

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Electronic Municipal Market Access (“EMMA”), whether the filing is voluntary or made pursuant to Securities and Exchange Commission Rule 15c2-12.

See emma.msrb.org for more detailed information.

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

Provide nine-digit CUSIP* numbers if available, to which the information relates:

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer’s Name (please include name of state where Issuer is locate): Highland City, Utah County, Utah

Other obligated Person’s Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: 430818, 430047

*(Contact CUSIP’s Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 4 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with MSRB.)

Period Covered: January 31, 2010

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: June 30, 2009

C. Notice of Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payments delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name <u>Eric Pehrson</u>	Title <u>Vice President</u>
Employer <u>Zions Bank Public Finance</u>	
Address <u>One S Main St 18th Fl</u>	City <u>SLC</u> State <u>UT</u> Zip Code <u>84133</u>
Telephone <u>801.844.7376</u>	Fax <u>801.844.4484</u>
Email Address <u>eric.pehrson@zionsbank.com</u>	Issuer Web Site Address <u>zionsbankpf.com</u>

Dissemination Agent Contact, if any:

Name _____	Title _____
Employer _____	
Address _____	City _____ State _____ Zip Code _____
Telephone _____	Fax _____
Email Address _____	Relationship to Issuer _____

Obligor Contact, if any:

Name <u>Lynn Ruff</u>	Title <u>Finance Director</u>
Employer <u>Highland City</u>	
Address <u>5378 W 10400 N</u>	City <u>Highland City</u> State <u>UT</u> Zip Code <u>84003</u>
Telephone <u>801.756.5751</u>	Fax <u>801.756.6903</u>
Email Address <u>lynn@highlandcity.org</u>	Obligor Web Site Address <u>highlandcity.org</u>

Investor Relations Contact, if any:

Name _____	Title _____
Telephone _____	Email Address _____



FINANCE DEPARTMENT
5400 West Civic Center Dr. Suite 1 • Highland, UT 84003
Phone 756-5751 ~ Fax 756-6903

December 28, 2009

Via electronic submission to www.emma.msrb.org
Attn Municipal Disclosure

Re: Continuing Disclosure Undertaking of the City of Highland, Utah County, Utah

To Whom It May Concern:

In accordance with the provisions of paragraph (b) (5) (i) (A) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City of Highland, Utah County, Utah (the "City" and sometimes referred to herein as the "Issuer"), hereby files with you the enclosed (i) General Purpose Financial Statements for the Fiscal Year Ended June 30, 2009 (the "2009 GPFS"); and (ii) the Supplemental Continuing Disclosure Memorandum of the City dated January 31, 2009 (the "SCDM"). This letter, the 2009 GPFS, and the SCDM constitute the annual financial information and operating data concerning the City to be filed in compliance with the Issuer's obligation under that certain agreement entered into in connection with the offering of the following securities described in the following Official Statements:

<u>Securities</u>	<u>Official Statement</u>
\$6,000,000 Sales and Franchise Tax Revenue Bonds Series 2006 dated August 15, 2006	\$6,000,000 Highland City, Utah County, Utah Sales and Franchise Tax Revenue Bonds Series 2006, dated August 15, 2006
\$7,315,000 Sales and Franchise Tax Revenue Bonds Series 2007 dated June 19, 2007	\$7,315,000 Highland City, Utah County, Utah Sales and Franchise Tax Revenue Bonds Series 2007, dated June 19, 2007
\$4,310,000 General Obligation Refunding Bonds Series 2009 dated March 17, 2009	\$4,310,000 Highland City, Utah County, Utah General Obligation Refunding Bonds Series 2009, dated March 17, 2009

No event described in paragraph (b) (5) (i) (c) of the Rule has occurred that is required to be disclosed with respect to any of the above-described securities.

Sincerely,

City of Highland, Utah County, Utah

A handwritten signature in blue ink that reads "Lynn W. Ruff". The signature is written in a cursive style with a large initial 'L'.

Lynn W. Ruff, CPA, CGFM,
Finance Director

cc: Zions Bank Public Finance, Salt Lake City, Utah

Supplemental
Continuing Disclosure Memorandum

Summary of Debt Structure and Financial Information
SEC Rule 15c2-12

For

City of Highland
Utah County, Utah

Filed with
Electronic Municipal Market Access (“EMMA”)
emma.msrb.org

Submitted and dated as of December 29, 2009
(Submission required by January 31, 2010)

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GENERAL

Contact Person for the City

As of the date of this Supplemental Continuing Disclosure Memorandum, the chief contact person for the City of Highland, Utah County, Utah (the “City”) is:

Lynn Ruff, Finance Director
lynn@highlandcity.org
Highland City
5378 W 10400 N
Highland UT 84003
801.763.6112 | f 801.756.6903

When used herein the terms “Fiscal Year[s]” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year beginning on July 1 and ending on June 30 of the year indicated

The Issues

The City is providing continuing disclosure on the following *three* issues:

1.

\$4,310,000
City of Highland
Utah County, Utah
General Obligation Refunding Bonds, Series 2009

Bonds dated: March 17, 2009—Bonds issued on: March 17, 2009
CUSIP numbers on the bonds are provided below.

The 2009 Bonds, as defined herein, were awarded pursuant to competitive bidding to BMO Capital Markets GKST, Inc., Chicago, Illinois, at a “true interest rate” of 3.64%. Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

Background Information. The \$4,310,000 General Obligation Refunding Bonds, Series 2009, dated March 17, 2009 (the “2009 Bonds”), were issued as fully-registered bonds in book-entry only form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC is currently acting as securities depository for the 2009 Bonds.

Payment Dates. Principal of and interest on the 2009 Bonds (interest payable May 1 and November 1 of each year) are payable by Zions Bank Corporate Trust Department, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, currently DTC.

Optional Redemption. The 1998 Bonds maturing on or prior to May 1, 2018, are not subject to call and redemption prior to maturity. The 2009 Bonds maturing on and after May 1, 2019 are subject to redemption prior to maturity in whole or in part at the option of the City on November 1, 2018 or on any date thereafter, from such maturities or parts thereof as shall be selected by the City at the redemption price of 100% of the principal amount to be redeemed plus accrued interest (if any) thereon to the re-

demption date.100% of the principal amount of the 2009 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, but without premium.

Current Maturity Schedule.

Current principal outstanding: \$4,310,000

Original issue amount: \$4,310,000

Dated: March 17, 2009

Due: May 1, as shown below

Due May 1	CUSIP 430047	Principal Amount	Original Interest Rate	Due June 15	CUSIP 430047	Principal Amount	Original Interest Rate
2010.....	BK 5	\$255,000	2.75%	2017.....	BS 8	\$340,000	4.00 %
2011.....	BL 3	280,000	2.75	2018.....	BT 6	350,000	4.00
2012.....	BM 1	290,000	2.75	2019.....	BU 3	365,000	4.00
2013.....	BN 9	300,000	3.00	2020.....	BV 1	380,000	4.00
2014.....	BP 4	305,000	3.125	2021.....	BW 9	395,000	4.00
2015.....	BQ 2	315,000	3.25	2022.....	BX 7	410,000	4.125
2016.....	BR 0	325,000	3.75				

Bank Qualified Obligations. The City designated the 2009 Bonds as “qualified tax–exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, relating to the deductibility of certain financial institutions’ interest expense allocable to tax–exempt interest.

Security. The 2009 Bonds are general obligations of the City payable from the proceeds of ad valorem taxes to be levied annually without limitation as to rate or amount on all of the taxable property in the City, fully sufficient to pay the 2009 Bonds as to both principal and interest.

2.

\$6,000,000
City of Highland
Utah County, Utah
Sales and Franchise Tax Revenue Bonds, Series 2006

Bonds dated: August 15, 2006—Bonds issued on: August 1, 2006
CUSIP numbers on the bonds are provided below.

The 2006 Bonds, as defined herein, were awarded pursuant to competitive bidding to PNC Capital Markets LLC, Philadelphia, Pennsylvania, at a “true interest rate” of 4.19%. Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

Background Information. The \$6,000,000 Sales and Franchise Tax Revenue Bonds, Series 2006, dated August 15, 2006 (the “2006 Bonds”), were issued as fully–registered bonds in book–entry only form, registered in the name of Cede & Co., as nominee for DTC. DTC is currently acting as securities depository for the 2006 Bonds.

Payment Dates. Principal of and interest on the 2006 Bonds (interest payable March 1 and September 1 of each year) are payable by Zions First National Bank, Corporate Trust Department, Salt Lake City, Utah (“Zions Bank”), as Paying Agent, to the registered owners thereof, currently DTC.

Optional Redemption. The 2006 Bonds maturing on or before September 1, 2016, are not subject to optional redemption prior to maturity.

The 2006 Bonds maturing on or after September 1, 2017, are subject to redemption at the option of the City on September 1, 2016, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City at a redemption price equal to 100% of the principal amount of the 2006 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The 2006 Bonds maturing on September 1, 2022 and September 1, 2025 are subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, but without premium, on the dates and in the principal amounts as follows:

<u>Mandatory Sinking Fund Redemption Date</u>	<u>Sinking Fund Requirements</u>
September 1, 2021	\$355,000
September 1, 2022 (Final Maturity).....	<u>375,000</u>
Total.....	<u>\$730,000</u>
September 1, 2021	\$410,000
September 1, 2025 (Final Maturity).....	<u>435,000</u>
Total	<u>\$845,000</u>

Upon redemption of any 2006 Bond maturing on September 1, 2022 and September 1, 2025, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the 2006 Bonds maturing on September 1, 2022 and September 1, 2025, in such order of mandatory sinking fund redemption date as shall be directed by the City.

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Current Maturity Schedule.

Current principal outstanding: \$5,395,000

Original issue amount: \$6,000,000

Dated: August 15, 2006

Due: September 1, as shown below

\$3,820,000 Serial Bonds

Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate	Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate
2010.....	AD 6	\$220,000	4.25%	2018.....	AM 6	\$305,000	4.05%
2011.....	AE 4	230,000	4.25	2019.....	AN 4	320,000	4.10
2012.....	AF 1	240,000	4.25	2020.....	AP 9	335,000	4.15
2013.....	AG 9	250,000	4.25	2023.....	AS 3	380,000	4.30
2014.....	AH 7	260,000	4.25	2026.....	AV 6	435,000	4.35
2015.....	AJ 3	270,000	4.25				
2016.....	AK 0	280,000	4.25				
2017.....	AL 8	295,000	4.00				

\$730,000 4.30% Term Bond due September 1, 2022 (CUSIP 430818 AR 5)

\$845,000 4.35% Term Bond due September 1, 2025 (CUSIP 430818 AU 8)

Bank Qualified Obligations. The City designated the 2006 Bonds as “qualified tax–exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, relating to the deductibility of certain financial institutions’ interest expense allocable to tax–exempt interest.

