



Popular Annual Financial Report

A Summary Financial Report

For the Fiscal Year Ended June 30, 2013
Lehi City Corporation | State of Utah

Purpose Statement

The Popular Annual Financial Report (PAFR) is designed to provide residents and other interested parties with a simple and concise overview of Lehi City's independently-audited Comprehensive Annual Financial Report (CAFR). This report only contains a brief summary of the City's governmental and business-type activities for the fiscal year (FY) ended June 30, 2013.

In accordance with state law, the CAFR is published within six months of the close of the fiscal year. The CAFR presents a complete set of financial statements in conformity with generally accepted accounting principles (GAAP) and is 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, 2012. 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.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Lehi City has received a Popular Award for the last two consecutive years (fiscal years ended 2011-2012). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

For complete, more detailed financial information, individuals may obtain a copy of the CAFR online at www.lehi-ut.gov/government/administration/financialdocuments or by contacting the Finance Department at (801) 768-7100.

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Business Plan

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

Encourage Economic Development

Implement the General Plan • Update the Economic Strategic Plan

- Create standardized & competitive development fees & incentive structure
- Create a marketing & branding strategy plan & 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 & reliable infrastructure
- Update & implement Parks & Recreation Master Plan
- Continue to provide excellent public safety services

Promote Community Involvement

Focus on communication & transparency through community relations, social media, etc. • Hold awesome & diverse public events • Provide meaningful service opportunities & celebrate volunteer efforts

- Encourage a sense of ownership in community gathering places
- Inspire pride in neighborhoods, businesses, & other private properties

Maintain a Sustainable Budget

Ensure the responsible use of resources • Continue to encourage varied revenue streams • Enhance capital facility & replacement planning

- Encourage a highly-motivated & well-trained municipal workforce

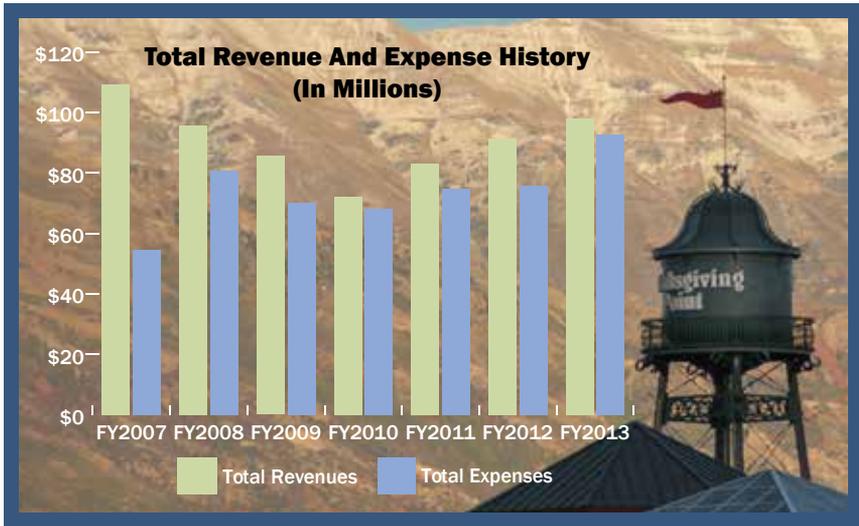
Ensure Proactive Regional Leadership

Encourage membership & leadership in professional organizations

- Maintain involvement in state & federal government affairs
- Encourage & facilitate regional transportation solutions
- Promote intergovernmental relations

Executive Summary

Lehi City's revenue increased for the third consecutive year during FY 2013 as the City continued to recover from the effects of the economic downturn. Although revenue has not yet reached the level it was in 2007, the City continues to experience economic growth while providing quality services. Lehi City remains committed to building a strong financial foundation by spending less than it receives.



Lehi continues to grow residentially and commercially. Recent growth includes the completion of the Frontrunner commuter rail, the addition of an upscale factory outlet mall, and the opening of major high-tech companies like Adobe. A number of commercial and retail centers like Xactware (a commercial software developer) and Blender Bottle (a manufacturer and retailer) are scheduled to open in 2014. This new development will bring additional tax revenue to fund the increased demand for city services and creates a positive outlook for Lehi's future.

