

Lehi City Corporation

# CITIZEN'S ANNUAL FINANCIAL REPORT

*A Summary Financial Report of the 2012 Fiscal Year*



07/01/11—06/30/12

## Purpose Statement

The intent of this document is to provide residents and other interested parties with a simple, concise, and understandable overview of Lehi City's independently-audited Comprehensive Annual Financial Report (CAFR). The document addresses two questions: (1) How is the City funded? (2) How are those funds spent?

The City operates on a fiscal year that begins July 1st and ends June 30th. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Financial Reporting to Lehi City for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

Anyone can obtain more comprehensive information and a copy of the City's official CAFR document from City Hall. If you have specific questions, contact the Finance Department at (801) 768-7100.

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## Lehi City Business Plan

Shaping Lehi's future through our enterprising spirit while preserving a vibrant family-oriented and business-friendly community.



### Business Plan Goals

#### Encourage Economic Development

Implement the General Plan · Update the Economic Strategic Plan · Create standardized and competitive development fees and incentive structure · Create a marketing and branding strategy plan and materials · Continue to encourage a qualified labor force

#### Provide Quality City Services

Maintain our valuable facilities · Provide quality leisure services · Continue to build well-planned and reliable infrastructure · Update and implement the Parks and Recreation Master Plan · Continue to provide excellent public safety services

#### Promote Community Involvement

Focus on communication and transparency through community relations, social media, etc. · Hold awesome and diverse public events · Provide meaningful service opportunities and celebrate volunteer efforts · Encourage a sense of ownership in community gathering places · Inspire pride in neighborhoods, businesses, and other private properties

#### Maintain a Sustainable Budget

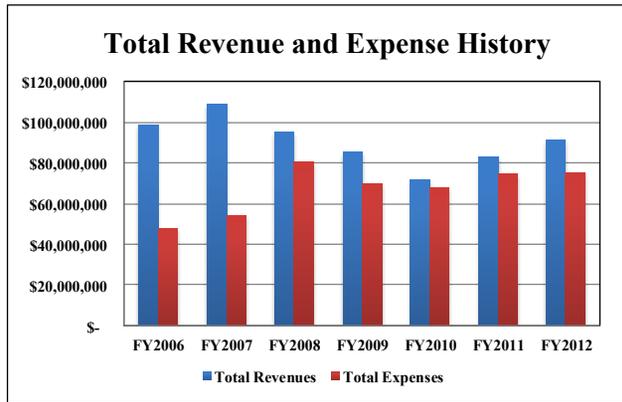
Ensure the responsible use of resources · Continue to encourage varied revenue streams · Enhance capital facility and replacement planning · Encourage a highly-motivated and well-trained municipal workforce

#### Ensure Proactive Regional Leadership

Encourage membership and leadership in professional organizations · Maintain involvement in state and federal government affairs · Encourage and facilitate transportation solutions · Promote intergovernmental relations

## Executive Summary

During the past fiscal year, Lehi has continued to fight its way back from the economic downturn, with revenue nearing levels not seen for four years. As the City has continued to find ways to maximize efficiencies in all aspects of operations, its commitment to quality service delivery has not changed. As reflected in this report, Lehi City has continued its practice of providing superior services to Lehi residents while conservatively using the revenues that the City collects. Although the economy continues to slowly improve, Lehi recognizes that it must continue to plan for the future in a responsible way. The City has maintained its commitment to building a foundation of financial strength as it continued to spend less than it collected in revenue.



Lehi's future remains bright, and the City is well-positioned financially to meet the opportunities that lay ahead. We expect to see continued growth both residentially and commercially as we continue to become one of the premier cities in Utah. As always, we are grateful to our dedicated workforce, and we are most grateful to our motivated and active residents that make this city so great. With the combined efforts of residents and staff, Lehi will continue to pioneer Utah's future.

### GENERAL FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$342,435,060 (*net assets*).
- ◆ The City's governmental funds reported combined fund balances of \$11,312,069 which is an increase of \$544,233 from fund balance reported in 2011 (\$10,767,836).
- ◆ The City's total debt decreased by a net of \$3,997,790 during FY 2012.

