

**GREATER SALT LAKE
MUNICIPAL SERVICES DISTRICT**

BASIC FINANCIAL STATEMENTS
and Other Reports

Year Ended December 31, 2017

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

Table of Contents

Year Ended December 31, 2017

Page

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General</i>	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Copperton</i>	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Emigration Canyon</i>	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Kearns</i>	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Magna</i>	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>White City</i>	19
Notes to the Basic Financial Statements	20
Other Information:	
Information about Infrastructure Assets Reported Using the Modified Approach	27
Compliance Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance Required by the <i>State Compliance Audit Guide</i>	31



Independent Auditor's Report

Board of Trustees
Greater Salt Lake Municipal Services District

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Greater Salt Lake Municipal Services District (the District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greater Salt Lake Municipal Services District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Orem, Utah
June 29, 2018

Management's Discussion and Analysis

As management of Greater Salt Lake Municipal Services District (the District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$132.8 million as of December 31, 2017.
- The District's net position increased by \$118.6 million during the year ended December 31, 2017 primarily due to the transfer of operations from Salt Lake County to the newly created metro townships.

CREATION OF A NEW ENTITIES

On January 1, 2017, five unincorporated townships began operations as metro townships. On that date, Salt Lake County transferred capital assets totaling \$102.9 million to the respective metro townships. Each metro township is a blended component unit of the District. Additional information on the allocation can be found in Notes 1 and 4 to the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Condensed data is provided for balances and activities as of and for the year ended December 31, 2017. Comparative data for activities will be provided in future reports as it is available.

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

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

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., member fees and unpaid compensated absences).

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified as governmental funds.

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

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

The District maintains six individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each major fund.

The District adopts an annual appropriated budget for its general fund and each major special revenue fund. A budgetary comparison statement is provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 through 19 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$132.8 million at the close of the most recent fiscal year.

The District's net position is divided between invested in capital assets, restricted, and unrestricted. Invested in capital assets reflects the District's investment in capital assets (e.g., equipment and vehicles, net of accumulated depreciation). The District uses these capital assets to provide municipal services to the communities it serves; consequently, these assets are *not* available for future spending. Restricted net position represent resources that are subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the District's ongoing obligations to communities, employees, creditors, and to honor next year's budget.

At the end of the current year, the District is able to report positive balances in all three categories of net position.

**GREATER SALT LAKE MUNICIPAL
SERVICES DISTRICT'S Net Position
December 31, 2017**
(in millions of dollars)

	Governmental Activities
Current and other assets	\$ 26.6
Capital assets	109.6
Total assets	136.2
Other liabilities	3.5
Total liabilities	3.5
Net position:	
Investment in capital assets	109.6
Restricted	2.8
Unrestricted	20.4
Total net position	\$ 132.8

Governmental activities – The key elements of the increase of the District’s net position for the year ended December 31, 2017 are as follows:

- Revenues totaled \$40.0 million for the year ended December 31, 2017. Also, total expenses were \$24.3 million during the same period. The increase in the District’s net position for the year ended December 31, 2017 was \$118.6 million. Included in the increase is a special item for transfer of operations totaling \$102.9 million transferred from Salt Lake County to the District.

**GREATER SALT LAKE MUNICIPAL
SERVICES DISTRICT'S Changes in Net Position
Year Ended December 31, 2017**
(in millions of dollars)

	Governmental Activities
Revenues:	
Program revenues:	
Charges for services	\$ 2.6
Operating grants and contributions	31.1
Capital grants and contributions	1.3
General revenues:	
Sales taxes	4.5
Cable television taxes	0.3
Investment earnings	0.2
Total revenues	40.0
Expenses:	
Governmental activities:	
Municipal services	24.3
Total expenses	24.3
Special item - transfer of operations	102.9
Changes in net position	118.6
Net position, beginning	14.2
Net position, ending	\$ 132.8

FINANCIAL ANALYSIS OF GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. At December 31, 2017, the District's governmental fund reported a fund balance of \$23.2 million. The following information on revenues and expenditures should be noted:

- Revenues from grants and contributions total \$40.2 for the governmental funds or 84 percent of total revenues.
- Expenditures total \$35.4 municipal services.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into restricted and unrestricted portions. *Nonspendable* represents items such as inventories and prepaid items which are not resources that can be readily converted to cash. *Restricted* includes net fund resources of the District that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. The unrestricted fund balance is, in turn, subdivided between committed and unassigned portions. *Committed* balances reflect self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Unassigned* balances are all other available net fund resources. At December 31, 2017, the District's governmental fund balance is \$23.4 million (\$0.1 million in nonspendable, \$2.7 million in restricted, \$0.8 million in committed, and \$19.8 million in unassigned fund balances).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$1.4 million in total general fund budgeted revenues to account for anticipated increases in grants and contributions.

