

Purpose Statement

The intent of this document is to provide residents and other interested parties with a simple, concise, and understandable overview of Lehi City’s independently-audited Comprehensive Annual Financial Report (CAFR). The document addresses two questions: (1) How is the City funded? (2) How are those funds spent?

The City operates on a fiscal year that begins July 1st and ends June 30th. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Anyone can obtain more comprehensive information and a copy of the City’s official CAFR document from City Hall. If you have specific questions, contact the Finance Department at (801) 768-7100.

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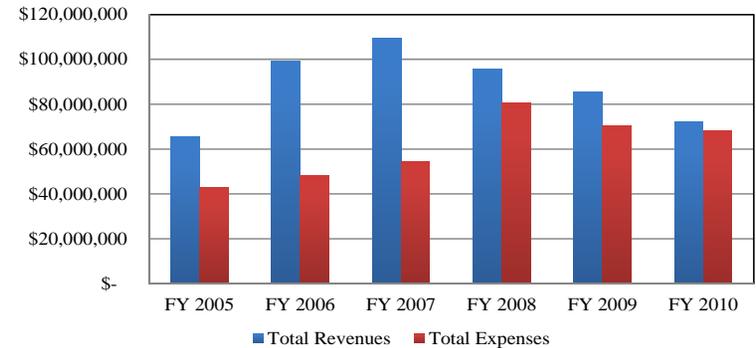
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Executive Summary

Without question, the most significant issue facing our community today is the continued turbulence in our global economy and the resultant shocks that continue to reverberate from multiple recessionary years. Unfortunately, the impact of these financial events over the past 24-36 months has left a mark on Lehi City and its ability to enhance the quality of life for all of the community’s 48,000 residents. As a result, the City has faced decreasing revenues and increasing costs. In spite of this, the City has still collected more in revenue than it has paid out in expenses—an outcome that should serve to insulate the City from further decline in this troubling economy.

Total Revenue and Expense History



Despite the financial anxiety experienced in the City in recent years, we stand committed to managing the public’s funds in ways that provide quality core services to our residents without requiring tax increases or significant adjustments to City fees for service. Moreover, we are encouraged that despite revenue constraints, we continue to show progress toward meeting departmental and City-wide goals and initiatives. Finally, with adherence to sound financial principles, we believe Lehi City is poised to develop into one of the State’s premiere communities into the future.

GENERAL FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$286,608,429 (*net assets*).
- ◆ The City’s governmental funds reported combined fund balances of \$5,634,161 which is an increase of \$1,256,728 from fund balance reported in 2009 (\$4,377,433).
- ◆ The City’s total debt decreased by a net of \$4,708,183 during FY 2010.

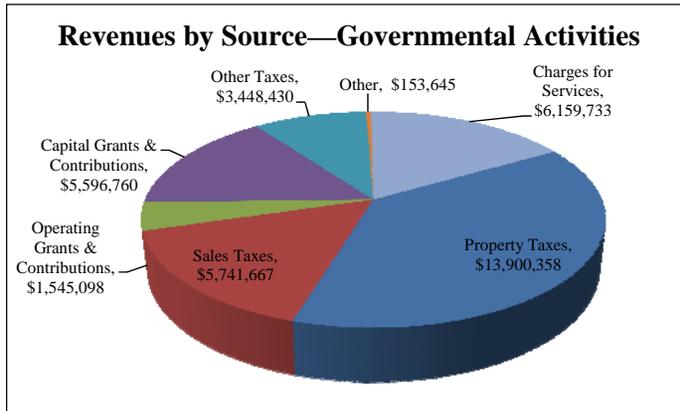
How is the City Funded?

Lehi City is funded through several different sources. The main funding sources along with a description of each are found in the following two pages.

REVENUE HIGHLIGHTS

Governmental Activities

- ◆ Capital grants and contributions decreased by approximately 57.7% from 2009, a result of decreased contributions of infrastructure from developers, which is reflective of the economic environment of the year.
- ◆ Operating grants and contributions increased from 2009 by \$721,795 due in large part to a federal grant used to fund additional personnel in the City’s fire department.
- ◆ Property taxes decreased by \$3,638,956 as a result of falling collection rates. Collection rates have dropped due to general economic factors.