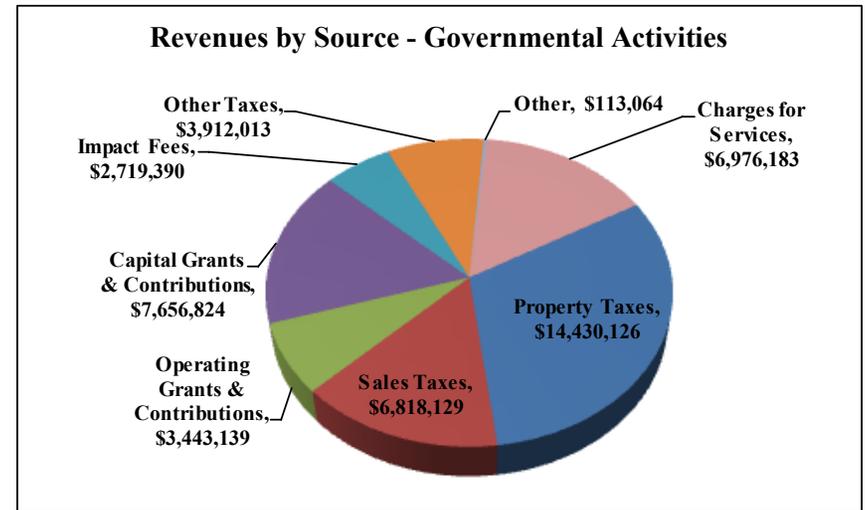
## How is the City Funded?

Lehi City is funded through several different sources. The main funding sources along with a description of each are found in the following two pages.

### REVENUE HIGHLIGHTS

#### Governmental Activities

- ◆ Expenses of the governmental activities increased from 2011 to 2012 by \$1,676,458 largely due to highway and street maintenance.
- ◆ Impact fee revenues increased by \$874,498 from 2011, a direct result of renewed growth in the area.
- ◆ Charges for services increased from \$6,125,795 in 2011 to \$6,976,183 in 2012, largely related to building permits and related services.

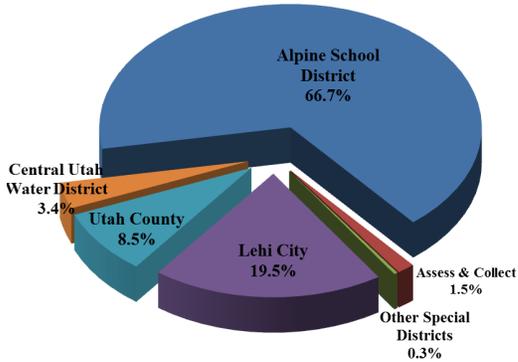


#### Business-type Activities

- ◆ Charges for services increased over 2011 by \$3,213,589 (9.8%). All of the enterprise funds experienced an increase in charges for services over 2011. The increase was the result of approved increases in the monthly service fees charged to customers. Service fees increased slightly over the last two years to ensure user fees are adequate to fund operating expenses.
- ◆ Capital grants and contributions added \$5,631,871 to the net assets of the City. This amount was an increase of \$3,540,265 from the previous year. The increase was a result of an upturn in contributions from developers for infrastructure related to new residential and commercial development.
- ◆ Impact fees increased by about 45% also due to the upturn in development.
- ◆ Expenses decreased by \$706,322 from the prior year. The decrease is primarily due to a decrease in system maintenance and purchased power costs.

# How is the City Funded?

## TAXES, FEES & OTHER REVENUE DESCRIPTIONS



### Property Tax

There are multiple tax collecting entities in Lehi City: Alpine School District, Utah County, Timpanogos Special Service District, Central Utah Water Conservation District, the Lehi Metropolitan Water District, and Lehi City. Utah County assesses the taxable value and collects all property tax. Lehi City Corporation's 2012 certified tax rate is 0.2585%. Primary residences are taxed at 55% of the

assessed value while secondary residences are taxed at 100% of the assessed value. This year's budget was adopted with no tax increase.

### Sales Tax

The total sales tax is made up of several rates levied by the State, County, and City. Of the 6.75% tax on general purchases, the City levies about 1%.

