



Popular Annual Financial Report

A Summary Financial Report

FISCAL YEAR ENDED JUNE 30, 2016

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, 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.

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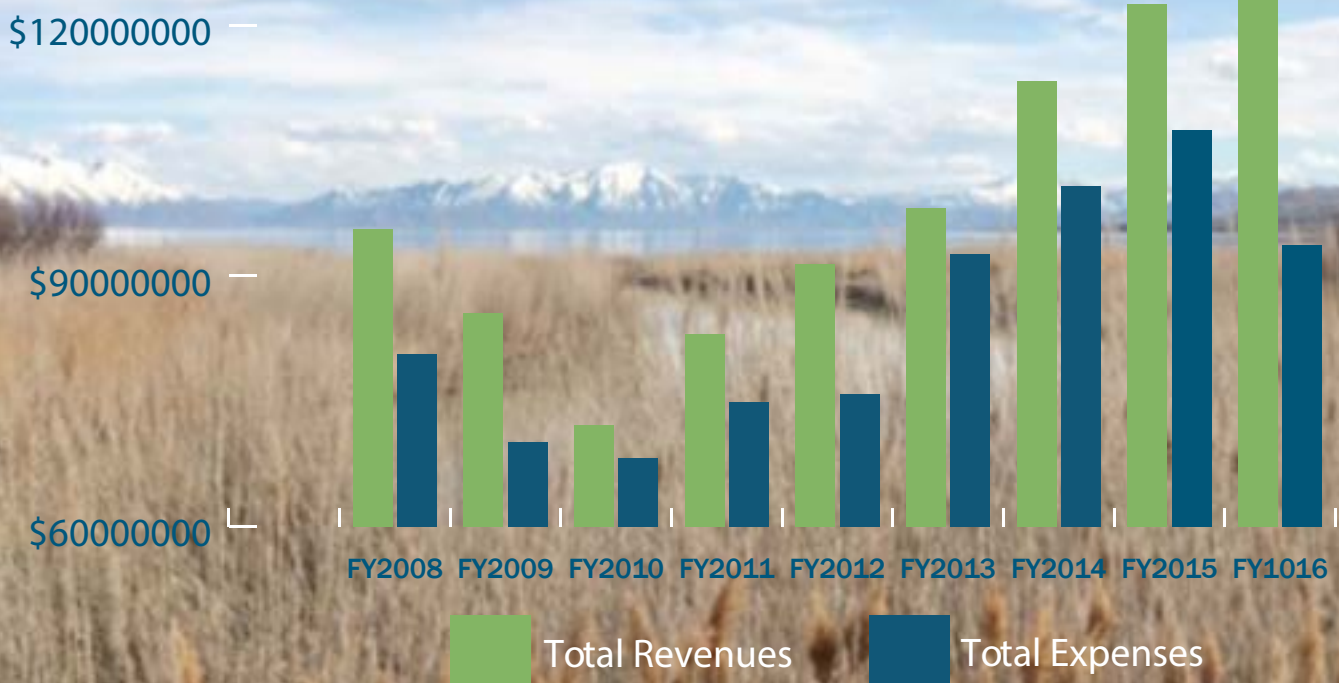
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Executive Summary

The City's long term goals are expressed simply as meeting tomorrow's needs with good financial decisions and by continuing to forecast capital improvements into the future. City administration is currently working on updating the capital facilities plans related to impact fees. Impact fees help the City add the capital improvements that are needed to accommodate new growth. Existing impact fees, which include fire, police, parks, streets, culinary water, secondary water, sewer and power, are expected to remain in line with the current fee levels.

The City enjoyed strong residential growth for the period of 2000 to 2008; however, the economy for the period from 2008 to 2011 declined due to difficult economic times. The years 2012-2016 have marked an economic recovery for Lehi City and projections for the next couple of years show promising growth. A new hospital was constructed in Lehi City and opened in the summer of 2015. A Harmon's grocery store has opened up in Traverse Mountain Area. The City has some of the best undeveloped commercial frontage along the Wasatch Front and looks forward to managing the economic growth of this area for the benefit of its residents and businesses.



