



# Popular Annual Financial Report

A Summary Financial Report

**FISCAL YEAR ENDED JUNE 30, 2014**

**LEHI CITY CORPORATION | STATE OF UTAH**

# Purpose Statement

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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, 2014.

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 an Award for Outstanding Achievement in Popular Financial Reporting. In order to receive the award, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. This prestigious national award recognizes conformance with the highest standards for preparation of state and local government popular reports.

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 three consecutive years (fiscal years ended 2011-2013). 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-finance/documents](http://www.lehi-ut.gov/government/administration-finance/documents) or by contacting the Finance Department at (385) 201-1000.

# Table of Contents

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Lehi City Business Plan .....4  
Executive Summary .....5  
Staff and Elected Officials.....6  
About Lehi City.....7  
How is the City Funded? .....8  
How are Funds Used?.....10  
Governmental Activities Report .....12  
Business-Type Activities Report .....14  
Capital Assets and Debt .....16  
Budget Process and Timeline.....18  
Glossary of Key Terms .....19



# Business Plan

Lehi City operates under the City Business Plan, which is comprised of City Council and administration goals and strategies. The Business Plan is revised each year during the annual City Council retreat. City departments set goals and objectives each year to assist in achieving the goals set forth in the Business Plan.

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

## **Encourage Economic Development**

- Strategically plan for growth
- Retain & expand existing business
- Maintain fair & competitive development fees & incentives
- Create & implement a marketing & branding strategy plan

## **Provide Quality City Services**

- Maintain our valuable facilities
- Build a well-planned & reliable infrastructure
- Provide quality leisure services
- Update & implement Parks & Recreation Master Plan
- Provide excellent public safety services

## **Promote Community Involvement**

- Focus on communication & transparency
- Hold diverse public events
- Provide meaningful service opportunities & celebrate volunteer efforts
- Inspire pride & ownership in neighborhoods, businesses, & gathering places

## **Maintain a Sustainable Budget**

- Encourage varied revenue streams
- Ensure the responsible use of resources
- Enhance capital facility & replacement planning
- Encourage a highly-motivated & well-trained municipal workforce

## **Ensure Proactive Regional Leadership**

- Encourage membership & leadership in professional organizations
- Maintain relations & involvement in local, state, & federal government affairs
- Encourage & facilitate regional infrastructure solutions

# Executive Summary

Lehi City's revenue increased for the fourth consecutive year during FY 2014. 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. A secondary phase of the Adobe campus is in the planning stages. The second phase of the Outlets at Traverse Mountain, with more than 50 additional stores, is nearing completion. Small strip malls with a number of new fast food restaurants have opened in the Thanksgiving Park Area. A new hospital is also being constructed and a major developer is planning to add a large mall at the north end of the City. This new development brings additional tax revenue to fund the increased demand for city services.

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

# Staff & Elected Officials

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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 executive 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.

## MAYOR

**Bert Wilson**

(385)201-1000

[bwilson@lehi-ut.gov](mailto:bwilson@lehi-ut.gov)

## CITY COUNCIL

**Chris Condie**

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**Mike Southwick**

(801) 358-8360

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## CITY ADMINISTRATION

City Administrator: Derek Todd

Assistant City Administrator: Jason Walker



# About Lehi City

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.

**54,382**

Lehi City Population

**23.9**

Median Age

**\$71,652**

Median Household Income

**3.5%**

County Unemployment Rate

**13,064**

Total Housing Units

**3.91**

Average Household Size

**38%**

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

**95.1%**

Residents over 25 with a High School Diploma or higher.

Source: U.S. Census Bureau  
[www.quickfacts.census.gov](http://www.quickfacts.census.gov)

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, biking, and a variety of other outdoor activities.

Lehi is recognized for being a great place to live and work by both families and businesses. In 2014, Lehi was named the fifth-fastest growing city in America. (U.S. Census Bureau).

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.

## Top Ten Employers

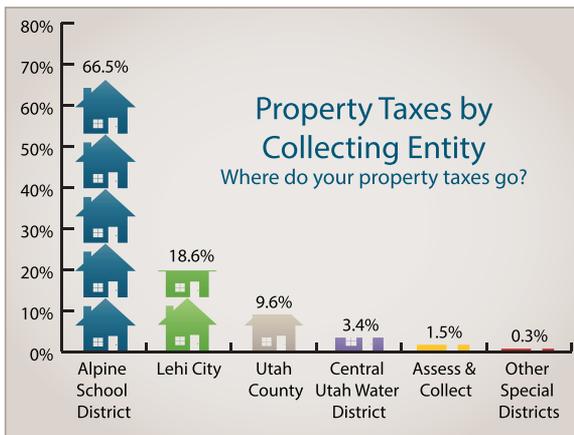
|     |                    |       |
|-----|--------------------|-------|
| 1.  | IM Flash           | 1,700 |
| 2.  | Adobe              | 900   |
| 3.  | Xactware           | 650   |
| 4.  | Xango              | 630   |
| 5.  | Cabela's           | 425   |
| 6.  | Thanksgiving Point | 420   |
| 7.  | Hadco              | 235   |
| 8.  | Jack B Parson Co.  | 215   |
| 9.  | Costco             | 211   |
| 10. | Smith's            | 165   |

# 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 their assessed value. Other property is taxed at 100% of the assessed value. Lehi's 2014 certified tax rate is 0.2432%. The City receives \$0.24 per \$100 taxed. The FY 2013-2015 budgets were all adopted without a property tax increase.

