

Lehi City Corporation

CITIZEN'S ANNUAL FINANCIAL REPORT

A Summary Financial Report of the 2010 Fiscal Year



Lehi City

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PIONEERING UTAH'S FUTURE

07/01/09—06/30/10

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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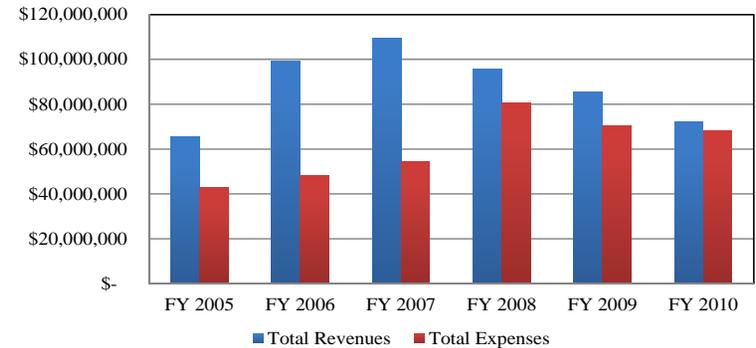
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Executive Summary

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.

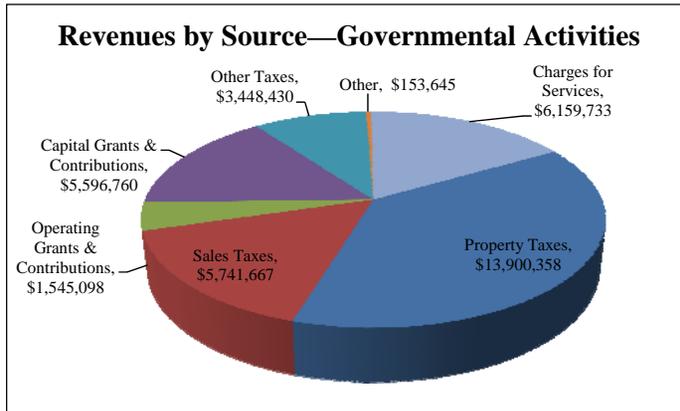
How is the City Funded?

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.



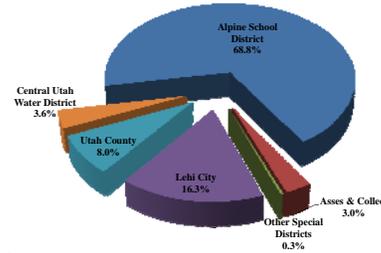
Business-type Activities

- ◆ 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

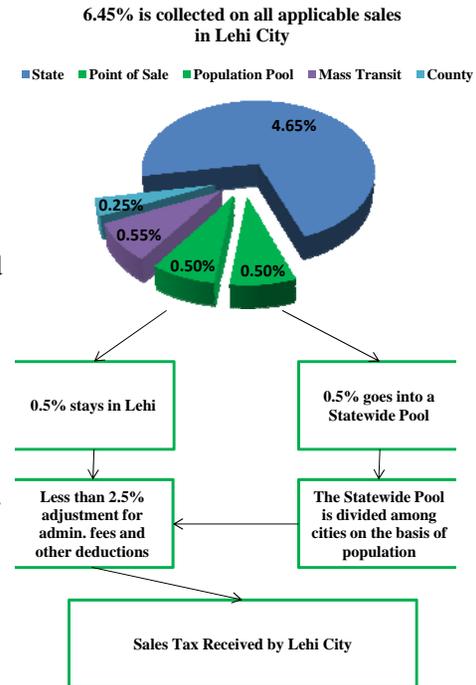


There are multiple tax collecting entities in Lehi City: Alpine School District, Utah County, Timpanogos Special Service District, Central Utah Water Conservation District, the Mosquito Abatement District, and Lehi City. Utah County assesses the taxable value and collects all property tax. Lehi City 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.

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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.

