



PA FR

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017 | LEHI CITY CORPORATION, STATE OF UTAH

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ELECTED POSITIONS

Mayor Bert Wilson

City Council:.....Chris Condie

.....Mike Southwick

.....Johnny Revill

.....Paige Albrecht

..... Paul Hancock

FINANCE AND ADMINISTRATION

City Administrator..... Jason Walker

Assistant City AdministratorRobert Ranc

Finance DirectorDave Sanderson

Assistant Finance Director..... Karma Bentson

TreasurerAlyson Alger

ABOUT THIS REPORT

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, 2016.

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 five consecutive years (fiscal years ended 2011-2015). 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/departments/finance or by contacting the Finance Department at (385) 201-1000.

PHOTOGRAPHY

Lehi City resident photographers participated in the 2017 Lehi Photo Contest and submitted pictures highlighting life, landmarks, and landscapes throughout our community. We are pleased to present some of those photos throughout this report.

INDEPENDENT AUDIT OPINION

Each year the CAFR is audited by an independent certified public accounting firm. This firm conducts an audit “in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standard, issued by the Comptroller General of the United States.” The audit doesn’t express an opinion on the effectiveness of the city’s internal control of the budget, but rather expresses whether or not the preparation and presentation of financial statements is fair.

The FY 2017 audit was performed by Osborne, Robbins & Buhler, P.L.L.C. In their opinion, “the financial statements referred to [in the CAFR] present fairly, in all material respects,

the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lehi City Corporation...” The auditor also stated that the changes in financial position, cash flows, and budgetary comparison for the General Fund and the Redevelopment Agency are also fairly represented.

The complete opinion of the auditor is available on pg. 15-16 of the CAFR, which can be found at www.lehi-ut.gov/departments/finance.



MANAGEMENT OVERVIEW

NET POSITION

The Net Position of the city is defined as the difference between the city’s assets and liabilities. Assets include land, water rights, buildings, infrastructure, office furniture, equipments, etc. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial state of the city is improving or deteriorating.

At the close of the most recent fiscal year, the assets of the city exceeded liabilities by \$468,227,786. This is an increase of \$54,275,587 over the previous year.

	2017	2016
GOV. ACTIVITIES	\$169,997,769	\$145,775,925
BUSINESS ACTIVITIES	\$298,230,017	\$268,176,274
TOTAL	\$468,227,786	\$413,952,199

The largest portion of the city’s net position reflects its investment in capital assets (e.g. land, intangible assets, buildings, equipment). Approximately \$21 million of the increase in net position is attributed to capital grants and contributions, including infrastructure.

OVERVIEW OF FINANCIAL STATEMENTS

The city’s basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The government-wide financial statements provide a broad overview of the city’s finances, in a manner similar to a private-sector business. These statements distinguish between functions that are principally supported by taxes and intergovernmental revenue (governmental activities) and those that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities).

This report will focus on providing a summary of the government-wide analysis, governmental activities, and business-type activities. Information on the fund financial statements and notes to the financial statements may be found in the CAFR.

GOVERNMENTAL ACTIVITIES	
General Government	Streets and Highways
Public Safety	Parks and Recreation
Community Development	Cemetery

BUSINESS-TYPE ACTIVITIES	
Culinary Water	Electric
Sewer	Drainage
Pressurized Irrigation	Garbage