Final budgeted expenditures were less than original budgetary estimates by \$4.9 million.

With these adjustments, actual expenditures were \$15.1 million less than final budgeted amounts. The most significant positive variances were \$11.1 million in operations and \$3.9 million in capital purchases. Actual revenues were \$5.6 million less than final budgeted amounts.

CAPITAL ASSETS

Capital assets are outlined below:

**GREATER SALT LAKE MUNICIPAL
SERVICES DISTRICT'S Capital Assets
December 31, 2017**
(net of accumulated depreciation, in millions of dollars)

	Governmental Activities
Land	\$ 31.3
Infrastructure (roads)	70.0
Construction in progress	2.6
Buildings	0.3
Improvements other than buildings	2.9
Leasehold improvements	0.1
Infrastructure (bridges and flood control)	2.4
Total	<u>\$ 109.6</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

The District has adopted an allowable alternative to reporting depreciation for its road network. Under this alternative method, referred to as the "modified approach," the District must maintain an asset management system and demonstrate that its highways and roads are being preserved approximately at or above condition levels established by District policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservations costs are expensed as incurred.

It is the District's policy to maintain approximately 30% of its road network at a category level of "good" or "very good" (PCI rating of 76 or above), and allow no more than 20% at a category level of "very poor" (PCI rating of 40 or below). The most recent condition assessment, completed in 2017, shows 51% of the District's roads were in "good" or better condition.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Greater Salt Lake Municipal Services District for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Greater Salt Lake Municipal Services District, 2001 S State, N4-200, Salt Lake City, UT 84190.

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

Statement of Net Position December 31, 2017

	Governmental Activities
Assets:	
Cash and investments	\$ 23,727,706
Receivables:	
Taxes	1,610,563
Grants and contributions	357,799
Accounts	5,525
Due from other governments	841,759
Inventories and prepaid items	92,634
Capital assets:	
Land, roads, and construction in progress	103,876,960
Buildings, improvements, equipment, and other depreciable assets, net of accumulated depreciation	5,733,963
Total assets	<u>136,246,909</u>
Liabilities:	
Accounts payable	120,679
Accrued expenses	37,587
Due to other governments	3,284,116
Unearned revenue	38,740
Total liabilities	<u>3,481,122</u>
Net position:	
Investment in capital assets	109,610,923
Restricted for:	
Municipal services	2,737,690
Unrestricted	20,417,174
Total net position	<u><u>\$ 132,765,787</u></u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

Statement of Activities

Year Ended December 31, 2017

Activities / Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Municipal services	\$ 24,313,840	\$ 2,629,652	\$ 31,051,294	\$ 1,318,720	\$ 10,685,826
Total governmental activities	<u>\$ 24,313,840</u>	<u>\$ 2,629,652</u>	<u>\$ 31,051,294</u>	<u>\$ 1,318,720</u>	<u>10,685,826</u>
General revenue:					
Taxes:					
Sales taxes					4,527,163
Cable television taxes					<u>293,400</u>
Total taxes					4,820,563
Unrestricted investment earnings					198,838
Special item - transfer of operations					<u>102,900,227</u>
Total general revenue and special item					<u>107,919,628</u>
Change in net position					118,605,454
Net position - beginning					<u>14,160,333</u>
Net position - ending					<u><u>\$ 132,765,787</u></u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