## Fees

Fees are assessed for various services including business licenses, recreation, building, power, and water. All municipal fees are reviewed annually, ensuring that charges for services are based upon costs associated with providing that 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.

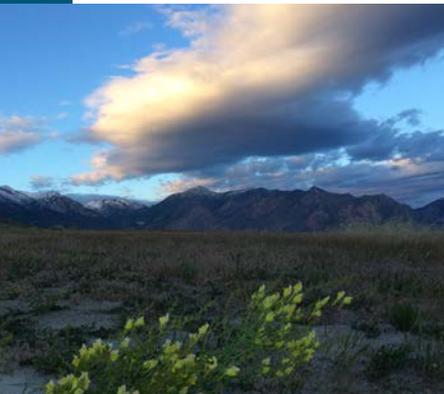
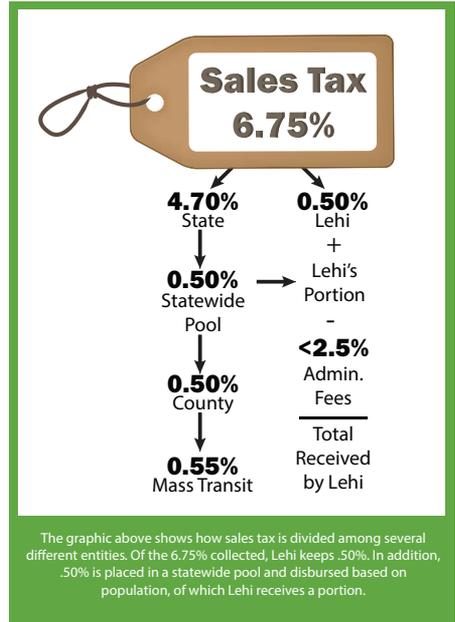
Of the 6.75% tax on general purchases, the City levies in total about 1% (\$1.00 per \$100 spent by consumers).

## 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:

|                              |  |  |
|------------------------------|--|--|
| <b>Public Safety</b>         | Provides high-quality services to protect life, property, and the environment. | Police, Animal Control, Fire, Emergency Medical Services, Justice Court, Neighborhood Preservation.          |
| <b>Public Works</b>          | Provides services for the City's infrastructure and facilities.                | Parks, Cemetery, Culinary Water, Pressurized Irrigation, Power, Sewer, Storm Drain, and Streets.             |
| <b>Leisure Services</b>      | Provides educational, recreational, and social services.                       | Library, Literacy Center, Museum, Legacy Center, Outdoor Pool, Senior Center.                                |
| <b>Administrative</b>        | Provides administrative support and oversight to all city services.            | Administration, Emergency Management, Finance, Human Resources, IT, Legal, Risk Management, Utility Billing. |
| <b>Community Development</b> | Provides services for environmental, economic, and community development.      | Building and Safety, Economic Development, Engineering, Planning and Zoning.                                 |
| <b>Non-Departmental</b>      | 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

\$19,253,203 16% ↑

### Total Debt

\$122,426,366 11% ↑

### Net Position

\$367,088,632 4% ↑

Although debt increased in 2014, Lehi City saw a net increase over 2013 as assets exceeded liabilities.

