



Annual Report to the Community

City of South Jordan, Utah

For the Fiscal Year Ended June 30, 2014

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DID YOU KNOW?

South Jordan was recently ranked 18 on Money Magazine's "Best Places to Live in America."

Purpose of Report

The Annual Report to the Community, also known as a Popular Annual Financial Report (PAFR), is an unaudited summary report of the financial activities of the City and is prepared primarily from detailed information contained in the City's 2014 Comprehensive Annual Financial Report (CAFR), with selected information from CAFRs prepared for earlier years. Information is also derived from the City's fiscal year 2015 budget.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and includes audited financial statements. As such, it provides much more detail as well as full disclosure of material events, both financial and non-financial. The GAAP presentation also includes the City's component units (related organizations) and information on individual funds.

The information in the CAFR by its nature can be technical and complex and as such not as useful to citizens wishing to gain an overview of the City's finances. The PAFR has been prepared to simplify the information in the CAFR and better inform the public about the overall financial condition of the City, without the heavy use of technical accounting terms or excessive detail. The PAFR is not intended to provide a complete financial picture of the City in accordance with GAAP.

Questions or feedback concerning any of the information provided in this report should be directed to the City's Finance

Department via mail to 1600 West Towne Center Drive, South Jordan, UT 84095, via e-mail to kmaurer@sjc.utah.gov, or via telephone at (801) 254-3742.

The City's financial reports are available on the City's website at:

<http://www.sjc.utah.gov/finance/asp#reports>

FAST FACTS

Population	58,839
Median Household Income	\$90,743
Median Age	29.9
Full-Time Equivalent Employees	339.09
Land Area (Square Miles)	22.26