Balance Sheet
 Governmental Funds
 December 31, 2017

	Major Special Revenue Funds						Total Governmental Funds
	General	Copperton	Emigration Canyon	Kearns	Magna	White City	
Assets:							
Cash and investments	\$ 15,969,899	\$ 170,459	\$ 304,237	\$ 4,143,248	\$ 2,582,833	\$ 557,030	\$ 23,727,706
Receivables:							
Taxes	-	16,461	34,146	785,041	658,068	116,847	1,610,563
Grants and contributions	-	4,141	13,464	177,306	133,852	29,036	357,799
Accounts	-	875	-	-	4,650	-	5,525
Due from other governments	841,759	-	-	-	-	-	841,759
Due from other funds	7,935,897	-	-	-	-	-	7,935,897
Inventories and prepaid items	92,634	-	-	-	-	-	92,634
Total assets	<u>\$ 24,840,189</u>	<u>\$ 191,936</u>	<u>\$ 351,847</u>	<u>\$ 5,105,595</u>	<u>\$ 3,379,403</u>	<u>\$ 702,913</u>	<u>\$ 34,571,883</u>
Liabilities:							
Accounts payable	\$ 67,542	\$ 10,525	\$ 8,238	\$ 6,689	\$ 18,402	\$ 9,283	\$ 120,679
Accrued expenditures	14,932	12,752	2,131	1,630	3,635	2,507	37,587
Due to other governments	3,284,116	-	-	-	-	-	3,284,116
Due to other funds	-	74,115	190,405	4,372,418	2,773,844	525,115	7,935,897
Unearned revenue	38,740	-	-	-	-	-	38,740
Total liabilities	<u>3,405,330</u>	<u>97,392</u>	<u>200,774</u>	<u>4,380,737</u>	<u>2,795,881</u>	<u>536,905</u>	<u>11,417,019</u>
Fund balances:							
Nonspendable:							
Inventories and prepaid items	92,634	-	-	-	-	-	92,634
Restricted for:							
Municipal services	1,017,685	94,544	151,073	724,858	583,522	166,008	2,737,690
Committed to:							
Contractual obligations	671,739	-	-	-	-	-	671,739
Unassigned	19,652,801	-	-	-	-	-	19,652,801
Total fund balances	<u>21,434,859</u>	<u>94,544</u>	<u>151,073</u>	<u>724,858</u>	<u>583,522</u>	<u>166,008</u>	<u>23,154,864</u>
Total liabilities and fund balances	<u>\$ 24,840,189</u>	<u>\$ 191,936</u>	<u>\$ 351,847</u>	<u>\$ 5,105,595</u>	<u>\$ 3,379,403</u>	<u>\$ 702,913</u>	<u>\$ 34,571,883</u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017**

Total fund balances - governmental funds \$ 23,154,864

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Those assets consist of:

Land	\$ 31,293,446	
Infrastructure (roads)	70,002,876	
Construction in progress	2,580,638	
Buildings, net of accumulated depreciation of \$31,849	257,536	
Improvements other than buildings, net of accumulated depreciation of \$1,401,513	2,979,184	
Leasehold improvements, net of accumulated depreciation of \$1,005,514	85,842	
Infrastructure (bridges and flood control), net of accumulated depreciation of \$1,516,949	<u>2,411,401</u>	<u>109,610,923</u>
Total net position - governmental activities		<u><u>\$ 132,765,787</u></u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2017

	Major Special Revenue Funds					Total Governmental Funds	
	General	Copperton	Emigration Canyon	Kearns	Magna		White City
Revenues:							
Taxes:							
Sales taxes	\$ -	\$ 45,720	\$ 97,998	\$ 2,202,142	\$ 1,855,249	\$ 326,054	\$ 4,527,163
Cable television taxes	-	3,307	6,339	146,170	113,781	23,803	293,400
Total taxes	-	49,027	104,337	2,348,312	1,969,030	349,857	4,820,563
Licenses and permits	-	6,501	94,662	294,776	404,928	50,710	851,577
Fines and forfeitures	-	4,750	9,090	208,906	162,637	33,985	419,368
Grants and contributions	36,567,891	190,467	199,198	1,619,244	1,313,760	352,453	40,243,013
Charges for services	-	1,954	16,175	120,745	90,325	18,464	247,663
Interest, rents, and other	588,914	8,563	72,876	316,897	260,562	62,070	1,309,882
Total revenues	37,156,805	261,262	496,338	4,908,880	4,201,242	867,539	47,892,066
Expenditures:							
Current:							
Municipal services:							
Salaries and benefits	116,764	10,120	-	-	-	-	126,884
Operations	25,105,551	156,598	345,265	4,184,022	3,617,720	701,531	34,110,687
Capital purchases	1,079,597	-	-	-	-	-	1,079,597
Indirect costs	46,564	-	-	-	-	-	46,564
Total expenditures	26,348,476	166,718	345,265	4,184,022	3,617,720	701,531	35,363,732
Excess of revenues over expenditures / net change in fund balances	10,808,329	94,544	151,073	724,858	583,522	166,008	12,528,334
Fund balances - beginning	10,626,530	-	-	-	-	-	10,626,530
Fund balances - ending	<u>\$ 21,434,859</u>	<u>\$ 94,544</u>	<u>\$ 151,073</u>	<u>\$ 724,858</u>	<u>\$ 583,522</u>	<u>\$ 166,008</u>	<u>\$ 23,154,864</u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2017**

