



# POPULAR ANNUAL FINANCIAL REPORT

City of Provo, Utah

FISCAL YEAR ENDED  
June 30, 2020



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# TO THE CITIZENS OF PROVO

# W

e are proud to present the City of Provo's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. This report gives readers a summary of the City's financial standing.

The purpose of the PAFR is to illustrate the City's financial information in a clear, concise manner giving all readers, both financial and non-financial, the understanding of where revenue comes from and where dollars are being spent. Most importantly, it is essential that our citizens understand the key services that the City provides to make Provo a safer and more enjoyable place in which to work, live, and play.

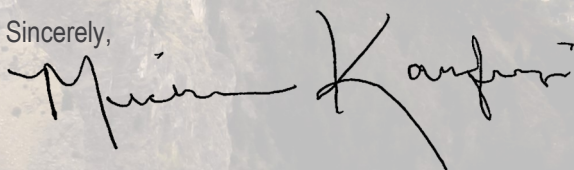
The PAFR summarizes the financial activities of the City and is drawn from a more detailed report called the **Comprehensive Annual Financial Report (CAFR)**. The CAFR includes financial statements that were prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by HBME, LLC, an independent auditing firm. The 2020 CAFR has received an unmodified (clean) opinion. The numbers contained within the CAFR were acquired by applying the basis of accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Although the numbers used in the PAFR come from an audited source, we have presented them in a condensed, easy to understand, non-GAAP format. GAAP reports deal with the presentation of segregated funds as well as full disclosure of all material financial and non-financial events in notes to the financial statements, while non-GAAP reports do not contain such notes. **Citizens who wish to review audited GAAP basis financial statements can refer to the City of Provo's CAFR, which is available from the Finance Department or on the City of Provo's website at <https://www.provo.org/departments/finance/financial-reports>.**

As a municipality, we want to continue to be transparent with and accountable for the City's financial information. We anticipate that after reading the PAFR, community members will be reassured that public dollars are being used to build a better, safer, and stronger Provo. With the help of all departments, the City, in 2020, has accomplished many goals set within the 2030 vision. All of these positive achievements have helped to increase growth and success in our City. We look forward to the future of Provo.

We are honored to serve Provo citizens and hope you enjoy reviewing the 2020 PAFR. We welcome any input, questions, and comments you may have regarding this report. You may contact the Finance Division at 801-852-6505.

Sincerely,



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**Provo City Corporation**  
**Utah**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Merrill*  
Executive Director/CEO

GFOA Outstanding Achievement Award  
for the 2019 PAFR

TO VIEW BOTH THE  
CITY'S FULL  
**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT (CAFR) AND  
POPULAR ANNUAL  
FINANCIAL REPORT,**  
PLEASE VISIT: [https://  
www.provo.org/departments/  
finance/financial-reports](https://www.provo.org/departments/finance/financial-reports)

**COVER PHOTO: Fire Station 2,  
constructed in 2020.**



# PROVO AT A GLANCE

The City of Provo was incorporated in 1851 and is located in a metropolitan area in Utah County that has a dynamic and diverse economy. The City has received numerous awards as one of the finest cities in the United States in which to live and do business.

The City has a diverse manufacturing and industrial base. Major industries include retail business, light manufacturing, software development, and a university community. This diversity stabilizes the unemployment rate and offers a broad range of employment opportunities.

Provo's economy continues to outperform the national economy, even during the COVID-19 pandemic, with Provo's unemployment rate averaging 3.3% for the fiscal year compared to the United States average unemployment rate of 6% (jobs.utah.gov). The City closely monitors the current economic environment and plans and budgets for the future accordingly. You can view the City's budget at <https://www.provo.org/departments/finance/financial-reports>.

## TOP TEN EMPLOYERS

1. Brigham Young University
2. Utah Valley Regional Medical Center
3. Vivint, Inc.
4. Revere Health
5. Chrysalis Utah, Inc.
6. Qualtrics, LLC
7. Frontier Communications
8. Nu Skin International, Inc.
9. RBD Acquisition Sub, Inc.
10. UHS of Provo Canyon, Inc.



# PROVO AT A GLANCE (continued)

## Significant Events

**Fire Station 2** (featured on cover) was reconstructed and opened in the fall of 2020.

**New City Hall:** Construction began on the new City Hall and public safety building, with an expected completion date in the spring of 2022.

**Medical School & Golf Course Reconstruction:** Wasatch Education acquired 21 acres of Provo’s East Bay Golf Course to build a new medical school - the Noorda College of Osteopathic Medicine. Meanwhile, the golf course has been redesigned and has a new name—Timpanogos Golf Club.

**Duncan Aviation** became operational as of January of 2019, performing maintenance on and overhauling business aircraft. They have been in Provo for 8 years and employ 225 people.

**New Airport Terminal** The groundbreaking for the new airport terminal occurred in FY20—the beginning of what will eventually include the new terminal building and the associated parking lots, access roads, apron and deice pads. The newer and larger terminal will include four gates with the ability to expand to ten gates.