Lehi is focused on meeting tomorrow's needs with long-term capital improvement planning and conservative financial decisions. We appreciate the efforts of our dedicated workforce and our motivated residents that help make Lehi a premier community along the Wasatch Front.

Staff & Elected Officials

Lehi operates under the six-member council form of government. The Mayor and five City Council members are each elected at large to serve four-year, staggered terms. The Mayor acts as the chief administrative officer of the City. The City Council is responsible for policy-making decisions while City Administration is responsible for the daily operation of city services.

City Council

Mayor



Bert Wilson
Term ends: 2017



Chris Condie
Term ends: 2017



Paul Hancock
Term ends: 2017



Mark I. Johnson
Term ends: 2015



Michael Southwick
Term ends: 2015



Johnny Revill
Term ends: 2015

City Administration

City Administrator: Derek Todd

Assistant City Administrator: Brenn Bybee

Dev. Services: Doug Meldrum
Engineering: Lorin Powell
Finance: Dave Sanderson
Fire: Chief Dale Ekins
Justice Court: Doug Nielsen

Legal Services: Ryan Wood
Planning: Kim Struthers
Police: Chief Chad Smith
Power: Joel Eves
Public Works: Todd Munger

About Lehi City

51,173

Lehi City Population

23.9

Median Age

\$70,383

Median Household Income

4.9%

County Unemployment Rate

13,064

Total Housing Units

3.81

Average Household Size

36.6%

Residents over 25 with a Bachelor's Degree or higher.

95.3%

Residents over 25 with a Bachelor's Degree or higher.

2010 Census, 2012 American Community Survey

Lehi was incorporated in 1852 and is Utah's sixth oldest city. The Overland Stagecoach Route, the Pony Express Trail, and the Transcontinental Telegraph all passed through or near Lehi during the peak of their use.

As the gateway to Utah County, the City is surrounded by Utah Lake and the Oquirrh and Wasatch Mountain ranges. Residents and visitors have easy access to hiking, camping, fishing, mountain biking, and a variety of other outdoor activities.

The City is also quickly becoming a premier technological center along the Wasatch Front. Large companies like Adobe, Microsoft, Xactware, and IM Flash have recently relocated or expanded to Lehi. In fact, Forbes Magazine recently recognized the area as the best mid-sized area for jobs (2013). Indeed, Lehi City is pioneering Utah's future.

Top Ten Employers

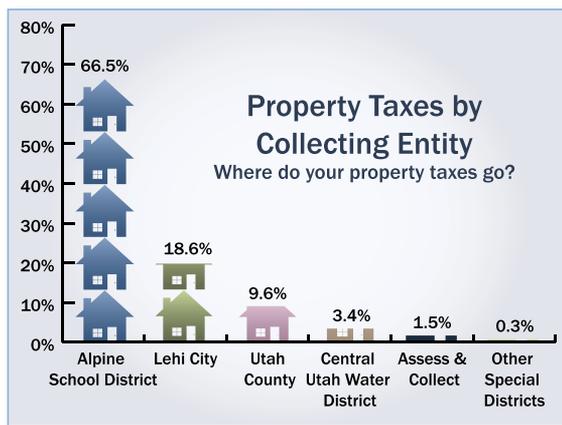
| | | |
|-----|--------------------|-------|
| 1. | I.M. Flash | 2,476 |
| 2. | Xango | 630 |
| 3. | Cabela's | 425 |
| 4. | Thanksgiving Point | 420 |
| 5. | Hadco | 235 |
| 6. | Jack B. Parson Co. | 215 |
| 7. | Costco | 211 |
| 8. | Smith's | 165 |
| 9. | Young Living | 123 |
| 10. | Lowes | 120 |

How is the City Funded?

Lehi City is funded through several different sources. Each of the main funding sources is described on the following two pages.

Property Tax

Utah County assesses the taxable value of property and collects all property taxes. Property taxes paid by Lehi residents are divided among a number of tax-collecting entities, including: Alpine School District, Lehi City, Utah County, Central Utah Water Conservation District, Timpanogos Special Service District, and the Lehi Metropolitan Water District. The table below shows the percentage of property tax that each entity receives.