Elected Officials

MAYOR—DAVID ALVORD

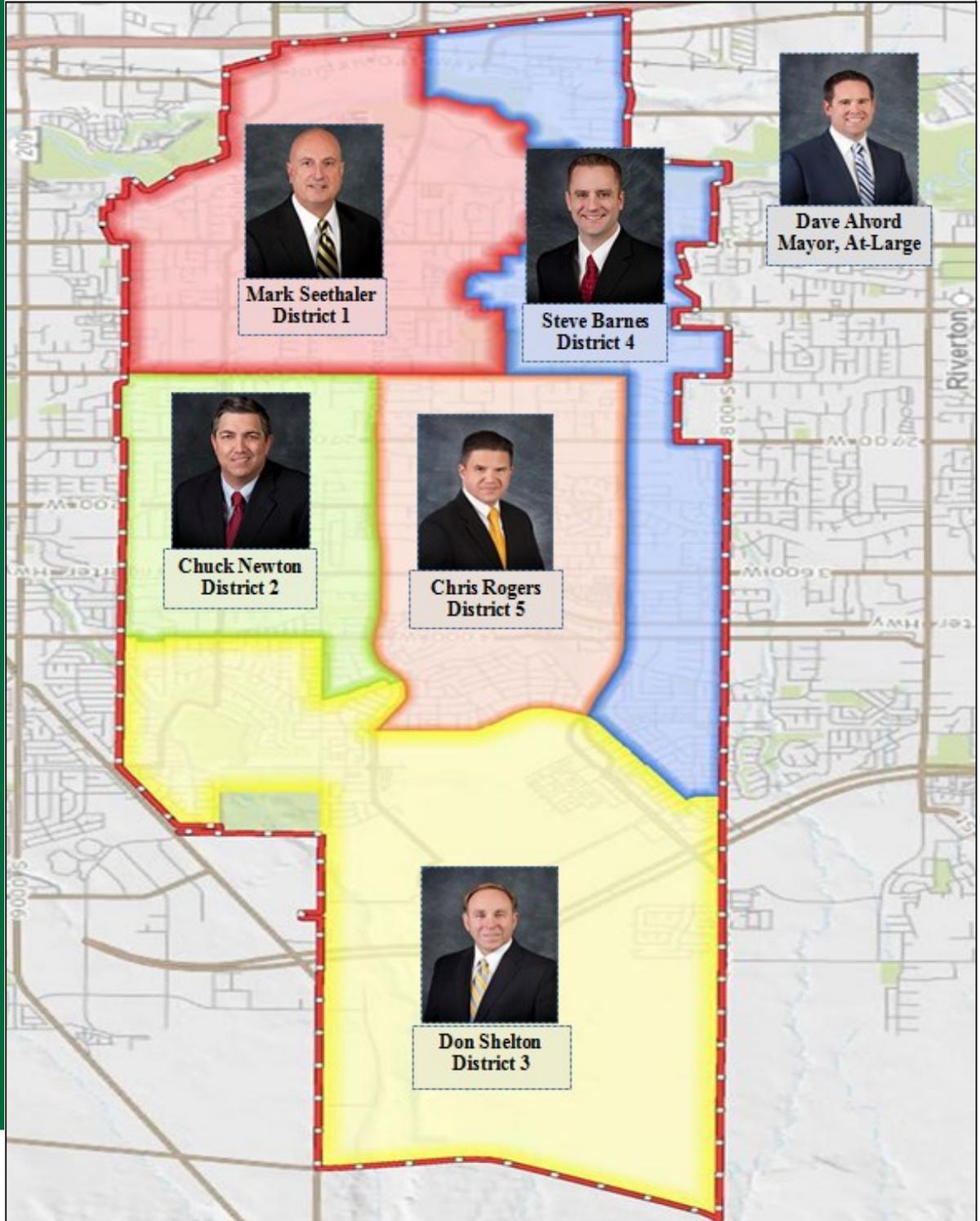
COUNCILMAN—MARK SEETHALER

COUNCILMAN—CHUCK NEWTON

COUNCILMAN—STEVE BARNES

COUNCILMAN—CHRIS ROGERS

COUNCILMAN—DON SHELTON



The City Council's Strategic Priorities consist of 6 goals and 12 priorities that support the mission of the City of South Jordan. Below are the 6 goals identified:

FISCALLY RESPONSIBLE—South Jordan has a balanced budget, healthy reserve fund, manageable debt, sustainable spending, and the municipal tax rate reflects only that necessary to provide the services our residents desire.

BALANCED REGULATORY ENVIRONMENT—South Jordan has excellent planning and zoning regulations that encourage a well maintained and aesthetically pleasing environment that contributes to resident satisfaction and promotes economic development.

SUSTAINABLE GROWTH—Commercial development contributes to economic stability, residential opportunities, and education excellence. Residential development supports landowner rights, land use planning, neighboring developments, and quality of life. Civic development (utilities, facilities, transportation, and infrastructure) has progressed in harmony with our community.

ENGAGED COMMUNITY—The framework exists for open and effective dialogue between residents, City staff, and elected representatives. Attractive community activities are successfully hosted year round. Residents are well informed and engaged on community issues and events in a variety of preferred channels, and actively participate in civic life.

DESIRABLE AMENITIES AND OPEN SPACE—South Jordan City has beautiful and extensive parks, open spaces, and amenities that support a wide variety of recreational opportunities for our great families, residents, and businesses.

OPERATIONAL EXCELLENCE—Our residents receive fair prices for services, high customer services, quick response times, open communication, innovation, and fiscal responsibility.

MISSION STATEMENT

South Jordan City provides service oriented, responsible government, consistent with the community's values, priorities, and expectations for a high quality of life, enhancing the City's fiscal health, providing professional and innovative services, and managing the City's resources, while planning for the future.

See all of the strategic priorities at: <http://www.sjc.utah.gov/pdf/CityCouncil-StrategicPriorities.pdf>

FINANCIAL TRENDS

Fiscal year 2014 saw an improving local and state economy. Building permit revenue increased 15 percent from the previous year, and overall General Fund revenues increased 6 percent. (The General Fund is the City's main operating fund.)

The City continues to remain fiscally conservative and keep expenditures in check. Overall general fund expenditures increased 9 percent, but 32 percent of this increase is due to the purchase of public safety vehicles and capital lease payments for those vehicles (these expenditures did not occur in fiscal year 2013). Without these expenditures, the increase would have been 6 percent. The majority of this increase is due to personnel merit and COLA (cost of living) increases approved with the fiscal year 2014 budget, along with mandatory defined benefit increases. The City strives to spend taxpayer dollars as effectively as possible and is continually looking at ways to provide high-level services at the lowest cost. It is important to note, however, that as the number of residents in the City increases, expenditures will also need to increase to provide services to the new residents.