## Top Rankings

**#2 BEST PERFORMING CITY**  
([Milken Institute](#), February 2020)

**#2 MOST CONFIDENT CITY IN THE COUNTRY BASED ON WORK-FORCE** ([LinkedIn](#), October 2020)

**#3 BEST-RUN CITY**  
([WalletHub](#); July 2020)

**TOP 10 CITIES IN THE U.S. TO MOVE TO RIGHT NOW**  
([Curbed](#); February 2020)

**TOP 10 PLACES WHERE AMERICANS GIVE THE MOST TO CHARITY**  
([SmartAsset](#); November 2020)





# ELECTED OFFICIALS

## MAYOR & CITY COUNCIL



Left to right: Shannon Ellsworth, Travis Hoban, Bill Fillmore, Mayor Michelle Kaufusi, Dave Sewell, George Handley (Chair), David Harding (Vice-Chair), David Shipley

### **CITY ADMINISTRATION (801) 852-6000**

Deputy Mayor .....	Isaac Paxman
Chief Administrative Officer .....	Wayne Parker
Assistant City Administrative Officer .....	Dixon Holmes
Administrative Services.....	John Borget
City Attorney .....	Vacant
Community & Neighborhood Services .....	Gary McGinn
Customer Service .....	Karen Larsen
Development Services .....	Bill Pepperone
Energy .....	Travis Ball
Fire Chief .....	James Miguel
Library Services .....	Gene Nelson
Parks and Recreation .....	Scott Henderson
Police Chief.....	Rich Ferguson
Public Works .....	David Decker

### **COUNCIL ADMINISTRATION (801) 852-8200**

Council Executive Director .....	Cliff Strachan
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# KEY CITY SERVICES

The following includes brief highlights of major departments and services within Provo City. Please refer to the Provo City website at [provo.org](http://provo.org) for any additional information about departments or services described.

**Mayor**—The Mayor’s Office enforces laws applicable to those residing or conducting business in Provo, executes policies adopted by the Municipal Council, prepares and submits the annual city budget, and recommends for adoption such measures as may be deemed necessary or proper for the efficient operation of the City.

**Administrative Services**—Administrative Services is comprised of the Finance, Human Resources, and Information Systems divisions within the general fund. Administrative Services is also responsible for the administration of the Justice Court and for facility maintenance throughout the City of Provo.

**Attorney’s Office**—The Attorney’s Office provides the City with a broad range of legal services, including criminal prosecution, litigation, claims and risk management, and safety. The Attorney’s Office also initiates and defends civil lawsuits on behalf of Provo City, reviews contracts, participates in negotiations, and provides legal opinions.

**Community & Neighborhood Services**—This department is responsible for regulating land development that takes place within the City. Long Range Planning, Zoning, Housing, Parking Enforcement, Licensing, and Property Management work together to provide the City with an aesthetically pleasing, clean, and safe environment.

**Customer Service**—The Customer Service Department provides residents with a way to report issues and acquire information from the City. The department also provides other services such as issuing passports and accepting utility payments.

**Development Services**—is responsible for regulating land development that takes place within the city. Short Term Planning balances socio-economic forces, natural resources, and public input to promote sound and orderly development in Provo.

**Energy**—The Energy Department provides reliable electricity with superior customer service at a competitive price to the residents and businesses in Provo.

**Fire**—The Fire Department is responsible for delivering emergency and support services in the following areas: fire prevention and education, inspection services, fire suppression, emergency medical treatment and ambulance transport, rescue services, and hazardous materials response.

**Library**—The Provo City Library provides the community with a center for information, instruction, learning, leisure, and cultural opportunities. The library has over 215 thousand items in adult and children’s circulation, along with access to thousands of online eBooks and audiobooks.

**Parks and Recreation**—The Parks and Recreation department oversees the maintenance of all parks throughout Provo. The recreation center, the gun range, Peaks Ice Arena, and the Covey Center are also managed by this department, as well as all youth and adult recreation programs.

**Police**—The Police Department provides response to community-initiated calls for service and enforces all laws. The department provides proactive policing and service to the community including animal control, community-based pollution, and crime prevention.

**Public Works**—The Public Works Department is responsible for maintaining streets in Provo, garbage collection, water resources and reclamation, storm drain maintenance, airport administration, and fleet management.

# STATEMENT OF NET POSITION

The City's governmental activities increased \$28.4 million in total net position, which represents a 8.15% increase from the prior year's net position. The City's business-type activities increased \$31.12 million in total net position, which represents a 10.4% increase from the prior year's net position. A major contributor to the increase in net position for both governmental activities and business-type activities is operating grants, capital grants, and other contributions.

The City, as a whole, increased total net position by \$59.5 million, which is a 9.19% increase from the prior year.

The full Statement of Net Position can be located in our CAFR, located at <https://www.provo.org/departments/finance/financial-reports>.

## STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 185,251,285	\$ 176,586,310	\$ 72,037,401	\$ 64,179,233	\$ 257,288,686	\$ 240,765,543
Capital assets, net	360,139,400	344,441,412	317,934,167	289,801,233	678,073,567	634,242,645
Other non-current assets	26,298,091	21,609,833	10,705,461	9,981,568	37,003,552	31,591,401
<b>Total Assets</b>	<b>571,688,776</b>	<b>542,637,555</b>	<b>400,677,029</b>	<b>363,962,034</b>	<b>972,365,805</b>	<b>906,599,589</b>
<b>Deferred Outflows of Resources</b>	<b>8,516,023</b>	<b>15,520,768</b>	<b>1,377,952</b>	<b>2,705,891</b>	<b>9,893,975</b>	<b>18,226,659</b>
Current liabilities	34,986,041	28,168,432	18,695,807	15,974,879	53,681,848	44,143,311
Non-current liabilities	144,136,503	163,569,740	51,360,401	51,069,599	195,496,904	214,639,339
<b>Total Liabilities</b>	<b>179,122,544</b>	<b>191,738,172</b>	<b>70,056,208</b>	<b>67,044,478</b>	<b>249,178,752</b>	<b>258,782,650</b>
<b>Deferred Inflows of Resources</b>	<b>24,684,956</b>	<b>18,393,275</b>	<b>1,685,425</b>	<b>432,322</b>		<b>18,825,597</b>
Net Position						
Net investment in capital assets	297,030,512	281,008,409	268,883,944	245,278,480	565,914,456	526,286,889
Restricted	10,080,095	10,949,005	1,628,190	2,001,561	11,708,285	12,950,566
Unrestricted	69,286,692	56,069,462	59,801,214	51,911,084	129,087,906	107,980,546
<b>Total net position</b>	<b>\$ 376,397,299</b>	<b>\$ 348,026,876</b>	<b>\$ 330,313,348</b>	<b>\$ 299,191,125</b>	<b>\$ 706,710,647</b>	<b>\$ 647,218,001</b>

**Unrestricted net position** represents the available funds the City has at a point in time to *pay for emergencies, shortfalls, or other unexpected needs* in both the Governmental and Business-Type Activities. Unrestricted net position allows management to *track the City's financial position over time*. The City's unrestricted net position increased during fiscal year 2020.

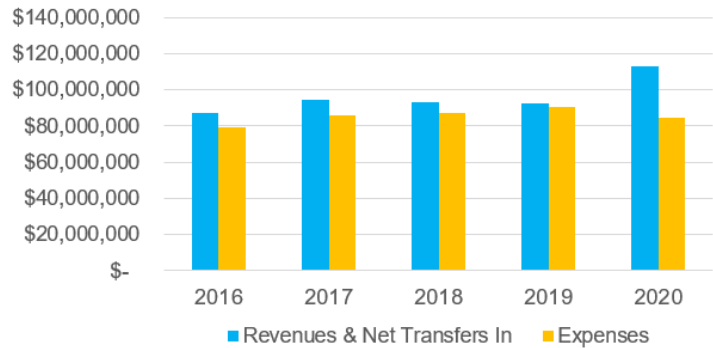


# STATEMENT OF ACTIVITIES

## FUNCTIONS OF GOVERNMENTAL ACTIVITIES

- General Government
- Public Safety
- Public Services
- Culture and Recreation
- Community Revitalization
- Interest on Long-Term Debt

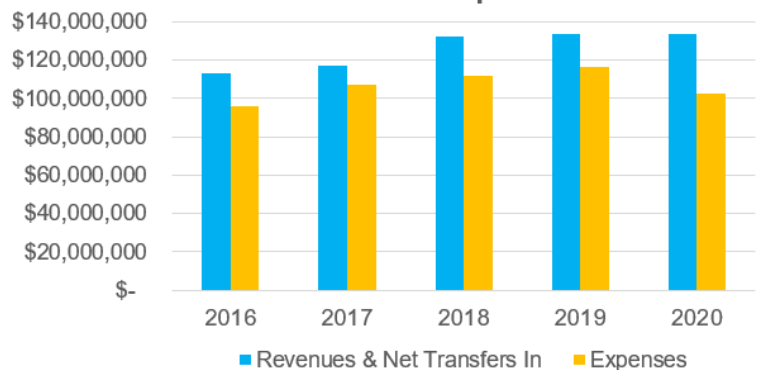
## GOVERNMENTAL ACTIVITIES Revenues and Expenses



## FUNCTIONS OF BUSINESS-TYPE ACTIVITIES

- Golf Course
- Water
- Wastewater
- Energy
- Airport
- Utility Transportation
- Sanitation
- Storm Drain
- Ice Sheet

## BUSINESS-TYPE ACTIVITIES Revenues and Expenses



As shown in the graphs above, both the Governmental and Business-type activities show trends of increasing revenues. Expenditures have been consistently lower than revenues for both Governmental and Business-type activities.