Security. The 2006 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the revenues, moneys, securities and funds pledged therefor in the Indenture. The revenues consist of the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal and interest on the 2006 Bonds and the City is limited by Utah law in its ability to increase the rate of such taxes. The 2006 Bonds do not constitute a general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant any security interest in all or any portion of the improvements financed or refinanced with the proceeds of the 2006 Bonds to secure payment of the 2006 Bonds.

Credit Enhancement. Payment of the principal of and interest on the 2006 Bonds when due are insured by a municipal bond insurance policy issued by Ambac Assurance.

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3.

\$7,315,000
City of Highland
Utah County, Utah
Sales and Franchise Tax Revenue Bonds, Series 2007

Bonds dated: June 19, 2007—Bonds issued on: June 5, 2007
CUSIP numbers on the bonds are provided below.

The 2007 Bonds, as defined herein, were awarded pursuant to competitive bidding to Stifel Nicolaus and Company, Inc., Minneapolis, Minnesota, at a “true interest rate” of 4.19%. Zions Bank Public Finance, Salt Lake City, Utah, acted as Financial Advisor.

Background Information. The \$7,315,000 Sales and Franchise Tax Revenue Bonds, Series 2007, dated June 19, 2007 (the “2007 Bonds”), were issued as fully-registered bonds in book-entry only form, registered in the name of Cede & Co., as nominee for DTC. DTC is currently acting as securities depository for the 2007 Bonds.

Payment Dates. Principal of and interest on the 2007 Bonds (interest payable March 1 and September 1 of each year) are payable by Zions Bank, to the registered owners thereof, currently DTC.

Optional Redemption. The 2007 Bonds maturing on or before September 1, 2017, are not subject to optional redemption prior to maturity.

The 2007 Bonds maturing on or after September 1, 2018, are subject to redemption at the option of the City on September 1, 2017, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the City at a redemption price equal to 100% of the principal amount of the 2007 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Current Maturity Schedule.

Current principal outstanding: \$6,860,000

Original issue amount: \$7,315,000

Dated: June 19, 2007

Due: September 1, as shown below

Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate	Due Sept. 1	CUSIP 430818	Principal Amount	Original Interest Rate
2010.....	AY 0	\$240,000	4.50%	2019.....	BH 6	\$360,000	4.00 %
2011.....	AZ 7	250,000	4.50	2020.....	BJ 2	375,000	4.05
2012.....	BA 1	260,000	4.50	2021.....	BK 9	385,000	4.05
2013.....	BB 9	275,000	4.50	2022.....	BL 7	395,000	4.125
2014.....	BC 7	285,000	4.50	2023.....	BM 5	425,000	4.15
2015.....	BD 5	300,000	4.50	2024.....	BN 3	430,000	4.15
2016.....	BE 3	320,000	4.50	2025.....	BP 8	445,000	4.20
2017.....	BF 0	330,000	5.25	2026.....	BQ 6	480,000	4.20
2018.....	BG 8	350,000	4.00	2027.....	BR 4	955,000	4.25

Bank Qualified Obligations. The City designated the 2007 Bonds as “qualified tax-exempt obligations” pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, relating to the deductibility of certain financial institutions’ interest expense allocable to tax-exempt interest.

Security. The 2007 Bonds are special limited obligations of the City, payable solely from and secured by a pledge of the revenues, moneys, securities and funds pledged therefor in the Indenture. The revenues consist of the Pledged Taxes. No assurance can be given that the Pledged Taxes will remain sufficient for the payment of principal and interest on the 2007 Bonds and the City is limited by Utah law in its ability to increase the rate of such taxes. The 2007 Bonds do not constitute a general obligation indebtedness or a pledge of the ad valorem taxing power or full faith and credit of the City, and are not obligations of the State of Utah or any other agency or other political subdivision or entity of the State of Utah. The City will not mortgage or grant any security interest in all or any portion of the improvements financed or refinanced with the proceeds of the 2007 Bonds to secure payment of the 2007 Bonds.

Credit Enhancement. Payment of the principal of and interest on the 2007 Bonds when due are insured by a municipal bond insurance policy issued by CIFG Assurance.

DEBT STRUCTURE OF THE CITY OF HIGHLAND, UTAH COUNTY, UTAH

Outstanding Municipal Debt

Outstanding General Obligation Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2009 (1).....	Refunding	\$4,310,000	May 1, 2022	\$4,310,000
1998 (2) (3).....	Refunding secondary water	8,675,000	March 17, 2009 (5)	0
BWR 1996B (4)....	Secondary water	1,400,000	July 1, 2021	<u>123,390</u>
Sub-totals				4,433,390
Less: revenue supported general obligation debt (6)				<u>(4,433,390)</u>
Total outstanding direct general obligation debt (supported by ad valorem taxes)				\$ <u>0</u>

-
- (1) Rated "AA" by S&P, as of the date of this SUPPLEMENTAL CONTINUING DISCLOSURE MEMORANDUM.
 - (2) Certain principal portions of this bond issue were legally defeased in October 2001 (total defeased 1998 Bonds was \$3,425,000). (FGIC Insured Rating withdrawn; no underlying) by Moody's, as of the date of this SUPPLEMENTAL CONTINUING DISCLOSURE MEMORANDUM.
 - (3) These bonds are expected to be refunded by the 2009 Bonds.
 - (4) Not rated; no rating applied for. These bonds were purchased by the State of Utah Board of Water Resources at an annual interest rate of 3.60%. The first principal and interest payment on the BWR 1996B Bonds is July 1, 2018, with interest accruing until July 1, 2018.
 - (5) Final maturity date upon refunding by the 2009 Bonds.
 - (6) Although the 2009 General Obligation Refunding Bonds, the 1998 General Obligation Bonds, and the BWR 1996B Bonds (collectively, the "GO Bonds") are general obligation bonds of the City, for which ad valorem taxes may be levied, the City expects to pay the GO Bonds from other legally available revenues of the City. The GO Bonds are anticipated to be retired by water revenues, or other legally available moneys of the City.

Outstanding Sales and Franchise Tax Revenue Bonded Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2007 (1).....	Recreation/land	\$7,315,000	September 1, 2027	\$ 6,860,000
2006 (2).....	Police/Fire Buildings	6,000,000	September 1, 2026	<u>5,395,000</u>
Total				<u>\$12,255,000</u>

- (1) Rated "AA-" (CIFG insured) by S&P, as of the date of OFFICIAL STATEMENT.
(2) Rated "AA-" (Ambac Assurance Insured) by S&P, as of the date of this OFFICIAL STATEMENT.

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Debt Service Schedule of Outstanding General Obligation Bonds By Fiscal Year

Fiscal Year Ending June 30	\$4,310,000 Series 2009		\$8,675,000 Series 1998		\$1,400,000 Series BWR 1996B (1)		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
	2009.....	\$ 0	\$ 0	\$ 0	\$ 94,008 (2)	\$ 0	\$ 0	\$ 0	\$ 94,008	$ 94,008
2010.....	255,000	172,549	0	0 (3)	0	0	255,000	172,549	427,549
2011.....	280,000	146,744	0	0 (3)	0	0	280,000	146,744	426,744
2012.....	290,000	139,044	0	0 (3)	0	0	290,000	139,044	429,044
2013.....	300,000	131,069	0	0 (3)	0	0	300,000	131,069	431,069
2014.....	305,000	122,069	0	0 (3)	0	0	305,000	122,069	427,069
2015.....	315,000	112,538	0	0 (3)	0	0	315,000	112,538	427,538
2016.....	325,000	102,300	0	0 (3)	0	0	325,000	102,300	427,300
2017.....	340,000	90,113	0	0 (3)	0	0	340,000	90,113	430,113
2018.....	350,000	76,513	–	–	123,390	98,095	473,390	174,608	647,998
2019.....	365,000	62,513	–	–	–	–	365,000	62,513	427,513
2020.....	380,000	47,913	–	–	–	–	380,000	47,913	427,913
2021.....	395,000	32,713	–	–	–	–	395,000	32,713	427,713
2022.....	410,000	16,913	–	–	–	–	410,000	16,913	426,913
Totals.....	\$4,310,000	\$1,252,986	\$ 0	\$ 94,008	\$ 123,390	\$ 98,095	\$4,433,390	\$1,445,089	\$ 5,878,479

- (1) Purchased by the State of Utah Board of Water Resources at 3.60% per annum, with principal and interest due July 1, 2018.
(2) Interest payment paid on December 15, 2008. Principal of and remaining interest was refunded by the Series 2009 Bonds.
(3) Principal of and interest on these bonds have been refunded by the Series 2009 Bonds.

Debt Service Schedule of Outstanding Sales and Franchise Tax Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	\$7,315,000 Series 2007		\$6,000,000 Series 2006		Totals		
	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
	2009.....	\$ 225,000	\$ 309,981	\$ 200,000	\$ 242,135	\$ 425,000	\$ 552,116	$ 977,116
2010.....	230,000	299,744	210,000	233,423	440,000	533,167	973,167
2011.....	240,000	289,169	220,000	224,285	460,000	513,454	973,454
2012.....	250,000	278,144	230,000	214,723	480,000	492,867	972,867
2013.....	260,000	266,669	240,000	204,735	500,000	471,404	971,404
2014.....	275,000	254,631	250,000	194,323	525,000	448,954	973,954
2015.....	285,000	242,031	260,000	183,485	545,000	425,516	970,516
2016.....	300,000	228,869	270,000	172,223	570,000	401,092	971,092
2017.....	320,000	214,919	280,000	160,535	600,000	375,454	975,454
2018.....	330,000	199,056	295,000	148,685	625,000	347,741	972,741
2019.....	350,000	183,394	305,000	136,609	655,000	320,003	975,003
2020.....	360,000	169,194	320,000	123,873	680,000	293,067	973,067
2021.....	375,000	154,400	335,000	110,361	710,000	264,761	974,761
2022.....	385,000	139,010	355,000 (1)	95,778	740,000	234,788	974,788
2023.....	395,000	123,067	375,000 (1)	80,083	770,000	203,150	973,150
2024.....	425,000	106,101	380,000	63,850	805,000	169,951	974,951
2025.....	430,000	88,360	410,000 (2)	46,763	840,000	135,123	975,123
2026.....	445,000	70,093	435,000 (2)	28,384	880,000	98,477	978,477
2027.....	480,000	50,668	435,000	9,461	915,000	60,129	975,129
2028.....	955,000	20,294	—	—	955,000	20,294	975,294
Totals.....	\$7,315,000	\$3,687,792	\$5,805,000	\$2,673,714	\$13,120,000	\$6,361,506	\$ 19,481,506

(1) Mandatory sinking fund principal payments from a \$730,000 4.30% term bond due September 1, 2022.

