

Lehi City Corporation

CITIZEN'S ANNUAL FINANCIAL REPORT

A Summary Financial Report of the 2011 Fiscal Year

Lehi City

Visit Us At:

Lehi City Hall
153 North 100 East
Lehi, Utah 84043

Phone: (801) 768-7100
Fax: (801) 768-7101
Website: www.lehi-ut.gov



PIONEERING UTAH'S FUTURE



07/01/10—06/30/11

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.

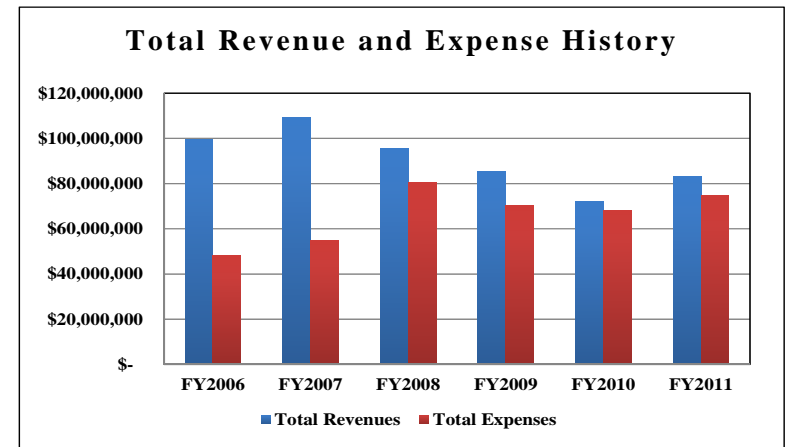
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Executive Summary

As we continue to traverse through what is a difficult economic climate, with monies that are significantly less than four fiscal years ago, this report continues to reflect the City's efforts to conservatively maximize the use of existing resources to maintain or increase levels of service throughout the organization. While the downturn has required us to "do more with less," we are also pleased to report that Lehi City is in a strong financial position moving forward as we begin to emerge from what has been identified as the greatest period of economic decline since the Great Depression. In order to further insulate the City from further decline in this troubling economy, the City continues to collect more in revenue than has been paid out in expenses.



We are excited about the future and the opportunities that exist for Lehi City moving forward. While we have struggled through many difficult challenges these past number of years, we are poised to emerge from this recessionary period in good shape, with renewed optimism and confidence. We are appreciative of our dedicated workforce and the citizens we serve and pledge to continue building Lehi City into one of the state's premiere communities.

GENERAL FINANCIAL HIGHLIGHTS

- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$326,981,222 (*net assets*).
- ◆ The City's governmental funds reported combined fund balances of \$10,767,836 which is an increase of \$5,133,675 from fund balance reported in 2010 (\$5,634,161).
- ◆ The City's total debt decreased by a net of \$509,913 during FY 2011.

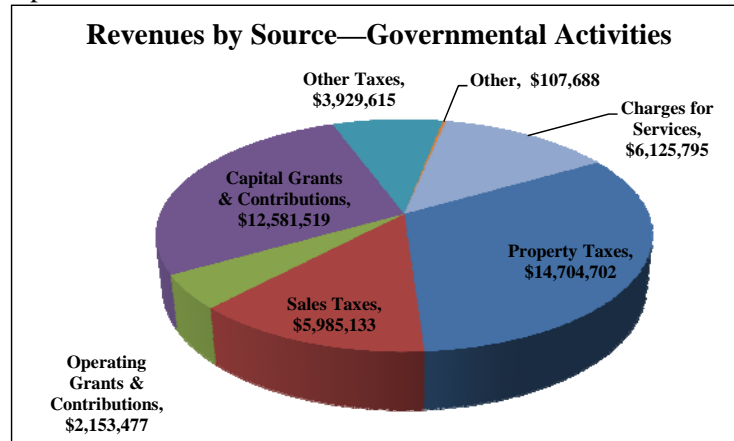
How is the City Funded?

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 increased by approximately 1.25% from 2010, due in part to the contribution of Main Street and 500 West from the Utah Dept. of Transportation (UDOT). UDOT also granted the City approximately \$5.7 million to fund the associating required renovations.
- Operating grants and contributions increased from 2010 by \$608,379 due in large part to a federal grant used to fund additional personnel in the City's fire dept. and an increase in the Class C Roads allotment from the State.