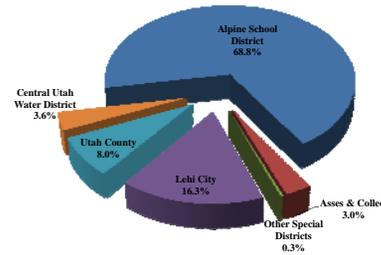
Business-type Activities

- ◆ Charges for services increased over 2009 by \$1,156,244 (4.0%). All of the enterprise funds experienced an increase in charges for services over 2009 except the Electric Fund. The increase was the result of approved increases in the monthly service fees charged to customers.
- ◆ Capital grants and contributions added \$5,034,797 to the net assets of the City. This amount was a decrease of \$3,435,267 from the previous year. The decrease was a result of a downturn in collection of impact fees from new residential and commercial development combined with a decrease in contributions of infrastructure from developers.
- ◆ Expenses increased by only \$232,860 from the prior year. The increase is primarily due to increases in system maintenance and power supply costs.

How is the City Funded?

TAXES, FEES & OTHER REVENUE DESCRIPTIONS

Property Tax

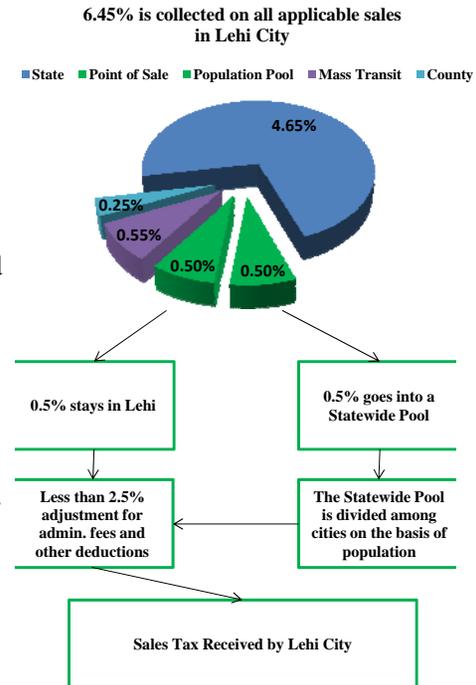


There are multiple tax collecting entities in Lehi City: Alpine School District, Utah County, Timpanogos Special Service District, Central Utah Water Conservation District, the Mosquito Abatement District, and Lehi City. Utah County assesses the taxable value and collects all property tax. Lehi City Corporation’s 2010 certified tax rate is 0.2370%. Primary residences

are taxed at 55% of the assessed value while secondary residences are taxed at 100% of the assessed value. This year’s budget was adopted with no tax increase.

Sales Tax

The total sales tax is made up of several rates levied by the State, County, and City. Of the 6.45% tax on general purchases, the City levies about .82%.



Fees

The City has several fees that are assessed on various services such as business licenses, recreation, planning, building, power, and water fees. These fees are levied in order to respond to changes in demand for the services. All City fees are reviewed annually, ensuring that charges for services are based upon costs associated with providing a particular service and current market conditions.

Grants

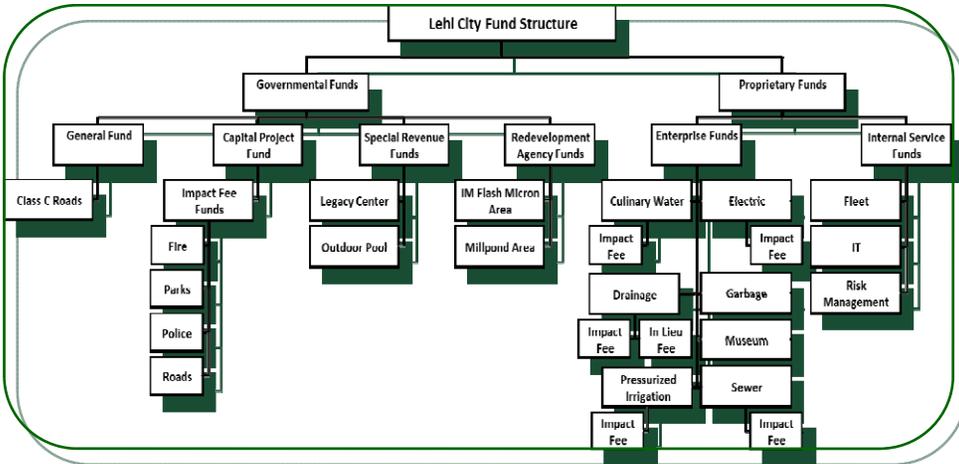
The City receives grants every year from the federal, state, and county governments. These grants fund different projects including energy efficiency, library, parks, public safety, and transit programs.