Moody's rating service recently upgraded their annual outlook for cities from "negative" to "stable." The "stable" rating represents Moody's belief that the "worst is over" for most local governments, but realizes cities will still have constrained resources.

The local economy remains threatened by a turbulent national economy. The City mitigates these threats by not balancing the budget with one-time growth money and realizes revenue from other governments cannot be relied upon. The City receives a relatively low amount of revenue from other governments (5 percent), which is mostly from the state of Utah. The City is committed to "living within its means" and realizes the City will need to transition to a "sustainability" model from a "growth" model.

For fiscal year 2015, the City approved a property tax rate reduction of 2 percent. With new growth, however, property tax revenue as a whole is expected to increase 5.0 percent. This increase will be used to provide services to the City's increased residential and commercial base.

RESERVES

The City recognizes adequate reserves are necessary to insure the City's fiscal sustainability and to "cushion" the City in the event of an economic downturn. In general, reserves are accumulated for the following purposes:

- Emergencies or unexpected events
- To secure the City's debt and related bond ratings
- To meet requirements for liabilities already incurred but not paid
- To avoid short-term debt

- To provide for planned and unplanned capital expenditures

As a larger percentage of the City’s revenue becomes sales tax (instead of property tax), it will be important for the City to have adequate reserves since sales tax is not as stable of a revenue source as property tax.

As of June 30, 2014, the City had *unassigned* fund balance in the General Fund of \$6,788,567. This is an increase of \$800,000 from last year’s fund balance. Utah state law allows any balance in excess of 5 percent of total revenues to be budgeted. The maximum fund balance allowed is 25 percent of next fiscal year’s estimated revenues. The general fund balance is currently at 20.8 percent of next year’s budgeted revenues. The City Council is committed to increasing fund balance over time to the maximum amount allowed by state law.

DEBT

The City’s total bonded debt outstanding decreased by \$4.8 million during fiscal year 2014, which is a 7 percent decrease from the prior year. This decrease was accomplished through regularly scheduled debt service payments. Additional information regarding the City’s debt can be found on page 11 (“What We Owe”).

RECENT BOND RATINGS

Bond	Fitch	Standard & Poor’s
2006 Sales Tax	AA+	
2008 Sales Tax	AA+	
2009 Water Revenue		AA
2005 MBA		AA+
2011 MBA	AA	AA+
General Obligation (Implied)	AAA	

During fiscal year 2014, the City’s 2005 and 2011 MBA Lease Revenue Bonds were upgraded by the rating agency Standard & Poor’s from “AA” to “AA+” and said the outlook for the bond rating was “stable.” Standard & Poor’s specifically identified the City’s assigned and unassigned general fund balance levels, low debt levels relative to market value, and strong financial management policies and practices.

FINANCIAL AWARDS

Number of Certificate of Achievement for Excellence in Financial Reporting	28
Number of Distinguished Budget Presentation Awards	21
Number of Outstanding Achievement in Popular Financial Reporting	1

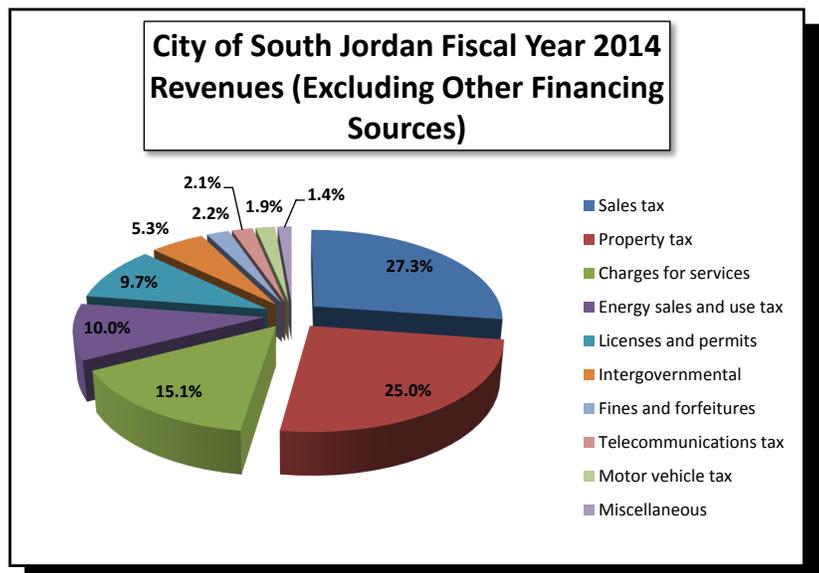
**Awards are from the Government Finance Officers Association*