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 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

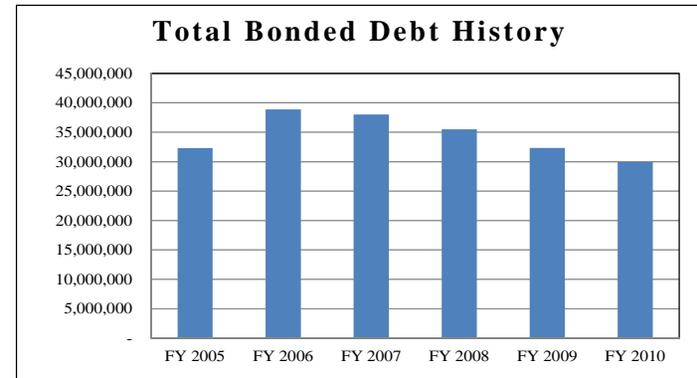
As you might expect, the continued maintenance and development of the City's utility infrastructure and transportation systems remains a high priority. As such, the City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$381, 814,777 (net 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.

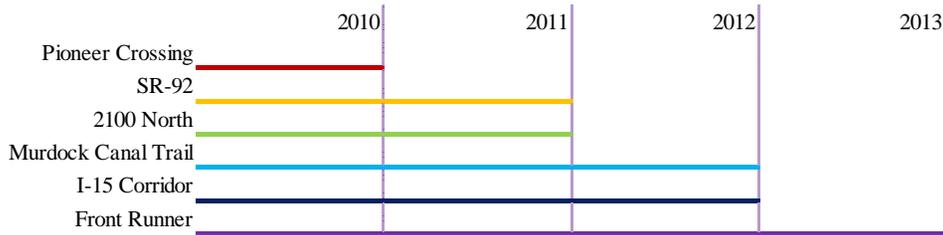


Since FY 2009, the City decreased its total outstanding debt by \$4,708,183; however, since FY 2006, the City has decreased its total *bonded* debt by over \$8.9 million. Directly attributable to this steady decrease, the City currently has a AA– bond rating from Standard and Poor's for General Obligation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

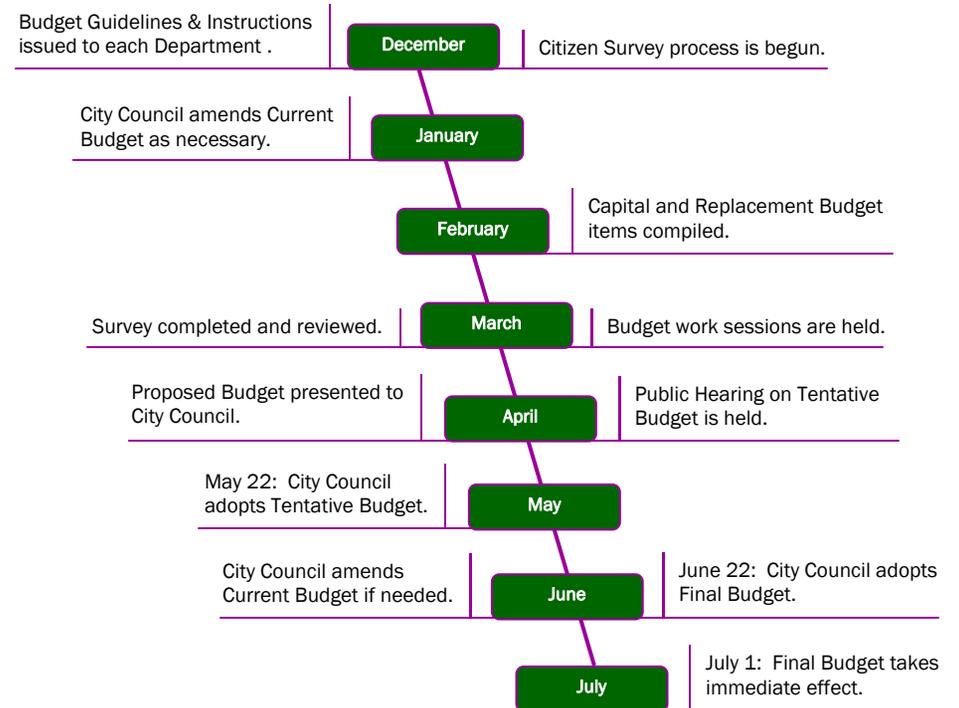
BUDGET PROCESS

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 |

Expenses and Program Revenues—All Activities