### Fees

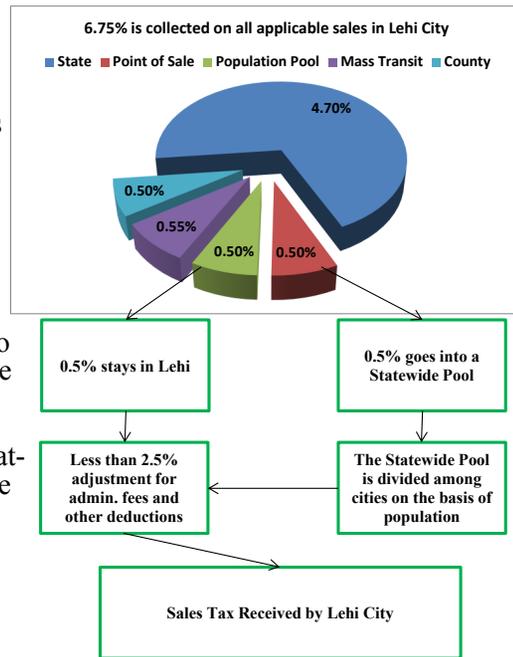
The City has several fees that are assessed on various services such as business licenses, recreation, planning, building, power, and water fees. These fees are levied in order to respond to changes in demand for the services. All City fees are reviewed annually, ensuring that charges for services are based upon costs associated with providing a particular service and current market conditions.

### Grants

The City receives grants every year from the federal, state, and county governments. These grants fund different projects including energy efficiency, library, parks, public safety, and transit programs.

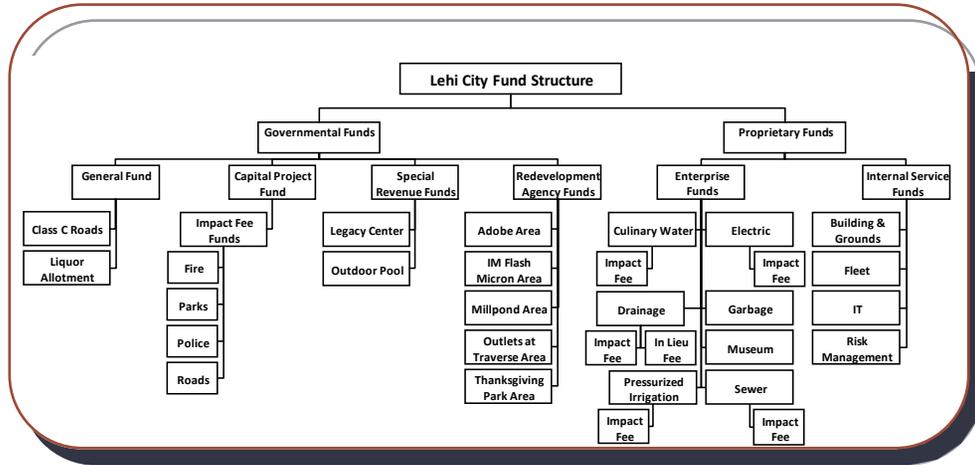
### Municipal Bonds

Some of the City's capital projects are funded through debt. A detailed section on the City's Debt Administration can be found on page 12 of this document.



# Services

Generally speaking, the City spends tax dollars and fee revenue on two things: (1) Services and (2) Capital Projects. Municipal services are all around you and include such provisions as police, library, utilities, streets, special events, parks, and so forth. "Capital Projects" refers to the purchasing, construction, and/or maintenance of roads, public buildings, and infrastructure.



Lehi City offers a variety of services to residents and visitors alike. A variety of funds are used in order to best account for those services (see Fund Structure above).

Those services generally fit into one of six categories:

- 1) **Public Safety**
- 2) **Public Works**
- 3) **Leisure Services**
- 4) **Community Development**
- 5) **Administrative**
- 6) **Non-Departmental**

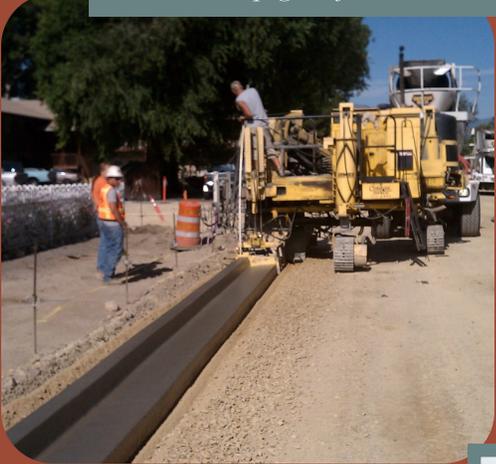
The Mayor and City Council direct staff on which programs to provide and to what degree. Staff submits a budget for approval accordingly. The table on page 15 shows the expenditures for each service type.