Primary residences are taxed at 55% of the assessed value while secondary residences are taxed at 100% of the assessed value. Lehi City Corporation's 2013 certified tax rate is 0.2432%. The City receives \$0.24 per \$100 collected. The FY 2013 and FY 2014 budgets were both adopted without a property tax increase.

Fees

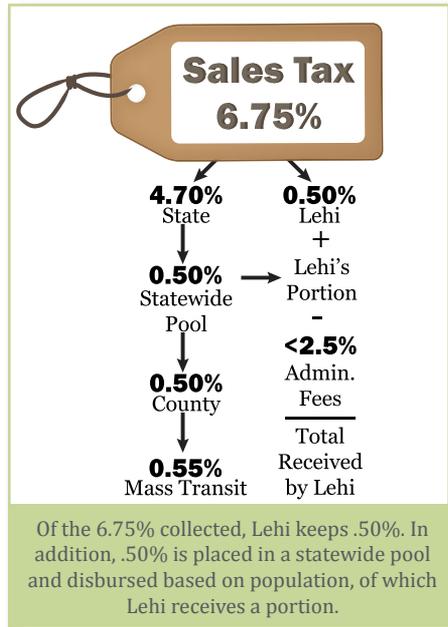
Lehi City assesses fees for various services including business licenses, recreation, planning, building, power, and water. These fees are levied in order to respond to changes in demand for the services. All municipal fees are reviewed annually, ensuring that charges for services are based upon

costs associated with providing a particular service and current market conditions.

Sales Tax

The total sales tax is made up of several rates levied by the State, County, and City. The illustration to the right shows how sales tax revenue is divided among the various entities.

Of the taxes collected, 0.50% is placed in a statewide pool and divided among cities based on population. Of the 6.75% tax on general purchases, the City levies about 1% (\$0.10 per \$100 spent by consumers).

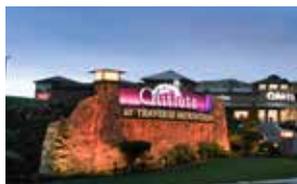


Grants

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 16 of this document.



How are Funds Used?

Generally speaking, Lehi City uses tax dollars and fee revenue in two ways: (1) provide municipal services and (2) fund capital projects.

Municipal Services

Lehi City offers a variety of services to residents and visitors. These services generally fit into one of six categories described below:

| | | |
|------------------------------|--|--|
| Public Safety | Provides high-quality services to protect life, property, and the environment. | Police, Animal Control, Fire, Emergency Medical Services, Justice Court, Neighborhood Preservation. |
| Public Works | Provides services for the City's infrastructure and facilities. | Parks, Cemetery, Culinary Water, Pressurized Irrigation, Power, Sewer, Storm Drain, and Streets. |
| Leisure Services | Provides educational, recreational, and social services. | Library, Literacy Center, Museum, Legacy Center, Outdoor Pool, Senior Center. |
| Administrative | Provides administrative support and oversight to all city services. | Administration, Emergency Management, Finance, Human Resources, IT, Legal, Risk Management, Utility Billing. |
| Community Development | Provides services for environmental, economic, and community development. | Building and Safety, Economic Development, Engineering, Planning and Zoning. |
| Non-Departmental | Expenses for activities that are not specifically related to a department. | Money set aside for contingencies, "rainy days," and inter-governmental agreements. |



General Highlights

Governmental Funds

\$16,636,072 47%↑

Total Debt

\$110,382,945 10%↑

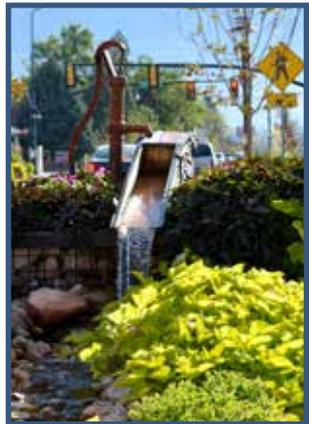
Net Assets

\$354,116,029 3%↑

Although debt increased, revenue also increased in 2013 for a net increase over 2012.

Capital Projects

The second way the City spends revenue includes the purchasing, construction, and/or maintenance of roads, public buildings, and infrastructure. The Mayor and City Council direct staff on which services to provide and to what level. The Mayor and staff then submit a budget to the City Council for approval.