Where The Money Comes From

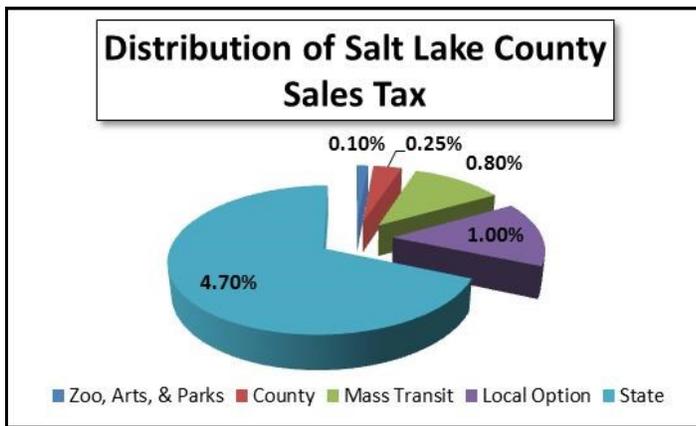
City of South Jordan				
Fiscal Year 2014 and 2013 General Fund Revenues and Other Financing Sources				
Category	2014		2013	
	Amount	Percent	Amount	Percent
Sales tax	\$ 9,682,273	27.1%	\$ 9,815,735	29.2%
Property tax	8,863,046	24.8%	7,906,081	23.5%
Charges for services	5,347,955	14.9%	4,775,841	14.2%
Energy sales and use tax	3,530,287	9.9%	3,181,151	9.4%
Licenses and permits	3,434,674	9.6%	3,023,925	9.0%
Intergovernmental	1,891,314	5.3%	2,036,303	6.0%
Fines and forfeitures	785,586	2.2%	769,367	2.3%
Telecommunications tax	730,271	2.0%	869,378	2.6%
Motor vehicle tax	674,298	1.9%	635,496	1.9%
Miscellaneous	488,546	1.4%	322,042	1.0%
Cable TV & innkeeper franchise tax	362,905	1.0%	337,181	1.0%
Total Before Other Financing Sources	\$ 35,791,155	100.0%	\$ 33,672,500	100.0%
Transfers in from other funds	822,451		134,568	
Capital lease proceeds	665,000		-	
Sale of capital assets	6,197		16,637	
Total After Other Financing Sources	\$ 37,284,803		\$ 33,823,705	

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The City is funded through two basic categories of revenue: taxes and fees. Tax revenue is primarily used to pay for services provided to the public in general such as police, fire, streets, and parks.

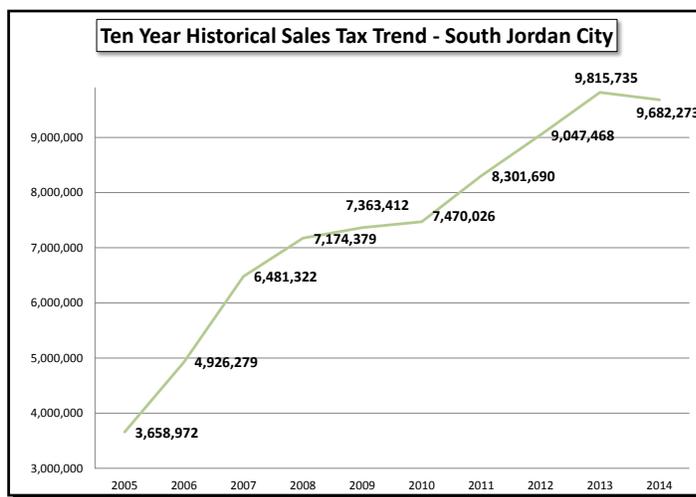
The City also provides services that benefit specific groups of citizens for which a specific fee is charged which is intended to pay for all or part of the costs incurred.