Net change in fund balances - governmental funds \$ 12,528,334

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, capital assets are capitalized and depreciated over their useful lives. Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital outlay	\$ 2,106,671	
Capital contributions	1,318,720	
Depreciation expense	(248,498)	
Special item - transfer of operations	<u>102,900,227</u>	<u>106,077,120</u>
Change in net position - governmental activities		<u><u>\$ 118,605,454</u></u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General
Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and contributions	\$ 30,097,595	\$ 31,527,279	\$ 36,567,891	\$ 5,040,612
Special assessments	250	250	-	(250)
Interest, rents, and other	40,000	40,000	588,914	548,914
Total revenues	<u>30,137,845</u>	<u>31,567,529</u>	<u>37,156,805</u>	<u>5,589,276</u>
Expenditures:				
Current:				
Municipal services:				
Salaries and benefits	-	174,960	116,764	58,196
Operations	34,027,164	36,243,493	25,105,551	11,137,942
Capital purchases	2,347,871	4,982,979	1,079,597	3,903,382
Indirect costs	122,986	46,564	46,564	-
Total expenditures	<u>36,498,021</u>	<u>41,447,996</u>	<u>26,348,476</u>	<u>15,099,520</u>
Excess (deficiency) of revenues over (under) expenditures	(6,360,176)	(9,880,467)	10,808,329	20,688,796
Other financing sources (uses):				
Transfers in	1,991,673	3,900,405	-	(3,900,405)
Transfers out	(438,079)	(438,079)	-	438,079
Total other financing sources (uses)	<u>1,553,594</u>	<u>3,462,326</u>	<u>-</u>	<u>(3,462,326)</u>
Net change in fund balances	(4,806,582)	(6,418,141)	10,808,329	17,226,470
Fund balances - beginning	<u>10,626,530</u>	<u>10,626,530</u>	<u>10,626,530</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,819,948</u>	<u>\$ 4,208,389</u>	<u>\$ 21,434,859</u>	<u>\$ 17,226,470</u>

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Copperton
Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales taxes	\$ 40,194	\$ 48,553	\$ 45,720	\$ (2,833)
Cable television taxes	79,467	79,467	3,307	(76,160)
Total taxes	119,661	128,020	49,027	(78,993)
Licenses and permits	-	10,298	6,501	(3,797)
Fines and forfeitures	-	5,083	4,750	(333)
Grants and contributions	105,347	111,659	190,467	78,808
Charges for services	-	1,219	1,954	735
Interest, rents, and other	6,312	-	8,563	8,563
Total revenues	231,320	256,279	261,262	4,983
Expenditures:				
Current:				
Municipal services:				
Salaries and benefits	-	10,120	10,120	-
Operations	225,021	239,860	156,598	83,262
Total expenditures	225,021	249,980	166,718	83,262
Excess of revenues over expenditures / net change in fund balances	6,299	6,299	94,544	88,245
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 6,299	\$ 6,299	\$ 94,544	\$ 88,245

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Emigration Canyon
Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales taxes	\$ 241,244	\$ 244,251	\$ 97,998	\$ (146,253)
Cable television taxes	20,429	20,429	6,339	(14,090)
Total taxes	261,673	264,680	104,337	(160,343)
Licenses and permits	-	99,257	94,662	(4,595)
Fines and forfeitures	-	14,255	9,090	(5,165)
Grants and contributions	96,848	204,710	199,198	(5,512)
Charges for services	-	3,419	16,175	12,756
Interest, rents, and other	18,076	-	72,876	72,876
Total revenues	376,597	586,321	496,338	(89,983)
Expenditures:				
Current:				
Municipal services:				
Operations	448,307	568,244	345,265	222,979
Total expenditures	448,307	568,244	345,265	222,979
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(71,710)	18,077	151,073	132,996
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ (71,710)	\$ 18,077	\$ 151,073	\$ 132,996

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Kearns
Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales taxes	\$ 3,940,019	\$ 4,331,922	\$ 2,202,142	\$ (2,129,780)
Cable television taxes	210,797	210,797	146,170	(64,627)
Total taxes	4,150,816	4,542,719	2,348,312	(2,194,407)
Licenses and permits	-	306,699	294,776	(11,923)
Fines and forfeitures	-	283,764	208,906	(74,858)
Grants and contributions	1,156,686	1,637,852	1,619,244	(18,608)
Charges for services	-	68,052	120,745	52,693
Interest, rents, and other	267,831	-	316,897	316,897
Total revenues	5,575,333	6,839,086	4,908,880	(1,930,206)
Expenditures:				
Current:				
Municipal services:				
Operations	5,456,951	6,571,254	4,184,022	2,387,232
Total expenditures	5,456,951	6,571,254	4,184,022	2,387,232
Excess of revenues over expenditures / net change in fund balances	118,382	267,832	724,858	457,026
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 118,382	\$ 267,832	\$ 724,858	\$ 457,026