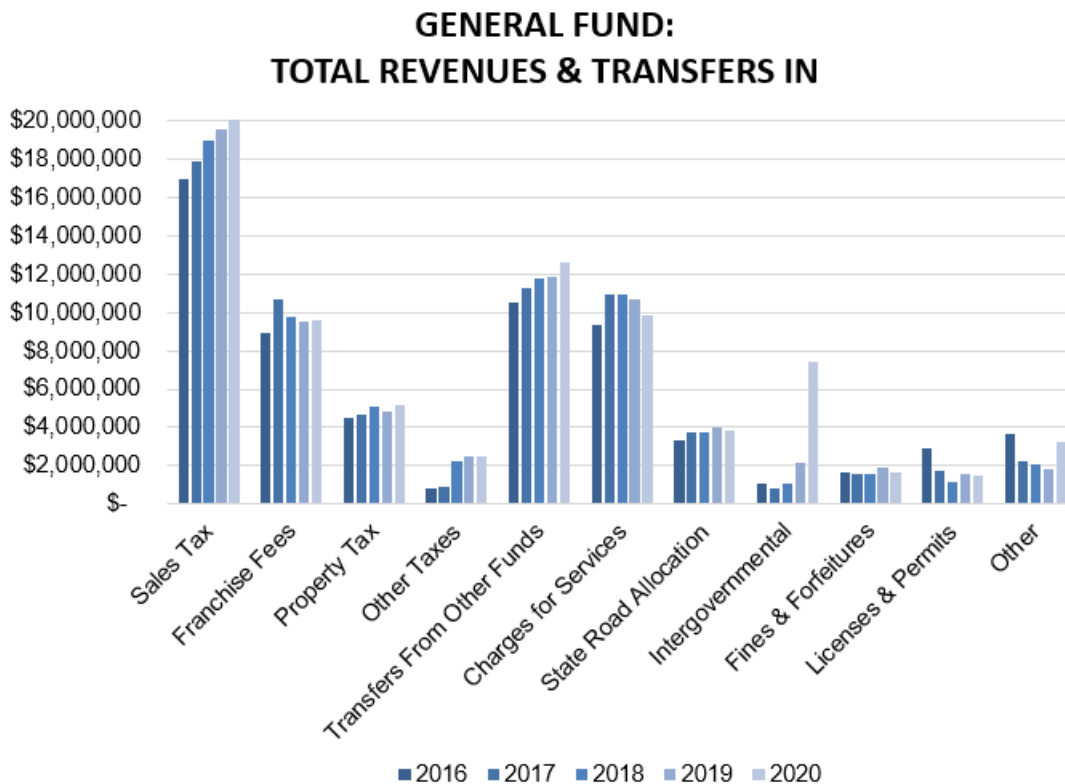
The graph for governmental activities includes net transfers-in with revenues since 10% of certain business-type revenues (i.e., energy, storm drain, water, and wastewater revenues) are transferred to the general fund to support governmental activities. In addition, 1% of these same revenues is transferred out for road maintenance. Consequently, because of the transfers, the graph for business-type activities includes net transfers out with expenses.

The decrease in governmental and business-type activities expenditures in 2020 was a result of spending cuts implemented due to economic uncertainty created by the COVID-19 pandemic.

The full, disclosed Statement of Activities can be located in our CAFR located at <https://www.provo.org/departments/finance/financial-reports>.

# GENERAL FUND REVENUES

The General Fund is the general operating fund of the City. By law, the City may only have one general fund. Below is a five-year comparison of the General Fund total revenues and transfers in.

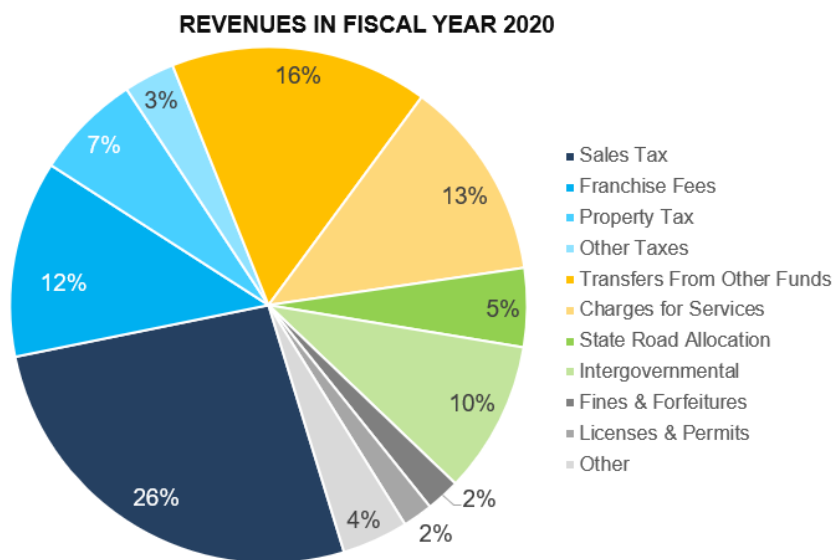


As shown above, **sales tax continues to increase**—a good indicator that Provo and the State of Utah’s economy continues to grow.

The largest source of revenue for the General Fund was sales tax (26%), followed by transfers from other funds (16%) and charges for services (13%).

Charges for services includes fees charged by various City departments, such as Parks & Recreation fees.

Intergovernmental revenue comes from grants obtained through the County, State, or federal government. The large increase in 2020 is primarily from CARES Act CRF funds used to respond to the COVID-19 pandemic.