(2) Mandatory sinking fund principal payments from a \$845,000 4.35% term bond due September 1, 2025.

Other Financial Considerations

Other than the City’s outstanding general obligation and revenue bonds, the City has no other debt outstanding.

Overlapping And Underlying General Obligation Debt

<u>Taxing Entity</u>	<u>2009 Taxable Value (1)</u>	<u>City’s Portion of Tax- able Value</u>	<u>City’s Per- centage</u>	<u>Entity’s General Obligation Debt</u>	<u>City’s Portion of G.O. Debt</u>
Overlapping:					
State of Utah	\$203,723,488,560	\$980,806,555	0.5%	\$2,299,300,000	\$11,069,752
CUWCD (2)	116,814,769,061	980,806,555	0.8	151,863,213	1,275,082
Alpine School Dist...	17,778,375,129	980,806,555	5.5	419,395,000	23,137,399
Utah County	28,597,060,863	980,806,555	3.4	9,020,000	<u>309,363</u>
Total Overlapping					<u>35,791,597</u>
Underlying:					
Total Underlying					<u>0</u>
Total Overlapping and Underlying General Obligation Debt					<u>\$35,791,597</u>
Total Overlapping General Obligation Debt (excluding the State) (3)					\$24,721,845
Total Direct General Obligation Bonded Indebtedness (4)					<u>0</u>
Total Direct and Overlapping General Obligation Debt (excluding the State) (3)					<u>\$24,721,845</u>

- (1) 2008 taxable values are preliminary and subject to change. Taxable value used in this table *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Central Utah Water Conservancy District (“CUWCD”) outstanding general obligation bonds are limited ad valorem tax bonds. By law CUWCD may levy a tax rate of up to .000400 to pay for operation and maintenance expenses and any outstanding limited ad valorem tax bonds.
- (3) The State’s general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.
- (4) Does not include general obligation debt of the City expected to be paid from other revenue sources.

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Debt Ratios

The following table sets forth the ratios of general obligation debt that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the City, the estimated market value of such property and the population of the City. *The City expects to repay all its current outstanding general obligation debt from revenues of the City other than property taxes specifically levied for such debt.* The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.

	To 2009 Estimated Taxable Value (1)	To 2009 Estimated Market Value (2)	To 2008 Population Estimate Per Capita (3)
Direct General Obligation Debt (4)	0.00%	0.00%	\$ 0
Direct and Overlapping General Obligation Debt	2.52	1.44	1,527

- (1) Based on an estimated 2009 Taxable Value of \$980,806,555, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on an estimated 2009 Market Value of \$1,713,390,130, which value *excludes* the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on City population estimate of 16,189 by the 2008 U.S. Census Bureau.
- (4) Based on outstanding direct general obligation debt of \$0 (excluding general obligation debt expected to be paid from other revenue sources).

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity

The general obligation indebtedness of the City is limited by State law to 12% of taxable property in the City (4% for general purposes and an additional 8% for sewer, water and electric purposes) as computed from the last equalized assessment rolls for State or County purposes prior to incurring the debt. The legal debt limit and additional debt incurring capacity of the City are based on the estimated fair market value for 2009 and the calculated valuation value from 2008 uniform fees, and are calculated as follows:

Estimated 2009 "Fair Market Value"			\$1,713,390,130
2008 Valuation from Uniform Fees (1)			<u>57,228,453</u>
Estimated 2009 "Fair Market Value for Debt Incurring Capacity"			<u>\$1,770,618,583</u>
	8% Sewer, Water and Electric	4% Other Purposes	12% Total
"Fair Market Value" x .08	\$141,649,487	\$ 0	\$141,649,487
"Fair Market Value" x .04	<u>0</u>	<u>70,824,743</u>	<u>70,824,743</u>
Total Debt Incurring Capacity	141,649,487	70,824,743	212,474,230
Less: Current Outstanding General Obligation Debt	<u>(4,433,390)</u>	<u>(0)</u>	<u>(4,433,390)</u>
Additional Debt Incurring Capacity	<u>\$137,216,097</u>	<u>\$70,824,743</u>	<u>\$208,040,840</u>

- (1) For debt incurring capacity only, in computing the fair market value of taxable property in the City, the value of all motor vehicles and state-assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 0.015) will be included as a part of the fair market value of the taxable property in the City.

No Defaulted Obligations

The City has never failed to pay principal of and interest on its financial obligations when due.

INFORMATION SPECIFIC TO THE SALES AND FRANCHISE TAX REVENUE BONDS

Pledged Taxes

Fiscal Year Ended June 30	Historical Collections of Pledged Taxes			% Increase (Decrease) from Prior Year
	Local Sales and Use Tax	Energy Sales and Use Tax	Total Pledged Taxes	
2009	\$1,486,793	\$597,896	\$2,084,689	(8.9)%
2008	1,643,181	644,809	2,287,990	11.2
2007	1,576,737	480,288	2,057,025	13.8
2006	1,262,101	545,323	1,807,424	32.0
2005	925,329	443,773	1,369,101	1.7
2004	916,673	428,948	1,345,621	32.7
2003	724,051	290,019	1,014,070	2.2
2002 (1).....	707,165	285,228	992,393	4.8
2001	684,347	262,924	947,271	26.6
2000	559,692	188,390	748,083	9.7
1999	513,190	169,002	682,191	2.3
1998	478,681	188,480	667,161	28.7
1997	452,958	65,567	518,525	1.6
1996	438,269	72,239	510,508	16.9
1995	366,089	70,627	436,716	—

(1) Does *not* include a one time 2002 Winter Olympic Games related sales tax allocation of \$43,381.90.

(Source: The City.)

HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

The following table shows the debt service requirement for the 2007 Bonds and the Outstanding Parity Bonds, the historical and projected Pledged Sales and Use Taxes and the historical and projected debt service coverage for the relevant Fiscal Year with respect to such Bonds (based on the assumptions contained therein).

Fiscal Year Ending June 30	The Bonds			Pledged Sales and Use Taxes (1)	Debt Service Coverage (2)
	2007 Bonds	Outstanding Parity Bonds	Total Debt Service		
Historical:					
2005.....	\$ 0	\$ 0	\$ 0	\$ 1,369,101	– X
2006.....	0	0	0	1,807,424	–
2007.....	0	138,655	138,655	2,057,025	14.8
Projected:					
2008.....	\$ 220,531	\$ 445,529	\$ 666,059		
2009.....	534,981	442,135	977,116		
2010.....	529,744	443,423	973,166		
2011.....	529,169	444,285	973,454		
2012.....	528,144	444,723	972,866		
2013.....	526,669	444,735	971,404		
2014.....	529,631	444,323	973,954		
2015.....	527,031	443,485	970,516		
2016.....	528,869	442,223	971,091		
2017.....	534,919	440,535	975,454		
2018.....	529,056	443,685	972,741		
2019.....	533,394	441,609	975,003		
2020.....	529,194	443,873	973,066		
2021.....	529,400	445,361	974,761		
2022.....	524,010	450,778	974,788		
2023.....	518,067	455,083	973,149		
2024.....	531,101	443,850	974,951		
2025.....	518,360	456,763	975,123		
2026.....	515,093	463,384	978,476		
2027.....	530,668	444,461	975,129		
2028.....	975,294	–	975,294		
Projected Totals....	\$ 11,223,323	\$ 9,062,894	\$20,286,216		

- (1) Projected Sales and Use Taxes after Fiscal Year 2007 are held constant. There is no assurance that Projected Sales and Use Taxes in each year will equal or exceed such amount.
- (2) Multiple of which Pledged Sales and Use Taxes exceed Total Debt Service. Projected debt service coverage is preliminary and subject to change.

**FINANCIAL INFORMATION REGARDING THE
CITY OF HIGHLAND, UTAH COUNTY, UTAH**

Sources Of General Fund Revenues

Set forth below are brief descriptions of the various sources of revenues available to the City's general fund. The percentage of total general fund revenues represented by each source is based on the City's audited June 30, 2009 fiscal year period.

Taxes—Approximately 64% of general fund revenues are from taxes.

Charges for Services—Approximately 20% of general fund revenues are collected from fines and forfeitures.

Intergovernmental Revenue—Approximately 8% of general fund revenues are from state sources.

Fines and Forfeitures—Approximately 4% of general fund revenues are collected from fines and forfeitures.

Licenses and Permits—Approximately 2% of general fund revenues are from licenses and permits.

Miscellaneous Revenue— Approximately 1% of general fund revenues are from miscellaneous revenues.

Interest— Less than 1% of general fund revenues are from interest income.

Five-Year Financial Summary

The summaries contained herein were extracted from the City's basic financial statements for fiscal years 2009 through 2005. The summaries itself have not been audited.