Staff & Elected Officials



Mayor
Bert Wilson



Councilperson
Chris Condie



Councilperson
Paul Hancock



Councilperson
Paige Albrecht



Councilperson
Johnny Revill



Councilperson
Mike Southwick

APPOINTED OFFICIALS

City Administrator	Jason Walker
City Treasurer	Alyson Alger
City Recorder.....	Marilyn Banasky

DEPARTMENT DIRECTORS

Development Services	Kim Struthers	Legal Services	Ryan Wood
Economic Development.....	Marlin Eldred	Leisure Services.....	Robert Ranc
Engineering	Lorin Powell	Police.....	Chief Darren Paul
Finance	David Sanderson	Power	Joel Eves
Fire	Chief Jeremy Craft	Public Works.....	Todd Munger
Justice Court.....	Doug Nielsen	Water.....	Dave Norman

About Lehi City

60,242

Lehi City Population*

23.9

Median Age

\$77,622

Median Household Income

3.4%

County Unemployment Rate

14,219

Total Housing Units

3.81

Average Household Size

39.8%

Residents over 25 with a Bachelor's Degree or Higher

96.8%

Residents over 25 with a High School Diploma or higher.

Source: U.S. Census Bureau
www.quickfacts.census.gov

*Population Estimate by 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.

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. The City has a very western feel with many of the downtown businesses operating in buildings built in the late 1800s. The Lehi Roundup is a five-day celebration with many different community events, including a stock parade, a grand parade, and a professional rodeo.

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.

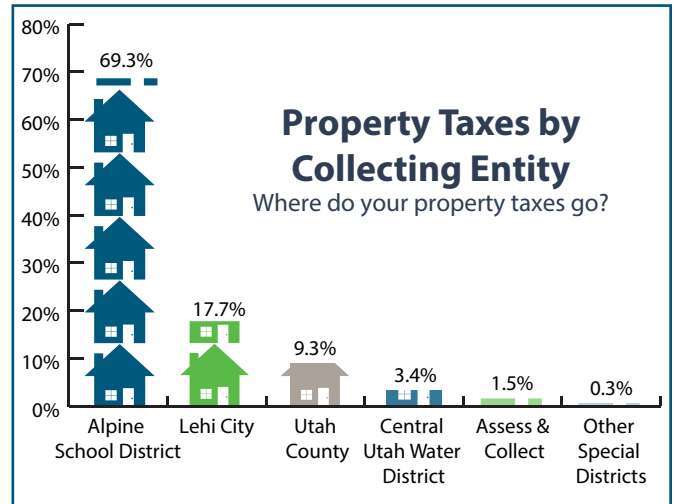
Top Ten Employers

	<i>Company</i>	<i>Employees</i>
1.	IM Flash	1,600
2.	Adobe	1,050
3.	Xactware	685
4.	Xango	630
5.	Thanksgiving Point	425
6.	Cabela's	366
7.	lasis	340
8.	Hadco	303
9.	Jack B Parson Co.	285
10.	Costco	225

How the City is Funded?

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 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 2016 certified tax rate is 0.2090%. The City receives just less than \$0.21 per \$100 taxed. The FY 2013-2016 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.