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Magna
Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales taxes	\$ 3,220,172	\$ 3,627,256	\$ 1,855,249	\$ (1,772,007)
Cable television taxes	177,360	177,360	113,781	(63,579)
Total taxes	3,397,532	3,804,616	1,969,030	(1,835,586)
Licenses and permits	-	391,586	404,928	13,342
Fines and forfeitures	-	213,265	162,637	(50,628)
Grants and contributions	945,479	1,351,779	1,313,760	(38,019)
Charges for services	-	51,145	90,325	39,180
Interest, rents, and other	406,300	-	260,562	260,562
Total revenues	4,749,311	5,812,391	4,201,242	(1,611,149)
Expenditures:				
Current:				
Municipal services:				-
Operations	4,532,161	5,595,241	3,617,720	1,977,521
Total expenditures	4,532,161	5,595,241	3,617,720	1,977,521
Excess of revenues over expenditures / net change in fund balances	217,150	217,150	583,522	366,372
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 217,150	\$ 217,150	\$ 583,522	\$ 366,372

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - White City
Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales taxes	\$ 498,797	\$ 636,677	\$ 326,054	\$ (310,623)
Cable television taxes	34,336	34,336	23,803	(10,533)
Total taxes	533,133	671,013	349,857	(321,156)
Licenses and permits	-	34,391	50,710	16,319
Fines and forfeitures	-	42,653	33,985	(8,668)
Grants and contributions	180,316	355,507	352,453	(3,054)
Charges for services	-	10,229	18,464	8,235
Interest, rents, and other	35,984	-	62,070	62,070
Total revenues	749,433	1,113,793	867,539	(246,254)
Expenditures:				
Current:				
Municipal services:				-
Operations	839,266	1,077,810	701,531	376,279
Total expenditures	839,266	1,077,810	701,531	376,279
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(89,833)	35,983	166,008	130,025
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ (89,833)	\$ 35,983	\$ 166,008	\$ 130,025

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Services and Form of Government—Greater Salt Lake Municipal Services District (the District) provides the following services: roads and streets, animal control, planning and development, parks, capital improvements, administrative, operational, indigent legal, and district attorney prosecution services. The District is governed by a board of trustees, comprised of the mayor of each metro township and a Salt Lake County council member.

1.2 Reporting Entity—The accompanying financial statements include the Greater Salt Lake Municipal Services District, which is a political subdivision with corporate powers created under Utah state law, and all of its significant component units, collectively referred to as the financial reporting entity. Salt Lake County (the County) provides certain fiscal and personnel services to the District (see Notes 1 and 3).

1.3 Component Units—Component units are entities for which the District is considered to be financially accountable. The District's component units are reported as *blended*. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District.

The blended component units of the District are as follows: *Copperton Metro Township (Copperton)*, *Emigration Canyon Metro Township (Emigration Canyon)*, *Kearns Metro Township (Kearns)*, *Magna Metro Township (Magna)*, and *White City Metro Township (White City)*. Each metro township is a blended component unit because their resources exclusively benefit the District. The District's budget dictates to a large extent the budget of each metro township and the District's board of trustees must approve each metro township's budget. Each metro township is reported as a special revenue fund of the District.

1.4 Government-wide and Fund Financial Statements—While separate government-wide and fund financial statements are presented, they are interrelated.

1.4.1 Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are identifiable with a specific function. 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 operational or capital requirements of a particular function. Taxes are reported instead as general revenues.

1.4.2 Fund Financial Statements

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

1.5 Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as economic resources or current financial resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

1.5.1 Government-wide Financial Statements

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

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

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

1.5.2 Governmental Fund Financial Statements

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this policy is expenditure-driven grant revenues, which generally are considered to be available if the eligible expenditures have been made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes and cable television taxes are considered measurable and recognized as revenue when received by merchants and will be remitted to the District in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- *General Fund*—The General Fund is the District’s primary operating fund and accounts for all activities not accounted for by other funds of the District. The principal source of revenue for this fund is property taxes.
- *Copperton Special Revenue Fund*—This special revenue fund is used to account for revenues and expenditures from Copperton Metro Township, a blended component unit.
- *Emigration Canyon Special Revenue Fund*—This special revenue fund is used to account for revenues and expenditures from Emigration Canyon Metro Township, a blended component unit.
- *Kearns Special Revenue Fund*—This special revenue fund is used to account for revenues and expenditures from Kearns Metro Township, a blended component unit.
- *Magna Special Revenue Fund*—This special revenue fund is used to account for revenues and expenditures from Magna Metro Township, a blended component unit.
- *White City Special Revenue Fund*—This special revenue fund is used to account for revenues and expenditures from White City Metro Township, a blended component unit.