Sales tax is the largest source of revenue in the general fund. Of the total 6.85 percent collected by the State Tax Commission on sales within South Jordan, one percent is allocated for distribution to local governments. The remaining 5.85 percent is distributed to the state of Utah (4.7 percent), mass transit (0.8 percent), Salt Lake County (0.25 percent), and Zoo, Arts, & Parks (ZAP) (0.1 percent).



The City has seen a substantial increase in sales tax revenue over the past ten years, going from \$3.7 million in 2005 to \$9.7 million in 2014. As the City's population increased faster than the general state population, the City received a greater percentage of the amount allocated to local governments. In addition, the City has been committed to increasing commercial development.



Sales tax decreased between fiscal year 2013 and 2014 due to refunds given by the Tax Commission to a few taxpayers who filed incorrect sales tax returns. Without these refunds, sales tax revenue would have increased 10 percent.

Increases in sales tax revenue have allowed the City to not raise property taxes since 2007. Actually, the City decreased property taxes 2 percent with fiscal year 2015's budget. Since property tax does not have built-in inflationary measures (such as cost of living increases), other revenue sources are necessary to cover natural inflationary pressures the City faces as it provides services to citizens and the community.

SALES TAX FAST FACTS

Percentage of general fund revenue	27% (29% in 2013)
Distribution of local option (1%)	0.5% based on percentage of statewide population, 0.5% direct to City
Sales tax increase (decrease) from fiscal year 2013 to 2014	(1%)

Property Tax

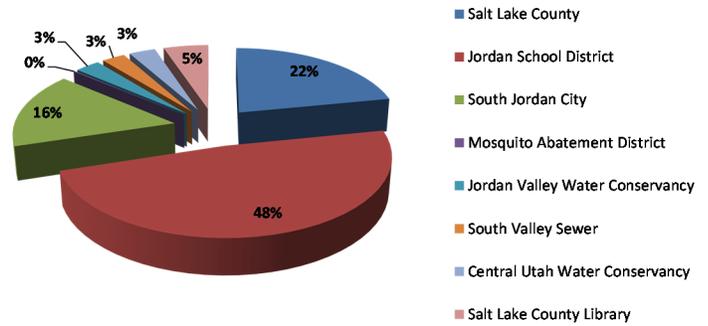
Property tax is the second largest source of revenue in the general fund (after sales tax). The value of property is determined by the Salt Lake County Assessor's Office.

State statutes require each year a certified tax rate be calculated. This certified rate is the rate which will provide the same amount of property tax revenue as was charged in the previous year excluding the revenue generated by new growth. If the City determines it needs greater revenues than the certified tax rate will generate, the City will undergo a process called "Truth in Taxation." The Truth in Taxation statute requires an entity to go through a series of steps which include proper notification of the proposed tax

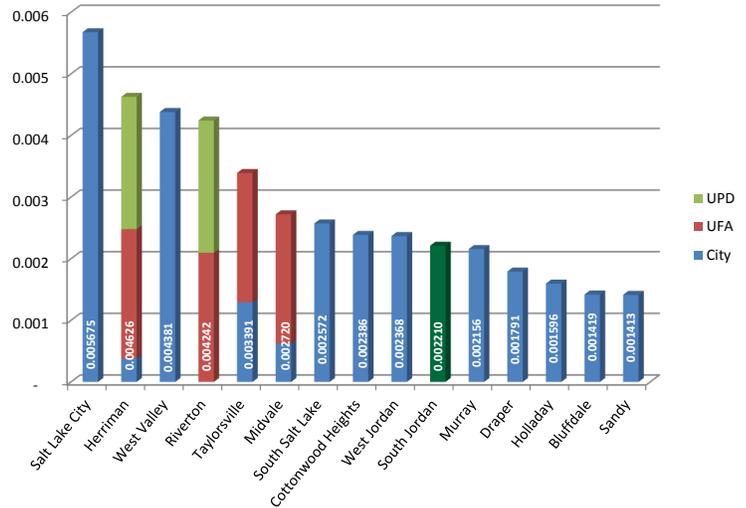
increase and a public hearing. The City has not undergone "Truth in Taxation" since 2007. Property taxes were reduced 2 percent as part of the fiscal year 2014 budget.