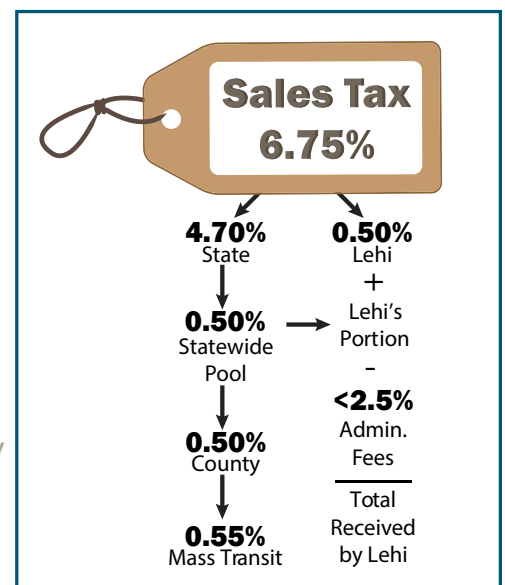
Of the 6.75% tax on general purchases, the City levies in total about 1% (\$1.00 per \$100 spent by consumers).

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.



The graphic above shows how sales tax is divided among several different entities. Of the 6.75% collected, Lehi keeps .50%. In addition, .50% is placed in a statewide pool and disbursed based on population, of which Lehi receives a portion.

How Funds are 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.

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 2016 CAFR online at www.lehi-ut.gov/departments/finance.