1.6 Budgets and Budgetary Accounting—The District has legally adopted budgets for governmental funds. The District’s procedures for establishing the budgetary data reflected in these financial statements are as follows:

- 1.6.1* The District follows statutory guidelines regarding budgetary matters listed in various titles of the *Utah Code* contained in the Uniform Fiscal Procedures Act for Counties, Title 17-36.
- 1.6.2* The budget officer submits the proposed budget to the board of trustees which makes appropriation decisions and adopts a budget on or before December 31 preceding the calendar year.
- 1.6.3* Public hearings are conducted to obtain citizen comments and to comply with legal requirements.

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

- 1.6.4 The budget is organized by fund, function, and department. Functions are groups departments. Management is authorized to reallocate funds within a department. Transfers of appropriations between departments and funds require the approval of the board of trustees. The legal level of budgetary control (i.e., the level at which expenditure may not legally exceed appropriations) is at the function level.
- 1.6.5 Final budgeted amounts include amendments by the board of trustees. Unencumbered appropriations lapse at year-end for all budgeted funds. Encumbered appropriations at year end are reported on the balance sheet as fund balance restrictions or commitments. Encumbrances remain outstanding until they are either recognized as expenditures in conformity with GAAP or canceled.
- 1.6.6 Budgets are presented on the modified accrual basis of accounting for all governmental funds.

1.7 Cash and Investments—The District has cash and investments on account through the County. Cash and investment management in the County is administered by the County Treasurer in accordance with the State Money Management Act, Title 51-7 of the *Utah Code* (see Note 3). The County maintains a cash and investment pool that is available for use by all funds. Income from the investment of pooled cash is allocated based upon each fund’s portion of the pool.

Investments with original maturities of less than three months from the date of acquisition are also considered cash equivalents.

1.8 Capital Assets—Capital assets include land, rights of way, buildings and improvements, infrastructure (roads), and construction in progress. These assets are reported in the government-wide financial statements on the statement of net position under governmental activities. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold is defined to be assets that cost \$5,000 or more. The District capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of roads. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as is the case with certain infrastructure), the capital asset is recorded at estimated acquisition cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense to the various functional expenses in the government-wide statement of activities. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	5-50 years
Improvements	5-25 years
Infrastructure, depreciable (bridges and flood control)	30-45 years

The District has adopted an allowable alternative to reporting depreciation for its roads network. Under this alternative method, referred to as the “modified approach,” the District must maintain an asset management system and demonstrate that its roads are approximately being preserved at or above condition levels established by District policy. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed as they are incurred.

1.9 Unearned Revenue—In each of the financial statements, *unearned revenue* is recorded when cash or other assets are received prior to when a claim to those resources is obtained.

1.10 Net Position/Fund Balances—The residual of all other elements presented in a statement of net position is *net position* on the government-wide and proprietary fund financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- *Nonspendable*—This category includes fund balance amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- *Restricted*—This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either 1) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments (such as specific tax levies) or 2) imposed by law through constitutional provisions or enabling legislation.
- *Committed*—This category includes amounts that can only be used for specific purposes established by formal action of the District board of trustees. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the District board of trustees. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- *Assigned*—This category includes fund balance amounts that the District intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by approval of the District board of trustees. The District has assigned fund resources that are to be used for economic development, drug court, senior citizens, and other purposes.
- *Unassigned*—Residual balances in the General Fund are classified as unassigned. Also, if a governmental fund other than the General Fund was to have a nonspendable, restricted, and committed fund balance in excess of total fund balance, the difference is reported as negative unassigned fund balance.

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

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

2. FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2017:

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

- The Public Treasurers' Investment Fund is valued at the District's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

3. DEPOSITS AND INVESTMENTS

3.1 Cash and Investment Pool—The District has cash on account through the County. It is the County's policy to follow the requirements of the State Money Management Act (*Utah Code*, Title 51, Chapter 7) (the Act) in handling its depository and investment transactions. The Act creates a State Money Management Commission (the Commission), a five-member body, appointed by the Governor of the State, which exercises oversight of public deposits and investments.

The County maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool, is displayed on the balance sheet for governmental funds, respectively, as "pooled cash and investments." Income from the investment of the pooled cash and investments is allocated based on each fund's average daily balance in the pool.