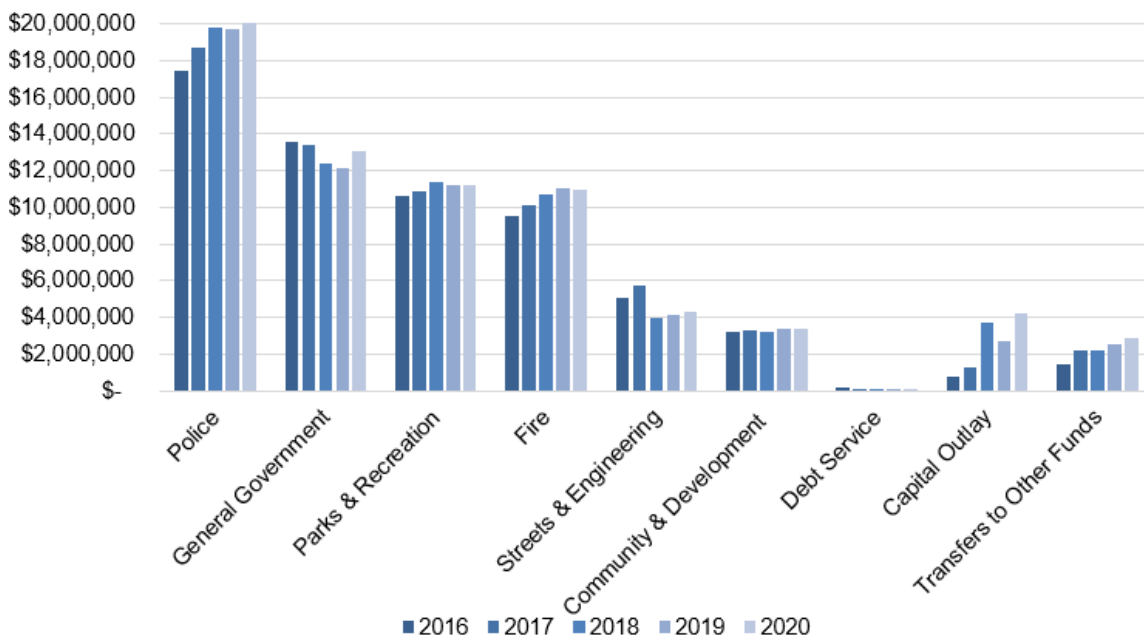




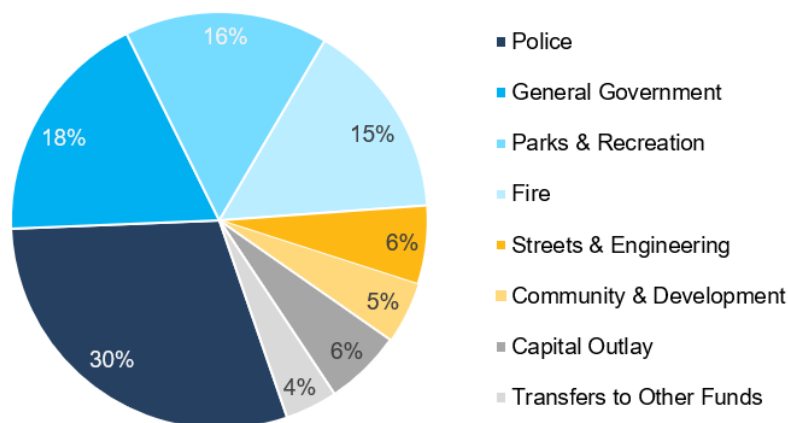
# GENERAL FUND EXPENSES

Below is a five-year comparison of general fund expenditures and transfers out. Expenses decreased or stayed relatively constant in each category, with the exception of Fire, Community & Economic Development, and Transfers to Other Funds.

**GENERAL FUND:  
TOTAL EXPENSES & TRANSFERS OUT**



**EXPENSES IN FISCAL YEAR 2020**



The general fund's largest expenses continued to come from the Police Department (30%), followed by the General Government category (18%), which is comprised of the Mayor's Office, City Council, Finance, Human Resources, Justice Court, and Legal functions. Parks & Recreation accounts for 16% of expenses, and the Fire Department accounts for 15% of expenses.

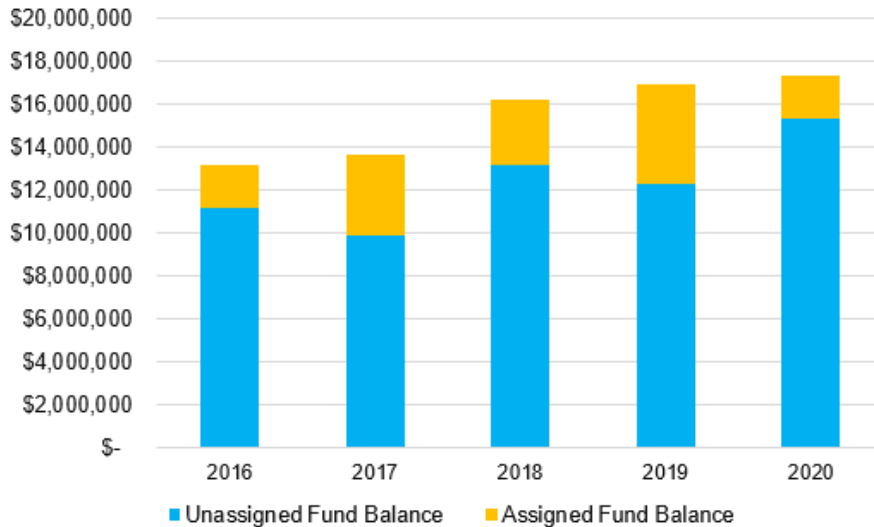
In most cases, personnel costs made up the largest portion of expenses.

**# of EMPLOYEES WORKING UNDER THE GENERAL FUND**  
Employees = Full-time Equivalents (FTE's)

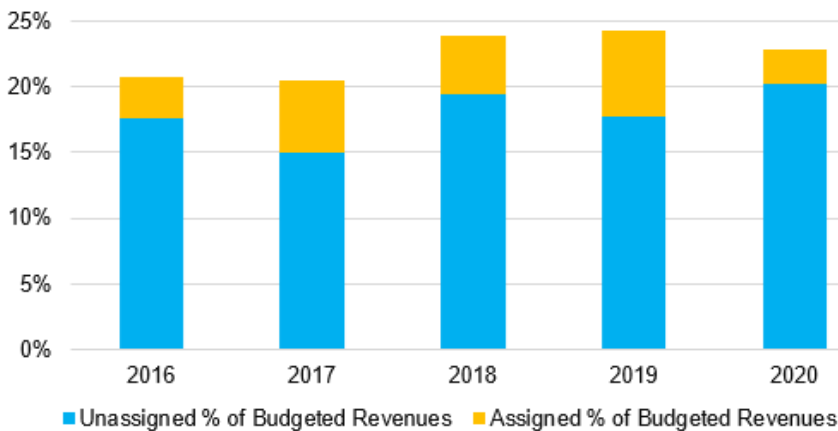
Police.....	157	General Government.....	153	Parks & Rec.....	162
Fire.....	83	Streets & Engineering.....	36		

