, the City estimates that \$114,595 of the compensated absences balance will be due in the next year.

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits through the Utah Retirement Systems (URS), the City provides other postemployment benefits (OPEB) through a single-employer defined benefit OPEB plan (the plan) that is administered by the City. The benefits, benefits levels, employee contributions and employer contributions were adopted by the City Council and can be amended by the City Council at any time.

Employees of the City hired before February 18, 1997, who meet the conditions for retirement as determined by the City-sponsored retirement plan may elect to receive City-paid medical, dental and/or pension benefits for a period of five years from retirement or until age 65 in the case of health benefits.

**SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

Public Safety Employees

Public safety employees with at least 20 years of safety employment with the City but fewer than 25 years of service under the URS Public Safety Retirement Program have the option of receiving either (i) a pension equal to 10 percent of the employee's highest annual base salary for the last five years of City employment, to be paid for five years after retirement, or (ii) medical and dental insurance for retiree and covered dependents for the lesser of five years or until age 65.

Public safety employees with at least 20 years of safety employment with the City and at least 25 years of service under the URS Public Safety Retirement Program may receive both benefits described in the preceding paragraph.

Public Employees

Public employees of the City other than public safety employees who have been employed for at least 25 years with the City, who retire under the URS Public Employee Retirement Program, and who exercise their rights under URS to buy additional credit to qualify for a 30-year retirement under URS, may receive both the 10 percent pension and the medical and dental benefits described above for public safety employees. Pension benefits continue for five years from retirement and health benefits continue for the lesser of five years or until age 65.

The plan does not issue a separate report. The activity of the plan is reported in the City's financial statements.

Funding Policy

The funding policy for this benefit is a "pay-as-you-go" method. The City will fund benefit payments at the time they are required.

Net OPEB liability, deferred outflow and deferred inflows of resources related to OPEB and OPEB expense

At June 30, 2018 the City did not have a net asset because of its funding method. The City reported a net OPEB liability of \$921,432, which was measured as June 30, 2018 by an actuarial valuation using generally accepted actuarial procedures.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 2,491 | \$ - |
| Changes in assumptions | - | 11,047 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - |
| | \$ 2,491 | \$ 11,047 |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

The amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30, | Net Deferred Outflows (Inflows) of Resources |
|---------------------|---|
| 2019 | \$ (1,506) |
| 2020 | (1,506) |
| 2021 | (1,506) |
| 2022 | (1,506) |
| 2023 | (1,506) |
| Thereafter | (1,026) |
| | \$ (8,556) |

For the year ending June 30, 2018, the City recognized an actuarially calculated OPEB expense of \$45,978.

OPEB plan covered employees

As of June 30, 2018, the City had two inactive employees receiving benefits, no inactive employees entitled to but not receiving benefits, and 14 active employees in the plan.

Actuarial Assumptions

The actuarial valuation calculating the total net OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions with a measurement date of June 30, 2018.

| | |
|------------------------|--|
| Inflation rate | 2.25% |
| Discount Rate | 3.90% |
| Health Care Trend Rate | 8.00% for 2018, decreasing to 5.00% for 2021 and after |

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 to 2019, 50% of MP-2016 for years 2030 to 2049 and 20% of MP-2016 for 2050 and after.

Discount rate

The discount rate used to measure the total OPEB liability was 3.90 percent. This rate was based on Bond Buyer 20-Bond General Obligation index.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability calculated using the discount rate of 3.90 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.90 percent) or 1-percentage-point higher (4.90 percent) than the current rate:

| | 1% Decrease (2.90%) | Discount Rate (3.90%) | 1% Increase (4.90%) |
|-------------------------------------|---------------------------|-----------------------------|------------------------|
| Net OPEB liability as June 30, 2018 | \$ 964,467 | \$ 921,432 | \$ 878,018 |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the health care trend rate

The following presents the net OPEB liability calculated using the health care trend rate range of 8.00 percent decreasing to 5.00 percent, as well as what the net OPEB liability would be if it were calculated using a health care trend rate range that is 1-percentage-point lower (7.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current rate range:

| | 1% Decrease (7.0% to 4.0%) | Current Rates (8.0% to 5.0%) | 1% Increase (9.0% to 6.0%) |
|-------------------------------------|---|---|---|
| Net OPEB liability as June 30, 2018 | \$ 882,634 | \$ 921,432 | \$ 963,740 |