3.2 Cash Deposits with Financial Institutions—The Act requires the depositing of public funds only in a "qualified depository" or a "permitted depository". A "qualified depository" is a Utah depository institution which complies with capital ratios and public deposit limits established by rule of the Commission and which has been certified by the State Commissioner of Financial Institutions for deposit of public funds. A "permitted depository" is an out-of-state financial institution that meets quality criteria established by rule of the Commission. All County deposits are held in qualified depositories.

3.2.1 Custodial Credit Risk of Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Also, deposits not in the District's name are at risk of loss. The County's deposit policy for custodial credit risk is to comply with the Act.

3.3 Investments—Investments are recorded at fair value.

The Act also defines the types of securities allowed as appropriate investments for the County and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories, certified dealers, or directly with the issuer of the securities. The Act authorizes the County to invest in the State of Utah Public Treasurers' Investment Fund (the PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the state of Utah. All County investments comply with the Act. The PTIF is a voluntary governmental external investment pool available to state and local government public treasurers in Utah. The PTIF is sponsored by the Utah State Treasurer to improve investment efficiency and yield. The PTIF invests primarily in corporate bonds, commercial paper, money market mutual funds, and certificates of deposit as permitted by the Act. The PTIF contains no withdrawal restrictions other than timely notice of intent to withdraw an amount greater than \$10 million. Investment activity of the Utah State Treasurer in the management of the PTIF is reviewed monthly by the Commission and is audited by the Utah State Auditor. Monies invested in this fund are not insured or otherwise guaranteed by the state of Utah and are subject to the same market risks as any similar investment in money market funds. The fair value of the position in the PTIF is basically the same as the value of the pool shares.

3.3.1 Interest Rate Risk of Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's policy for managing interest rate risk is to comply with the Act. Section 11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on investments in commercial paper and bankers' acceptances to 270 days or less and investments in fixed rate negotiable deposits and fixed rate corporate obligations to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

3.3.2 Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County follows the Act as its policy for reducing exposure to investment credit risk. At December 31, 2017, the County's investment in the PTIF was not rated. The District's investments in corporate bonds was rated A+ to BBB+ by Standards & Poor's and A1 to Baa1 by Moody's Investor Service. The County's investments in U.S. agency issues was rated AA+ by Standards & Poor's and Aaa by Moody's Investor Service.

3.3.3 Custodial Credit Risk of Investment

For an investment, custodial credit risk is the risk that, in the event of a failure of the counter party, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County complies with the custody requirements of the Act and Rules of the Commission. Investment securities are required to be held by the public treasurer, in safekeeping by a bank or trust company, or in a book-entry-only record maintained by a securities depository, in the federal book entry system or in the book-entry records of the issuer of the security in the name of the public entity. The County's investment securities are held in a qualified depository certified by the Commissioner of Financial Institutions as adhering to the rules of the Commission or in the book-entry records of the issuer of the security.

3.3.4 Concentration of Credit Risk of Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The County's policy for reducing this risk of loss is to comply with the Rules of the Commission. Rule 17 of the Commission limits investments in a single issuer of commercial paper and corporate obligations to between 5% and 10% depending upon the total dollar amount held in the portfolio. The Commission limitations do not apply to securities issued by the U.S. government and its agencies. The County complies with the concentration limits of Rule 17.

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Notes to the Basic Financial Statements
Year Ended December 31, 2017

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Special Item - Transfer of Operations	Additions	Deletions	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ -	\$ 30,745,265	\$ 548,181	\$ -	\$ 31,293,446
Infrastructure (roads)	-	65,885,001	4,117,875	-	70,002,876
Construction in progress	3,533,803	287,500	1,055,577	(2,296,242)	2,580,638
Total capital assets not being depreciated	3,533,803	96,917,766	5,721,633	(2,296,242)	103,876,960
Capital assets being depreciated:					
Buildings	-	289,385	-	-	289,385
Improvements other than buildings	-	4,380,697	-	-	4,380,697
Leasehold improvements	-	1,091,356	-	-	1,091,356
Infrastructure (bridges and flood control)	-	3,928,349	-	-	3,928,349
Total capital assets being depreciated	-	9,689,787	-	-	9,689,787
Accumulated depreciation for:					
Buildings	-	(22,699)	(9,150)	-	(31,849)
Improvements other than buildings	-	(1,220,172)	(181,341)	-	(1,401,513)
Leasehold improvements	-	(999,383)	(6,131)	-	(1,005,514)
Infrastructure (bridges and flood control)	-	(1,465,072)	(51,876)	-	(1,516,948)
Total accumulated depreciation	-	(3,707,326)	(248,498)	-	(3,955,824)
Total capital assets being depreciated, net	-	5,982,461	(248,498)	-	5,733,963
Total governmental activity capital assets, net	\$ 3,533,803	\$ 102,900,227	\$ 5,473,135	\$ (2,296,242)	\$ 109,610,923