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Highland City

Total Statement of Net Assets

(This summary has not been audited)

	June 30				
	2009	2008	2007	2006	2005
Assets					
Current assets:					
Cash and cash equivalents.....	\$ 2,400,296	\$ 6,228,991	\$ 15,203,495	\$ 10,437,876	\$ 8,363,756
Accounts receivable, net of allowance for uncollectibles.....	5,186,812	2,922,739	2,650,941	1,713,321	1,219,480
Total current assets.....	<u>7,587,108</u>	<u>9,151,730</u>	<u>17,854,436</u>	<u>12,151,197</u>	<u>9,583,236</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents.....	27,383	5,452,850	13,572,925	3,841,309	4,269,266
Capital assets:					
Non depreciable.....	64,551,004	70,162,267	44,627,427	33,403,694	17,360,360
Depreciable assets (net of depreciation).....	76,114,459	66,081,103	37,221,928	35,204,395	18,811,829
Total noncurrent assets.....	<u>140,692,846</u>	<u>141,696,220</u>	<u>95,422,280</u>	<u>72,449,398</u>	<u>40,441,455</u>
Total assets.....	<u>148,279,954</u>	<u>150,847,950</u>	<u>113,276,716</u>	<u>84,600,595</u>	<u>50,024,691</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expense.....	1,956,429	2,146,660	2,372,572	1,125,969	895,866
Contingent liability.....	-	70,000	20,000	20,000	-
Deferred revenue.....	2,055,193	-	-	-	-
Total current liabilities.....	<u>4,011,622</u>	<u>2,216,660</u>	<u>2,392,572</u>	<u>1,145,969</u>	<u>895,866</u>
Noncurrent liabilities:					
Due within one year.....	911,086	1,014,845	743,212	594,649	740,382
Due in more than one year.....	16,655,292	16,564,532	17,360,056	4,748,998	6,689,639
Total noncurrent liabilities.....	<u>17,566,378</u>	<u>17,579,377</u>	<u>18,103,268</u>	<u>5,343,647</u>	<u>7,430,021</u>
Total liabilities.....	<u>21,578,000</u>	<u>19,796,037</u>	<u>20,495,840</u>	<u>6,489,616</u>	<u>8,325,887</u>
Net Assets:					
Invested in capital assets, net of related debt.....	123,475,449	118,985,144	77,184,006	63,210,360	28,756,486
Restricted for:					
Community improvements.....	47,582	2,083,766	4,756,623	3,841,309	4,398,117
Debt service.....	-	3,834,031	-	-	-
Unrestricted.....	<u>3,178,923</u>	<u>6,148,972</u>	<u>10,840,247</u>	<u>11,059,310</u>	<u>8,544,201</u>
Total net assets.....	<u>\$ 126,701,954</u>	<u>\$ 131,051,913</u>	<u>\$ 92,780,876</u>	<u>\$ 78,110,979</u>	<u>\$ 41,698,804</u>

(Source: Information taken from the City's audited basic financial statements. This summary itself has not been audited.)

Highland City

Statement of Activities (1)

Total Primary Government

(This summary has not been audited)

	Net (Expense) Revenue and Changes in Net Assets				
	Fiscal Year Ended June 30				
	2009	2008	2007	2006	2005
Governmental activities:					
General government.....	\$ (2,359,368)	\$ (2,225,236)	\$ (1,716,785)	\$ (1,228,855)	\$ (996,068)
Public safety.....	(1,714,616)	(1,417,430)	(425,248)	57,145	(35,701)
Streets and public works.....	(3,176,525)	4,277,709	2,430,052	25,119,176	1,206,414
Parks and recreation.....	(1,228,911)	(421,866)	491,703	716,315	578,048
Cemetery.....	49,537	72,289	(73,016)	(87,703)	(6,514)
Garbage.....	40,423	19,978	43,327	5,246	8,891
Interest on long-term debt.....	(569,871)	(509,207)	(285,212)	(39,039)	(45,529)
Total governmental activities.....	(8,959,331)	(203,763)	464,821	24,542,285	709,541
Business-type activities:					
Water.....	(351,929)	643,551	2,179,498	2,811,036	3,518,084
Sewer.....	(348,444)	589,403	535,321	2,637,184	373,346
Secondary water.....	176,590	560,303	6,244,441	1,253,751	1,362,827
Storm sewer.....	(110,888)	745,842	87,458	1,194,433	92,876
Total business-type activities.....	(634,671)	2,539,099	9,046,718	7,896,404	5,347,133
Total primary government.....	(9,594,002)	2,335,336	9,511,539	32,438,689	6,056,674
General revenues:					
Property taxes.....	1,714,656	1,637,031	1,589,906	1,267,684	845,733
Vehicle taxes.....	171,962	163,790	154,949	125,658	101,779
Sales taxes.....	1,486,793	1,643,181	1,576,737	1,262,101	925,329
Franchise taxes.....	876,377	927,733	739,716	735,898	443,773
Unrestricted investment earnings.....	140,266	1,016,007	1,056,162	582,081	273,381
Miscellaneous.....	147,739	84,395	40,888	64	7,118
Other taxes.....	-	-	-	-	134,772
Special item - land sale.....	706,250	-	-	-	-
Total general revenues.....	5,244,043	5,472,137	5,158,358	3,973,486	2,731,885
Change in net assets.....	(4,349,959)	7,807,473	14,669,897	36,412,175	8,788,559
Change in accounting method.....	-	30,463,564	-	-	-
Net assets—beginning.....	131,051,913	92,780,876	78,110,979	41,698,804	33,039,275
Prior period adjustments.....	-	-	-	-	(129,030)
Net assets—ending.....	<u>\$ 126,701,954</u>	<u>\$ 131,051,913</u>	<u>\$ 92,780,876</u>	<u>\$ 78,110,979</u>	<u>\$ 41,698,804</u>

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete. For a detailed itemized report see “THE CITY’S BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR 2009.”

(Source: Information taken from the City’s audited basic financial statements. This summary itself has not been audited.)

Highland City

Balance Sheet—Governmental Fund Types

General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	2009	2008	2007	2006	2005
Assets					
Cash and cash equivalents.....	\$ 772,345	\$ 1,145,702	\$ 1,234,704	\$ 996,895	\$ 717,539
Accounts receivable.....	757,595	56,597	48,048	40,365	53,608
Taxes receivable.....	2,110,028	2,059,398	1,827,232	1,411,938	955,032
Restricted cash.....	3,592	526,308	396,871	139,670	-
Exaction fees receivable.....	2,055,193	-	-	-	-
Due from other funds.....	691,553	-	-	-	-
Interfund.....	-	-	-	114,413	114,413
Total assets.....	\$6,390,306	\$3,788,005	\$3,506,855	\$2,703,281	\$1,840,592
Liabilities and fund equity					
Liabilities:					
Accounts payable.....	\$ 1,069,989	\$ 508,213	\$ 333,750	\$ 196,690	\$ 98,582
Development bonds held.....	282,259	353,370	442,974	436,479	337,580
Deferred revenue.....	3,809,586	1,674,848	1,542,200	1,201,636	767,200
Compensated absences.....	108,956	92,173	77,758	69,578	71,097
Due to other funds.....	691,553	-	-	-	-
Total liabilities.....	5,962,343	2,628,604	2,396,682	1,904,383	1,274,459
Fund balances:					
Reserved:					
Class C Roads.....	-	526,308	396,871	118,170	-
Debt service.....	3,592	-	-	-	-
Designated:					
Community improvements.....	-	-	21,500	21,500	21,500
Unreserved, undesignated.....	424,371	633,093	691,802	659,228	544,633
Total equity and other credits.....	427,963	1,159,401	1,110,173	798,898	566,133
Total liabilities, equity and other credits....	\$6,390,306	\$3,788,005	\$3,506,855	\$2,703,281	\$1,840,592

(Source: Information taken from the City's audited basic financial statements. This summary itself has not been audited.)

Highland City

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Fund Types—General Fund

(This summary has not been audited)

	Fiscal Year Ended June 30				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:					
Taxes.....	\$ 4,170,243	\$4,239,087	\$ 3,720,744	\$2,956,905	\$2,329,947
Licenses and permits.....	138,152	386,930	775,195	790,775	614,747
Intergovernmental.....	506,596	545,664	435,742	261,755	240,246
Charges for services.....	1,335,457	1,095,651	952,953	929,234	693,219
Fines and forfeitures.....	276,861	287,949	277,146	283,769	229,751
Interest.....	47,414	72,143	78,144	154,475	72,564
Miscellaneous.....	77,739	76,409	40,888	64	7,118
Total revenues.....	<u>6,552,462</u>	<u>6,703,833</u>	<u>6,280,812</u>	<u>5,376,977</u>	<u>4,187,592</u>
Expenditures:					
General government.....	1,586,363	1,579,018	1,606,168	934,249	847,223
Public safety.....	2,263,213	2,230,710	1,978,584	1,511,554	1,288,800
Streets and public works.....	637,114	778,927	660,778	359,375	351,924
Parks and recreation.....	1,144,133	581,191	413,530	338,020	325,960
Cemetery.....	91,935	128,176	113,688	124,664	63,873
Garbage.....	528,352	505,503	447,663	440,244	406,322
Debt service:					
Principal.....	62,495	58,957	55,620	145,378	155,428
Interest and finance charges.....	16,403	19,941	23,278	33,520	43,471
Capital outlay.....	60,794	-	-	69,508	-
Total expenditures.....	<u>6,390,802</u>	<u>5,882,423</u>	<u>5,299,309</u>	<u>3,956,512</u>	<u>3,483,001</u>
Excess of revenues over (under) expenditures.....	<u>161,660</u>	<u>821,410</u>	<u>981,503</u>	<u>1,420,465</u>	<u>704,591</u>
Other financing sources (uses):					
Sale of land.....	706,250	-	-	-	-
Operating transfers in (out).....	(1,271,295)	(772,182)	(670,228)	(1,166,177)	(1,042,207)
Total other financing sources (uses).....	<u>(565,045)</u>	<u>(772,182)</u>	<u>(670,228)</u>	<u>(1,166,177)</u>	<u>(1,042,207)</u>
Excess of revenues and other financing sources over expenditures and other financing (uses).....	(403,385)	49,228	311,275	254,288	(337,616)
Fund balance at beginning of year.....	1,159,401	1,110,173	798,898	566,133	948,934
Prior period adjustments.....	-	-	-	(21,523)	(45,185)
Fund balance at end of year.....	<u>\$ 756,016</u>	<u>\$1,159,401</u>	<u>\$ 1,110,173</u>	<u>\$ 798,898</u>	<u>\$ 566,133</u>

(Source: Information taken from the City's audited basic financial statements. This summary itself has not been audited.)

Historical City Tax Rates

The maximum rate of levy applicable to the City for general fund operations authorized by State law is .007000 per dollar of taxable value of taxable property within the City.