General Highlights

Governmental Funds

\$18,194,965 6.5% ↑

Total Debt

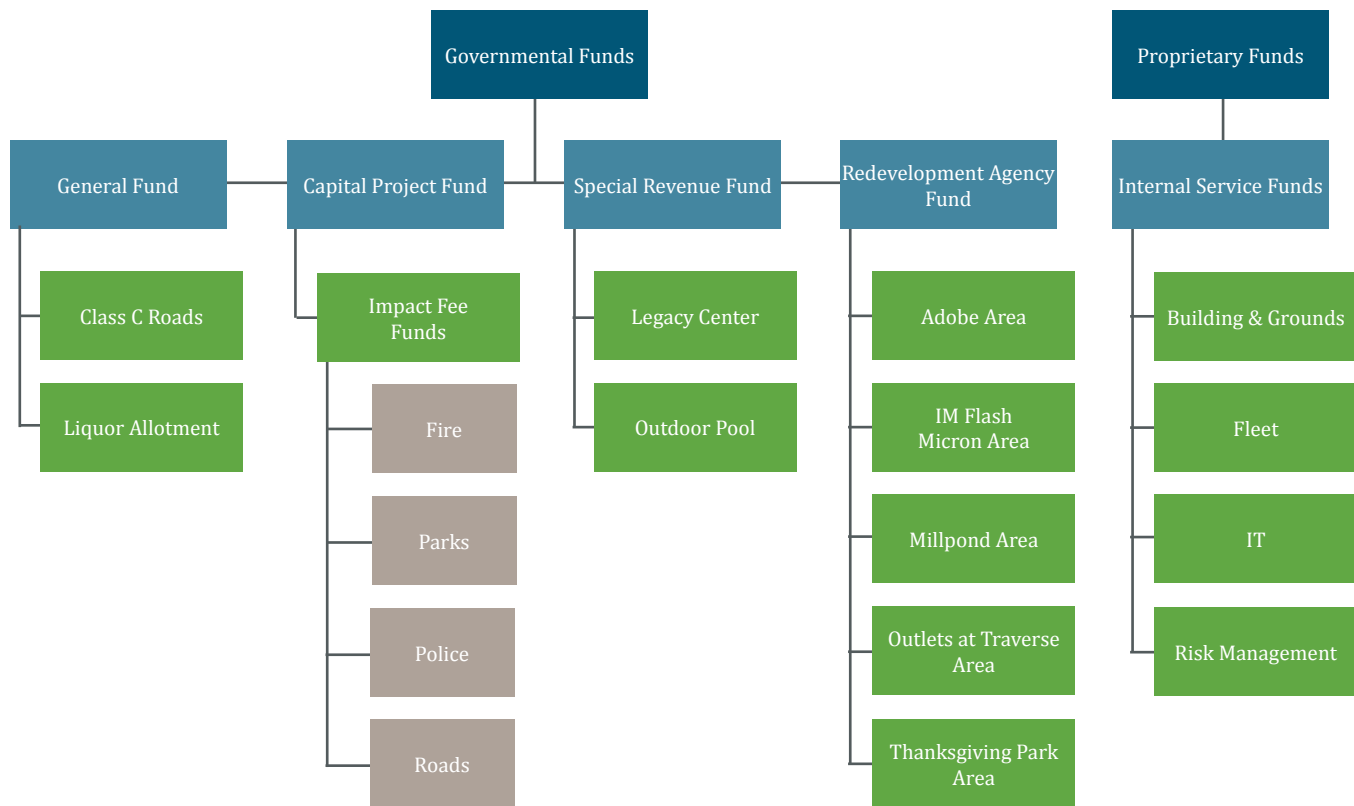
\$137,771,383 2.7% ↓

Net Position

\$413,952,199 9.9% ↑



Governmental Activities



Governmental activities are accounted for under the four main Governmental Funds and the four Internal Service Funds shown in the chart above.

During FY 2016 the net position of the City’s governmental activities totaled \$145,775,925 compared to \$128,425,532 in 2015. The governmental activities reported an increase in net position of \$17,350,393. \$13,859,305 of this increase in net position can be attributed to capital grants and contributions, including contributions of infrastructure.

Financial Highlights

Impact Fee Revenue
 \$3,872,262 22.2% ↓

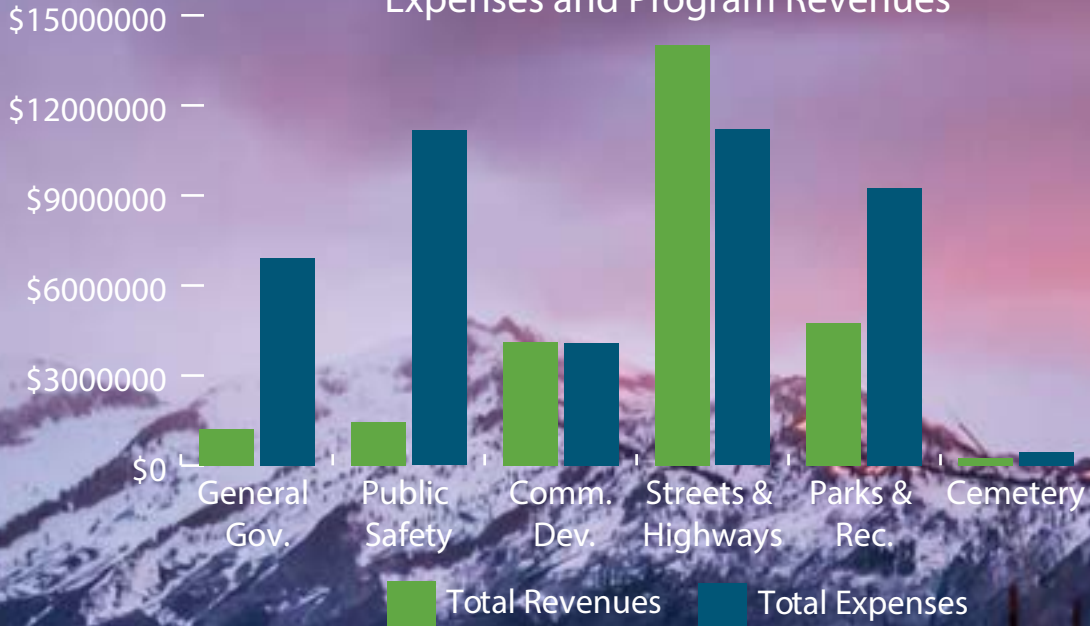
Operating Grants/Contributions
 \$1,921,433 22.4% ↑