Net OPEB liability

The following is the schedule of changes in the OPEB liability for the actuarial measurement date of June 30, 2018:

| Total OPEB Liability (TOL) | |
|--|------------|
| Service cost at beginning of year | \$ 14,687 |
| Interest on TOL plus service cost, less 1/2 benefit payments | 32,797 |
| Changes of benefit terms | - |
| Difference between actual and expected experience | 2,929 |
| Assumption changes | (12,990) |
| Benefit payments | (21,748) |
| Net Change in Total OPEB Liability | 15,675 |
| Total OPEB Liability - Beginning | 905,757 |
| Total OPEB Liability - Ending | \$ 921,432 |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the actuarially determined contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The City has no outstanding construction commitments at June 30, 2018.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLANS

Plan description

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

Defined Benefit Plans

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

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

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

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

**SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 10 RETIREMENT PLANS (Continued)

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 percentage per year of service | COLA** |
|---|-----------------------------|---|--|--|
| Noncontributory System | Highest 3 Years | 30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65 | 2.0% per year all years | Up to 4% |
| Public Safety System | Highest 3 Years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 2.5% or 4% depending upon employer |
| Firefighters System | Highest 3 Years | 20 years any age 10 years age 60 4 years age 65 | 2.5% per year up to 20 years; 2.0% per year over 20 years | Up to 4% |
| Tier 2 Public Employees System | Highest 5 Years | 35 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.50% per year all years | Up to 2.5% |
| Tier 2 Public Safety and Firefighter System | Highest 5 Years | 25 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |

* with actuarial reductions

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

Contributions

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

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLANS (Continued)

Contribution rates as of June 30, 2018 are as follows:

| Utah Retirement Systems | Employee | Employer | Employer 401(k) |
|---------------------------------------|-----------------|-----------------|----------------------------|
| Contributory System: | | | |
| 111 Local Government Div - Tier 2 | N/A | 15.11% | 1.58% |
| Noncontributory System | | | |
| 15 Local Government Div - Tier 1 | N/A | 18.47% | N/A |
| Public Safety System | | | |
| Contributory | | | |
| 122 Tier 2 DB Hybrid Public Safety | N/A | 23.73% | 1.26% |
| Noncontributory | | | |
| 75 Other Div A with 4% COLA | N/A | 35.71% | N/A |
| Firefighters Retirement System | | | |
| 31 Other Division A | 15.05% | 3.93% | N/A |
| 132 Tier 2 DB Hybrid Firefighters | N/A | 10.82% | 1.26% |
| Tier 2 DC Only | | | |
| 211 Local Government | N/A | 6.69% | 10.00% |
| 222 Public Safety | N/A | 12.99% | 12.00% |
| 232 Firefighters | N/A | 0.08% | 12.00% |

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial 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 | \$ 306,971 | N/A |
| Public Safety System | 404,904 | - |
| Firefighters System | 24,973 | - |
| Tier 2 Public Employees System | 37,837 | - |
| Tier 2 Public Safety and Firefighter | 64,631 | - |
| Tier 2 DC Only System | 7,582 | N/A |
| Tier 2 DC Public Safety and Firefighter System | 1,857 | N/A |
| Total Contributions | \$ 848,755 | \$ - |

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

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLANS (Continued)

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

At June 30, 2018, we reported a net pension asset of \$137,176 and a net pension liability of \$2,138,388.

| | (Measurement Date): December 31, 2017 | | | | |
|--------------------------------------|---------------------------------------|--------------------------|------------------------|--|----------------------|
| | Net Pension Asset | Net Pension Liability | Proportionate Share | Proportionate Share December 31, 2016 | Change (Decrease) |
| Noncontributory System | \$ - | \$ 821,356 | 0.1874685% | 0.1896824% | -0.0022139% |
| Public Safety System | - | 1,314,971 | 0.8382768% | 0.8234270% | 0.0148498% |
| Firefighters System | 133,317 | - | 2.1346254% | 2.1497992% | -0.0151738% |
| Tier 2 Public Employees System | - | 2,061 | 0.0233803% | 0.0327885% | -0.0094082% |
| Tier 2 Public Safety and Firefighter | 3,859 | - | 0.3334788% | 0.3640513% | -0.0305725% |
| | \$ 137,176 | \$ 2,138,388 | | | |

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

For the year ended June 30, 2018, we recognized pension expense of \$928,113.