Actual property tax paid by residents may vary by year depending on many factors. One factor is the assessed value of a property relative to other properties in the same tax district. Another factor is if individual taxing entities (such as Salt Lake County, Jordan School District, *etc.*) have raised or lowered their tax rates.

Distribution of Property Tax Paid by South Jordan City Property Taxpayers



Property Tax Comparison - Calendar Year 2014



PROPERTY TAX FAST FACTS

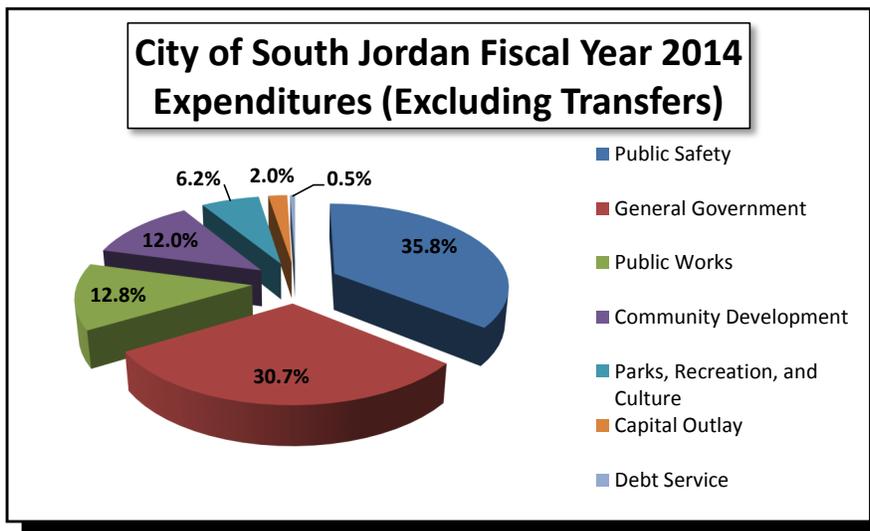
2014 vs. 2013 South Jordan tax rate	0.002210 (2014), 0.002440 (2013)
2014 total tax paid \$300K home/amount to South Jordan	\$2,289/\$365 (last year \$2,441/\$403)
Percentage of total taxes to South Jordan	15.9% (last year 16.5%)

City of South Jordan Fiscal Year 2014 and 2013 General Fund Expenditures				
Category	2014		2013	
	Amount	Percent	Amount	Percent
Public Safety	\$ 10,364,496	35.8%	\$ 10,138,529	38.1%
General Government	8,890,914	30.7%	8,164,613	30.7%
Public Works	3,710,462	12.8%	3,347,241	12.6%
Community Development	3,463,734	12.0%	3,233,241	12.1%
Parks, Recreation, and Culture	1,810,343	6.2%	1,750,499	6.6%
Capital Outlay	588,617	2.0%	-	0.0%
Debt Service	150,472	0.5%	-	0.0%
Total Before Transfers	\$ 28,979,038	100.0%	\$ 26,634,123	100.0%
Transfer Out - Capital Projects Fund	\$ 6,546,087		\$ 6,156,060	
Transfer Out - Debt Service Fund	537,399		71,372	
Transfer Out - Fitness Center	67,273		63,421	
Total After Transfers	\$ 36,129,797		\$ 32,924,976	

In the General Fund (the City's main operating fund), revenues are spent on public safety, general government (such as administration, finance, community services, legal, etc.), public works, communi-

ty development, parks, recreation, and culture. In addition, revenues are transferred to other funds to pay for capital projects and debt service.

Overall, general fund expenditures increased 9 percent due to personnel merit and COLA increases, health insurance



benefit increases, mandatory defined benefit increases imposed by Utah Retirement Systems, and the purchase of public safety vehicles. The City is committed to remaining fiscally conservative and is always exploring ways to provide excellent services to stakeholders at the most efficient cost.