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 11 of this document.

Services

Generally speaking, the City spends tax dollars and fee revenue on two things: (1) Services and (2) Capital Projects. Municipal services are all around you and include such provisions as police, library, utilities, streets, special events, parks, and so forth. “Capital Projects” refers to the purchasing, construction, and/or maintenance of roads, public buildings, and infrastructure.



Lehi City offers a variety of services to residents and visitors alike. A variety of funds are used in order to best account for those services (see Fund Structure above).

Those services generally fit into one of six categories:

- 1) **Public Safety**
- 2) **Public Works**
- 3) **Leisure Services**
- 4) **Community Development**
- 5) **Administrative**
- 6) **Non-Departmental**

The Mayor and City Council direct staff on which programs to provide and to what degree. Staff submits a budget for approval accordingly. The table on page 14 has the budgeted amounts for each Fund.

PUBLIC SAFETY



Consisting of Animal Control, Code Enforcement, Emergency Medical Services, Fire, and Police departments; Lehi City is dedicated to providing high-quality protection of life, property, and the environment for the community. The City’s Justice Court Department also works closely with Public Safety in the pursuit of justice under the law. All public safety departments are heavily involved in a number of community outreach ef-

Services Continued

forts including special events and programs like Foam Day and RAD Kids.

Fire & EMS - The Fire & EMS Department consists of employees trained and certified in both fire and emergency medical response—having obtained the State’s paramedic response certifications during the last fiscal year.

Did You Know?

The Lehi Fire Department offers Fire Safety training to approximately 10,000 civilians per year—even during birthday parties.

57.6% of all police-related calls for service in the City are initiated by the Lehi Police Department—up from 42.1% in FY 2007.

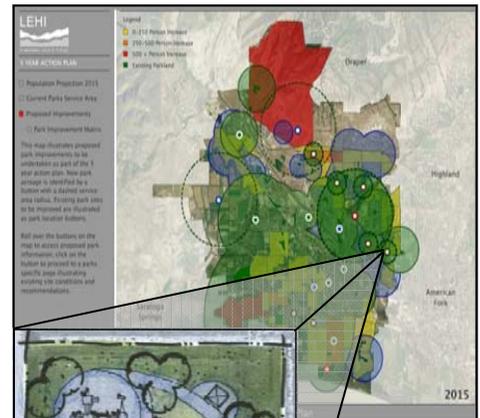
Police - The Police are responsible for preventing, investigating and enforcing crimes in the City, including traffic laws. The Police also manage dispatching, evidentiary record-keeping, and crossing guard efforts. The Code Enforcement and Animal Control departments are overseen by police officers who enforce violations associated with inoperable vehicles, trash on lots, high grass and weeds, pest infestation, and destructive animals.

PUBLIC WORKS

In general terms, the departments that deal directly with servicing the City’s infrastructure and public facility needs are categorized as Public Works. Lehi City provides a wide array of those types of services, with the following departments: Cemetery, Culinary Water, Parks, Power, Pres-

surized Irrigation, Sewer, Storm Drain, and Streets. Also related to this category are two departments that cover maintenance for the City’s buildings and the City’s fleet. Waste disposal and recycling is provided through a service contract.

Parks & Cemetery - The upkeep of parks includes supervising large park improvements, performing small park



improvements, summer upkeep on grass, trees and play equipment, and snow removal of walkways in the winter. Under the supervision of the Parks Manager, the Cemetery Department is responsible for grounds upkeep, grave digging, and gravesite maintenance.

Power - The Power Department oversees the construction and maintenance of the City’s power lines, substations, and street lights—all while simultaneously promoting energy conservation.

Learn more about capital assets.
See page 11 for details.



Learn more about how sales tax works.
See page 5 for details.