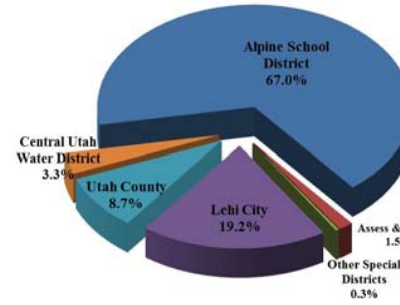
Business-type Activities

- Charges for services increased over 2010 by \$2,399,367 (7.3%). All of the enterprise funds experienced an increase in charges for services over 2010. The increase was the result of approved increases in the monthly service fees charged to customers. Service fees have increased slightly over the last two years to ensure user fees are adequate to fund operating expenses.
- Capital grants and contributions added \$4,245,278 to the net assets of the City. This amount was a decrease of \$789,519 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 \$2,317,552 from the prior year. The increase is primarily due to an increase in system maintenance and sewer treatment 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 Lehi Metropolitan Water District, and Lehi City. Utah County assesses the taxable value and collects all property tax. Lehi City Corporation's 2011 certified tax rate is 0.2519%. 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

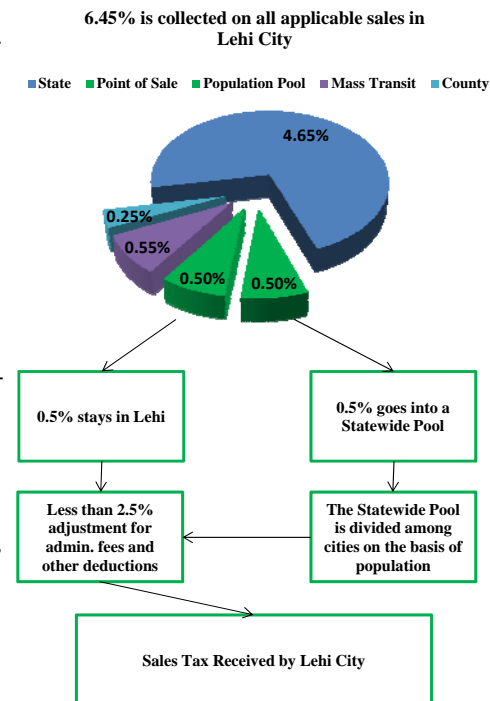
The City has several fees that are assessed on various services such as business licenses, recreation, planning, building, power, and water fees. These fees are levied in order to respond to changes in demand for the services. All City fees are reviewed annually, ensuring that charges for services are 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.

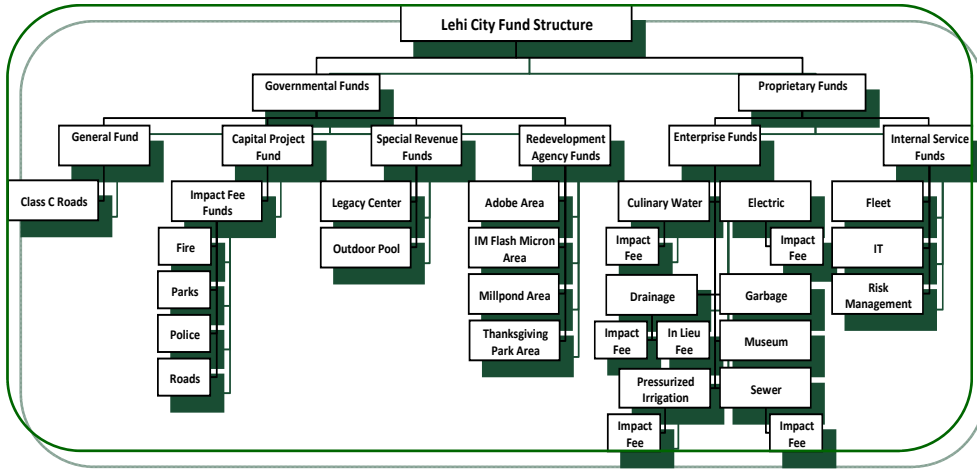
Municipal Bonds

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 15 shows the expenditures for each service type.

PUBLIC SAFETY



Consisting of Animal Control, Neighborhood Preservation, 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

Services Continued

a number of community outreach efforts 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 recently obtained the State's paramedic response certifications.

Did You Know?

Since FY 2009, the number of civilians receiving fire training from the Lehi Fire Department has increased 46%; the average response time from the Lehi Fire department has decreased by 17%. The fire department has also increased the number of fire inspections by 40%. Lehi City will always make public safety a priority!