At June 30, 2018 we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 20,411 | \$ 308,010 |
| Changes in assumptions | 972,433 | 80,787 |
| Net difference between projected and actual earnings on pension plan investments | 502,306 | 1,310,101 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 66,869 | 27,219 |
| Contributions subsequent to the measurement date | 424,366 | - |
| | \$ 1,986,385 | \$ 1,726,117 |

\$424,366 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2017.

**SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 10 RETIREMENT PLANS (Continued)

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

| Year ended December 31, | Net Deferred Outflows (Inflows) of Resources |
|--------------------------------|---|
| 2018 | \$ 126,325 |
| 2019 | 174,564 |
| 2020 | (234,638) |
| 2021 | (273,811) |
| 2022 | 25,485 |
| Thereafter | 17,977 |
| | \$ (164,098) |

Actuarial Assumptions

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 10 RETIREMENT PLANS (Continued)

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% | 0.40% | 0.08% |
| Real assets | 15% | 5.75% | 0.86% |
| Private equity | 9% | 9.95% | 0.89% |
| Absolute return | 16% | 2.85% | 0.46% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 4.75% |
| | Inflation | | 2.50% |
| | Expected arithmetic nominal return | | 7.25% |

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

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

| System | 1% Decrease (5.95%) | Discount Rate (6.95%) | 1% Increase (7.95%) |
|--------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System | \$ 2,221,331 | \$ 821,356 | \$ (342,655) |
| Public Safety System | 24,272 | 2,061 | (304,518) |
| Firefighters System | 34,170 | (3,859) | (700,667) |
| Tier 2 Public Employees System | 3,313,133 | 1,314,970 | (15,066) |
| Tier 2 Public Safety and Firefighter | 568,831 | (133,319) | (32,913) |
| Total | \$ 6,161,737 | \$ 2,001,209 | \$ (1,395,819) |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 RETIREMENT PLANS (Continued)

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 Contributions Savings Plans

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

South Ogden City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

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

| | 2018 | 2017 | 2016 |
|-----------------------------|-----------|-----------|-----------|
| <i>401(k) Plan</i> | | | |
| Employer Contributions | \$ 83,531 | \$ 89,138 | \$ 68,717 |
| Employee Contributions | 99,537 | 101,071 | 108,160 |
| <i>457 Plan</i> | | | |
| Employer Contributions | \$ - | \$ - | \$ - |
| Employee Contributions | 74,019 | 49,698 | 49,313 |
| <i>Roth IRA Plan</i> | | | |
| Employer Contributions | N/A | N/A | N/A |
| Employee Contributions | \$ 6,580 | \$ 7,845 | \$ 7,770 |

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. This insurance covers all of these risks except natural disasters. The City participates in the Utah Local Government Insurance Trust (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. As of June 30, 2018, there were no outstanding unpaid claims. Also, the City has no claim settlements during the three years ending June 30, 2018 which exceeded its insurance coverage.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|---|----------------------------------|-------------------------------|
| General Fund - Governmental Activities | \$ 637,000 | \$ - |
| Ambulance Fund - Business-Type Activities | - | 637,000 |
| | <u>\$ 637,000</u> | <u>\$ 637,000</u> |

The above interfund balances are the result of the ambulance fund's cash flow needs.

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--|----------------------------------|-------------------------------|
| General Fund - Governmental Activities | \$ 179,894 | \$ - |
| Nonmajor Funds - Governmental Activities | - | 179,894 |
| Water Fund - Business-type Activities | 45,203 | - |
| Nonmajor Funds - Governmental Activities | - | 45,203 |
| Sewer Fund - Business-type Activities | 45,203 | - |
| Nonmajor Funds - Governmental Activities | - | 45,203 |
| | <u>\$ 270,300</u> | <u>\$ 270,300</u> |

The above interfund balances are the remaining portion as of June 30, 2018 that the CDRA Fund owes to the General Fund, Water Fund, and Sewer Fund.