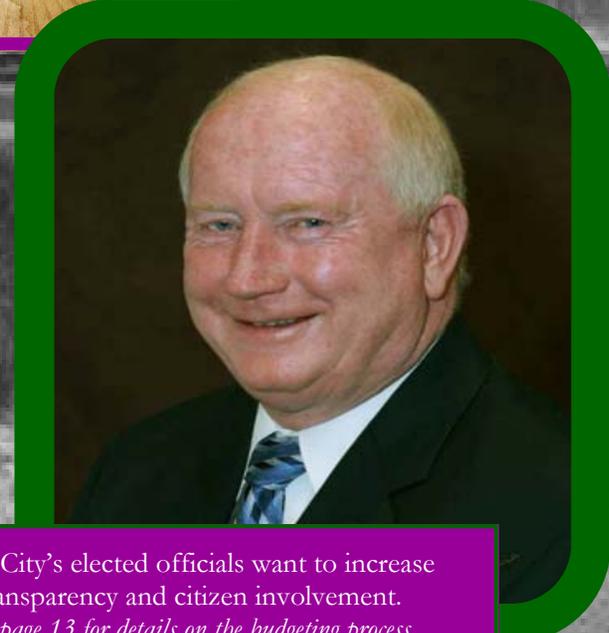
All Roads lead to Lehi
LEHI HIGHWAY



Lehi City has 254 acres of developed public parks and 72 undeveloped acres.
See page 7 for more details about Public Works and other City departments.



Lehi City's elected officials want to increase transparency and citizen involvement.
See page 13 for details on the budgeting process.



Services Continued

Did You Know?

The Lehi Power Department boasts an average system outage duration for each customer served (SAIDI) of 51.54 mins., which is almost half the North American utilities' average outage duration of 90 mins.

The Streets Department currently maintains 421 lane miles of roads in the City, up 104% from 2002 with just 206 lane miles.

Streets - The Streets Department maintains everything related to the City's streets, including signs, striping, sidewalks, curbs, gutters, surface drainage facilities, and snow removal.

Water & Wastewater Systems - The Culinary and Pressurized Irrigation departments are responsible for the safe supply of water at adequate pressure, both for inside and outside uses. As such, they oversee the construction and maintenance of distribution lines, wells, and storage tanks—in addition to promoting water conservation. The Sewer Department maintains the sewage collection system, while treatment is handled by the Timpanogos Special Service District (TSSD). The Storm Drain Department oversees the construction and maintenance of storm water conveyance and detention facilities in the City.

LEISURE SERVICES

The Library, Literacy Center, Museum, Legacy Center, Outdoor Pool, and Senior Citizen Center departments—as Leisure Services—provide educational, recreational, and social activities for all ages.

ADMINISTRATIVE

The departments that primarily provide administrative support and oversight of all City services include Administration, Emergency Management, Finance and HR, IT, Legal, Risk Management, and Utility Billing.

COMMUNITY DEVELOPMENT

The Building and Safety, Economic Development, Engineering, and Planning and Zoning departments provide guidance related to the environmental, economic, and community development and sustainability of the City. Perhaps not as readily evident by the title, the Building and Safety Department specifically performs inspections of new construction in the City to ensure compliance with the International Building Code.

NON-DEPARTMENTAL

All expenses for activities that are not specifically related to a department fall into the Non-Departmental category. Expenses include money set aside for contingencies, “rainy days,” and inter-governmental agreements.

Did You Know?

Since FY 2007, the Lehi Legacy Center has 38% more residents with annual memberships; the Library's circulation increased 49%; the Literacy Center has 50% more participants; and the Museum provides 52% more tours for school classes. Although new construction has slowed down over corresponding years, demand for City Leisure Services has not!