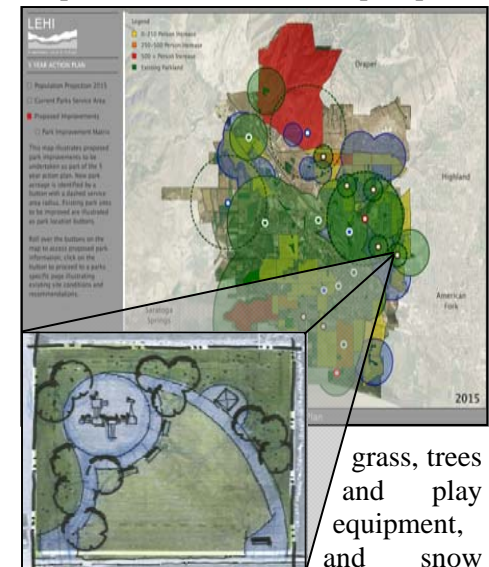
Police - The Police are responsible for preventing, investigating and enforcing crimes in the City, including traffic laws. The Police also manage dispatching, evidentiary record-keeping, and crossing guard efforts. The Code Enforcement and Animal Control departments are overseen by police officers who 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, Pressurized 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 projects.
See page 11 for details.



Learn more about how sales tax works.
See page 4 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 29.80 minutes., which is one-third the North American utilities' average outage duration of 90 minutes.

The Streets Department currently maintains 430 lane miles of roads in the City, up 108% 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?

From FY 2010 to FY 2011, the number of Library program participants per FTE (full-time equivalent) rose from 101 to 247. That is a 145% increase in attendance!

Meanwhile, there was a 17% increase in the total number of Library patron cardholders and increased total holdings by 5% during the last year.

Capital Assets and Debt Administration

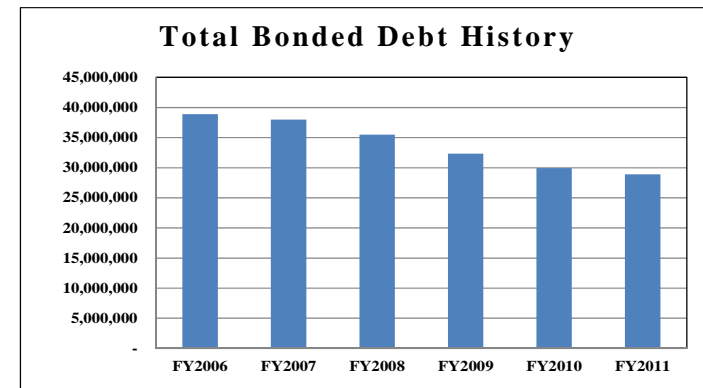
As you might expect, the continued maintenance and development of the City's utility infrastructure and transportation systems remains a high priority. As such, the City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$413, 666,970 (net 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 governmental activities, there were several street widening, street relocation, and pedestrian safety projects completed for a cost of approx. \$493,000.
- ◆ The Pressurized Irrigation fund included approx. \$972,000 in construction on a reservoir and approx. \$173,000 in fire hydrant mainline replacements.
- ◆ Approx. \$32 million in previously unrecognized intangible assets consisting of water stock was recorded by means of a prior period adjustment.
- ◆ 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 \$1,857,385 and \$2,091,606 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.

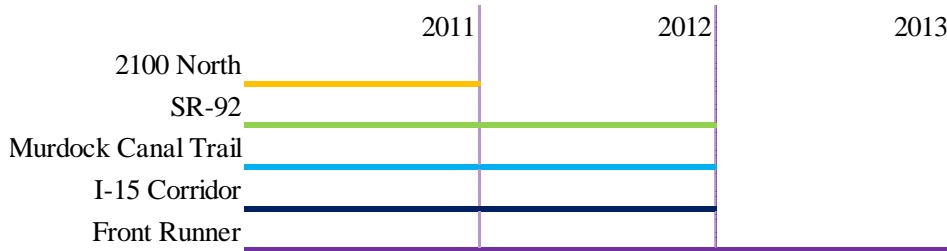


Since FY 2010, the City decreased its total outstanding debt by \$509,913; however, since FY 2006, the City has decreased its total *bonded* debt by over \$9.9 million. Directly attributable to this steady decrease, the City currently has a AA – bond rating from Standard and Poor's for General Obligation (GO) bonds.