LEHI CITY

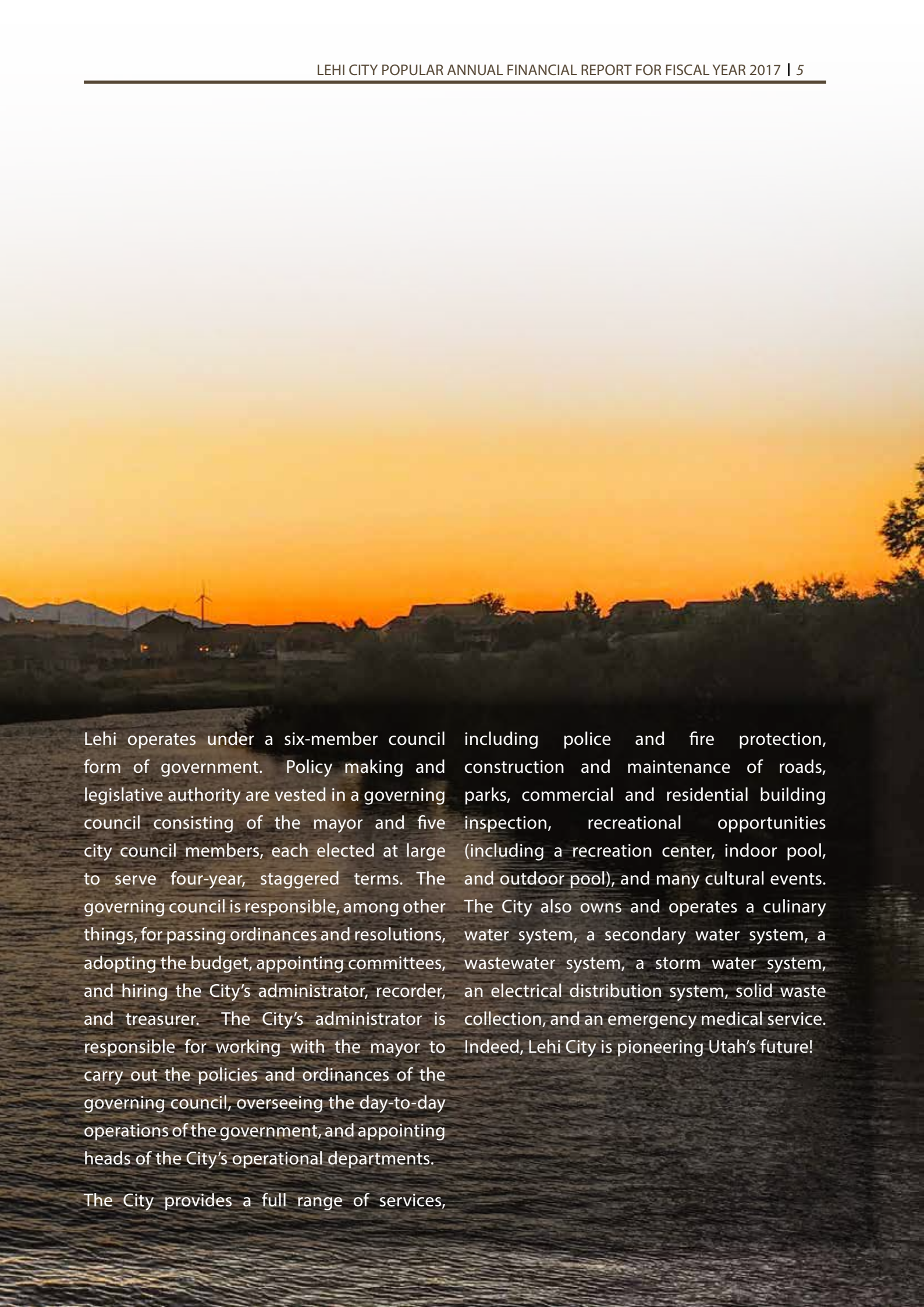
Pioneering Utah's Future

As Utah's sixth oldest city, Lehi is rich in pioneer and old west history. Originally settled by Mormon pioneers, Lehi has been known as Sulphur Springs, Snow's Springs, Dry Creek, and Evansville. It was incorporated as Lehi City in 1852. The Overland Stagecoach Route, the Pony Express Trail, and the Transcontinental Telegraph all passed through or near Lehi during the peak of their use.

Today, according to the U.S. Census Bureau, Lehi is the 11th fastest growing city in the country. The City has more than doubled in size since 2000, with population estimates approaching 62,000 residents. Lehi is quickly becoming a premier technology and commercial center along the Wasatch Front. Several landmark companies call Lehi home, including Adobe,

I.M. Flash, Xactware, Microsoft, Vivint, and Xango. Lehi is also home to a wide variety of retail stores and restaurants. Thanksgiving Point, a unique destination offering museums, botanical gardens, shopping, restaurants, and other entertainment options highlights all that Lehi has to offer.

Lehi is a beautiful place to live and work. Utah Lake is located just to the south, with the picturesque Jordan River running through the City. Lehi is surrounded by the Wasatch Mountains on the East and the White Mountains and Oquirrh Mountains on the West. Lehi's beautiful natural surroundings provide easy access to hiking, mountain biking, fishing, camping, skiing, hunting, and many other outdoor activities.



Lehi operates under a six-member council form of government. Policy making and legislative authority are vested in a governing council consisting of the mayor and five city council members, each elected at large to serve four-year, staggered terms. The governing council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring the City's administrator, recorder, and treasurer. The City's administrator is responsible for working with the mayor to carry out the policies and ordinances of the governing council, overseeing the day-to-day operations of the government, and appointing heads of the City's operational departments.