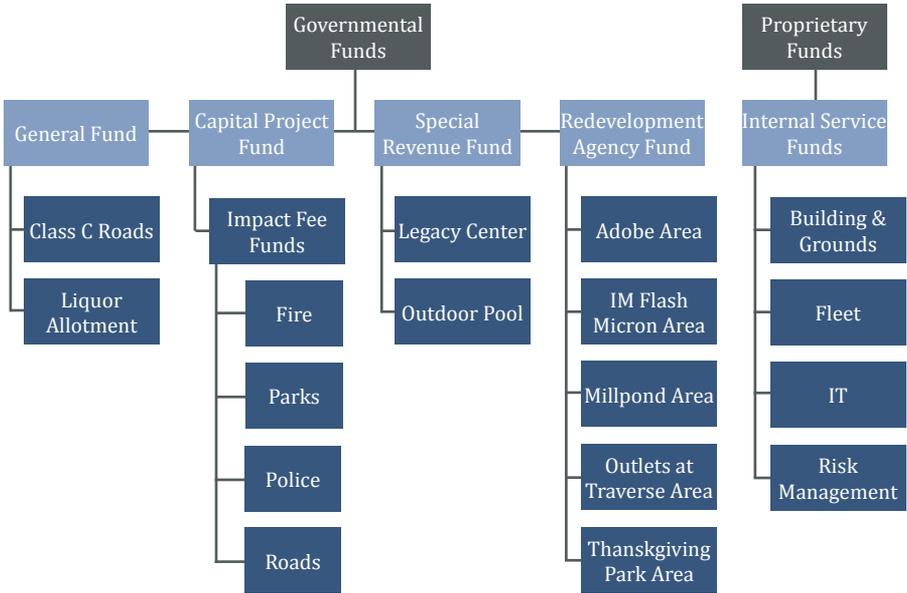
Fund Structure

Lehi City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds are divided into two categories: (1) Governmental Funds and (2) Proprietary Funds. Governmental funds include governmental activities and Proprietary funds include business-type activities (enterprise funds) and internal revenue funds.

The next sections will summarize financial data for governmental activities and business-type activities. Other fund information can be found in the FY 2013 CAFR online at

www.lehi-ut.gov/government/administration/financialdocuments.

Governmental Activities



Governmental activities include most governmental functions in the City. These are accounted for under the four main Governmental Funds and the four Internal Service Funds shown in the chart above.

Financial Highlights

Impact Fee Revenue

\$4,727,508 **74%↑**

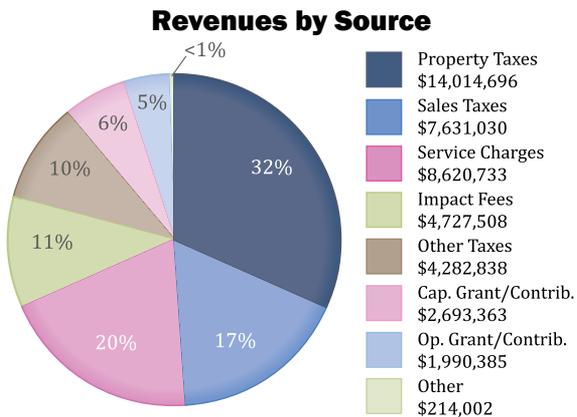
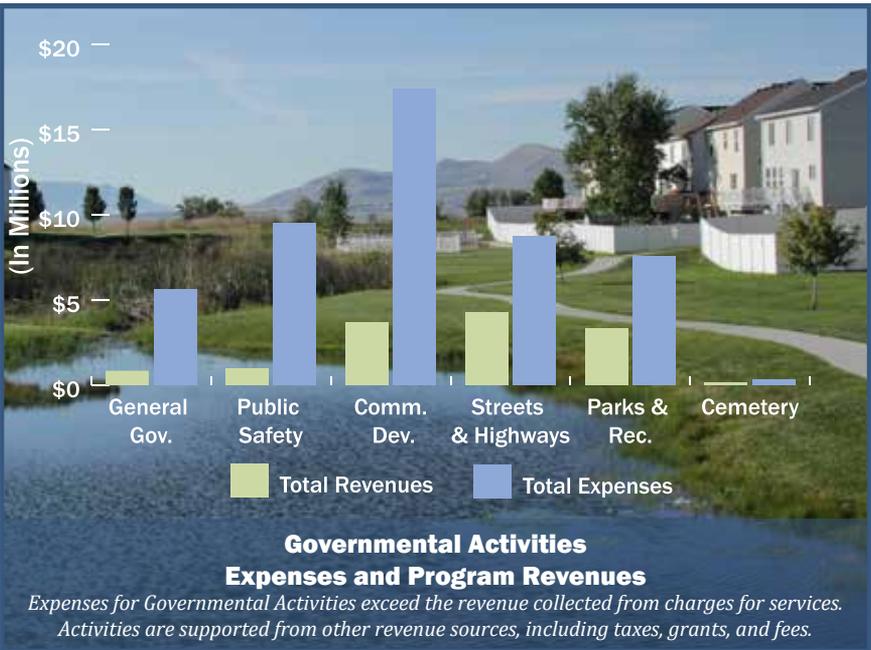
Grants/Contributions