Expenses
 \$47,887,317 25.1% ↓

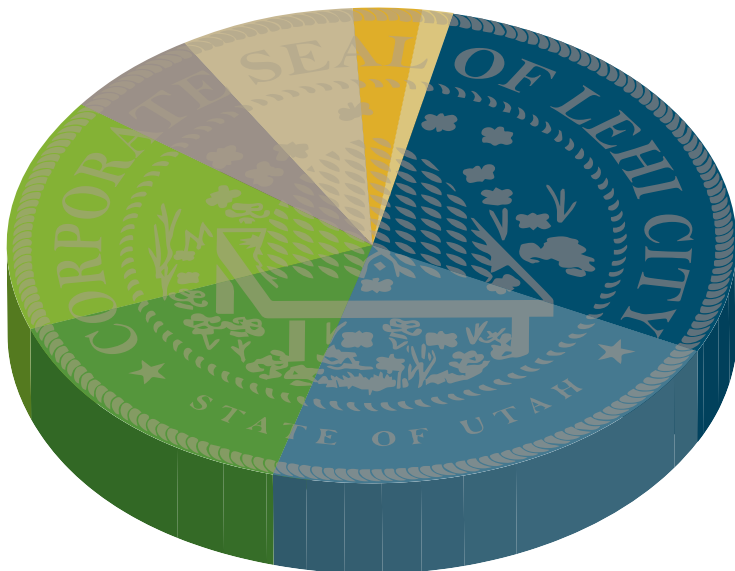
Expenses of the governmental activities decreased from 2015 to 2016 by \$16,080,322 with the largest decrease occurring in the community development expenses. During 2015, the City incurred large development expenses in connection with the West Timpanogos Community Development Project.