The City provides a full range of services,

including police and fire protection, construction and maintenance of roads, parks, commercial and residential building inspection, recreational opportunities (including a recreation center, indoor pool, and outdoor pool), and many cultural events. The City also owns and operates a culinary water system, a secondary water system, a wastewater system, a storm water system, an electrical distribution system, solid waste collection, and an emergency medical service. Indeed, Lehi City is pioneering Utah's future!

LEHI | *by the Numbers*



61,130

Population

(2016 Census Estimate)

28.2

Square Miles

23.9

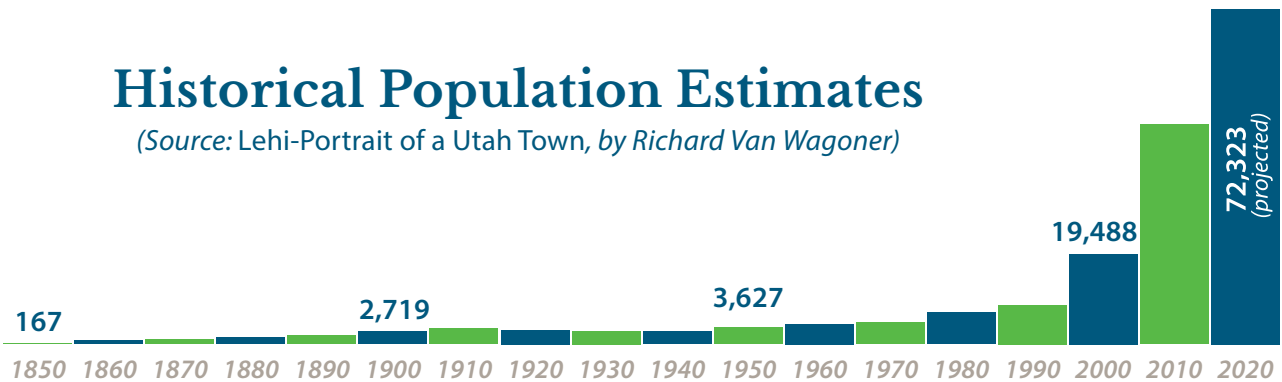
Median Age

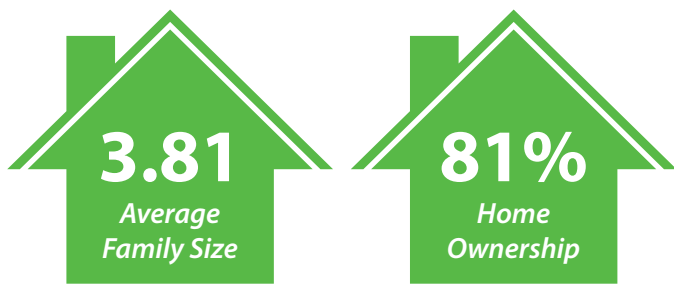
14,219

Housing Units

Historical Population Estimates

(Source: Lehi-Portrait of a Utah Town, by Richard Van Wagoner)





\$77,622
Median Income



222 acres
Developed Parks

131 acres
Undeveloped Parks



512
Lane Miles

4

State Roads

*(Timpanogos Highway, 2100 North,
State Street, Pioneer Crossing)*

Principle Employers

1. IM Flash
2. Adobe
3. Xactware
4. Xango
5. Thanksgiving Point
6. Cabela's
7. Iasis Healthcare
8. Hadco
9. Jack B Parson Co.
10. Costco

REVENUE AND TAXATION

Government-wide activities are funded through two general types of revenue: (1) program revenues and (2) general revenues.

PROGRAM REVENUES

Program revenues include charges for services, grants, and contributions. These are typically restricted to a specific program and service.

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.

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.

GENERAL REVENUES

General revenues are revenues that are collected from the general public, including property taxes, sales and other taxes, and impact fees.

PROPERTY TAX

Utah County assesses the taxable value of property and collects all property taxes. Primary residences are taxed at 55% of their assessed value. Other property is taxed at 100% of the assessed value.