	Maximum Limit	Tax Rate				
		2009	2008	2007	2006	2005
General Fund .....	.007000	.001554	.001348	.001223	.001390	.001459
Library .....		.000250	.000217	.000197	.000000	.000000
Total levy .....		.001804	.001565	.001420	.001390	.001459

Comparative Total Property Tax Rates Within Utah County

Tax Levying Entity	Total Tax Rate Within Taxing Area (1)				
	2009	2008	2007	2006	2005
Alpine School District:					
Alpine City .....	.010289	.009499	.009312	.009621	.010997
American Fork City .....	.011591	.010896	.010474	.011261	.012182
Cedar Fort Town .....	.009768	.009768	.009193	.009055	.010432
Cedar Hills City .....	.011936	.011066	.010877	.011387	.011596
Draper City (2) .....	.014406	.012782	.012604	.012953	.015429
Eagle Mountain City .....	.010544	.009678	.009402	.012049	.011662
Fairfield Town .....	.011039	.010501	.011115	.011870	.009873
Highland City .....	.010972	.010035	.009681	.009920	.011365
Lehi City .....	.010966	.010379	.010103	.011145	.012580
Lindon City .....	.010854	.009766	.009651	.010232	.011768
City of Orem .....	.010855	.010059	.009944	.010589	.011952
Pleasant Grove City .....	.011111	.010276	.009869	.010563	.012255
City of Provo (3) .....	.011451	.010570	.010475	.011224	.012764
Saratoga Springs City .....	.011604	.010489	.009194	.009833	.011264
Vineyard Town .....	.010863	.010272	.009746	.010461	.011943
Unincorporated Areas (4) .....	.012665	.015230	.010267	.010702	.012147
Provo City School District:					
City of Provo .....	.010549	.009727	.008777	.010488	.010806
Nebo School District:					
Elk Ridge City .....	.012647	.011309	.011107	.012471	.013203
Genola Town .....	.013256	.011511	.010436	.011356	.012055
Goshen Town .....	.011282	.009867	.009793	.010683	.011364
Mapleton City .....	.013389	.012196	.011412	.012346	.013581
Payson City .....	.011517	.010713	.010626	.011807	.012569
City of Provo (3) .....	.012611	.011663	-	-	-
Salem City .....	.011532	.010611	.010619	.011831	.012587
Santaquin City .....	.011875	.010975	.010888	.012198	.012953
Spanish Fork City .....	.011380	.015074	.010596	.011479	.012327
Springville City .....	.012263	.011354	.010857	.012142	.012899
Woodland Hills City .....	.014834	.013141	.012302	.012033	.012712
Unincorporated Areas (4) .....	.015496	.012879	.012327	.013275	.013931

(1) These tax rates represent a taxing district within the city or town with the highest combined total tax rates of all overlapping taxing districts.

(2) A portion of the city is also located in Salt Lake County.

(3) A small portion of the city lies within Alpine School District and Nebo School District.

(4) These tax rates represent a taxing district within the unincorporated municipalities within the County with the highest combined total tax rates of all overlapping taxing districts.

(Source: Reports from the Utah State Tax Commission.)

Taxable, Fair Market And Market Values Of Property

<u>Year</u>	<u>Taxable Value (1)</u>	<u>% Change Over Prior Year</u>	<u>Fair Market/Market Value (2)</u>	<u>% Change Over Prior Year</u>
2009 (3).....	\$ 980,806,555	(9.6)%	\$1,713,390,130	(9.5)%
2008	1,084,972,737	(1.8)	1,893,126,282	(2.4)
2007	1,105,314,689	20.7	1,938,845,747	22.0
2006	915,508,311	62.5	1,589,763,910	64.0
2005	563,436,848	15.3	969,250,824	16.2

- (1) Taxable values were calculated by reducing the fair market/market value of primary residential property by 45%, representing a partial property tax exemption for such property.
- (2) Does not include valuation from Uniform Fees.
- (3) Preliminary; subject to change. Utah State Tax Commission.

(Source: Property Tax Division, Utah State Tax Commission (as to Taxable Value only).)

See “Historical Summaries Of Taxable Value Of Property” below.

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Historical Summaries Of Taxable Values Of Property

	2009		2008	2007	2006	2005
	Taxable Value (1)	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
<i>Set by State Tax Commission (Centrally Assessed)</i>						
Total centrally assessed.....	\$ 20,114,341	2.1 %	\$ 18,591,034	\$ 15,813,456	\$ 16,412,895	\$ 13,914,834
<i>Set by County Assessor (Locally Assessed)</i>						
Real property:						
Primary residential.....	895,375,500	91.3	987,738,797	1,018,755,757	824,084,002	495,975,211
Other residential.....	2,584,000	0.3	3,200,397	2,734,811	2,685,597	114,042
Commercial and industrial.....	40,253,000	4.1	51,559,342	42,439,843	42,342,697	21,183,363
FAA.....	256,500	0.0	211,071	219,244	23,302,854	25,326,983
Unimproved non FAA.....	16,581,000	1.7	18,030,272	19,446,255	212,283	222,033
Agricultural.....	431,120	0.0	430,730	412,266	310,500	633,870
Total real property.....	<u>955,481,120</u>	<u>97.4</u>	<u>1,061,170,609</u>	<u>1,084,008,176</u>	<u>892,937,933</u>	<u>543,455,502</u>
Personal property:						
Primary mobile homes.....	4,425	0.0	4,425	4,425	6,175	19,649
Secondary mobile homes.....	0	0.0	0	0	0	0
Other business personal.....	5,206,669	0.5	5,206,669	5,488,632	6,151,308	6,046,863
Total personal property.....	<u>5,211,094</u>	<u>0.5</u>	<u>5,211,094</u>	<u>5,493,057</u>	<u>6,157,483</u>	<u>6,066,512</u>
Total locally assessed.....	<u>960,692,214</u>	<u>97.9</u>	<u>1,066,381,703</u>	<u>1,089,501,233</u>	<u>899,095,416</u>	<u>549,522,014</u>
Total taxable value.....	<u>\$ 980,806,555</u>	<u>100.0 %</u>	<u>\$ 1,084,972,737</u>	<u>\$ 1,105,314,689</u>	<u>\$ 915,508,311</u>	<u>\$ 563,436,848</u>

(1) Preliminary; subject to change.

(Source: Property Tax Division, Utah State Tax Commission.)

Tax Collection Record

Tax Year End 12/31	(1) Total Taxes Levied	(2) Treasurer's Relief	Net Taxes Assessed	Current Collections	(3) Deliq., Personal Property and Miscellaneous Collections	(4) Total Collections	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed
2008	\$1,697,227	\$7,257	\$1,689,970	\$1,479,228	\$138,974	\$1,618,202	87.5%	95.8%
2007	1,569,382	5,537	1,563,845	1,387,808	147,953	1,535,761	88.7	98.2
2006	1,272,981	4,327	1,268,654	1,125,908	100,538	1,226,446	88.7	96.7
2005	821,969	3,483	818,486	751,796	69,599	821,395	91.9	100.4
2004	705,975	1,784	704,191	650,838	78,872	729,710	92.4	103.6

- (1) Excludes redevelopment agencies valuation. However, the City has no redevelopment agency.
- (2) Treasurer's Relief includes abatements. These Treasurer's Relief items are levied against the property, but are never collected and paid to the entity.
- (3) Delinquent Collections include interest; sales of real and personal property; and miscellaneous delinquent collections.
- (4) The City collected Uniform Fees (fees-in-lieu payments) for tax year 2008 of \$167,461; for tax year 2007 of \$157,739; 2006 of \$142,352; for tax year 2005 of \$119,650; and for tax year 2004 of \$108,459; from tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State.

(Source: Taken from Utah County's audited financial statements for the indicated years.)

Some of the Largest Taxpayers

Taxpayer	Type of Business	2009 Taxable Value (1)	% of the City's 2009 Prel. Taxable Value
Alpine County Club	Building and real estate	\$11,444,791	1.2%
Westroc Inc.	Sand and gravel	6,363,472	0.6
Individual	Individual/real estate	5,905,000	0.6
PacifiCorp.	Electric utility	5,893,662	0.6
Kohler's Food Store	Supermarket	4,948,793	0.5
Ivory Development LLC.....	Real estate	4,174,500	0.4
Patterson Homes Inc	Real estate	4,017,079	0.4
Perry Homes.....	Real estate/construction	3,938,500	0.4
Loan Peak Village LC.....	Retail trade	2,756,300	0.3
Clark Real Estate Co.....	Real estate	<u>2,747,600</u>	0.3
Totals		<u>\$51,189,697</u>	5.2%

- (1) Taxable Value used in this table excludes all tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State. See in this section "Taxable, Fair Market And Market Value Of Property" above.

(Source: Utah County Assessor.)

THE CITY'S BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR 2009

Included with this supplement are the City's Basic Financial Statements and Reports in accordance with Government Auditing Standards and the State of Utah Legal Compliance Audit Guide for Fiscal Year 2009.

Additionally, the City's present and historical financial statements may be found on the "world wide web" at the State of Utah, State Auditor's internet site at:

sao.utah.gov/lgReports.html

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**HIGHLAND CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2009**

CITY OF HIGHLAND, UTAH

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INDEPENDENT AUDITOR'S REPORT

October 28, 2009

**Honorable Mayor
Members of the City Council
Highland City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 28, 2009 on my consideration of Highland City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highland City's basic financial statements. The combining nonmajor fund financial statements and the schedule of impact fees listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The management of Highland City presents the following narrative and analysis of the financial statements and financial activities of Highland City as prescribed by the Government Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2009.

Financial Highlights

The assets of Highland City exceeded its liabilities at June 30, 2009 by \$126,701,954 (net assets). Of this amount \$3,178,923 (unrestricted net assets) may be used to meet the government's ongoing obligations.

Highland City's total net assets decreased by \$4,349,959. Elements of the decrease were: 1) Completion of the city buildings and park construction); 2) ongoing operations of the governmental activities; 3) ongoing operations of the business-type activities assets.

Highland City's governmental funds reported combined ending fund balances at June 30, 2009 of \$427,963, a decrease of \$7,675,988 in comparison to the prior year. Of the ending fund balances, \$424,371 is available for spending at the City's discretion (unreserved fund balance).

At June 30, 2009 unreserved fund balance of the general fund was \$756,016, or 11.8% of total general fund expenditures for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Highland City's basic financial statements. Highland City's basic financial statements comprise three components; 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Highland City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Highland City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as an indicator of changes in the financial position of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes that have been levied but not received.

Both of the government-wide financial statements distinguish functions of Highland City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Highland City include general government, public safety, streets and public improvements, parks and recreation, cemetery and garbage. The business-type activities of Highland City include services for water, pressurized irrigation, sewer (sanitary), and storm sewer.

The government-wide financial statements include Highland City (known as the primary government) and a separate legal entity (known as component unit). The financial information for the Highland Open Space Special Service District is included in the financial statements. However, because the City's governing body is the same as the governing board of this component unit and can substantially control it, their financial information is blended and reported together with the financial information presented for the primary government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Highland City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of Highland City can be divided into two categories; governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Highland City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and three capital projects funds, all of which are considered to be major funds. Data from the other three (3) governmental funds is provided in the form of individual and combining statements elsewhere in this report.

Highland City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary funds. Highland City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and pressurized irrigation combined, sewer, and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, secondary water and storm sewer funds because they are considered to be major funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with non-major governmental funds. They are presented immediately following the notes to the financial statements. Auditor reports on compliance are also included at the end of the document.

Government-wide Financial Analysis

As noted earlier, net assets is an indicator of a government’s financial position. In the case of Highland City, assets exceeded liabilities by \$126,701,954 at the close of the fiscal year.