Capital Assets and Debt Administration

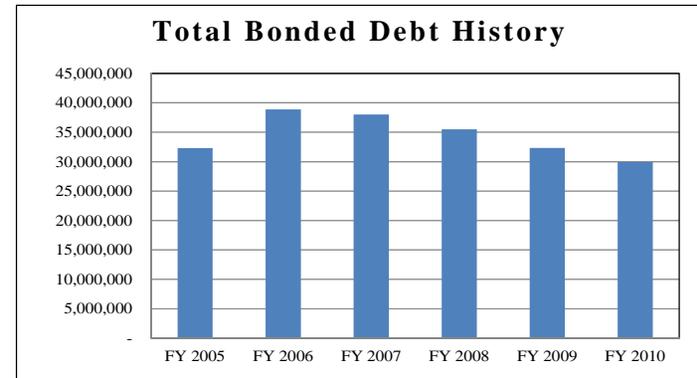
As you might expect, the continued maintenance and development of the City's utility infrastructure and transportation systems remains a high priority. As such, the City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$381, 814,777 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements that include infrastructure and distribution systems, machinery and equipment, vehicles, and office furniture and equipment.

MAJOR CAPITAL ASSET ACTIVITY

- ◆ In the governmental activities, the Veterans Park was remodeled for a cost of approximately \$203,000. In addition, there were several street widening and pedestrian safety projects completed for a cost of approximately \$493,000.
- ◆ Additions to infrastructure in the Electric fund included approximately \$240,000 for a substation and another approximately \$550,000 for a transformer, as well as over \$850,000 in line upgrades and installations.
- ◆ Infrastructure and land was donated to the City by developers. The estimated fair value of the infrastructure and land donated in the governmental and business-type activities was \$2,076,180 and \$1,525,187 respectively.

DEBT ADMINISTRATION

Since 1998, the City has used bonds for the acquisition of two substations, water storage facilities, and drainage facilities. The City has also used bonds to improve roads, expand the library, and incentivize economic development.

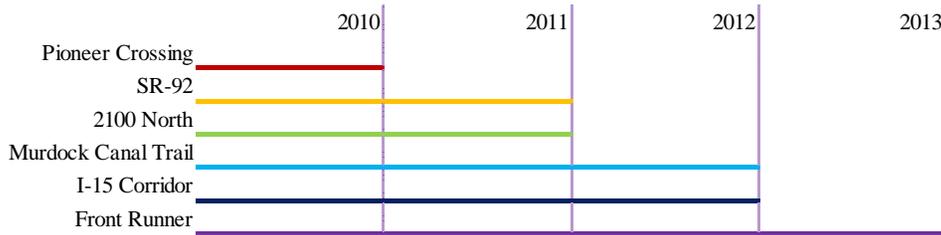


Since FY 2009, the City decreased its total outstanding debt by \$4,708,183; however, since FY 2006, the City has decreased its total *bonded* debt by over \$8.9 million. Directly attributable to this steady decrease, the City currently has a AA– bond rating from Standard and Poor's for General Obligation (GO) bonds.

Regional Capital Projects

In addition to the capital projects that are funded primarily through funds directly administered by Lehi City, there are six regional transportation projects currently under construction. The four road projects and the commuter rail project are being funded primarily through State administered funds, while the Murdock Canal Trail project (which indirectly affects regional transportation improvement efforts) is being administered by the Provo River Water Users Association.

Timeline of Regional Transportation Projects (Portions within Lehi City):



Although the capital improvements associated with these six projects are very needed and represent exciting investments into Lehi City’s future, maintenance associated with the developed open space of these projects will be left to the City. As such, the following table shows the estimated yearly maintenance costs per project starting in this 2011 budget year with the completion of the Pioneer Crossing project:



	Est. Cost for Portion in Lehi	Seeded Open Space (in Acres)	Landscaped Open Space	Est. Yearly O&M Cost by Lehi
Pioneer Crossing	\$221,850,000	51	7	\$47,671
SR-92	136,600,000	59	12	76,609
2100 North	120,000,000	57	5	42,118
Murdock Canal Trail	42,305,000	69	--	24,858
I-15 Corridor	27,500,000	--	2	8,875
Front Runner	130,700,000	--	--	-
Totals:	\$678,955,000	236	26	\$200,131

Individuals who would like more information on these regional transportation projects are encouraged to contact UDOT, UTA, and PRWUA respectively.