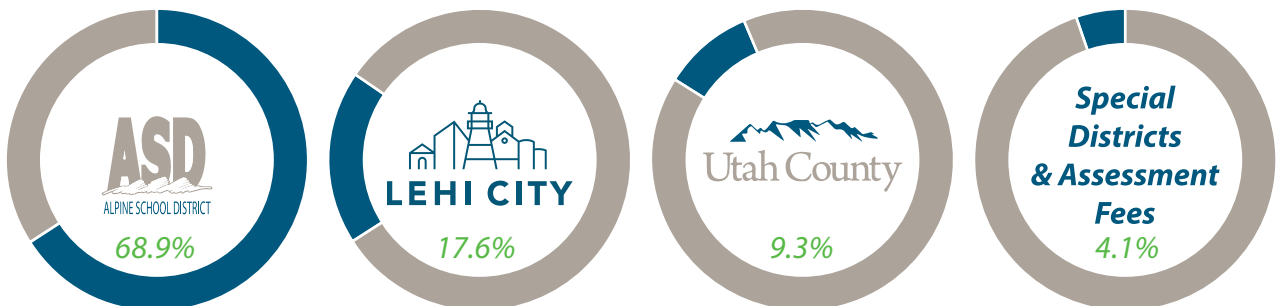
Property taxes paid by Lehi residents are divided among a number of tax-collecting entities, including: Alpine School District, Lehi City, Utah County, Central Utah Water Conservation District, Timpanogos Special Service District, and the Lehi Metropolitan Water District.

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 in total about 1% (\$1.00 per \$100 spent by consumers).

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 13 of this document.



PROPERTY TAX DISTRIBUTION

Property tax is distributed to various taxing entities. The largest portion of the tax (about 69%) goes to Alpine School District. Lehi's portion is about 18% of the taxable value, or about \$300 on the average first home valued at \$297,700.

MUNICIPAL SERVICES

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: public safety, public works, leisure services, administrative services, community development, and non-departmental. The table below further explains these categories.

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 2017 CAFR online at www.lehi-ut.gov/departments/finance.

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 Services	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.

GOVERNMENTAL ACTIVITIES

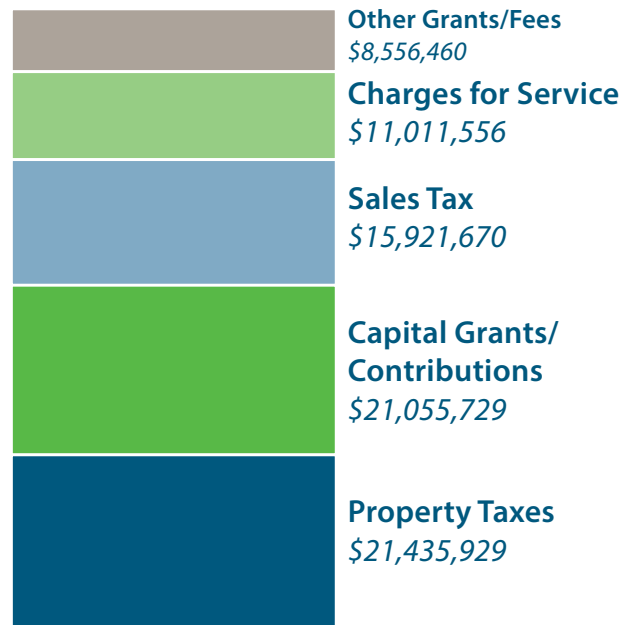
Governmental activities are accounted for under four main governmental funds (general fund, capital projects fund, special revenue fund, and redevelopment agency fund) and internal service funds for buildings and grounds, information technology, fleet, and risk management.

During FY 2017 governmental activities increased the city's net position by \$24.2 million. Capital grants and contributions were higher than FY 2016 by approximately \$7.2 million. The City also recognized over \$20 million in capital grant revenues related to infrastructure installed by developers and another \$840,000 in federal grants for infrastructure improvements.