Interfund transfers for the year ended June 30, 2018 were as follows:

| | <u>Transfers In</u> | | | | |
|---------------------------|-------------------------|-----------------------------|-----------------------------|--|--------------------------------|
| | <u>General Fund</u> | <u>South Ogden Days</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Transfers Out</u> |
| Transfers Out | | | | | |
| General Fund | \$ - | \$ 72,781 | \$ 1,036,389 | \$ 1,057,047 | 2,166,217 |
| Road Improvement Fee | - | - | 206,680 | - | 206,680 |
| Capital Projects | 75,243 | - | - | - | 75,243 |
| Water | 120,934 | - | - | - | 120,934 |
| Sewer | 100,709 | - | - | - | 100,709 |
| Storm Drain | 61,024 | - | - | - | 61,024 |
| Solid Waste | 37,796 | - | - | - | 37,796 |
| Total Transfers In | <u>\$ 395,706</u> | <u>\$ 72,781</u> | <u>\$ 1,243,069</u> | <u>\$ 1,057,047</u> | <u>\$ 2,768,603</u> |

The transfer from the General Fund to the South Ogden Days fund is to provide funding for the South Ogden Days celebration. The transfer from the General Fund to the Nonmajor Funds is to provide the necessary funds to pay debt payments. The transfer from the General Fund to the Capital Projects Fund is to provide funds for various road projects. The transfers from the Enterprise Funds to the General Fund are for franchise fees and unbilled services.

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 DEFERRED INFLOWS OF RESOURCES

In conjunction with GASB pronouncement 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” the City has accrued property tax receivable and a deferred inflow in the General Fund and CRDA Fund in the amounts of \$3,011,244 and \$19,120, respectively.

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 30 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1, and then are due and payable at November 30. Since the property tax levied on October 1, 2018 was not expected to be received within 30 days after the year ended June 30, 2018, the City was required to record receivable and deferred inflow of the estimated amount of the total property tax to be levied on October 1, 2018.

NOTE 14 REDEVELOPMENT AGENCY OF THE CITY OF SOUTH OGDEN

For the year ended June 30, 2018, the following activity occurred in the City's Redevelopment Agency:

| | |
|---|--|
| Property Tax Increment Received: | |
| <u>Project Area 1</u> | |
| 36th street | \$ 95,450 |
| <u>Project Area 2</u> | |
| Northwest project area | (1,010) |
| <u>Project Area 3</u> | |
| Hinckley project | (117) |
| <u>Project Area 4</u> | |
| Young Mazda | - |
| | <hr style="border-top: 1px solid black;"/> |
| Total tax increment received by RDA | <u><u>\$ 94,323</u></u> |
| Property Tax Increment Expended: | |
| Administrative Costs | \$ 24,919 |
| Advanced payment for site improvements | 500,000 |
| Outstanding loans to finance RDA projects | 88,829 |
| | <hr style="border-top: 1px solid black;"/> |
| Total tax increment expended by RDA | <u><u>\$ 613,748</u></u> |

SOUTH OGDEN CITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 TAX ABATEMENTS

The CDRA is authorized by Title 17C of the Utah State Code Annotated to enter into agreements for the purpose of attracting or retaining businesses. Additionally, an interlocal agreement with the City provides for the CDRA to offer an abatement of the City's .05% sales tax to Young Subaru (Participant) for the purpose of the Participant operating a new and used full-service Subaru car dealership within the City. The abatement is subject to the Participant:

- Being the fee title owner of the location,
- Opening a full-service new and used Subaru car dealership,
- Operating the dealership consistently and without unreasonable interruption for a significant majority of each year,
- Employing, on an average basis each year, at least 25 full-time equivalent employees,
- Paying the employees an average annual wage of at least 100% of the Weber County average annual wage (as reported by the Utah Department of Workforce Services for non-farm wages),
- Generating at least \$15,240,332 point-of-sale taxable sales each year, and
- Timely paying all property taxes each year.