Regional Capital Projects

In addition to the capital projects funded primarily through monies directly administered by Lehi City, there are five regional transportation projects currently under construction. The three 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 five 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 the 2012 budget year with the completion of the SR-92 and 2100 North Projects:



Project Name	Est. Cost for Portion in Lehi	Seeded Open Space (in Acres)	Landscaped Open Space	Est. Yearly O&M Cost by Lehi
2100 North	\$120,000,000	57	5	\$42,118
SR-92	136,600,000	59	12	76,609
Murdock Canal Trail	42,305,000	69	--	24,858
I-15 Corridor	27,500,000	--	2	8,875
Front Runner	130,700,000	--	--	-
Totals:	\$457,105,000	185	19	\$152,459

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

Budget Process & Timeline

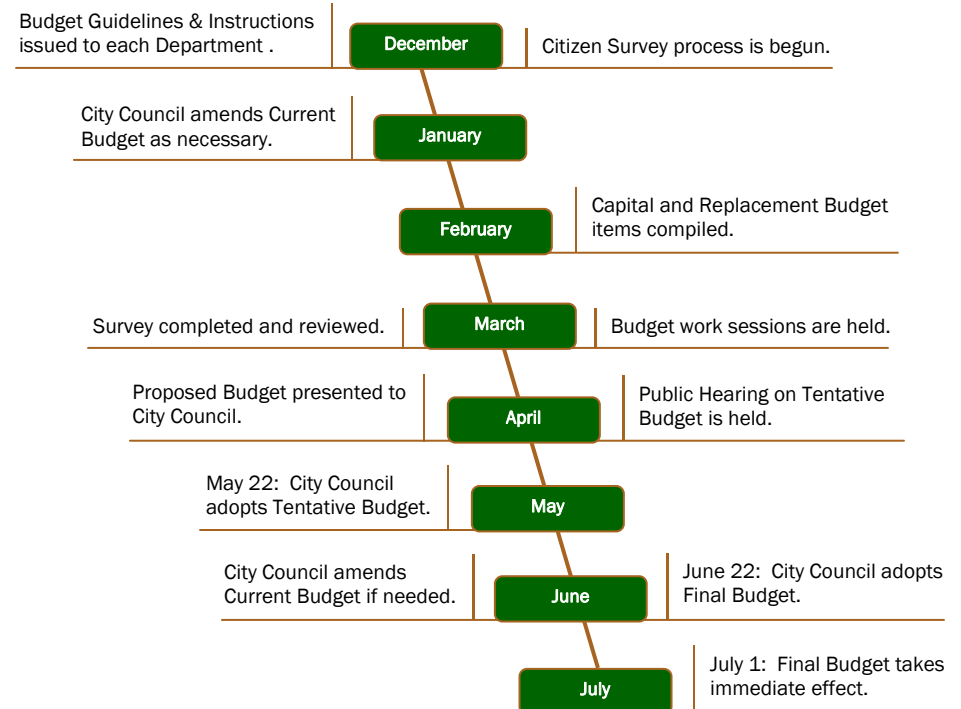
BUDGET PROCESS

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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 30,223,414	\$ 22,202,275	\$ 17,027,653	\$ 16,638,825	\$ 47,251,067	\$ 38,841,100
Capital assets	229,677,674	234,345,196	183,989,296	182,790,881	413,666,970	417,136,077
Total assets	259,901,088	256,547,471	201,016,949	199,429,706	460,918,037	455,977,177
Long-term liabilities	90,731,520	93,413,391	13,590,426	11,418,468	104,321,946	104,831,859
Other liabilities	19,982,005	20,263,904	9,632,864	8,951,685	29,614,869	29,215,589
Interfund balances	(657,942)	(3,451,152)	657,942	3,451,152	-	-
Total liabilities	110,055,583	110,226,143	23,881,232	23,821,305	133,936,815	134,047,448
Net assets						
Invested in capital assets, net of related debt	211,722,660	211,805,645	171,920,314	172,095,833	383,642,974	383,901,478
Restricted	9,514,316	3,500,816	5,166,369	5,638,545	14,680,685	9,139,361
Unrestricted	(71,391,471)	(72,015,133)	49,034	(2,125,977)	(71,342,437)	(74,141,110)
Total net assets	\$ 149,845,505	\$ 143,291,328	\$ 177,135,717	\$ 175,608,401	\$ 326,981,222	\$ 318,899,729

CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 84,199,738	\$ 82,811,839	\$ 2,336,469	\$ 2,336,469	\$ 86,536,207	\$ 85,148,308
Intangibles	-	-	35,290,142	33,473,980	35,290,142	33,473,980
Construction in progress	5,117,812	3,952,044	2,968,632	1,208,865	8,086,444	5,160,909
Buildings and structures	14,925,211	15,634,913	2,000,050	2,089,155	16,925,261	17,724,068
Improvements, including infrastructure	121,060,290	124,048,648	140,129,595	140,020,178	261,189,885	264,068,826
Machinery, equipment, and vehicles	4,124,844	4,549,562	1,229,166	3,638,948	5,354,010	8,188,510
Office furniture and equipment	249,779	318,190	35,242	23,286	285,021	341,476
Total	\$ 229,677,674	\$ 231,315,196	\$ 183,989,296	\$ 182,790,881	\$ 413,666,970	\$ 414,106,077

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital lease obligations	\$ 160,014	\$ 234,551	\$ -	\$ 24,317	\$ 160,014	\$ 258,868
Excise tax bonds	1,125,000	1,665,000	-	-	1,125,000	1,665,000
Tax increment note payable to developer	70,449,547	71,785,332	-	-	70,449,547	71,785,332
Other notes payable	-	-	1,683,586	-	1,683,586	-
Revenue bonds	16,670,000	17,610,000	11,138,919	10,670,731	27,808,919	28,280,731
Other liabilities	2,326,959	2,118,508	767,921	723,420	3,094,880	2,841,928
Total	\$ 90,731,520	\$ 93,413,391	\$ 13,590,426	\$ 11,418,468	\$ 104,321,946	\$ 104,831,859

Supplementary Tables

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 6,125,795	\$ 6,159,733	\$ 32,842,223	\$ 30,442,857	\$ 38,968,018	\$ 36,602,590
Operating grants and contributions	2,153,477	1,545,098	-	-	2,153,477	1,545,098
Capital grants and contributions	12,581,519	5,596,760	4,245,278	5,034,797	16,826,797	10,631,557
General revenues:						
Property taxes	14,704,702	13,900,358	-	-	14,704,702	13,900,358
Other taxes	9,914,748	9,190,097	-	-	9,914,748	9,190,097
Other	107,688	153,645	323,351	104,207	431,039	257,852
Total revenues	45,587,929	36,545,691	37,410,852	35,581,861	82,998,781	72,127,552
Expenses:						
General government	5,307,139	4,429,526	-	-	5,307,139	4,429,526
Public safety	8,781,592	8,294,302	-	-	8,781,592	8,294,302
Community development	4,264,439	3,915,440	-	-	4,264,439	3,915,440
Highways/streets	10,227,496	7,533,656	-	-	10,227,496	7,533,656
Parks, recreation, and culture	6,369,274	6,181,189	-	-	6,369,274	6,181,189
Cemetery	269,700	343,280	-	-	269,700	343,280
Interest on long-term debt	4,545,032	4,677,116	-	-	4,545,032	4,677,116
Culinary Water	-	-	2,544,131	2,502,822	2,544,131	2,502,822
Sewer	-	-	6,102,340	4,867,521	6,102,340	4,867,521
Pressurized Irrigation	-	-	2,676,304	1,882,960	2,676,304	1,882,960
Electric	-	-	20,787,596	20,554,351	20,787,596	20,554,351
Drainage	-	-	1,225,380	1,006,380	1,225,380	1,006,380
Garbage	-	-	1,816,865	2,021,030	1,816,865	2,021,030
Total expenses	39,764,672	35,374,509	35,152,616	32,835,064	74,917,288	68,209,573
Increase in net assets, before transfers	5,823,257	1,171,182	2,258,236	2,746,797	8,081,493	3,917,979
Transfers	730,920	731,000	(730,920)	(731,000)	-	-
Increase in net assets	6,554,177	1,902,182	1,527,316	2,015,797	8,081,493	3,917,979
Net assets, beginning	143,291,328	141,389,146	143,317,101	141,301,304	286,608,429	282,690,450
Prior period adjustment	-	-	32,291,300	-	32,291,300	-
Net assets beginning of year, as restated	143,291,328	141,389,146	175,608,401	141,301,304	318,899,729	282,690,450
Net assets, ending	\$ 149,845,505	\$ 143,291,328	\$ 177,135,717	\$ 143,317,101	\$ 326,981,222	\$ 286,608,429

Expenses and Program Revenues—All Activities