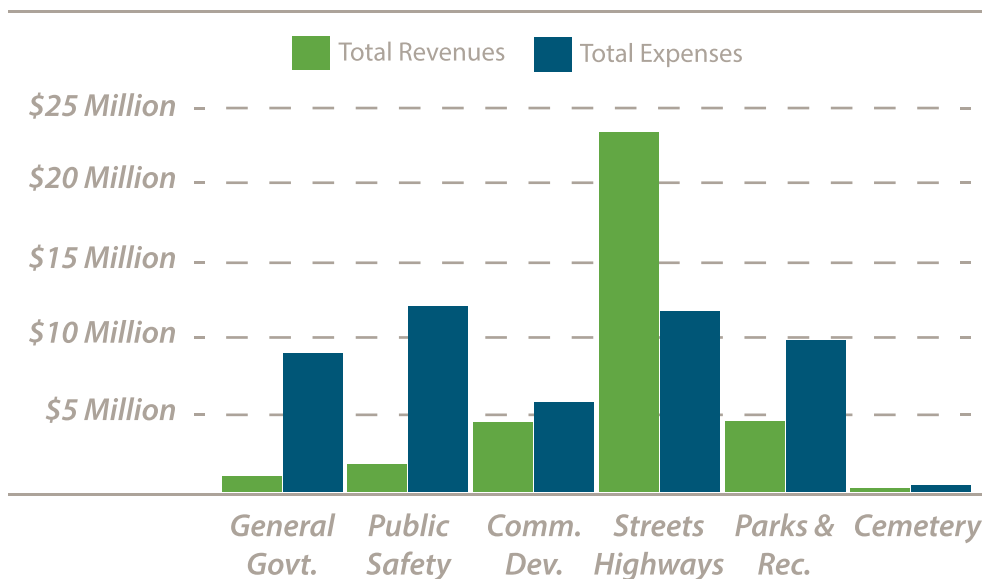
Expenses increased by approximately \$5.9 million. The additional expenses were largely related to both increased salaries and benefits in the general government and development expenses for various projects.

Total Revenues	\$77,981,344	↑ 21%
Grants/Contributions	\$21,055,729	↑ 52%
Total Expenditures	\$53,759,500	↑ 12%
Increase in Net Position	\$24,221,844	↑ 17%

REVENUES BY SOURCE



Governmental Activities
Expenses and Program Revenues



The chart above shows a comparison of revenue and expenditures by functions of the general government. The large amount of revenue for Streets and Highways is due to an increase in capital grants and contributions for projects.

BUSINESS-TYPE ACTIVITIES

During FY 2017 business-type activities increased the cities net position by approximately \$30 million. At the end of the fiscal year all of the city’s major business-type activities reported a positive net position, meaning that assets exceed liabilities.

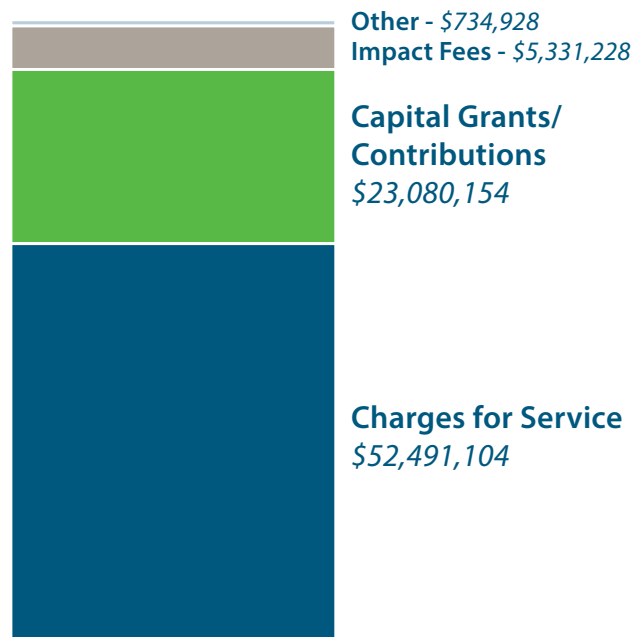
Despite not raising the overall utility cost to residents, revenue collected from charges for services increased by 9.8 percent. This is due to the increase in the number of customers served. Water fees were increased in FY 2017 while sewer rates were reduced.

Capital grants and contributions added \$23.1 million to the net position of the city. This is due to high levels of development. Overall capital grants and contributions are indicative of consistent growth levels year to year.