Provided that the Participant meets these objectives, the City is to transfer the first \$40,000 and half of the remaining .05% sales tax collected from January 1 to December 31 as a result of the Participant's operations to the CDRA for payment back to the Participant. This agreement is in effect until December 31, 2035 or until \$1,275,000 has been paid out to the Participant. For the year ended June 30, 2018, the CDRA abated sales taxes totaling \$110,728 under this program, which is the amount received from the City.

NOTE 16 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, the City implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as reflected in note 8. A prior period adjustment was required to record actuarial estimates of prior years' obligations related to OPEB which resulting in the increase of the beginning Net Position for governmental activities of \$459,280 and business-type activities of \$146,694.

NOTE 17 SUBSEQUENT EVENTS

On July 3, 2018, the City entered into a lease agreement for the purchase of up to approximately \$1.9 million in vehicles and equipment. The interest rate is 2.83% with principal and interest payments due annually through 2023.

On July 3, 2018, the general fund entered into a loan agreement with the water fund for up to \$500,000 to fund the purchase of a transport engine. The interest rate is 2.797% with principal and interest payments due annually through 2025.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH OGDEN CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2017
Last 10 years*

| For the year ended December 31, | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability (asset) |
|---|--|---|----------------------------|--|---|
| Noncontributory Retirement System | | | | | |
| 2017 | 0.1874685% | \$ 821,356 | \$ 1,623,412 | 50.59% | 91.90% |
| 2016 | 0.1896824% | 1,217,993 | 1,639,191 | 74.30% | 87.30% |
| 2015 | 0.1857427% | 1,051,023 | 1,575,175 | 66.72% | 87.80% |
| 2014 | 0.1815122% | 788,169 | 1,544,571 | 51.03% | 90.20% |
| Public Safety System | | | | | |
| 2017 | 0.8382768% | \$ 1,314,971 | \$ 1,246,344 | 105.51% | 90.20% |
| 2016 | 0.8234270% | 1,670,961 | 1,174,421 | 142.28% | 86.50% |
| 2015 | 0.7793397% | 1,395,993 | 1,101,150 | 126.78% | 87.10% |
| 2014 | 0.8169367% | 1,027,366 | 1,138,360 | 90.25% | 90.50% |
| Firefighters Retirement System | | | | | |
| 2017 | 2.1346254% | \$ (133,317) | \$ 696,916 | -19.13% | 103.00% |
| 2016 | 2.1497992% | (16,948) | 673,790 | -2.52% | 100.40% |
| 2015 | 2.1927969% | (39,714) | 652,606 | -6.09% | 101.00% |
| 2014 | 2.1834989% | (124,599) | 633,885 | -19.66% | 103.50% |
| Tier 2 Public Employees Retirement System | | | | | |
| 2017 | 0.0233803% | \$ 2,061 | \$ 228,917 | 0.90% | 97.40% |
| 2016 | 0.0327885% | 3,658 | 268,890 | 1.36% | 95.10% |
| 2015 | 0.0362875% | (79) | 234,438 | -0.03% | 100.20% |
| 2014 | 0.0364228% | (1,104) | 178,846 | -0.62% | 103.50% |
| Tier 2 Public Safety and Firefighters Retirement | | | | | |
| 2017 | 0.3334788% | \$ (3,859) | \$ 351,953 | -1.10% | 103.00% |
| 2016 | 0.3640513% | (3,160) | 300,793 | -1.05% | 103.60% |
| 2015 | 0.3038292% | (4,439) | 180,832 | -2.45% | 110.70% |
| 2014 | 0.0288238% | (4,264) | 119,069 | -3.58% | 120.50% |