\$2,693,363 **-74%↓**

Expenses

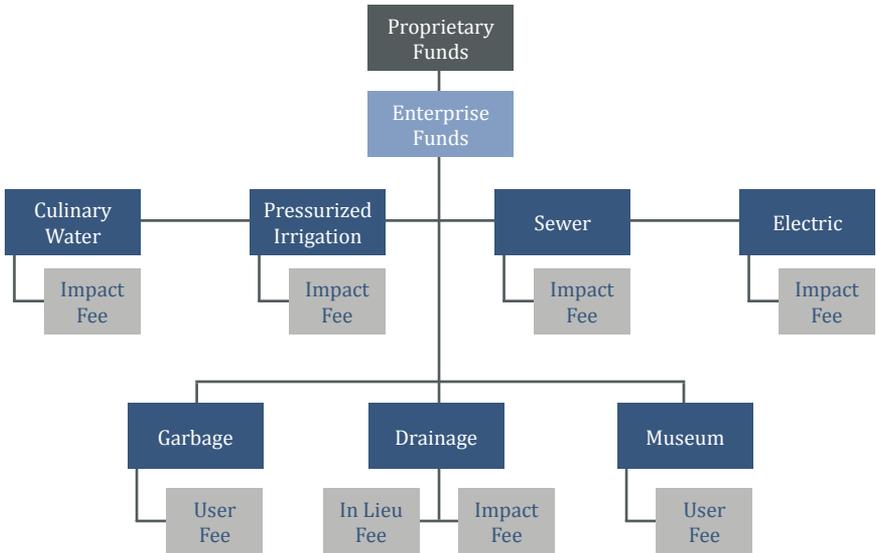
\$53,607,745 **29%↑**

During FY 2013 governmental activities decreased the City's net position by \$8,068,945 (net of a prior period adjustment that increased net position by \$903,325) compared to an increase in net position in 2012 of \$5,358,658.



Increases in expenses for government activities closely followed the growth in demand for services. The largest increase was due to community development expenses for the Traverse Mountain economic development project. These expenses were offset by a decrease in streets and highways expenses for a net increase of \$12,166,615 (29 percent).

Business-Type Activities



Business-type activities are accounted for under the Enterprise Funds described in the fund structure above. These are activities that are funded in whole or in part by fees charged for goods or services received. Enterprise funds are used to account for culinary water, sewer, pressurized irrigation, electric, drainage, garbage, and museum operations.