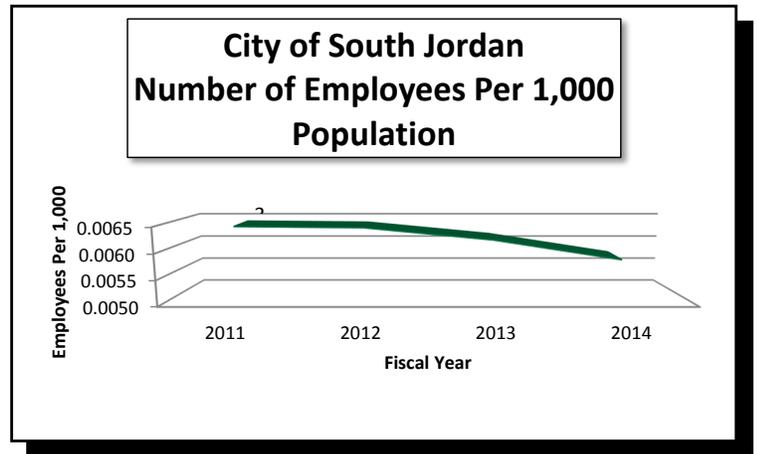
Where the Money Goes

City of South Jordan Fiscal Year 2014 and 2013 General Fund Expenditures by Type				
	2014 Amount	Percent	2013 Amount	Percent
Wages & Salaries	\$ 21,605,391	74.6%	\$ 20,641,662	77.5%
Operating Expenditures	5,458,291	18.8%	4,977,015	18.7%
Materials & Supplies	1,176,267	4.1%	984,002	3.7%
Capital Expenditures	588,617	2.0%	31,444	0.1%
Capital Lease Payments	150,472	0.5%	-	0.0%
Total Before Transfers	\$ 28,979,038	100.0%	\$ 26,634,123	100.0%

Personnel services make up the largest portion of the General Fund's expenditures. Because of this, the City carefully manages personnel expenditures and strives to use personnel resources as efficiently as possible. As illustrated in the chart to the right, the number of full-time equivalent employees per 1,000 population

has been steadily decreasing over the past 4 years. As the City's population continues to grow, it will be necessary to add employees to provide high-quality services to the City's residents and other stakeholders.

Materials & supplies include those items that allow City employees to "do their job," such as equipment supplies & repairs, training, memberships, office supplies, and facility repair & maintenance. Operating expenditures include everything not categorized separately above. Some of the larger expenditures include public safety dispatch expense, transportation maintenance & improvements, snow removal, crack sealing, and street striping.



DID YOU KNOW?

The services provided by the City, by their nature, are labor-intensive. Good examples include police and fire protection (which make up 34 percent of the City's full-time equivalent workforce) and parks & recreation (17 percent of the City's full-time workforce). As mentioned earlier, the City carefully manages personnel & benefit costs.

As of June 30, 2014, the City's long-term obligations totaled \$65,749,176, which is made up of \$33,561,383 for governmental activities and \$32,187,793 for business-type activities. Of this total, \$6,499,283 is due in fiscal year 2015. The long-term obligations of the City include bonded debt pledged by specific revenue sources (such as sales tax and RDA tax increment), capital leases, employee compensated absences (accrued vacation and compensatory time), and claims & judgments.

City of South Jordan Debt Outstanding as of June 30, 2014						
	Governmental Activities		Business-Type Activities		Total	
	Amounts Due		Amounts Due		Amounts Due	
	Payable At June 30, 2014	Within One Year	Payable at June 30, 2014	Within One Year	Payable at June 30, 2014	Within One Year
Sales Tax Bonds	\$ 15,580,000	\$ 530,000	\$ -	\$ -	\$ 15,580,000	\$ 530,000
Special Assessment Bonds	2,562,000	605,000	-	-	2,562,000	605,000
RDA Tax Increment Bonds	6,116,000	937,000	-	-	6,116,000	937,000
MBA Lease Revenue Bonds	6,200,000	540,000	4,880,000	240,000	11,080,000	780,000
Water Revenue Bonds	-	-	27,200,000	2,125,000	27,200,000	2,125,000
Capital Lease	615,845	317,432	-	-	615,845	317,432
Compensated Absences	1,598,766	953,423	107,793	73,674	1,706,559	1,027,097
Claims & Judgements	888,772	177,754	-	-	888,772	177,754
Total Long-Term Obligations	\$ 33,561,383	\$ 4,060,609	\$ 32,187,793	\$ 2,438,674	\$ 65,749,176	\$ 6,499,283

Below is a table comparing South Jordan City's debt ratios to other municipalities within Salt Lake County. Smaller cities and cities that contract out many of their services were excluded in order to provide a more meaningful comparison.