**The 10-year schedule will be built prospectively. The schedule above is only for the years listed.*

**SOUTH OGDEN CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS**

| As of fiscal year ended June 30, | Actuarial Determined Contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|----------------------------|---|
| Noncontributory System | | | | | |
| 2018 | \$ 306,971 | \$ 306,971 | \$ - | \$ 1,664,139 | 18.45% |
| 2017 | 308,630 | 308,630 | - | 1,673,026 | 18.45% |
| 2016 | 289,328 | 289,328 | - | 1,568,579 | 18.45% |
| 2015 | 287,003 | 287,003 | - | 1,566,898 | 18.32% |
| 2014 | 264,666 | 264,666 | - | 1,539,134 | 17.20% |
| Public Safety System | | | | | |
| 2018 | \$ 404,904 | \$ 404,904 | \$ - | \$ 1,171,971 | 34.55% |
| 2017 | 439,344 | 439,344 | - | 1,251,091 | 35.12% |
| 2016 | 397,728 | 397,728 | - | 1,114,356 | 35.69% |
| 2015 | 402,017 | 402,017 | - | 1,125,782 | 35.71% |
| 2014 | 384,138 | 384,138 | - | 1,124,194 | 34.17% |
| Firefighters System | | | | | |
| 2018 | \$ 24,973 | \$ 24,973 | \$ - | \$ 711,589 | 3.51% |
| 2017 | 24,151 | 24,151 | - | 692,110 | 3.49% |
| 2016 | 23,962 | 23,962 | - | 666,039 | 3.60% |
| 2015 | 21,686 | 21,686 | - | 629,264 | 3.45% |
| 2014 | 16,719 | 16,719 | - | 624,671 | 2.68% |
| Tier 2 Public Employees System* | | | | | |
| 2018 | \$ 37,837 | \$ 37,837 | \$ - | \$ 250,533 | 15.10% |
| 2017 | 37,756 | 37,756 | - | 253,222 | 14.91% |
| 2016 | 38,012 | 38,012 | - | 254,941 | 14.91% |
| 2015 | 31,748 | 31,748 | - | 212,505 | 14.94% |
| 2014 | 20,566 | 20,566 | - | 147,002 | 13.99% |
| Tier 2 Public Safety and Firefighter System* | | | | | |
| 2018 | \$ 64,631 | \$ 64,631 | \$ - | \$ 417,828 | 15.47% |
| 2017 | 45,308 | 45,308 | - | 321,831 | 14.08% |
| 2016 | 35,620 | 35,620 | - | 240,708 | 14.80% |
| 2015 | 20,601 | 20,601 | - | 137,453 | 14.99% |
| 2014 | 15,402 | 15,402 | - | 107,325 | 14.35% |

**SOUTH OGDEN CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS (Continued)**

| As of fiscal year ended June 30, | Actuarial Determined Contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|----------------------------|---|
| Tier 2 Public Employees DC Only System* | | | | | |
| 2018 | \$ 7,582 | \$ 7,582 | \$ - | \$ 113,339 | 6.69% |
| 2017 | 5,632 | 5,632 | - | 84,185 | 6.69% |
| 2016 | 1,500 | 1,500 | - | 22,421 | 6.69% |
| 2015 | - | - | - | - | 0.00% |
| 2014 | - | - | - | - | 0.00% |
| Tier 2 Public Safety and Firefighter DC Only System* | | | | | |
| 2018 | \$ 1,857 | \$ 1,857 | \$ - | \$ 14,298 | 12.99% |
| 2017 | - | - | - | - | 0.00% |
| 2016 | - | - | - | - | 0.00% |
| 2015 | - | - | - | - | 0.00% |
| 2014 | - | - | - | - | 0.00% |

**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.*

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

**SOUTH OGDEN CITY
SCHEDULE OF CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS
June 30, 2018
Last 10 Fiscal Years***

| As of fiscal year ended June 30, | Actuarial determined contributions | Contributions in relation to the actuarial determined contribution** | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|----------------------------|---|
| 2018 | \$ 45,978 | \$ 21,748 | \$ 24,230 | \$ 5,105,712 | 0.43% |

** The 10-year schedule will be built prospectively. The schedule above is only for the year listed.*

*** Actual pay-as-you-go for the year listed.*

SOUTH OGDEN CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1 CHANGES IN ASSUMPTIONS – PENSION PLAN

As a result of an experience study conducted as of December 31, 2016, the URS 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% and the assumed inflation rate was decreased 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 charges had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