Financial Highlights

Charges for Services

\$39,518,055 **10%↑**

Grants/Contributions

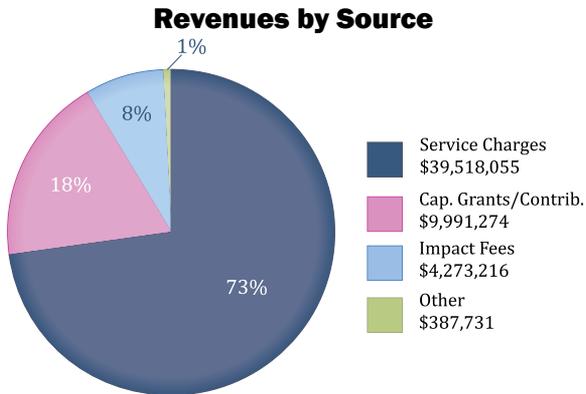
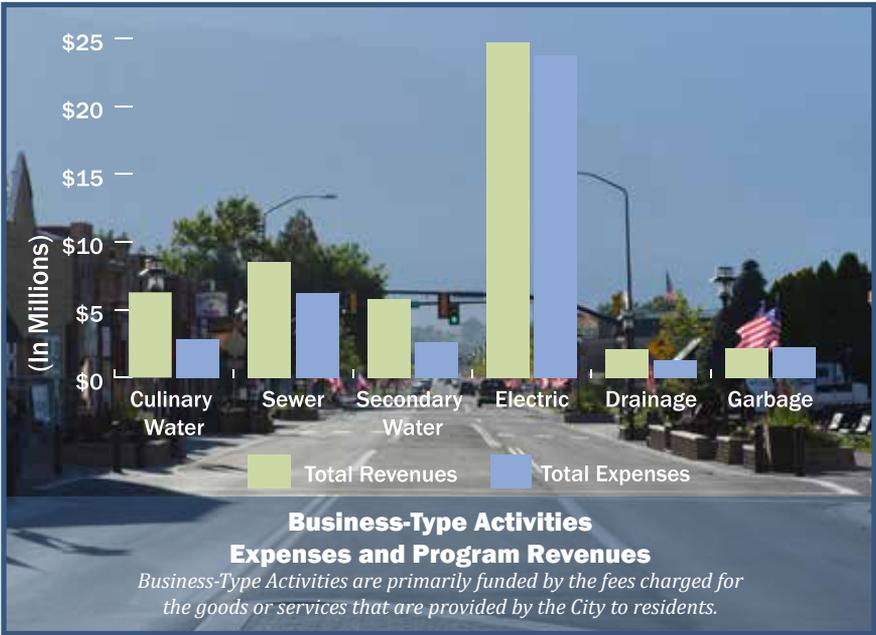
\$9,991,274 **77%↑**

Impact Fees

\$4,273,216 **37%↑**

Expenses

\$38,991,151 **13%↑**



At the end of FY 2013, all of the City’s major business-type activities reported a positive net position. Most of these activities had an increase in monthly service fees to adequately fund operating expenses. Additionally, contributions and impact fees increased largely due to new development and developer contributions. Expenses increased by \$4,554,365 (13 percent) due to increased system maintenance and power purchase costs.

Capital Assets and Debt

Capital Assets

Maintenance and development of the City's utility infrastructure and transportation systems continues to be a high priority. As of June 30, 2013, the City's investment in capital assets (including for governmental and business-type activities) totals \$425,672,994 (net of accumulated depreciation). This investment includes land, buildings, improvements (infrastructure and distribution systems), machinery, equipment, vehicles, and office furniture and equipment.

Major capital asset activity during FY 2013 includes:

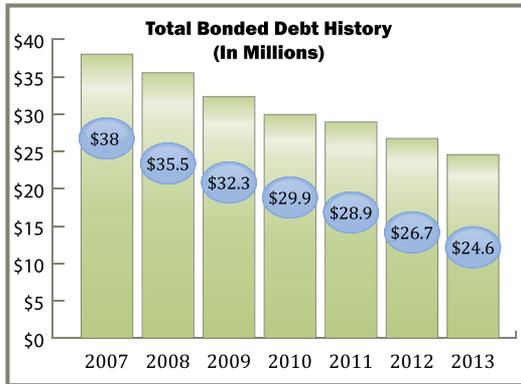
- **Main Street Renovation:** This project began in the prior year and was completed during FY 2013. Costs incurred in 2013 were \$1,755,930, for a total project cost of \$5,778,443.
- **Water/Pressurized Irrigation:** Funds recorded approximately \$5,000,000 in water shares dedicated to the City pursuant to an agreement with a developer in an economic development project.
- **Infrastructure, Land, and Water Rights:** The estimated fair value of the infrastructure, land, and water rights donated to the City by developers was \$2,670,867 (governmental activities) and \$9,991,274 (business-type activities).