Depreciation expense is charged to functions of the District as follows:

Governmental activities:	
Municipal services	\$ 248,498
Total depreciation expense - governmental activities	<u>\$ 248,498</u>

5. RISK MANAGEMENT

The District carries an all-risk commercial general liability and public officials errors and omissions policies with various deductibles to protect the District against losses. There were no settlements in excess of insurance coverage in any of the two prior years.

6. INTERFUND RECIVABLES AND PAYABLES

As of December 31, 2017 the general fund has \$7,935,897 due from major special revenue funds (\$74,115 due from Copperton, \$190,405 due from Emigration Canyon, \$4,372,418 due from Kearns, \$2,773,844 due from Magna, and \$525,115 due from White City. The outstanding balances between funds result primarily from the lag between the dates that (1) interfund good and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

7. SPECIAL ITEM

Effective January 1, 2017, five unincorporated townships began operations as metro townships. On that date, Salt Lake County transferred capital assets totaling \$102,900,227 to the respective metro townships (see Note 4).

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Information about Infrastructure Assets Reported Using the Modified Approach
Year Ended December 31, 2017

As provided by generally accepted accounting standards, the District have adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The District capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to utilize the modified approach, the District is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the District.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the District.

Roads

The District apply the modified approach only to the 411 lane-miles of roads that are owned by the District and maintained by the County’s Public Works Department. The goal of the District in conjunction with adopting the modified approach is to develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the District investment in its road network and enhances public transportation and safety.

Measurement Scale

The condition of road pavement is measured using the County Pavement Management System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 100. The PCI is used to classify roads into categories as follows:

Category	PCI Rating Range	Description
Very Good	94 – 100	New or nearly new pavement which provides a very smooth ride and is mainly free of distress. (No maintenance work needed.)
Good	76 – 93	Pavement which provides an adequate ride, and exhibits few, if any, visible signs of distress. (Minor maintenance may be needed.)
Fair	64 – 75	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride of the user (Major maintenance is likely needed.)
Poor	41 – 63	These roadways have deteriorated to such an extent that they are in need of resurfacing, and the ride is noticeably rough. (Structural improvements, in addition to major maintenance, are likely needed.)
Very Poor	0 – 40	Pavement in this category is severely deteriorated, and the ride quality is unacceptable. (Complete road reconstruction is likely needed.)

GREATER SALT LAKE MUNICIPAL SERVICES DISTRICT
Information about Infrastructure Assets Reported Using the Modified Approach
Year Ended December 31, 2017

Established Condition Level

It is the District’ policy to maintain approximately 30% of its roads/highways at or above the “good” condition level, and no more than 20% at a “very poor” condition. Condition assessments are performed by geographic district within the network on approximately one-third of the roads/highways each year, in order to achieve a complete condition assessment at least every three years.

Assessed Conditions

The following table reports the percentage of pavement meeting the “very good” and “good” condition ratings, as well as those falling into the “very poor” category, as assessed in 2017.

<u>Category</u>	<u>2017</u>
Very Good / Good	51%
Very Poor	5%

The following table represents the District’s estimated amounts needed to maintain and preserve its road network at or above its established condition levels, as well as the amounts actually spent on road maintenance and preservation, for 2017 (in thousands).

	<u>2017</u>
Estimated Spending	\$3,583
Actual Spending	2,445



Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Greater Salt Lake Municipal Services District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Greater Salt Lake Municipal Services District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Agui & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah
June 29, 2018



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Trustees
Greater Salt Lake Municipal Services District

Report on Compliance

We have audited the compliance of Greater Salt Lake Municipal Services District (the District) with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2017:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes and Other Related Restricted Revenue
- Open and Public Meetings Act
- Special and Local Service District Board Members

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state compliance requirements referred to above.

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

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

Opinion on Compliance

In our opinion, Special and Local Service District Board Members complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

Fund balance – Utah Code 17B-1-612(2) limits the general fund’s unrestricted (committed, assigned, and unassigned) fund balance to 25% of the total general fund revenues. We noted the general fund’s unrestricted fund balance exceeded this threshold.

View of responsible officials – We will review compliance requirements and ensure compliance in the future.

The County’s response to the noncompliance findings identified in our audit is described above. The County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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



Orem, Utah
June 29, 2018