# GENERAL FUND: FUND BALANCE

**GENERAL FUND  
FUND BALANCE: ASSIGNED & UNASSIGNED**



**RATIO of ASSIGNED & UNASSIGNED FUND  
BALANCE to REVENUES & TRANSFERS**



**FUND BALANCE** is the difference between the General Fund's assets and liabilities. It is the net worth of the City.

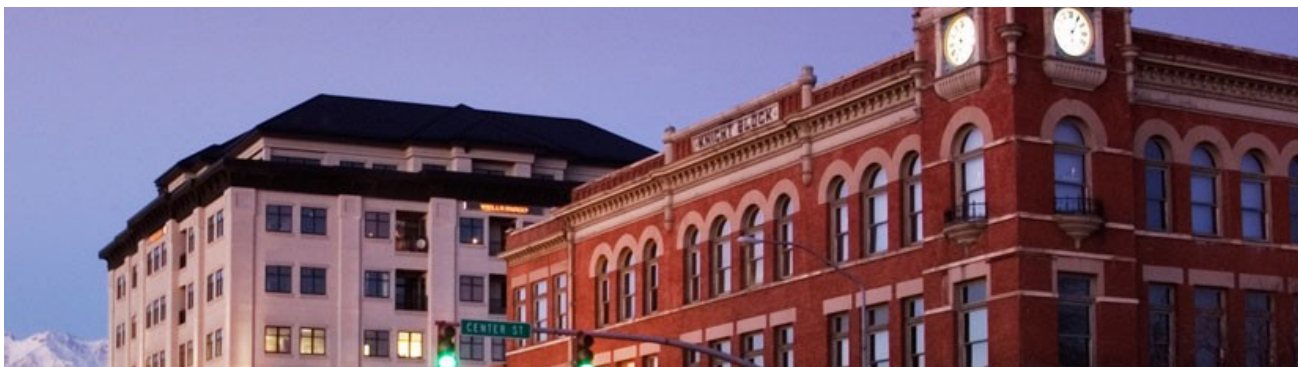
**Assigned fund balance** shows how much money has been set aside for specific purposes.

**Unassigned fund balance** is an indication of the amount of available resources the City has at a point in time to fund emergencies, shortfalls, or other unexpected needs.

The ratio depicted in the bottom left graph is determined by dividing the amount of assigned & unassigned fund balance by the general fund revenue and subsidy transfers.

The Municipal Council has established a goal to have assigned & unassigned general fund balance between 20%-25%.

In fiscal year 2020, assigned and unassigned fund balance increased by \$433,263 or 3%, primarily due to funds that were budgeted and not spent during the fiscal year. The ratio of assigned and unassigned fund balance to revenues and transfers decreased because General Fund revenues and transfers increased by \$6,060,612, (primarily due to CARES Act CRF revenue.)





# LIBRARY FUND

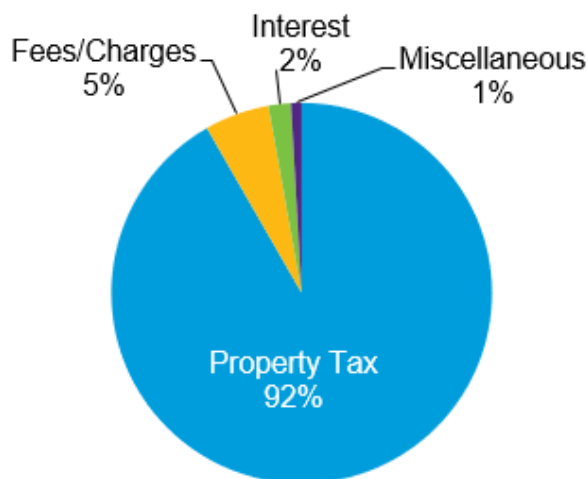


The Provo Library was founded over 100 years ago with the goal of being a community center for information, instruction, leisure, and cultural opportunities.

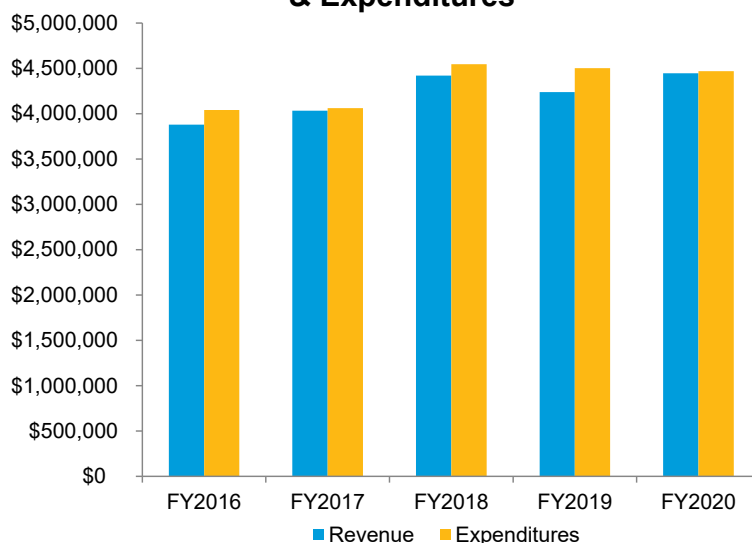
In the past year, the Library checked out over 1.3 million items, which includes formats such as downloadable e-books and audiobooks. During fiscal year 2020, 61,521 people attended 1,111 programs held for children, teens, and adults.