## PUBLIC SAFETY



Consisting of Animal Control, Neighborhood Preservation, Emergency Medical Services, Fire, and Police departments; Lehi City is dedicated to providing high-quality protection of life, property, and the environment for the community. The City's Justice Court Department also works closely with Public Safety in the pursuit of justice under the law. All public safety departments are heavily involved in a number of community outreach

Learn more about capital projects.  
*See page 12 for details.*



Learn more about how sales tax works.  
*See page 6 for details.*



Lehi City has 254 acres of developed public parks and 72 undeveloped acres.  
*See page 10 for more details about Public Works and other City departments.*



Lehi City's elected officials want to increase transparency and citizen involvement.  
*See page 13 for details on the budgeting process.*

## Services Continued

efforts including special events and programs like Foam Day and RAD Kids.

**Fire & EMS** - The Fire & EMS Department consists of employees trained and certified in both fire and emergency medical response—having recently obtained the State’s paramedic response certifications.

**Police** - The Police are responsible for preventing, investigating and enforcing crimes in the City, including traffic laws. The Police also manage dispatching, evidentiary record-keeping, and crossing guard efforts. The Code Enforcement and Animal Control departments are overseen by police officers who enforce violations associated with inoperable vehicles, trash on lots, high grass and weeds, pest infestation, and destructive animals.

**Did You Know?**

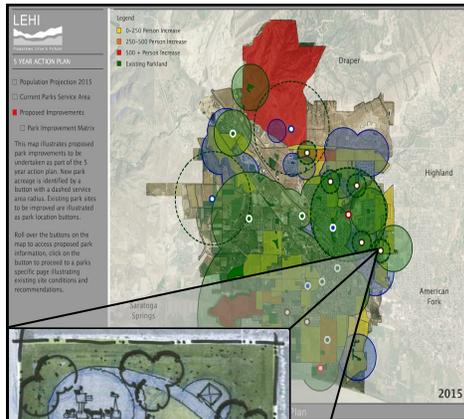
The tremendous growth that Lehi is experiencing has resulted in a significant amount of new infrastructure. Over the past five years, the Power Department has increased the amount of overhead distribution lines by 42% and the amount of underground distribution lines by 38%. The City is working hard to make sure Lehi keeps growing!

### PUBLIC WORKS

In general terms, the departments that deal directly with servicing the City’s infrastructure and public facility needs are categorized as Public Works. Lehi City provides a wide array of those types of services, with the following departments: Cemetery,

Culinary Water, Parks, Power, Pressurized Irrigation, Sewer, Storm Drain, and Streets. Also related to this category are two departments that cover maintenance for the City’s buildings and the City’s fleet. Waste disposal and recycling is provided through a service contract.

**Parks & Cemetery** - The upkeep of parks includes supervising large park improvements, performing small park improvements, summer upkeep on grass, trees and play equipment, and



snow removal of walkways in the winter.

Under the supervision of the Parks Manager, the Cemetery Department is responsible for grounds upkeep, grave digging, and gravesite maintenance.

**Power** - The Power Department oversees the construction and maintenance of the City’s power lines, substations, and street lights—all while simultaneously promoting energy conservation.

## Services Continued

**Streets** - The Streets Department maintains everything related to the City’s streets, including signs, striping, sidewalks, curbs, gutters, surface drainage facilities, and snow removal.

**Water & Wastewater Systems** - The Culinary and Pressurized Irrigation departments are responsible for the safe supply of water at adequate pressure, both for inside and outside uses. As such, they oversee the construction and maintenance of distribution lines, wells, and storage tanks—in addition to promoting water conservation. The Sewer Department maintains the sewage collection system, while treatment is handled by the Timpanogos Special Service District (TSSD). The Storm Drain Department oversees the construction and maintenance of storm water conveyance and detention facilities in the City.