Governmental Activities

Expenses and Program Revenues



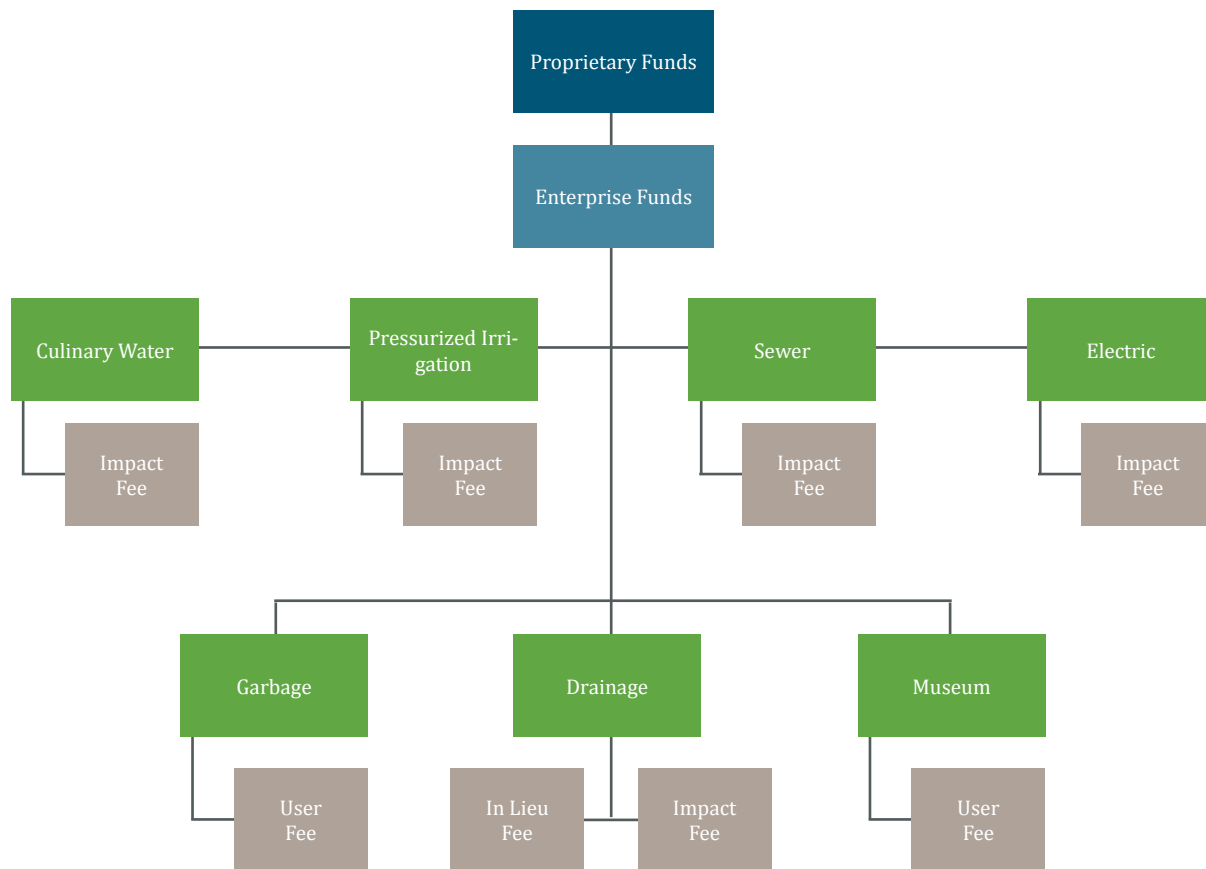
Revenues by Source



Property Taxes	\$18,943,311
Capital Grants/Contributions	\$13,859,305
Sales Taxes	\$9,830,594
Charges for Service	\$10,030,239
Impact Fees	\$3,872,262
Other Taxes	\$5,221,608
Operating Grants/Contributions	\$1,921,433
Other	\$828,038

Capital grants and contributions were higher than in 2015 by approximately \$3.6 million. In 2016 the City recognized over \$12 million in capital grant revenues related to infrastructure installed by developers during the year as well as another \$1 million in federal grants for infrastructure improvements.

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

\$47,795,099 8.5% ↑

Grants/Contributions

\$12,816,991 3.6% ↓

Impact Fees

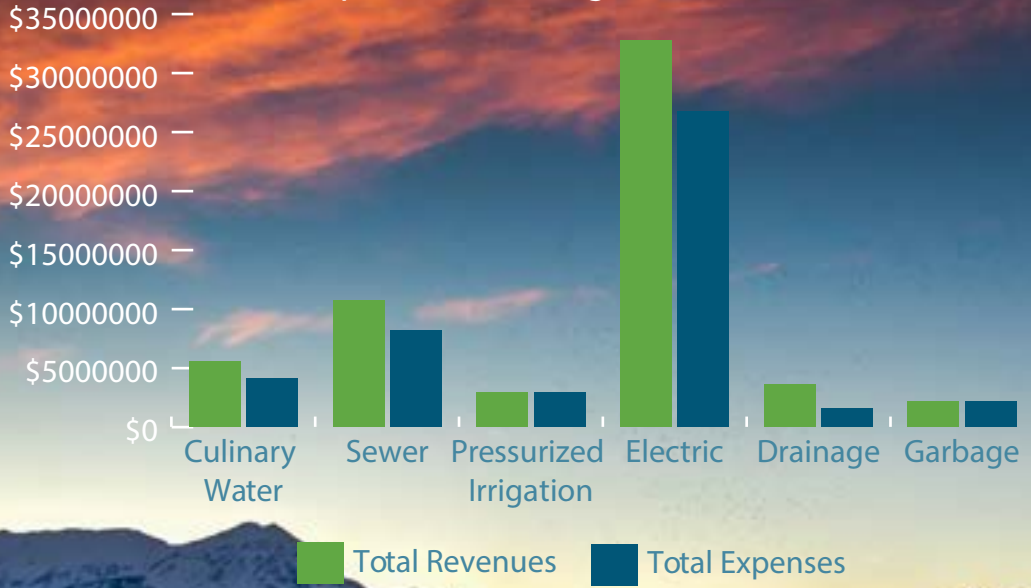
\$5,097,841 29.6% ↓

Expenses

\$45,758,657 5.3% ↑

At the end of FY 2016, business-type activities totaled \$268,176,274 compared to \$248,119,585 in 2015. The business-type activities reported an increase in net position of \$20,056,689. \$12,816,991 of this increase in net position can be attributed to capital grants and contributions, including contributions of infrastructure.