NOTE 2 ACTUARIAL ASSUMPTIONS – OTHER POSTEMPLOYMENT BENEFITS

The actuarial valuation calculating the total net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense for the year ended June 30, 2018, was determined using the following actuarial methods and assumptions:

| | |
|------------------------------|--|
| Actuarial cost method..... | Entry Age |
| Amortization method..... | Level Percentage of Payroll |
| Salary Increases..... | 3.00%, average, including inflation |
| Discount rate..... | 3.90%, net of investment expense, including inflation, based on Bond Buyer 20-bond General Obligation Index |
| Health care trend rates..... | 8.00% for 2018, decreasing to 5.00% for 2021 and after |
| Retirees' share of cost..... | Retiree assumes all OPEB costs upon attainment of Medicare eligibility age (65). Pensions may continue beyond age 65 for the remainder of the 5-year benefit period. |
| Inflation..... | 2.25% |
| Mortality | Based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males and Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for year 2014 to 2019, 50% of MP-2016 for years 2030 to 2049 and 20% of MP-2016 for 2050 and after. |
| Pre-retirement turnover..... | Public Safety Employees - 2.0% per year until eligible to retire; according to retirement rates thereafter. Public Employees - 2.5% per year until eligible to retire; according to retirement rates thereafter. |

NOTE 3 FUNDING – OTHER POSTEMPLOYMENT BENEFITS

The OPEB plan does not have assets accumulated in a trust to meet the required needs of this plan. The City has determined to fund the benefits on a “Pay-As-You-Go” basis.

SUPPLEMENTARY INFORMATION

SOUTH OGDEN CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| | <u>Special Revenue</u> | | <u>Total Nonmajor Governmental Funds</u> |
|---|------------------------|-------------------------|--|
| | <u>CDRA</u> | <u>Debt Service</u> | |
| Assets: | | | |
| Cash and cash equivalents | \$ 373,637 | \$ 97,541 | \$ 471,178 |
| Taxes receivable | 33,387 | - | 33,387 |
| Restricted cash and cash equivalents | - | 191,725 | 191,725 |
| Total Assets | <u>\$ 407,024</u> | <u>\$ 289,266</u> | <u>\$ 696,290</u> |
| Liabilities: | | | |
| Accounts payable | \$ 60,926 | \$ - | \$ 60,926 |
| Due to other funds | 270,300 | - | 270,300 |
| Total Liabilities | <u>331,226</u> | <u>-</u> | <u>331,226</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue-property taxes | 19,120 | - | 19,120 |
| Fund Balances: | | | |
| Restricted: | | | |
| Debt service | - | 191,725 | 191,725 |
| Assigned: | | | |
| CDRA | 56,678 | - | 56,678 |
| Debt service | - | 97,541 | 97,541 |
| Total Fund Balances | <u>56,678</u> | <u>289,266</u> | <u>345,944</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 407,024</u> | <u>\$ 289,266</u> | <u>\$ 696,290</u> |

SOUTH OGDEN CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| | <u>Special Revenue</u> | | <u>Total Nonmajor Governmental Funds</u> |
|--|------------------------|-------------------------|--|
| | <u>CDRA</u> | <u>Debt Service</u> | |
| Revenues: | | | |
| Property taxes | \$ 94,323 | \$ - | \$ 94,323 |
| Sales taxes | 110,728 | - | 110,728 |
| Interest | 104 | 4,535 | 4,639 |
| Total Revenues | <u>205,155</u> | <u>4,535</u> | <u>209,690</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | - | 6,000 | 6,000 |
| Community development | 635,646 | - | 635,646 |
| Debt service: | | | |
| Principal | - | 820,000 | 820,000 |
| Interest | 6,435 | 235,546 | 241,981 |
| Total Expenditures | <u>642,081</u> | <u>1,061,546</u> | <u>1,703,627</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(436,926)</u> | <u>(1,057,011)</u> | <u>(1,493,937)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | - | 1,057,047 | 1,057,047 |
| Net Change in Fund Balances | <u>(436,926)</u> | <u>36</u> | <u>(436,890)</u> |
| Fund Balance, Beginning | <u>493,604</u> | <u>289,230</u> | <u>782,834</u> |
| Fund Balance, Ending | <u>\$ 56,678</u> | <u>\$ 289,266</u> | <u>\$ 345,944</u> |