Budget Process & Timeline

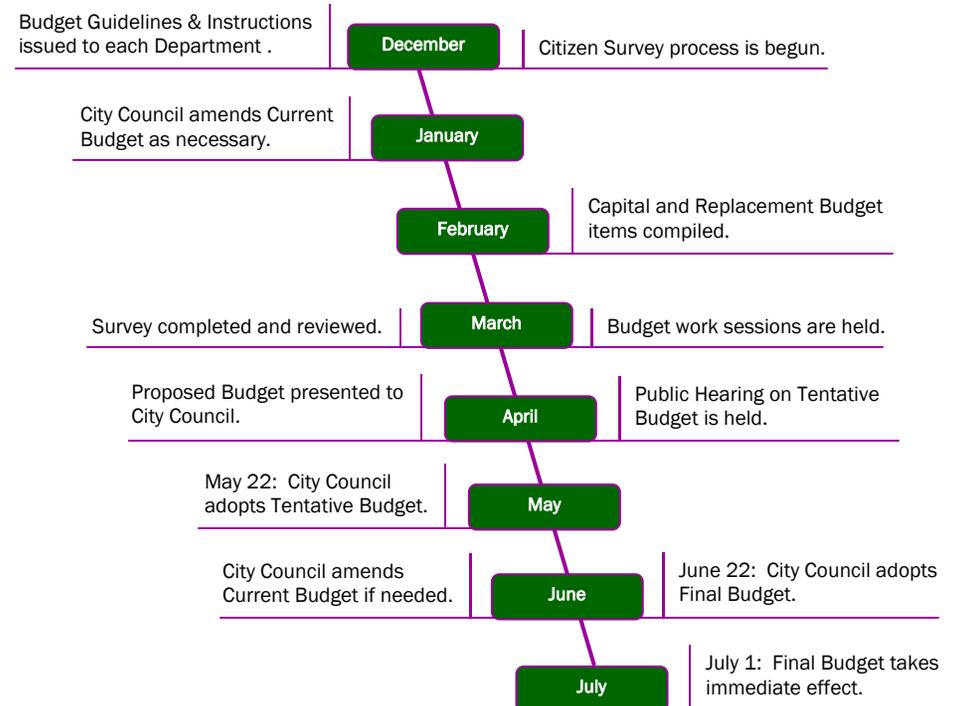
BUDGET PROCESS

Lehi City’s budget is an ongoing process combining citizen input, Council desires and direction, and staff recommendations to meet community needs. Lehi citizens have many opportunities to participate in the budget process. A Citizen Survey is conducted regularly to measure performance, effectiveness, and citizen satisfaction with services. It also serves as a valuable tool for the City in making policy decisions.

Additionally, citizens are encouraged to attend public meetings, including the Public Hearings on the annual budget each spring. These are outstanding opportunities to discuss services, projects and other issues with Council face-to-face. This dialogue often serves as the basis for Council-staff discussions during the budget planning process and can pave the way toward enhancing a current service or funding a new project.

Individuals and organizations who would like more information on the budget process or a copy of the budget document are encouraged to contact the Finance Department at (801) 768-7100.

BUDGET TIMELINE



Supplementary Tables

NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 22,202,275	\$ 26,697,740	\$ 16,638,825	\$ 17,211,231	\$ 38,841,100	\$ 43,908,971
Capital assets	234,345,196	234,476,972	150,499,581	149,279,120	384,844,777	383,756,092
Total assets	256,547,471	261,174,712	167,138,406	166,490,351	423,685,877	427,665,063
Long-term liabilities	93,413,391	96,979,064	11,418,468	12,550,978	104,831,859	109,530,042
Other liabilities	20,263,904	24,961,260	8,951,685	10,473,311	29,215,589	35,434,571
Interfund balances	(3,451,152)	(2,164,758)	3,451,152	2,164,758	-	-
Total liabilities	110,226,143	119,775,566	23,821,305	25,189,047	134,047,448	144,964,613
Net assets						
Invested in capital assets, net of related debt	211,805,645	213,579,310	139,804,533	137,407,148	351,610,178	350,986,458
Restricted	3,500,816	2,488,688	5,638,545	5,622,428	9,139,361	8,111,116
Unrestricted	(72,015,133)	(74,678,852)	(2,125,977)	(1,728,272)	(74,141,110)	(76,407,124)
Total net assets	\$ 143,291,328	\$ 141,389,146	\$ 143,317,101	\$ 141,301,304	\$ 286,608,429	\$ 282,690,450

CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 82,811,839	\$ 81,290,383	\$ 2,336,469	\$ 2,028,167	\$ 85,148,308	\$ 83,318,550
Intangibles	-	-	1,182,680	1,182,680	1,182,680	1,182,680
Construction in progress	3,952,044	3,575,045	1,208,865	298,185	5,160,909	3,873,230
Buildings and structures	15,634,913	16,307,944	2,089,155	2,178,443.00	17,724,068	18,486,387
Improvements, including infrastructure	124,048,648	128,264,555	140,020,178	142,896,582	264,068,826	271,161,137
Machinery, equipment, and vehicles	4,549,562	4,787,410	3,638,948	1,849,415	8,188,510	6,636,825
Office furniture and equipment	318,190	251,635	23,286	28,328	341,476	279,963
Total	\$ 231,315,196	\$ 234,476,972	\$ 150,499,581	\$ 150,461,800	\$ 381,814,777	\$ 384,938,772

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital lease obligations	\$ 234,551	\$ 305,665	\$ 24,317	\$ 118,935	\$ 258,868	\$ 424,600
Excise tax bonds	1,665,000	2,190,000	-	-	1,665,000	2,190,000
Tax increment note payable to developer	71,785,332	74,097,585	-	-	71,785,332	74,097,585
Revenue bonds	17,610,000	18,401,997	10,670,731	11,753,037	28,280,731	30,155,034
Other liabilities	2,118,508	1,993,817	723,420	679,006	2,841,928	2,672,823
Total	\$ 93,413,391	\$ 96,989,064	\$ 11,418,468	\$ 12,550,978	\$ 104,831,859	\$ 109,540,042

Supplementary Tables

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 6,159,733	\$ 6,231,833	\$ 30,442,857	\$ 29,286,613	\$ 36,602,590	\$ 35,518,446
Operating grants and contributions	1,545,098	823,303	-	-	1,545,098	823,303
Capital grants and contributions	5,596,760	13,239,384	5,034,797	8,470,064	10,631,557	21,709,448
General revenues:						
Property taxes	13,900,358	17,539,314	-	-	13,900,358	17,539,314
Other taxes	9,190,097	9,452,755	-	-	9,190,097	9,452,755
Other	153,645	19,824	104,207	477,636	257,852	497,460
Total revenues	36,545,691	47,306,413	35,581,861	38,234,313	72,127,552	85,540,726
Expenses:						
General government	4,429,526	4,790,376	-	-	4,429,526	4,790,376
Public safety	8,294,302	6,917,410	-	-	8,294,302	6,917,410
Community development	3,915,440	7,845,367	-	-	3,915,440	7,845,367
Highways/streets	7,533,656	6,833,204	-	-	7,533,656	6,833,204
Parks, recreation, and culture	6,181,189	6,154,035	-	-	6,181,189	6,154,035
Cemetery	343,280	179,180	-	-	343,280	179,180
Interest on long-term debt	4,677,116	4,818,132	-	-	4,677,116	4,818,132
Culinary Water	-	-	2,502,822	2,738,379	2,502,822	2,738,379
Sewer	-	-	4,867,521	4,427,260	4,867,521	4,427,260
Pressurized Irrigation	-	-	1,882,960	1,867,549	1,882,960	1,867,549
Electric	-	-	20,554,351	20,728,252	20,554,351	20,728,252
Drainage	-	-	1,006,380	906,252	1,006,380	906,252
Garbage	-	-	2,021,030	1,934,512	2,021,030	1,934,512
Total expenses	35,374,509	37,537,704	32,835,064	32,602,204	68,209,573	70,139,908
Increase in net assets before transfers	1,171,182	9,768,709	2,746,797	5,632,109	3,917,979	15,400,818
Transfers	731,000	2,231,004	(731,000)	(2,231,004)	-	-
Increase in net assets	1,902,182	11,999,713	2,015,797	3,401,105	3,917,979	15,400,818
Net assets, beginning	141,389,146	129,389,433	141,301,304	137,900,199	282,690,450	267,289,632
Net assets, ending	\$ 143,291,328	\$ 141,389,146	\$ 143,317,101	\$ 141,301,304	\$ 286,608,429	\$ 282,690,450