The Library Fund is the largest single **special revenue fund** within Provo City. The Provo City Library is funded primarily by property tax dollars.

**Library Revenue**



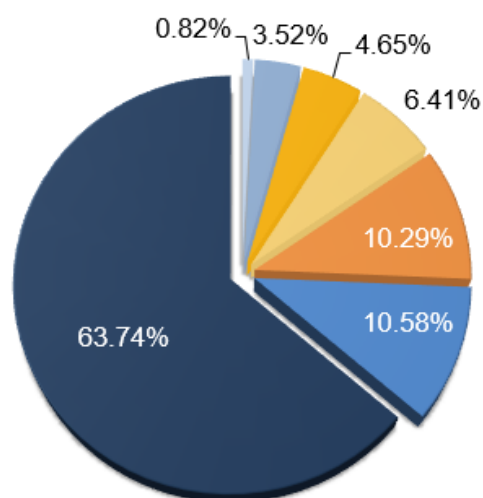
**Library Fund Revenues & Expenditures**



**THERE ARE 59 EMPLOYEES WORKING UNDER THE LIBRARY FUND**  
 Employees = Full-time Equivalents (FTE's)

# PROPERTY TAX SUMMARY

The City of Provo receives a portion of the property taxes collected on taxable real property located within the City. These tax dollars support public safety services such as those provided by police and fire departments, as well as many other critical government functions.



Property Tax Burden for \$200,000 Market Value Property	
State Charter Schools	\$ 1.32
Central Utah Water	\$ 44.00
<b>Provo Library Fund</b>	\$ 58.19
<b>Provo General Fund</b>	\$ 80.08
<b>Provo Debt Service Fund</b>	\$ 128.59
Utah County	\$ 130.90
School District	\$ 796.51

**Total Tax Burden for \$200,000 Home** **\$ 1,239.59**

Between its three funds, Provo City received 21.3% of the overall property tax burden.

The majority of the property taxes paid by Provo City residents are allocated to the Provo School District, which is a separate entity from Provo City.

## PROVO CITY'S TOP TEN PROPERTY TAX PAYERS

*Amounts expressed in thousands*

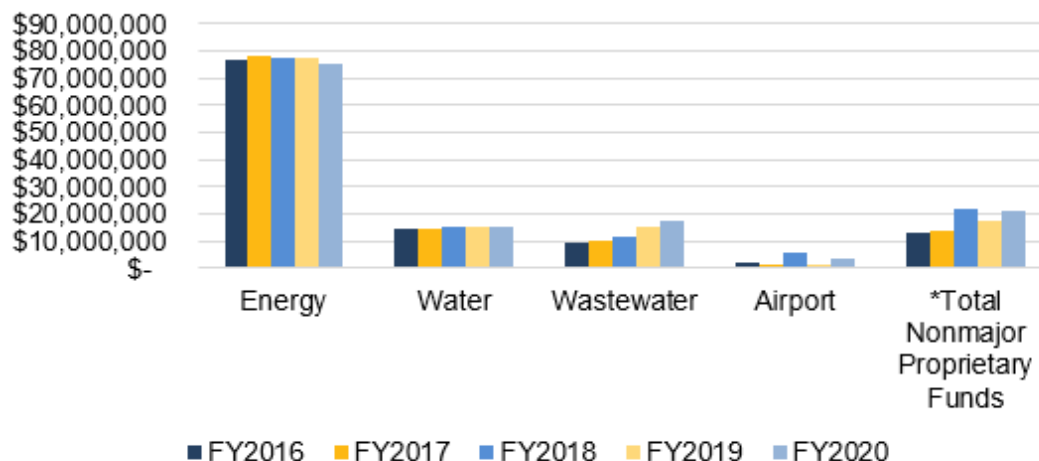
Tax Payer	Type of Business	2020	
		Assessed Valuations	% Total of Valuation
SIR Properties Trust (Microfocus)	Technology	\$ 112,866	2.45%
Nu Skin International Inc	Retail	97,496	2.11%
IHC Hospitals Inc	Health Care	84,981	1.84%
B+ F Timpanogos Tech Center LLC	Technology	79,915	1.73%
Central Utah Investment Company LLC	Investments	47,642	1.03%
Brixton Provo Mall LLC	Retail	44,600	0.97%
Duncan Aviation	Transportation	41,105	0.89%
Union Pacific Railroad Company	Transportation	40,715	0.88%
Questar Gas	Utilities	38,267	0.83%
Timp Campus LLC	Housing	32,094	0.70%
	Subtotal	619,681	13.43%
	All Others	3,991,922	86.57%
		<b>\$ 4,611,603</b>	<b>100.00%</b>

Assessed value is the portion of property value that is taxed. Amounts listed are for the collections year ending December 31, 2019. Source: Utah County Auditor