Business-Type Activities Expenses and Program Revenues



Revenues by Source



- Charges for Services
\$47,795,099
- Capital Grants/Contributions
\$12,816,991
- Impact Fees
\$5,097,841
- Other
\$836,335

Capital grants and contributions for the business-type activities added \$12,816,991 to the net position of the City. This amount is fairly consistent with the previous year. Overall capital grants and contributions are indicative of the consistent growth levels year over year.

Capital Assets & 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, 2016, the City's investment in capital assets (including for governmental and business-type activities) totals \$501,270,394 (net of accumulated depreciation). 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 2016 includes:

Park Development: The City expended approximately \$5.9 million for improvements to several of the City's parks, including approximately \$1 million for improvements to trails that was funded through a federal grant. Also, there was a federally funded project to make infrastructure improvements totaling \$570,259.

Murdock Substation: Was completed with a total cost of \$3,876,128.

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 \$12,240,989 (governmental) and \$12,816,991 (business-type).

Sandpit Well: Was completed with a total costs of \$2,457,898. Construction continued on the Mitchel Hollow Well with total costs incurred through June 30, 2016 on that project of \$3,219,874.

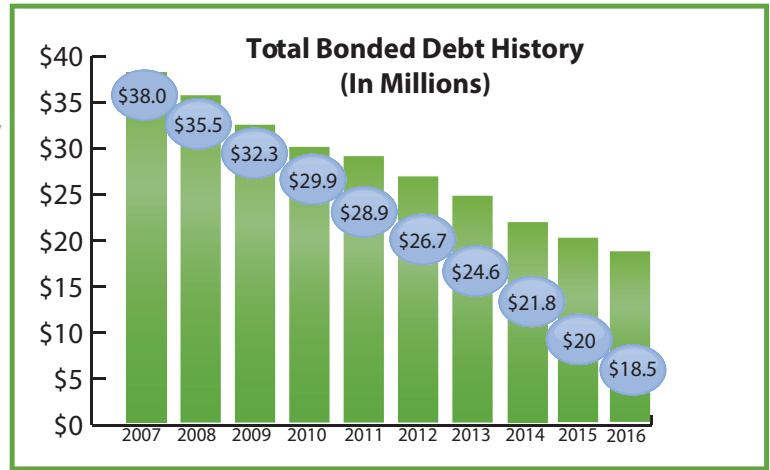


Capital Assets (Governmental and Business-Like Activities Combined)

	2015	2016	% Change
Land	\$100,816,733	\$107,249,123	6.3%
Intangibles	44,220,190	45,057,226	1.9
Construction in Progress	20,934,702	16,663,558	-20.4
Buildings & Structures	16,531,129	16,013,204	-3.1
Improvements (incl. Infrastructure)	286,229,785	308,336,598	7.7
Machinery, Equipment, Vehicles	6,981,177	7,814,823	11.9
Office Furniture & Equipment	174,942	136,123	-22.1
Total	\$475,888,698	\$501,270,394	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 2016 Lehi City decreased its total debt by \$3,855,094. No new bonds or notes payable were issued and reductions in debt were attributable to regular principal reductions, including \$4,104,669 in principal payments were made on other notes payable to developers. The City also reported, in accordance with the requirements of GASB, Statement No. 68 net pension liability totaling \$7,080,842.



Refunding bonds issued in 2014 were negotiated private placements. As a result, the City did not obtain a credit rating from the rating agencies. However, the city’s most recent credit rating was a AA- from Standard and Poor’s. There were no new bonds issued during 2016.