Debt Ratio Comparison to Salt Lake Valley Municipalities (Fiscal Year 2013, Except as Noted)													
	Salt Lake City	Midvale	West Valley	Draper	Herriman	Sandy	Holladay	South Salt Lake	South Jordan 2014	South Jordan 2013	Riverton	West Jordan	Murray
Governmental activities debt per capita	\$ 1,553	\$ 1,277	\$ 1,076	\$ 995	\$ 958	\$ 766	\$ 715	\$ 665	\$ 543	\$ 611	\$ 462	\$ 193	\$ 185
Total governmental activities debt as a % of estimated value of property	1.22%	1.59%	2.85%	0.85%	1.19%	0.74%	0.47%	0.71%	0.49%	0.55%	0.62%	0.29%	0.15%
Total City debt per capita	2,062	2,008	1,144	1,050	1,848	998	715	765	1,117	1,241	787	203	685
Total City debt as a % of personal income	4.55%	10.53%	6.23%	3.57%	7.73%	1.74%	5.36%	7.22%	3.35%	3.90%	3.66%	0.51%	1.68%

Source: Fiscal year 2013 CAFR for each City (Herriman, Midvale, Holladay, and Bluffdale based on financial statement information and Tax Commission data)
Note: All of Holladay's public utilities are serviced by other entities

The City uses multiple funding sources to fund debt service payments. These funding sources may be different from the revenue pledged in the bond covenants. Below is a summary of funding sources for each debt type:

City of South Jordan Funding Source by Debt Type	
Debt Type	Funding Source
Sales Tax Bonds	Sales taxes, RDA tax increment, impact fees, reimbursement
Special Assessment Bonds	Developer assessment
RDA Tax Increment Bonds	RDA tax increment
MBA Lease Revenue Bonds	RDA haircut, Mulligans
Capital Lease	Fleet equipment fund
Compensated Absences	General fund revenues (majority)
Claims & Judgements	General fund revenues (majority)
Water Revenue Bonds	Water user fees, impact fees

BUSINESS-TYPE ACTIVITIES—The City’s activities that are funded primarily through user charges. Business-type activities include water operations, Mulligans Golf and Games, and sanitation. These areas are designed to be self-supporting and do not use general tax revenue.

CLAIMS AND JUDGMENTS—The amount of claims and judgments the City is liable for as of June 30, 2014. The City pays these incurred claims back to the City’s insurance carrier over 5 years at zero percent interest.

COMPENSATED ABSENCES—Under generally accepted accounting principles, the City is required to accrue employee’s earned time off for vacations and compensatory time.

DEFINED BENEFIT PLAN—A type of pension plan where a sponsoring agency promises a specified monthly benefit on retirement. The City and employee both make defined benefit contributions to Utah Retirement Systems (www.urs.org).

FUND—A self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

GENERAL FUND—The chief operating fund of the City; accounts for all financial resources not accounted for and reported in another fund.

GENERAL OBLIGATION BONDS—A form of government debt that is backed by the full faith and credit of the government.

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) - Organization whose mission is to promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

GOVERNMENTAL ACTIVITIES—Functions of the City that are funded primarily through taxes and intergovernmental revenues. User charges do not fund a significant amount of the functions.

PER CAPITA PERSONAL INCOME—An estimate of an individual’s income from all sources for all individuals residing in the City of South Jordan, calculated from data provided by the Utah State Tax Commission.

UNASSIGNED FUND BALANCE—Generally accepted accounting principles require fund balances to be segregated according to constraints or restrictions in place. Unassigned fund balance in the General Fund has the least amount of constraints.

TOP 5 EMPLOYERS IN SOUTH JORDAN

- Merit Medical
- Jordan School District
- Ultradent
- Walmart Supercenter
- Rio Tinto