## 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.

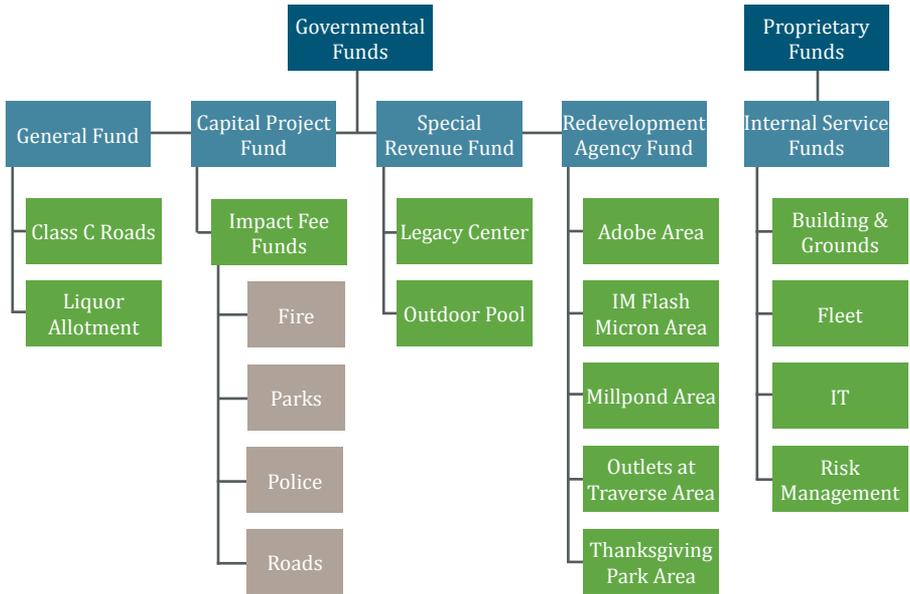


## Fund Structure

Lehi City uses fund accounting to ensure 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. 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 2014 CAFR online at <http://www.lehi-ut.gov/government/administration-finance/documents/>.

# Governmental Activities



Governmental activities 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

\$4,899,084 **4% ↑**

### Grants/Contributions

\$1,652,937 **-39% ↓**

### Expenses

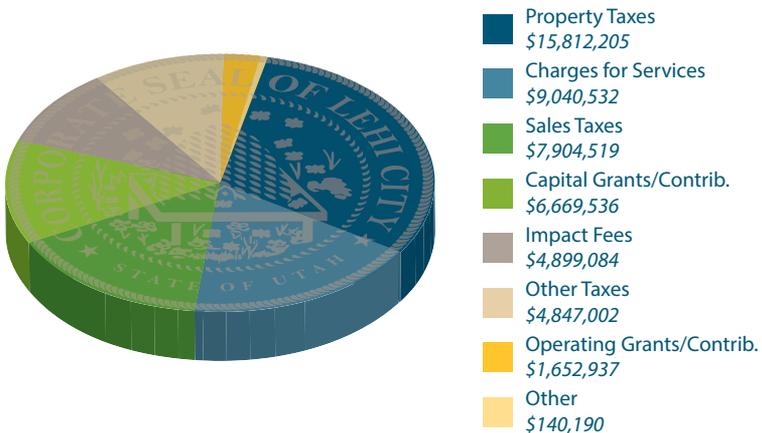
\$60,290,494 **12% ↑**

During FY 2014 governmental activities decreased the City's net position by \$8,160,882 (net of a prior period adjustment that increased net position by \$432,687) compared to an increase in net position in 2013 of \$8,068,945.

Increases in expenses for government activities followed the growth in demand for services. The largest increase was due to community development expenses for the Alpine Highway West Economic Development Project. Overall the net increase was \$6,682,749 (13%).

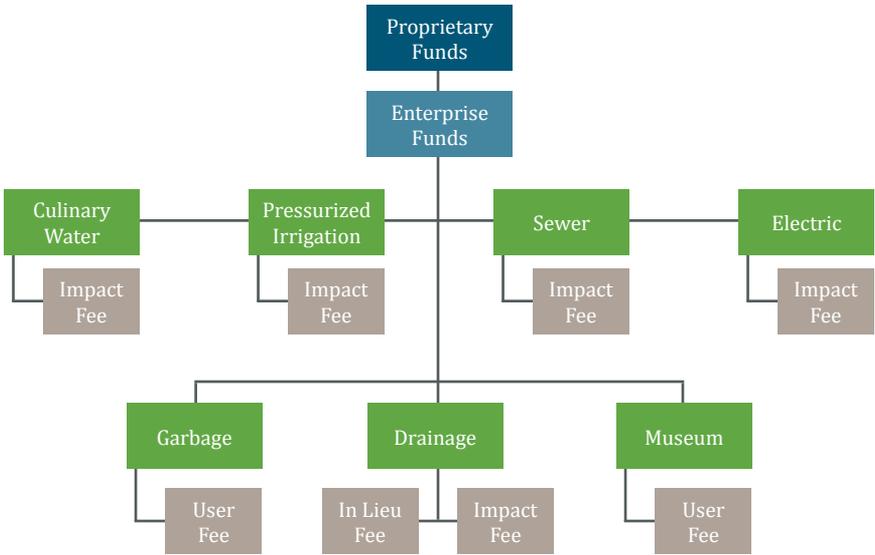


### Revenues by Source



The largest revenue increase came from capital grants related to infrastructure installed by developers. Overall the net increase was \$7,061,450 (16%).