### LEISURE SERVICES

The Library, Literacy Center, Museum, Legacy Center, Outdoor Pool, and Senior Citizen Center departments—as leisure services—provide educational, recreational, and social activities for all ages.

**Did You Know?**

As a result of the recent economic downturn, Lehi’s residents have come to a greater awareness of the value provided by the City’s leisure services. As evidence of this fact, the library has seen a 12% increase in the number of items checked out since FY 2010 and the Legacy Center has seen an increase of over 25,500 in total admittances since FY 2010.

### ADMINISTRATIVE

The departments that primarily provide administrative support and oversight of all City services include Administration, Emergency Management, Finance and HR, IT, Legal, Risk Management, and Utility Billing.

**Did You Know?**

Lehi City recognizes the importance of making Lehi one of the best places to do business in the country. In addition to attracting two Fortune 50 companies to expand to Lehi over the past three years, the number of non-home occupied businesses in the City has increased by 21% since FY 2010.

### COMMUNITY DEVELOPMENT

The Building and Safety, Economic Development, Engineering, and Planning and Zoning departments provide guidance related to the environmental, economic, and community development and sustainability of the City. Perhaps not as readily evident by the title, the Building and Safety Department specifically performs inspections of new construction in the City to ensure compliance with the International Building Code.

### NON-DEPARTMENTAL

All expenses for activities that are not specifically related to a department fall into the Non-Departmental category. Expenses include money set aside for contingencies, “rainy days,” and inter-governmental agreements.

## Capital Assets and Debt Administration

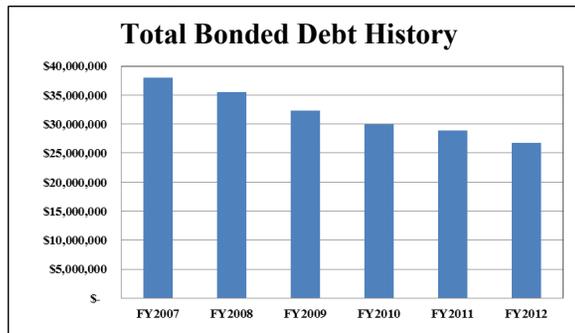
As you might expect, the continued maintenance and development of the City’s utility infrastructure and transportation systems remains a high priority. As such, the City’s investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$420, 254,628 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements that include infrastructure and distribution systems, machinery and equipment, vehicles, and office furniture and equipment.

### MAJOR CAPITAL ASSET ACTIVITY

- ◆ In governmental activities, the largest increase to capital assets was related to the Main Street Renovation which is recorded as part of work in process at June 30, 2012. Total costs incurred in 2012 on that project were \$3,958,877. In addition, there were several pool and recreation facility improvements made totaling approximately \$658,000. Also, a salt storage facility was constructed for approximately \$327,000.
- ◆ Additions to infrastructure in the Water fund included approximately \$992,000 for construction of a water tank.
- ◆ Additions to infrastructure in the Electric fund included approximately \$1,039,000 for the construction of a feeder line for a new community development project approved during the year.

### DEBT ADMINISTRATION

Since 1998, the City has used bonds for the acquisition of two substations, water storage facilities, and drainage facilities. The City has also used bonds to improve roads, expand the library, and incentivize economic development.



Since FY 2011, the City decreased its total outstanding debt by \$3,997,790; however, since FY 2007, the City has decreased its total *bonded* debt by over \$9.9 million. Directly attributable to this steady decrease, the City currently has a AA– bond rating from Standard and Poor’s for revenue bonds.