Capital Assets (Governmental and Business-Like Activities Combined)

| | 2012 | 2013 | % Change |
|-------------------------------------|-----------------------|----------------------|-------------|
| Land | \$88,624,386 | \$89,680,274 | 1.2% |
| Intangibles | 35,290,142 | 40,287,658 | 14.2% |
| Construction in Progress | 8,711,154 | 6,398,184 | -26.6% |
| Buildings & Structures | 16,616,910 | 15,857,713 | -4.6% |
| Improvements (incl. Infrastructure) | 265,503,641 | 268,031,271 | 1.0% |
| Machinery, Equipment, Vehicles | 5,251,013 | 5,211,053 | -0.8% |
| Office Furniture & Equipment | 257,382 | 206,841 | -19.6% |
| Total | \$ 420,254,628 | \$425,672,994 | 1.3% |

Debt

Since 1998, the City has used bonds for the acquisition of two substations, water storage facilities, and drainage facilities. The City has also bonded to improve roads, expand the library, and incentivize economic development. In FY 2013 Lehi City increased its total debt by \$10,058,789; however, the City decreased the total bonded debt by \$2,244,061. The City issued notes payable to developers in two economic development project areas, which accounted for the increase in total debt.



The City currently holds an AA- bond rating from Standard and Poor's for revenue bonds, which indicates that Lehi has a very strong capacity to meet financial commitments.

Outstanding Debt (Governmental and Business-Like Activities Combined)

| | 2012 | 2013 | % Change |
|---|----------------------|----------------------|--------------|
| Capital Lease Obligations | \$81,888 | \$ - | -100% |
| Excise Tax Bonds | 575,000 | - | -100% |
| Tax Increment Note (Payable to Developer) | 68,779,604 | 80,926,594 | 17.7% |
| Other notes Payable | 1,672,366 | 1,636,904 | -2.1% |
| Revenue Bonds | 26,166,492 | 24,579,319 | -6.1% |
| Other Liabilities | 3,048,806 | 3,240,128 | 6.3% |
| Total | \$100,324,156 | \$110,382,945 | 10.0% |

Budget Process & Timeline

Lehi City adopts an annual budget following an ongoing process that combines citizen input, City Council direction, and staff recommendations to meet community needs.

Residents can provide input by participating in the Citizen Survey and attending public meetings and budget hearings. The Citizen Survey, measures resident satisfaction with administrative performance and the quality of city services. Public meetings are held regularly and provide residents the opportunity to discuss services and community issues with the City Council. Both forums are valuable tools in the budget-planning process and pave the way toward enhancing current services and projects.

Individuals who have questions about the budget process or would like a copy of the budget document should contact the Finance Department at (801) 768-7100.

December

Conduct Citizen Survey; Budget Guidelines & Instructions to Departments

February

Compile Capital & Replacement Budget Items

April

Present Proposed Budget to City Council; Hold Public Hearing on Tentative Budget

June

Amend Current Budget as Necessary; Adopt Final Budget

January

Amend Current Budget as Necessary

March

Review Citizen Survey; Hold Budget Work Sessions

May

Adopt Tentative Budget

July

Fiscal Year Begins; Final Budget Takes Immediate Effect

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 funds.

Capital Assets: The City's property, including land, water rights, buildings, infrastructure, office furniture, equipment, etc.

Capital Lease Obligations: The amount due for long-term asset lease agreements.

Excise Tax Bonds: Excise taxes are taxes collected on a specific purchase (e.g. gas, alcohol, and cigarettes and tobacco). An excise tax bond is supported by the revenue collected from excise taxes.

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.

Governmental Activities: Activities generally funded through taxes and intergovernmental revenues; usually reported in governmental funds and internal service funds.

Governmental Funds: Funds that account for most governmental functions. These include: the General Fund, Special Revenue funds, Capital Project Funds, and Redevelopment Agency Funds.

Net Assets/Net Position: The City's assets minus the City's liabilities.

Net of Accumulated Depreciation: The total investment in capital assets minus the accumulated depreciation of those assets.

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

Revenue Bond: A bond that is supported by the revenue from an income-producing project. Revenue may include an increase sales tax and charges for services due to the completion of the project.

Tax Increment Note: A payment due to a developer to subsidize the cost of economic development. The increase in tax revenue (tax increment) caused by the development is used to finance the debt.



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