# 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

\$40,971,107 4% ↑

### Grants/Contributions

\$13,031,629 30% ↑

### Impact Fees

\$7,617,749 78% ↑

### Expenses

\$40,462,810 4% ↑



### Revenues by Source



- Charges for Services  
\$40,971,107
- Capital Grants/Contrib.  
\$13,031,629
- Impact Fees  
\$7,617,749
- Other  
\$706,730

At the end of FY 2014, all of the City’s major business-type activities reported a positive net position. Most of these activities had an increase in charges for services as a result of growth. Fees were not increased during 2014. Contributions and impact fees increased largely due to new development and developer contributions. Expenses increased by \$1,471,659 (4%) primarily 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, 2014, the City's investment in capital assets (including for governmental and business-type activities) totals \$444,984,088. This investment in capital assets includes land, buildings, improvements (including infrastructure and distribution systems), machinery and equipment, vehicles, and office furniture and equipment.

Major capital asset activity during FY 2014 includes:

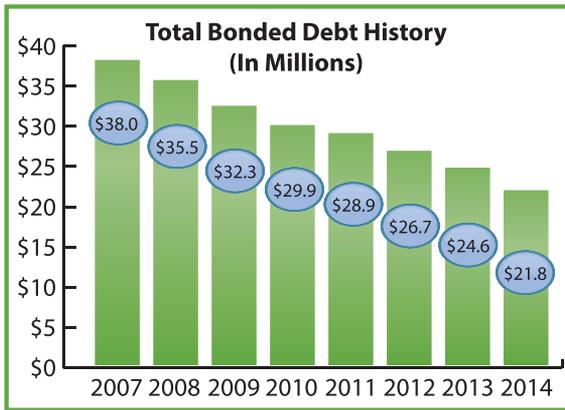
- **Outdoor Pool Building Remodel:** This project was completed during FY 2014. Total project costs were \$1,106,252.
- **Sandpit Reservoir Construction:** The largest capital asset increase to the PI fund (other than donated infrastructure) was due to the construction of the Sandpit Reservoir. Total costs incurred on that project through June 30, 2014 were \$1,481,713.
- **Infrastructure, Land, Water Rights, and Water Shares:** The estimated fair value of the infrastructure, land, and water rights donated to the City by developers was \$6,669,536 (governmental) and \$13,031,629 (business-type). The contribution of water shares increased business-type activities by \$2,691,600.

### Capital Assets (Governmental and Business-Like Activities Combined)

|                                     | 2013                 | 2014                 | % Change    |
|-------------------------------------|----------------------|----------------------|-------------|
| Land                                | \$89,680,274         | \$93,060,616         | 3.8%        |
| Intangibles                         | 40,287,658           | 42,979,258           | 6.7         |
| Construction in Progress            | 6,398,184            | 8,838,343            | 38.1        |
| Buildings & Structures              | 15,857,713           | 16,419,640           | 3.5         |
| Improvements (incl. Infrastructure) | 268,031,271          | 277,345,572          | 3.5         |
| Machinery, Equipment, Vehicles      | 5,211,053            | 6,072,014            | 16.5        |
| Office Furniture & Equipment        | 206,841              | 268,645              | 29.9        |
| <b>Total</b>                        | <b>\$425,672,994</b> | <b>\$444,984,088</b> | <b>4.5%</b> |

## 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 2014 Lehi City increased its total debt by \$12,043,421; however, the City decreased its total bonded debt by \$2,648,819. The City issued notes payable to developers in two economic development project areas, which accounted for the increase in total debt. The City also paid off the 2003 Water Refunding bonds ahead of the required debt service schedule.



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

### Outstanding Debt (Governmental and Business-Like Activities Combined)

|  | 2013                 | 2014                 | % Change     |
|--|----------------------|----------------------|--------------|
| <b>Tax Increment Note (Payable to Developer)</b> | \$80,926,594         | \$95,772,209         | 18.3%        |
| <b>Other notes Payable</b>                       | 1,782,404            | 1,600,010            | -2.3         |
| <b>Revenue Bonds</b>                             | 24,433,819           | 21,785,000           | -11.4        |
| <b>Other Liabilities</b>                         | 3,240,128            | 3,269,147            | 0.9%         |
| <b>Total</b>                                     | <b>\$110,382,945</b> | <b>\$122,426,366</b> | <b>10.9%</b> |

# 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.

## December

Budget Guidelines & Instructions to Departments

Contact the Finance Department at (385) 201-1000 with questions or for a copy of the budget.

## February

Compile Budget Requests from Departments

## April

Finance Dept. Drafts Tentative Budget

## January

Amend Current Budget as Necessary

## June

Amend Current Budget as Necessary; Adopt Final Budget

## March

Budget Team Meets with Departments to Review & Prioritize Budget Requests

## May

Adopt Tentative Budget; City Council Holds Public Work Session to Review & Amend Tentative Budget

## July

Fiscal Year Begins; Final Budget Takes Immediate Effect

# Glossary of Key Terms

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- Business-Type Activities:** Activities funded in whole or 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:** 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 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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