The largest portion of the City’s net assets reflects its investment in capital assets (land, buildings, machinery and equipment) and infrastructure (roads, sidewalks, curb and gutter and various utility lines and storage facilities), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$3,178,923) may be used to meet the City’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Highland City Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
Current and Other Assets	\$ 7,284,128	\$ 1,867,602	\$ 5,695,161	\$ 1,891,947
Capital Assets	\$ 90,259,219	\$ 51,437,001	\$ 90,721,285	\$ 49,971,561
Total Assets	<u>\$ 97,543,347</u>	<u>\$ 53,304,603</u>	<u>\$ 96,416,446</u>	<u>\$ 51,863,508</u>
Long-term Liabilities outstanding	\$ 13,541,661	\$ 4,037,716	\$ 13,115,656	\$ 4,450,722
Other Liabilities	\$ 1,642,572	\$ 574,088	\$ 3,541,533	\$ 470,089
Total Liabilities	<u>\$ 15,184,233</u>	<u>\$ 4,611,804</u>	<u>\$ 16,657,189</u>	<u>\$ 4,920,811</u>
Net assets:				
Investment in capital assets, net	\$ 72,909,693	\$ 46,075,451	\$ 77,937,516	\$ 45,537,933
Restricted	\$ 3,782,286	\$ 1,364,011	\$ 23,791	\$ 23,791
Unrestricted	\$ 5,667,135	\$ 1,253,337	\$ 1,797,950	\$ 1,380,973
Total net assets	<u>\$ 82,359,114</u>	<u>\$ 48,692,799</u>	<u>\$ 79,759,257</u>	<u>\$ 46,942,697</u>

Highland City Changes in Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
Revenues				
Program Revenues				
Charges for services	\$ 2,004,342	\$ 2,427,668	\$ 2,005,499	\$3,422,856
Operating Grants and Contributions	\$ 7,915		\$ 8,280	
Capital Grants and Contributions	\$ 8,862,990	\$ 4,008,304	\$593,466	\$43,049
General revenues:				
Property and uniform vehicle taxes	\$ 1,800,821		\$ 1,886,618	
Other Taxes	\$ 2,570,914		\$ 2,363,170	
Other	\$ 897,443	\$ 202,959	\$949,686	\$ 44,569
Total revenues	\$ 16,144,425	\$ 6,638,931	\$ 7,806,719	\$ 3,510,474
Expenses:				
General government	\$ 2,390,964		\$ 2,561,046	
Public safety	\$ 2,239,545		\$ 2,451,594	
Streets and public improvements	\$3,621,898		\$ 3,707,540	
Parks and recreation	\$ 1,688,927		\$1,608,180	
Garbage	\$ 505,503		\$ 528,352	
Interest on long-term debt	\$ 509,207		\$ 569,871	
Cemetery	\$ 122,966		\$ 139,993	
Water		\$1,087,908		\$ 1,040,368
Secondary Water		\$1, 297,643		\$ 1,172,712
Storm sewer		\$ 280,598		\$ 343,412
Sewer		\$1,230,724		\$1,544,084
Total expense	\$ 11,079,010	\$ 3,896,873	\$ 11,566,576	\$ 4,100,576
Decrease in net assets before transfers	\$ 5,065,415	\$ 2,742,058	\$(3,759,857)	\$ (590,102)
Transfers	232,829	(232,829)	\$1,160,000	\$(1,160,000)
Increase (decrease) in net assets	\$ 5,298,244	\$ 2,509,229	\$ (2,599,857)	\$ (1,750,102)
Change in accounting method	\$30,463,564			
Net assets, beginning	\$46,597,306	\$ 46,183,570	\$ 82,359,114	\$ 48,692,799
Net assets, ending	\$ 82,359,114	\$ 48,692,799	\$ 79,759,257	\$ 46,942,697

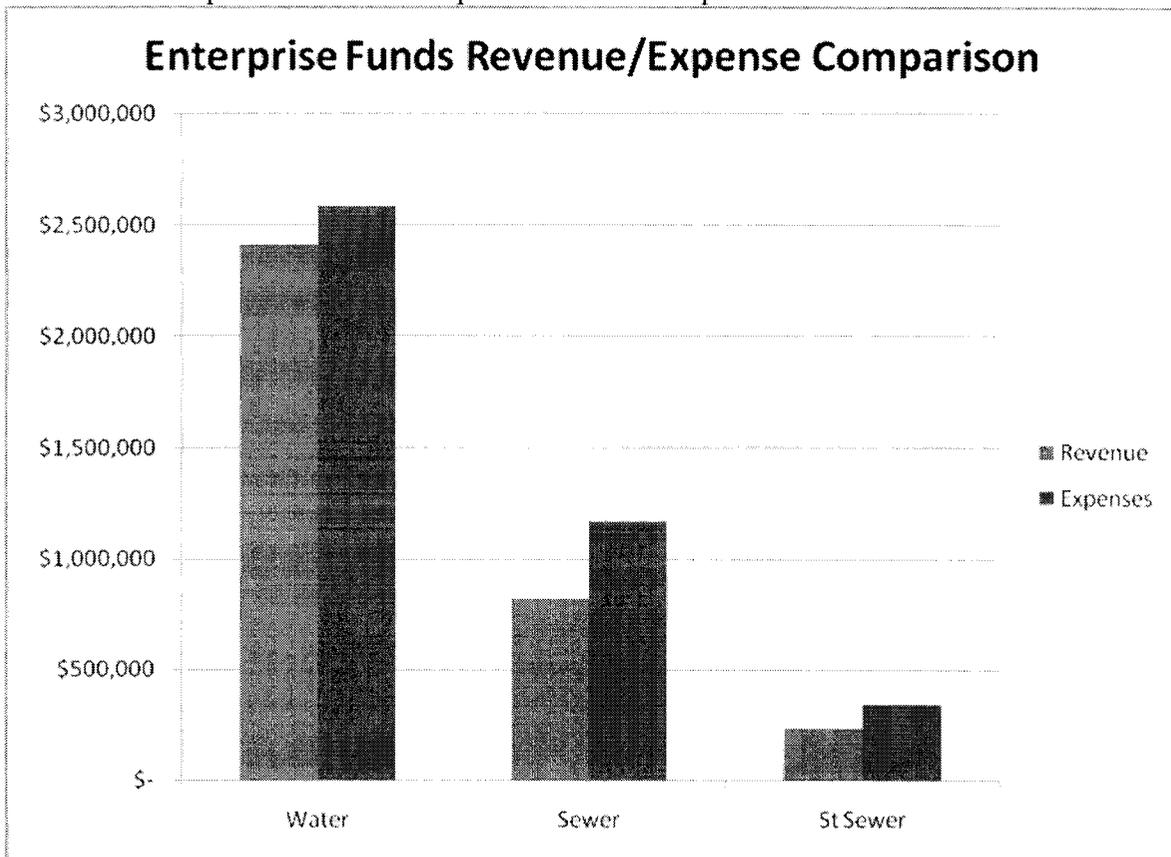
Governmental activities. As noted in the table above, governmental activities decreased the City's net assets by \$2,599,857. Key elements of the decrease were as follows:

1. Completion of new city buildings, road improvements, and park improvements.
2. Due to the economic slowdown revenues were down.

Business-type activities. As noted previously in the table “Highland City Changes in Net Assets,” business-type activities decreased the City’s net assets by \$1,750,102. Key elements of the increase were as follows:

1. Transfer to building capital project fund of \$1,160,000.
2. Sewer lift station constructed.
3. Purchase of additional water shares.

The following chart displays the business-type activities revenues compared to program expenses attributed to the activity. Traditionally business-type activities are self supporting and the chart depicts the relationship of revenues to expenses.



Operating Revenues and Expenses – Business-type Activities

Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance is a useful measure of the government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, the City's governmental funds reported combined ending fund balances of \$427,963, which was a decrease of \$7,675,988 in comparison with the prior year. Approximately 99% (\$424,371) of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The reserved fund balance is not available for new spending because it has already been committed.

The general fund is the main operating fund of the City. At June 30, 2009, unreserved fund balance of the general fund was \$756,016. A comparison of the unreserved fund balance and total fund balance to total general fund expenditures is a measure of liquidity. Unreserved fund balance represented 11.8% of total general fund expenditures. The City's unreserved general fund balance increased \$122,923 in the fiscal year ended June 30, 2009.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements in more detail.

Water fund-Unrestricted net assets at June 30, 2009 amounted to \$437,401, an increase of \$132,122 from the previous year. Operating revenues were \$2,401,813 and operating expenses were \$2,060,660.

Storm sewer fund –Operating revenues were \$232,524 and operating expenses were \$343,412.

Sewer fund – Unrestricted net assets at June 30, 2009 amounted to \$1,106,137, a decrease of \$22,967 from the previous year. Operating revenues were \$788,519 and operating expenses were \$1,172,712.

General Fund Budgetary Highlights

During the fiscal year, the general fund's original budget was amended from \$6,935,198 (\$6,625,295 expenditures and \$400,000 transfers) to a final budget total of \$6,620,954 (\$6,630,695 expenditures, \$9,741 decrease in fund balance, and \$1,271,295 transfers and \$705,000 from the sale of land), a decrease of \$314,244. The budget was reduced due to a slowdown in building and related fees.

Capital Assets and Debt Administration

Capital Assets. Highland City's investment in capital assets from governmental and business-type activities as of June 30, 2009 was \$140,665,463 (net of accumulated

depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and water stock. The total increase in the City's investment in capital assets for the current year was \$4,422,093.

Major capital asset events during the current year included the following:

- 1) Park and road improvements.
- 2) Completion of the fire station, city hall and justice center.

Highland City Capital Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
Land	\$ 37,044,124	\$ 507,915	\$ 39,607,624	\$ 534,455
Water Shares		\$ 20,659,406		\$ 21,029,675
Construction in Progress	\$11,269,399	\$681,423	\$ 2,801,356	\$ 577,894
Buildings	\$1,517,515	\$ 1,157,289	\$ 14,006,832	\$ 1,157,289
Machinery and Equip	\$1,452,683	\$ 1,932,086	\$ 1,858,647	\$ 2,047,530
Infrastructure and Imp	\$63,555,051	\$ 31,626,967	\$ 64,544,654	\$ 32,214,435
Total	\$ 114,838,772	\$ 56,565,086	\$ 122,819,113	\$ 57,561,278
Less Accumulated Dep	\$ (28,668,392)	\$ (6,492,095)	\$ (32,101,420)	\$ (7,613,508)
Total net assets	\$ 86,170,380	\$ 50,072,990	\$ 90,717,693	\$ 49,947,770

Additional information on the City's capital assets is available in the notes to the financial statements.