Outstanding Debt (Governmental and Business-Like Activities Combined)

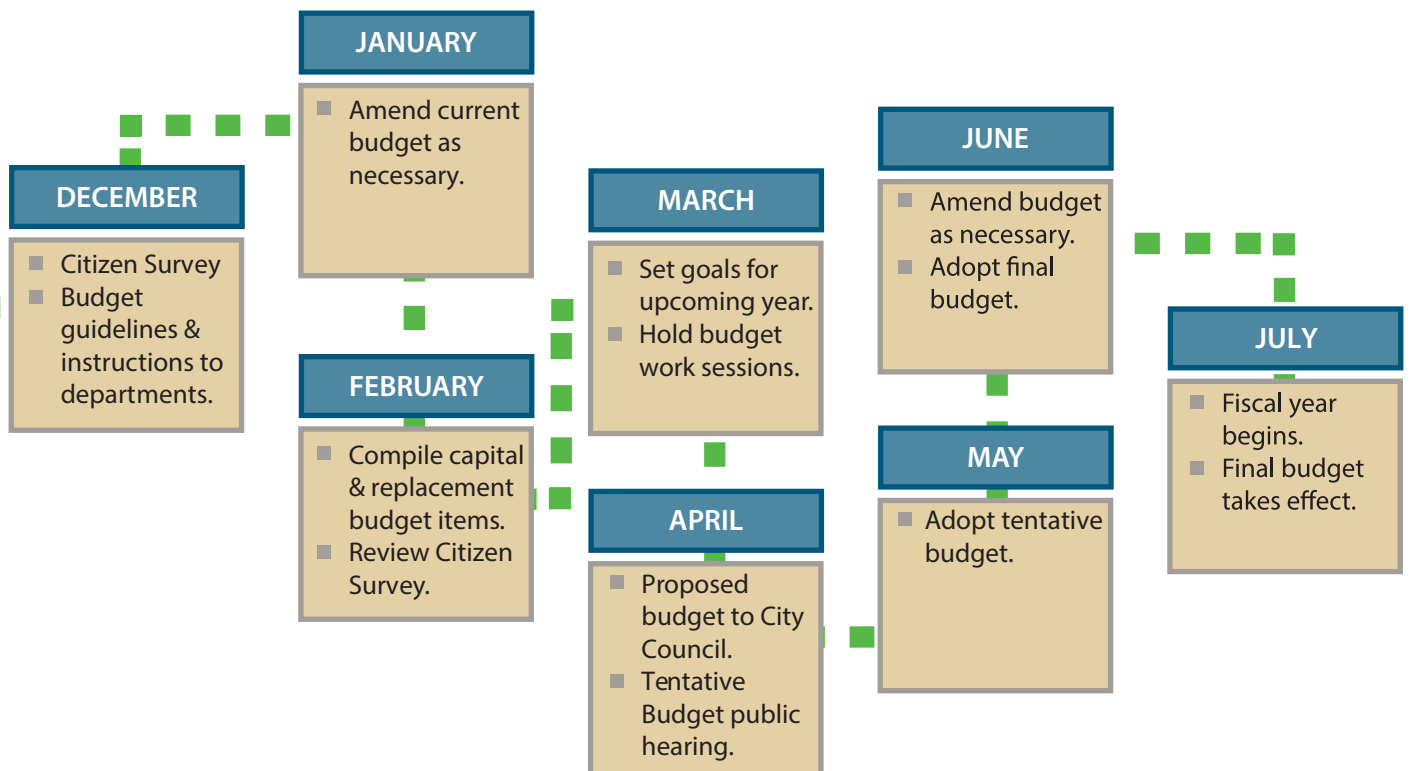
	2015	2016	% Change
Tax Increment Note (Payable to Developer)	\$111,625,886	\$107,521,217	-3.7%
Other notes Payable	1,561,666	1,521,786	-2.6
Revenue Bonds	20,095,000	18,540,000	-7.7
Other Liabilities	8,343,925	10,188,380	22.1
Total	\$141,626,477	\$137,771,383	-2.7

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.

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



Glossary of Key Terms

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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