# ENTERPRISE FUNDS

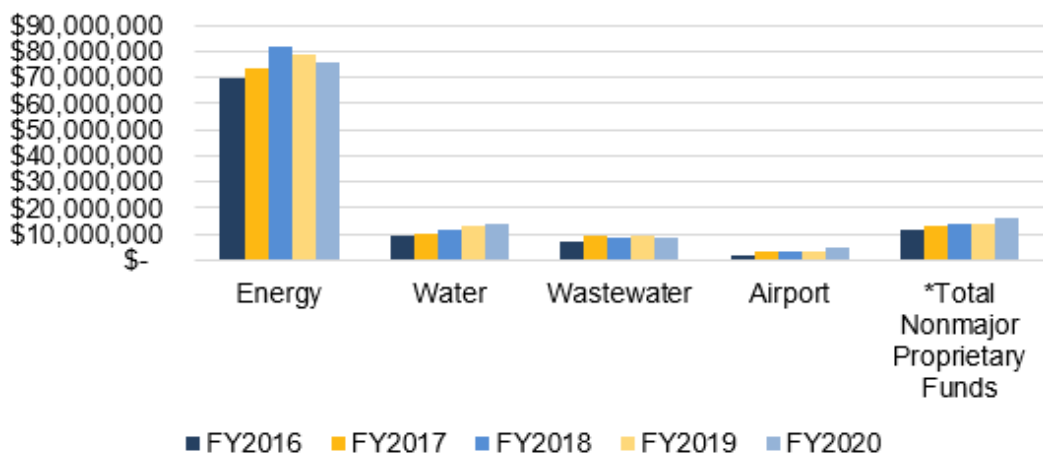
## ENTERPRISE FUNDS: REVENUES 5-Year Comparison



Enterprise funds are used to account for City operations that are financed and operated in a manner **similar to private businesses**. Revenues and expenses related to utilities including Provo Power (Energy), water, wastewater, and sanitation (garbage, recycling, and green waste) are accounted for in enterprise funds.

\*Readers interested in more details should read the Comprehensive Annual Financial Report (CAFR) available at <https://www.provo.org/departments/finance/financial-reports>.

## ENTERPRISE FUNDS: EXPENSES 5-Year Comparison



## # of EMPLOYEES WORKING UNDER ENTERPRISE FUNDS

Employees = Full-time Equivalents (FTE's)

Energy.....70	Water.....37	Wastewater.....35	Airport.....5
Sanitation.....21	Golf.....13		

# DEBT SUMMARY (CITYWIDE)

Provo City has employed a variety of financing techniques for capital improvements, as described below:

**General Obligation Bonds:** These bonds allow municipalities to borrow money to fund capital improvements and infrastructure. Repayment of General Obligation Bonds is guaranteed by the “full faith and credit” of the City.

**Revenue Bonds:** Revenue bonds are secured by the issuer pledging specific revenues either from the projects being financed and/or other dedicated revenue sources such as franchise fees of utility service revenue.

**Capital Leases:** The City uses capital leases to purchase vehicles and equipment.

At the end of fiscal year 2020, the City had **\$183.2 million** in long-term debt outstanding which represents a 1.64% decrease from the prior year .

Debt Activity (in \$000s)	Balance at 6/30/2019	Net Debt Added (Issued)	Net Debt Repaid (Retired)	Balance at 6/30/2020
Compensated Absences	\$ 8,897	\$ 3,247	\$ (2,669)	\$ 9,474
Capital Leases	7,274	-	(1,316)	5,958
Notes Payable	1,150	7,500	(280)	8,370
General Obligation Bonds:	103,961	-	(4,724)	99,237
General Revenue Bonds	20,156	-	(2,306)	17,850
Energy Revenue Bonds	17,169	-	(815)	16,354
Water Revenue Bonds	10,289	-	(487)	9,802
Wastewater Revenue Bonds	8,580	-	(406)	8,174
Stormwater Revenue Bonds	3,343	-	(631)	2,712
Airport Sales Tax Revenue Bonds	5,473	-	(164)	5,309
<b>Total:</b>	<b>\$ 186,292</b>	<b>\$ 10,747</b>	<b>\$ (13,798)</b>	<b>\$ 183,240</b>

In Fiscal Year 2019, Provo voters approved a **\$69 million bond** to construct a new fire station and public safety building/city facilities. The City began paying on the bond in January 2019. More information regarding the City’s debt can be found in the Long-Term Debt note in the CAFR located at <https://www.provo.org/departments/finance/financial-reports> .

Historical Debt (in \$000s)	2016	2017	2018	2019	2020
General Obligation Bonds	\$ 36,555	\$ 34,867	\$ 35,411	\$ 103,961	\$ 99,237
General Revenue Bonds	27,738	25,702	23,568	20,156	17,850
Utility Revenue Bonds	46,013	43,857	41,648	39,381	37,042
Sales Tax Revenue Bonds	-	-	5,507	5,473	5,309
Capital Leases	5,500	6,793	5,797	7,274	5,958
Notes Payable	-	-	-	1,150	8,370
Compensated Absences	7,828	8,414	8,850	8,897	9,474
<b>Total:</b>	<b>\$ 123,634</b>	<b>\$ 119,633</b>	<b>\$ 120,781</b>	<b>\$ 186,292</b>	<b>\$ 183,240</b>





# CONTACT US:

General - (801) 852-6000

Finance - (801) 852-6505