Long-term debt. On June 30, 2009 the City had a total bonded debt outstanding of \$17,128,390. Of this amount \$4,433,390 was considered general obligation debt and was backed by the full faith and credit of the City.

Highland City Outstanding Debt

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
General obligation bonds		\$ 4,353,390		\$ 4,433,390
Revenue bonds	\$13,120,000		\$ 12,695,000	
Other Long Term Debt	\$ 554,366	\$ 40,177	\$ 546,376	\$ 40,885
Total	\$13,674,366	\$ 4,393,567	\$ 13,241,376	\$ 4,474,275

The City's total debt decreased by \$352,282 during the fiscal year as a result of scheduled principal payments.

The original Secondary water bonds are unrated. The bonds were originally issued in 1996 and were refinanced in 1998 and in 2009. The 2009 bonds are rated AA. The Revenue bonds issued in 2006 and 2007 are both AA- rated.

The Utah State Constitution limits the amount of general obligation debt a municipal government may issue at 4% of its total taxable property value of \$871,805,165, except cities of the third class (Highland City is classified as a third class city) may issue debt up to an additional 8% of its total taxable property value of \$871,805,165 for water systems, artificial lighting systems or sewer systems. On June 30, 2009 the City's limitation was \$34,872,207 and the current general obligation bonds are \$4,433,390 which would be under the limitation and the additional limitation was \$69,744,413.

Economic Factors and Next Year's Budgets and Rates

Economic trends of the state and region are better than the national indices but because of the dramatic slowdown in home construction and slowdown of the economy the related revenues were budgeted lower. These and other factors were considered in preparing Highland City's budget for the 2009-2010 fiscal year. We are hoping the economy will start to rebound in 2010.

During the current fiscal year, unreserved fund balance in the general fund increased by \$122,923. The general fund unreserved fund balance of \$756,016 represented 11.8% of general fund revenues which is within the range of 5% to 18% limit allowed by state law. Use of the fund balance was primarily for maintaining the level of funding for capital projects.

Request for Information

This financial report is designed to provide a general overview of Highland City's activities for those with an interest in the City's operations and position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Highland City, Finance Director, 5400 W. Civic Center Drive, Suite #1, Highland, Utah 84003.

BASIC FINANCIAL STATEMENTS

CITY OF HIGHLAND, UTAH
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 772,345	\$ 1,627,951	\$ 2,400,296
Accounts Receivable, Net of Allowance for Uncollectibles	<u>4,922,816</u>	<u>263,996</u>	<u>5,186,812</u>
TOTAL CURRENT ASSETS	<u>5,695,161</u>	<u>1,891,947</u>	<u>7,587,108</u>
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	3,592	23,791	27,383
Capital Assets			
Non Depreciable	42,408,980	22,142,024	64,551,004
Depreciable Assets (net of Depreciation)	<u>48,308,713</u>	<u>27,805,746</u>	<u>76,114,459</u>
TOTAL NONCURRENT ASSETS	<u>90,721,285</u>	<u>49,971,561</u>	<u>140,692,846</u>
TOTAL ASSETS	<u>96,416,446</u>	<u>51,863,508</u>	<u>148,279,954</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	1,486,340	470,089	1,956,429
Deferred Revenue	<u>2,055,193</u>	-	<u>2,055,193</u>
TOTAL CURRENT LIABILITIES	<u>3,541,533</u>	<u>470,089</u>	<u>4,011,622</u>
NONCURRENT LIABILITIES			
Due Within One Year	615,201	295,885	911,086
Due in more than One Year	<u>12,500,455</u>	<u>4,154,837</u>	<u>16,655,292</u>
TOTAL NONCURRENT LIABILITIES	<u>13,115,656</u>	<u>4,450,722</u>	<u>17,566,378</u>
TOTAL LIABILITIES	<u>16,657,189</u>	<u>4,920,811</u>	<u>21,578,000</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	77,937,516	45,537,933	123,475,449
Restricted for			
Community Improvements	23,791	23,791	47,582
Unrestricted	<u>1,797,950</u>	<u>1,380,973</u>	<u>3,178,923</u>
TOTAL NET ASSETS	<u>\$ 79,759,257</u>	<u>\$ 46,942,697</u>	<u>\$ 126,701,954</u>

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 2,561,046	\$ 201,678	\$ -	\$ -
Public Safety	2,451,594	723,713	8,280	4,985
Streets and Public Works	3,707,540	23,253	-	507,762
Parks and Recreation	1,608,180	298,550	-	80,719
Cemetery	139,993	189,530	-	-
Garbage	528,352	568,775	-	-
Interest on Long-Term Debt	569,871	-	-	-
Total Governmental Activities	11,566,576	2,005,499	8,280	593,466
Business-type Activities				
Water	1,040,368	688,439	-	-
Sewer	1,172,712	788,519	-	35,749
Secondary Water	1,544,084	1,713,374	-	7,300
Storm Sewer	343,412	232,524	-	-
Total Business-type Activities	4,100,576	3,422,856	-	43,049
TOTAL PRIMARY GOVERNMENT	\$ 15,667,152	\$ 5,428,355	\$ 8,280	\$ 636,515

General Revenues
Property Taxes
Vehicle Taxes
Sales Taxes
Franchise Taxes
Unrestricted Investment Earnings
Miscellaneous
Special Item - Land Sale
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (2,359,368)	-	\$ (2,359,368)
(1,714,616)	-	(1,714,616)
(3,176,525)	-	(3,176,525)
(1,228,911)	-	(1,228,911)
49,537	-	49,537
40,423	-	40,423
<u>(569,871)</u>	-	<u>(569,871)</u>
<u>(8,959,331)</u>	-	<u>(8,959,331)</u>
-	(351,929)	(351,929)
-	(348,444)	(348,444)
-	176,590	176,590
-	<u>(110,888)</u>	<u>(110,888)</u>
-	<u>(634,671)</u>	<u>(634,671)</u>
<u>(8,959,331)</u>	<u>(634,671)</u>	<u>(9,594,002)</u>
1,714,656	-	1,714,656
171,962	-	171,962
1,486,793	-	1,486,793
876,377	-	876,377
95,697	44,569	140,266
147,739	-	147,739
706,250	-	706,250
<u>1,160,000</u>	<u>(1,160,000)</u>	-
<u>6,359,474</u>	<u>(1,115,431)</u>	<u>5,244,043</u>
<u>(2,599,857)</u>	<u>(1,750,102)</u>	<u>(4,349,959)</u>
<u>82,359,114</u>	<u>48,692,799</u>	<u>131,051,913</u>
<u>\$ 79,759,257</u>	<u>\$ 46,942,697</u>	<u>\$ 126,701,954</u>

CITY OF HIGHLAND, UTAH

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

	Governmental-type Activities					
	General	Capital Projects Parks	Capital Projects Roads	Capital Projects Building	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 405,776	\$ 366,569	\$ -	\$ -	\$ -	\$ 772,345
Accounts Receivable	97,865	-	631,584	-	28,146	757,595
Taxes Receivable	2,110,028	-	-	-	-	2,110,028
Exaction Fees Receivable	-	580,900	939,680	534,613	-	2,055,193
Due from Other Fund	691,553	-	-	-	-	691,553
Restricted Cash	-	-	-	-	3,592	3,592
TOTAL ASSETS	\$ 3,305,222	\$ 947,469	\$ 1,571,264	\$ 534,613	\$ 31,738	\$ 6,390,306
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$ 403,598	\$ 605,561	\$ 53,221	\$ 7,609	\$ -	\$ 1,069,989
Due to Other Funds	-	-	364,551	267,361	59,641	691,553
Development Bonds Held	282,259	-	-	-	-	282,259
Deferred Revenue	1,754,393	580,900	939,680	534,613	-	3,809,586
Compensated Absences	108,956	-	-	-	-	108,956
TOTAL LIABILITIES	2,549,206	1,186,461	1,357,452	809,583	59,641	5,962,343
FUND BALANCE						
Reserved						
Impact Fees	-	-	-	-	-	-
Class C Roads	-	-	-	-	-	-
Debt Service	-	-	-	-	3,592	3,592
Unreserved	756,016	(238,992)	213,812	(274,970)	(31,495)	424,371
TOTAL FUND EQUITY	756,016	(238,992)	213,812	(274,970)	(27,903)	427,963
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,305,222	\$ 947,469	\$ 1,571,264	\$ 534,613	\$ 31,738	\$ 6,390,306

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 427,963
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	90,717,693
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,754,393
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,140,792)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 79,759,257</u>

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental-type Activities					Total Governmental Funds
	General	Capital Projects Parks	Capital Projects Roads	Capital Projects Building	Nonmajor Governmental Funds	
REVENUES						
Taxes	\$ 4,170,243	\$ -	\$ -	\$ -	\$ -	\$ 4,170,243
Licenses and Permits	138,152	-	-	-	-	138,152
Intergovernmental	506,596	-	-	-	-	506,596
Charges for Services	1,335,457	-	20,003	-	235,026	1,590,486
Fines and Forfeitures	276,861	-	-	-	-	276,861
Interest	47,414	48,283	-	-	-	95,697
Miscellaneous	77,739	70,000	-	-	-	147,739
TOTAL REVENUES	6,552,462	118,283	20,003	-	235,026	6,925,774
EXPENDITURES						
General Government	1,586,363	-	-	234,562	461,663	2,282,588
Public Safety	2,263,213	-	-	-	-	2,263,213
Streets and Public Works	637,114	-	308,484	-	-	945,598
Parks and Recreation	1,144,133	181,971	-	-	-	1,326,104
Cemetery	91,935	-	-	-	-	91,935
Garbage	528,352	-	-	-	-	528,352
Debt Service						
Principal	62,495	-	-	-	425,000	487,495
Interest and Finance Charges	16,403	-	-	-	552,968	569,371
Capital Outlay	60,794	5,317,843	698,983	1,977,461	13,425	8,068,506
TOTAL EXPENDITURES	6,390,802	5,499,814	1,007,467	2,212,023	1,453,056	16,563,162
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	161,660	(5,381,531)	(987,464)	(2,212,023)	(1,218,030)	(9,637,388)
OTHER FINANCING SOURCES (USES)						
Impact Fees	-	80,719	6,050	4,985	3,396	95,150
Sale of Land	706,250	-	-	-	-	706,250
Transfers from Other Funds	-	-	846,295	1,460,000	1,152,000	3,458,295
Transfers to Other Funds	(1,271,295)	(585,000)	-	(442,000)	-	(2,298,295)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(403,385)	(5,885,812)	(135,119)	(1,189,038)	(62,634)	(7,675,988)
BEGINNING FUND BALANCE	1,159,401	5,646,820	348,931	914,068	34,731	8,103,951
ENDING FUND BALANCE	\$ 756,016	\$ (238,992)	\$ 213,812	\$ (274,970)	\$ (27,903)	\$ 427,963