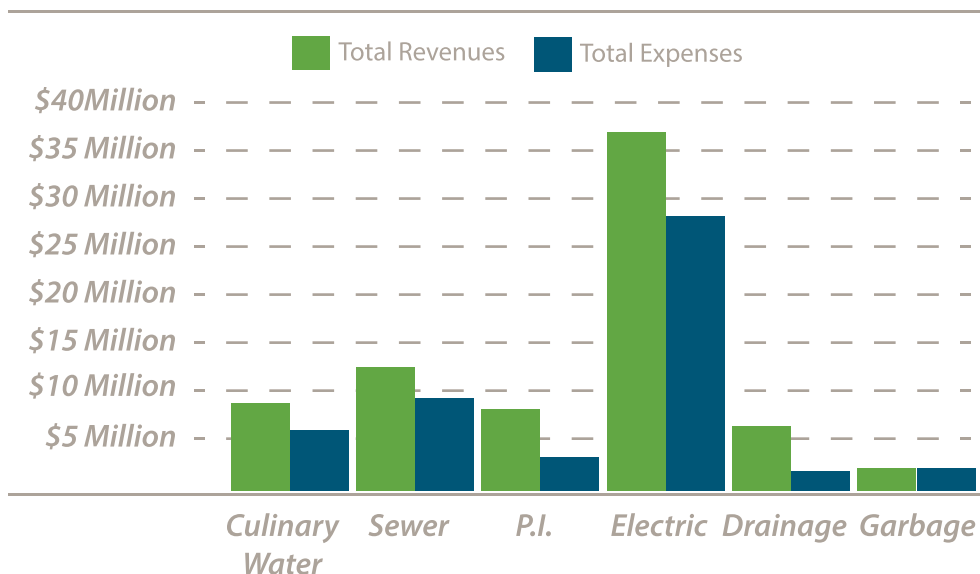
Because the city is growing, the cost of providing services is increasing. Business-like expenses increased by \$5.8 million in FY2017. This is primarily due to sytem maintenance and power purchase costs.

ACTIVITIES AT A GLANCE		
Total Revenues	\$81,637,414	↑ 23%
Grants/Contributions	\$23,080,154	↑ 80%
Total Expenditures	\$51,583,671	↑ 13%
Increase in Net Position	\$30,053,743	↑ 11%

REVENUES BY SOURCE



Business-Type Activities Expenses and Program Revenues



The continual growth of the city means that the cost to provide services has increased. However, those costs are offset by new revenue generated from serving more customers.

CAPITAL ASSETS AND DEBT

CAPITAL ASSETS

During FY 2017 the city continued to make investment in the development and maintenance of infrastructure a top priority. The total investment in capital assets, as of June 30, 2017, amounts to \$560,717,263 (net of accumulated depreciation). This investment includes land, buildings, improvements (including infrastructure and distribution systems), machinery and equipment, vehicles, and office furniture and equipment.

Major capital asset activity during FY 2017 included the following:

PARKS AND TRAILS: The city spent about \$4.2 million to purchase land for additional parks and more than \$4.2 million for park improvements, including an \$840,000 federal grant for trail improvements.

DEVELOPER CONTRIBUTIONS: Developers donated about \$43.2 million in infrastructure, land, and water rights to the city for governmental and business-type activities.

WATER ASSETS: The water department completed the construction of the Mitchel Hollow Well for a total project cost of \$3.3 million. Intangible assets in the pressurized irrigation fund, mainly due to the contribution of water shares from developers, increased by \$1.8 million.

ELECTRIC ASSETS: The power department completed the construction of the Spring Creek Substation for a total cost of \$2.1 million. Construction on the West Side Substation is in process with a costs incurred through June 30, 2017 of \$4.4 million.

Capital Assets (Governmental and Business-Like Activities Combined)			
	2016	2017	% Change
Land	\$107,249,132	\$130,866,613	22%
Intangibles	45,057,226	46,892,858	4%
Construction in Progress	16,663,258	15,638,070	-6%
Buildings & Structures	16,013,234	15,921,861	-0.6%
Improvements (incl. Infrastructure)	308,336,598	341,772,710	7.7
Machinery, Equipment, Vehicles	7,814,823	9,488,427	11%
Office Furniture & Equipment	136,123	136,724	0.4%
Total	\$501,270,394	\$560,717,263	5.3%

DEBT

Since 1998, the City has used bonds for the acquisition of substations, water storage facilities, and drainage facilities. The City has also bonded to improve roads, expand the library, and incentivize economic development. In FY 2017 Lehi City had a total bonded debt outstanding of \$16.95 million, decreasing the total long-term debt by \$654,134.

Major long-term debt activity during FY 2017 included the following:

NOTES PAYABLE: The city issues notes payable in connection with land purchases totaling \$3.2 million and one note payable to a developer for \$1 million.

PENSION LIABILITY: The city reported a net pension liability totaling \$8.4 million. Net pension is the difference between the projected benefit payments to employees based on past service and the assets (mostly investments) set aside to pay current employees, retirees, and beneficiaries.