## Budget Process & Timeline

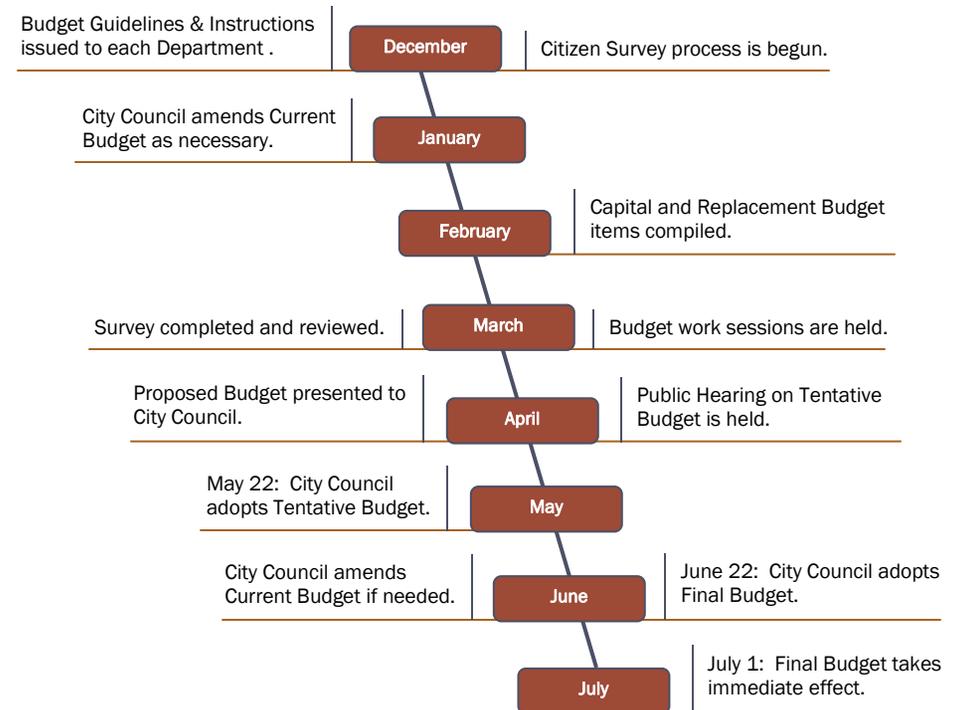
### BUDGET PROCESS

Lehi City’s budget is an ongoing process combining citizen input, Council desires and direction, and staff recommendations to meet community needs. Lehi citizens have many opportunities to participate in the budget process. A Citizen Survey is conducted regularly to measure performance, effectiveness, and citizen satisfaction with services. It also serves as a valuable tool for the City in making policy decisions.

Additionally, citizens are encouraged to attend public meetings, including the Public Hearings on the annual budget each spring. These are outstanding opportunities to discuss services, projects and other issues with Council face-to-face. This dialogue often serves as the basis for Council-staff discussions during the budget planning process and can pave the way toward enhancing a current service or funding a new project.

Individuals and organizations who would like more information on the budget process or a copy of the budget document are encouraged to contact the Finance Department at (801) 768-7100.

### BUDGET TIMELINE



## Supplementary Tables

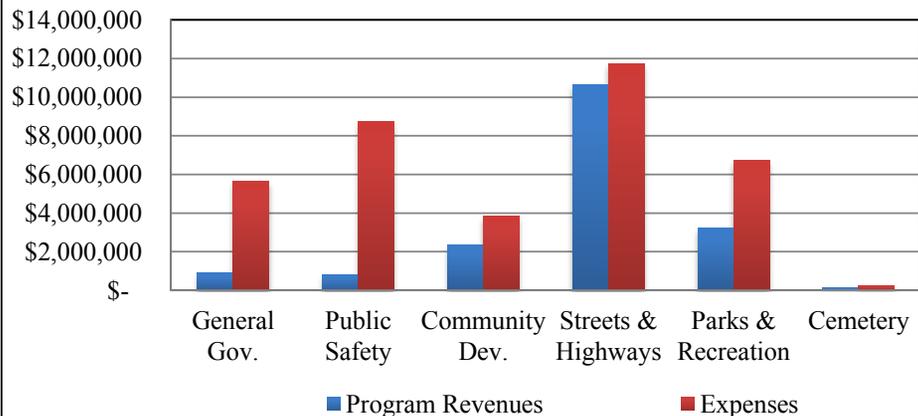
### CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 86,287,917	\$ 84,199,738	\$ 2,336,469	\$ 2,336,469	\$ 88,624,386	\$ 86,536,207
Intangibles	-	-	35,290,142	35,290,142	35,290,142	35,290,142
Construction in progress	8,109,505	5,117,812	601,649	2,968,632	8,711,154	8,086,444
Buildings and structures	14,705,744	14,925,211	1,911,166	2,000,050	16,616,910	16,925,261
Improvements, including infrastructure	118,594,341	121,060,290	146,909,300	140,129,595	265,503,641	261,189,885
Machinery, equipment, and vehicles	4,076,926	4,124,844	1,174,087	1,229,166	5,251,013	5,354,010
Office furniture and equipment	227,604	249,779	29,778	35,242	257,382	285,021
<b>Total</b>	<b>\$232,002,037</b>	<b>\$229,677,674</b>	<b>\$188,252,591</b>	<b>\$ 183,989,296</b>	<b>\$420,254,628</b>	<b>\$413,666,970</b>

### OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital lease obligations	\$ 81,888	\$ 160,014	\$ -	\$ -	\$ 81,888	\$ 160,014
Excise tax bonds	855,000	1,125,000	-	-	855,000	1,125,000
Tax increment note payable to develop	68,779,604	70,449,547	-	-	68,779,604	70,449,547
Other notes payable	-	-	1,672,366	1,683,586	1,672,366	1,683,586
Revenue bonds	15,830,000	16,670,000	10,056,492	11,138,919	25,886,492	27,808,919
Other liabilities	2,281,933	2,326,959	766,873	767,921	3,048,806	3,094,880
<b>Total</b>	<b>\$ 87,828,425</b>	<b>\$ 90,731,520</b>	<b>\$ 12,495,731</b>	<b>\$ 13,590,426</b>	<b>\$100,324,156</b>	<b>\$104,321,946</b>

### Expenses and Program Revenues - Governmental Activities



## Glossary of Key Terms

**Business-Type Activities**—Activities funded in whole or in part by fees charged for goods or services usually reported in enterprise/business-type funds.

**Fund Balance**—The accrual in excess of a fund’s assets over its liabilities.

**General Revenues**—Revenues that are not matched to specific program expenses are required to be reported as general revenues.

**Governmental Activities**—Activities generally funded through taxes and inter-governmental revenues; usually reported in governmental funds and internal service funds.

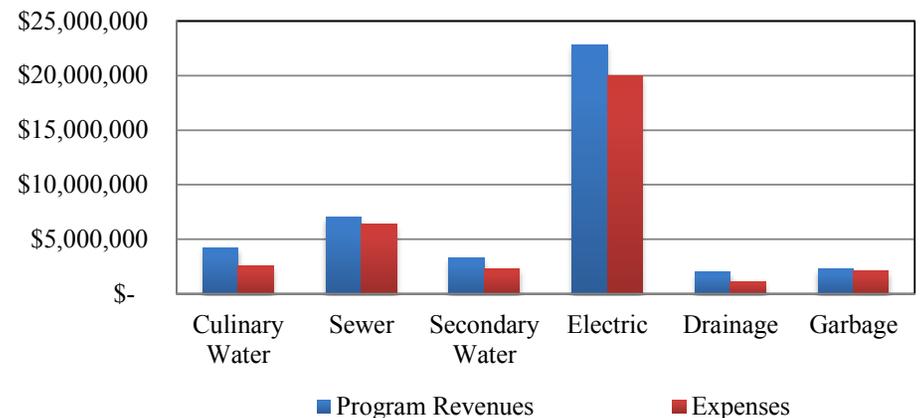
**Governmental Funds**—Account for most governmental functions and include: the General Fund, Special Revenue Funds, Capital Project Funds, and Redevelopment Agency Funds. See the Fund Structure chart on page 6 for details.

**Net Assets Invested in Capital Assets, Net of Related Debt**—The difference between assets and liabilities (*net assets*) that have been used to purchase land, water rights, buildings, infrastructure, office furniture, equipment, etc. (*capital assets*); that is reduced by the outstanding balances of any bonds, notes, or other borrowings (*net of related debt*).

**Program Revenues**—Revenues that derive directly from the program itself and may include parties outside the city's taxpayers or citizenry.

**Restricted Net Assets**—Net assets should be restricted when constraints are placed on net asset use, either: 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. (In turn, *unrestricted net assets* would include net assets not restricted in either of these two ways.)

### Expenses and Program Revenues - Business-type Activities



## Lehi City

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# LEHI



PIONEERING UTAH'S FUTURE

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