There were no new bonds issued during 2017. The city also has no general obligation debt.



City Administrator Jason Walker and Power Director Joel Eves discuss the construction of the new power facility and generation plant.

Outstanding Debt (Governmental and Business-Like Activities Combined)			
	2016	2017	% Change
Tax Increment Note (Payable to Developer)	\$107,521,217	\$103,077,627	-4.1%
Other notes Payable	1,521,786	5,571,730	266.1%
Revenue Bonds	18,540,000	16,950,000	-8.6%
Other Liabilities	10,188,380	11,517,892	13.1%
Total	\$137,771,383	\$137,117,249	-0.5%

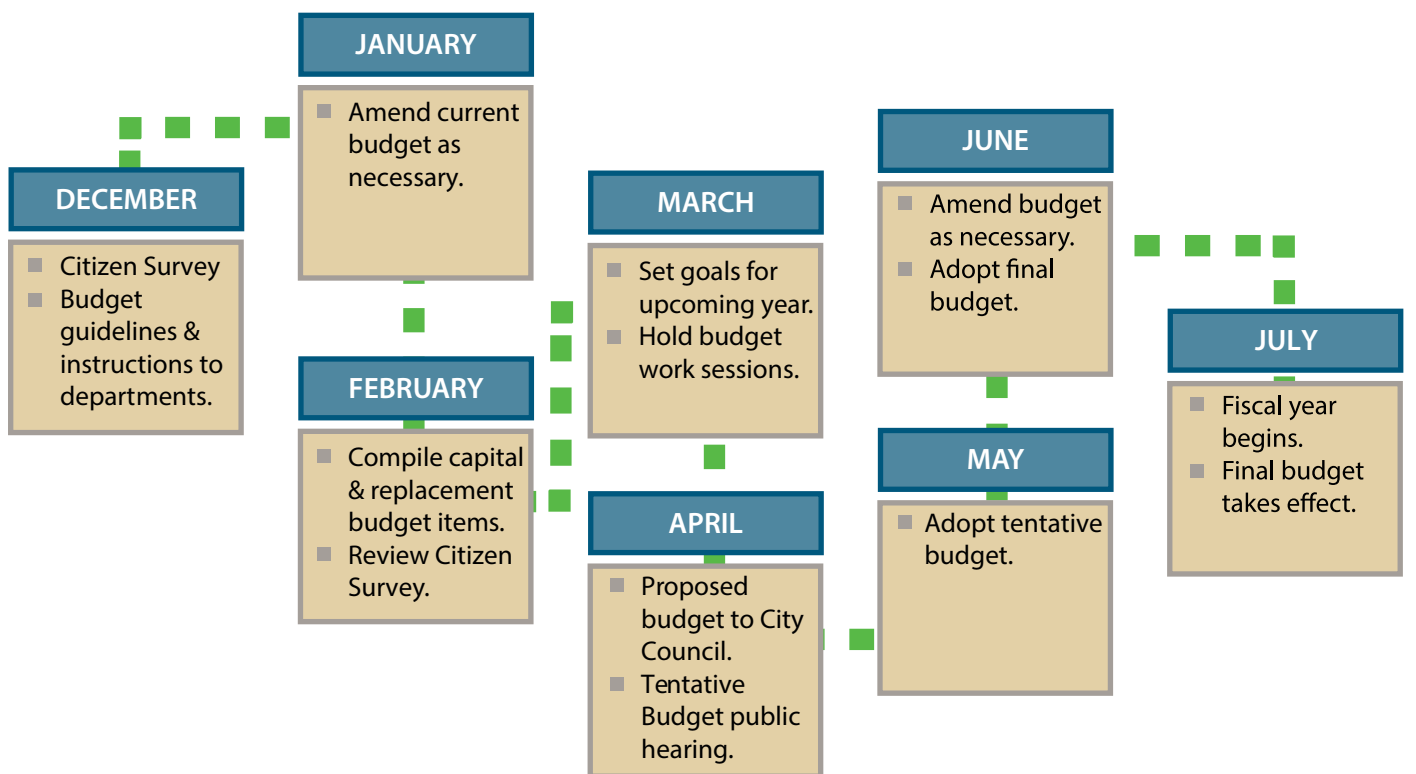
BUDGET TIMELINE

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.

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





GLOSSARY

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.

GRANT: A financial award given by the federal or state government to an eligible grantee. Government grants are not expected to be repaid by the recipient.

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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