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** \$ (7,675,988)

*Amounts reported for governmental activities in the statement of
activities are different because*

Property taxes will not be collected for several months after the City's
fiscal year end. They are not considered to be available revenues in
the governmental funds. Deferred property tax revenues increased
by this amount this year. 79,545

Governmental funds report capital outlays as expenditures. In the
statement of activities the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current
period. 4,547,313

Issuance of long-term debt provides current financial resources to
governmental funds. The repayment of the principal of long-term
debt consumes the current financial resources of governmental funds.
This amount is the net difference in the treatment of long-term debt
and related items. 480,510

Some revenues and expenses reported in the statement of activities do
not add to or require the use of current financial resources and, therefore,
are not reported as revenues or expenditures in the governmental funds. (31,237)

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ (2,599,857)

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 4,290,748	\$ 4,155,004	\$ 4,170,243	\$ 15,239
Licenses and Permits	424,000	160,500	138,152	(22,348)
Intergovernmental	507,000	507,000	506,596	(404)
Charges for Services	1,291,450	1,391,450	1,335,457	(55,993)
Fines and Forfeitures	287,000	272,000	276,861	4,861
Interest	60,000	60,000	47,414	(12,586)
Miscellaneous	75,000	75,000	77,739	2,739
TOTAL REVENUES	6,935,198	6,620,954	6,552,462	(68,492)
<u>EXPENDITURES</u>				
General Government	1,644,696	1,610,896	1,586,363	24,533
Public Safety	2,404,980	2,379,480	2,263,213	116,267
Streets and Public Works	726,175	694,675	649,060	45,615
Parks and Recreation	1,125,542	1,197,742	1,168,981	28,761
Cemetery	92,052	116,052	115,935	117
Garbage	552,950	552,950	528,352	24,598
Debt Service				
Principal	62,495	62,495	62,495	-
Interest and Finance Charges	16,405	16,405	16,403	2
TOTAL EXPENDITURES	6,625,295	6,630,695	6,390,802	239,893
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	309,903	(9,741)	161,660	171,401
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Land	-	705,000	706,250	1,250
Transfers to Other Funds	(400,000)	(1,271,295)	(1,271,295)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(90,097)	(576,036)	(403,385)	172,651
FUND BALANCE ALLOCATION	90,097	576,036	-	(576,036)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ (403,385)	\$ (403,385)

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Storm Sewer	
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 624,005	\$ 1,003,946	\$ -	1,627,951
Accounts Receivable, Net of Allowance for Uncollectibles	157,689	73,610	32,697	263,996
Due from Other Fund	-	182,778	-	182,778
TOTAL CURRENT ASSETS	781,694	1,260,334	32,697	2,074,725
NONCURRENT ASSETS				
Restricted Cash				
Cash and Cash Equivalents	-	23,791	-	23,791
Capital Assets				
Land	384,582	26,540	123,333	534,455
Water Shares	21,029,675	-	-	21,029,675
Construction in Progress	-	504,863	73,031	577,894
Buildings and Structures Improvements	1,157,289	-	-	1,157,289
Machinery and Equipment	21,290,382	8,388,568	2,535,485	32,214,435
Less Accumulated Depreciation	1,529,616	201,746	316,168	2,047,530
	(5,377,789)	(1,828,820)	(406,899)	(7,613,508)
TOTAL NONCURRENT ASSETS	40,013,755	7,316,688	2,641,118	49,971,561
TOTAL ASSETS	40,795,449	8,577,022	2,673,815	52,046,286
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	34,406	141,252	1,679	177,337
Due to Other Fund	-	-	182,778	182,778
Accrued Interest Payable	292,752	-	-	292,752
Compensated Absences	17,125	12,945	10,815	40,885
Current Portion of Long-Term Debt	255,000	-	-	255,000
TOTAL CURRENT LIABILITIES	599,283	154,197	195,272	948,752
NONCURRENT LIABILITIES				
Bonds Payable	4,154,837	-	-	4,154,837
TOTAL NONCURRENT LIABILITIES	4,154,837	-	-	4,154,837
TOTAL LIABILITIES	4,754,120	154,197	195,272	5,103,589
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	35,603,918	7,292,897	2,641,118	45,537,933
Restricted				
Community Improvements	-	23,791	-	23,791
Unrestricted	437,411	1,106,137	(162,575)	1,380,973
TOTAL NET ASSETS	\$ 36,041,329	\$ 8,422,825	\$ 2,478,543	\$ 46,942,697

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Storm Sewer	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 1,379,508	\$ 784,095	\$ 232,524	\$ 2,396,127
Connection Fees	10,375	4,424	-	14,799
Miscellaneous	1,011,930	-	-	1,011,930
TOTAL OPERATING REVENUES	2,401,813	788,519	232,524	3,422,856
<u>OPERATING EXPENSES</u>				
Salaries and Benefits	396,842	198,230	171,398	766,470
Operations	969,055	677,202	42,646	1,688,903
Depreciation	694,763	297,280	129,368	1,121,411
TOTAL OPERATING EXPENSES	2,060,660	1,172,712	343,412	3,576,784
OPERATING INCOME (LOSS)	341,153	(384,193)	(110,888)	(153,928)
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Impact Fees	7,300	35,749	-	43,049
Interest Income	6,113	38,456	-	44,569
Interest Expense	(523,792)	-	-	(523,792)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(510,379)	74,205	-	(436,174)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(169,226)	(309,988)	(110,888)	(590,102)
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfer to Other Fund	(320,000)	(840,000)	-	(1,160,000)
TOTAL CONTRIBUTIONS AND TRANSFERS	(320,000)	(840,000)	-	(1,160,000)
CHANGE IN NET ASSETS	(489,226)	(1,149,988)	(110,888)	(1,750,102)
TOTAL NET ASSETS AT BEGINNING OF YEAR	36,530,555	9,572,813	2,589,431	48,692,799
TOTAL NET ASSETS AT END OF YEAR	\$ 36,041,329	\$ 8,422,825	\$ 2,478,543	\$ 46,942,697

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Enterprise Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers	\$ 2,400,431	\$ 772,174	\$ 229,173	\$ 3,401,778
Payments to Suppliers	(1,069,453)	(703,972)	(45,363)	(1,818,788)
Payments to Employees	(400,559)	(196,935)	(168,268)	(765,762)
NET CASH FLOWS FROM OPERATING ACTIVITIES	930,419	(128,733)	15,542	817,228
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers to Other Funds	(320,000)	(840,000)	-	(1,160,000)
Due from Other Funds	-	15,543	-	15,543
Due to Other Funds	-	-	(15,543)	(15,543)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(320,000)	(824,457)	(15,543)	(1,160,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Impact Fees	7,300	35,749	-	43,049
Proceeds from Bonds	4,310,000	-	-	4,310,000
Acquisition of Capital Assets	(485,713)	(510,479)	-	(996,192)
Bond Payments	(3,897,702)	-	-	(3,897,702)
Interest Expense	(497,906)	-	-	(497,906)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(564,021)	(474,730)	-	(1,038,751)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	6,113	38,456	1	44,570
NET CASH FLOWS FROM INVESTING ACTIVITIES	6,113	38,456	1	44,570
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,511	(1,389,464)	-	(1,336,953)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	571,494	2,417,201	-	2,988,695
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 624,005	\$ 1,027,737	\$ -	\$ 1,651,742

See the accompanying notes to the financial statements

CITY OF HIGHLAND, UTAH
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Total Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 341,153	\$ (384,193)	\$ (110,888)	\$ (153,928)
Adjustments				
Depreciation	694,763	297,280	129,368	1,121,411
Changes in Assets and Liabilities				
Accounts Receivable, Net	(1,382)	(16,345)	(3,351)	(21,078)
Accounts Payable	(100,398)	(26,770)	(2,717)	(129,885)
Compensated Absences	(3,717)	1,295	3,130	708
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 930,419	\$ (128,733)	\$ 15,542	\$ 817,228
Noncash Financing and Investing Transactions				
Developer Contributions of Fixed Assets	\$ -	\$ -	\$ -	\$ -

See the accompanying notes to the financial statements

HIGHLAND CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Highland City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Highland City was incorporated in 1977 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, City Administrator, Justice Court, Finance, Attorney, Treasurer and Recorder

Public Safety: Police, Fire and Emergency Medical Services, (through Lone Peak Public Safety District), Engineer, Building Inspection, and Animal Control

Public Works: Streets, Water, Sewer, Garbage, Pressurized Irrigation and Storm Drains

Parks and Recreation: Parks, Cemetery and Recreation

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component unit discussed below is included as part of the City's reporting entity as a blended component unit.

The Highland City Open Space Special Service District (the District) was established to provide recreation services, including the operation and maintenance of parks, open space and trails within certain areas of the City. The District is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the District is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the District. The District is included in these financial statements as the Open Space Trust Fund. Separate financial statements are not issued for the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 1 - (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects park fund* accounts for the construction and improvement of parks within the City.

NOTE 1 - (CONTINUED)

The *capital projects roads fund* accounts for the construction and improvement of roads within the City.

The *capital projects building fund* accounts for the construction and improvement of buildings owned by the City.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution combined with the pressurized irrigation distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *storm sewer fund* accounts for the activities of the City's efforts to provide storm drains.

Activities of these three funds include administration, operations and maintenance of the water, sewer, pressurized irrigation and storm drain systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

NOTE 1 - (CONTINUED)

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-50 years
Improvements and infrastructure	10-50 years
Machinery, equipment and vehicles	5-15 years

Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. Employees may accumulate unlimited vacation. An employee who is separated from employment may be compensated for all accrued vacation. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 65 days of sick leave. Employees will not be paid for any accumulated sick leave at separation from employment.

NOTE 1 - (CONTINUED)

Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2009 and unpaid from 2008 are shown as deferred revenue.

NOTE 1 - (CONTINUED)

Exaction fees for improvements made by the City in the Town Center area which will be repaid by developers are also shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 39,607,624
Construction in Progress	2,801,356
Buildings and Structures	14,006,832
Improvements and Infrastructure	64,544,654
Machinery, Equipment and Vehicles	1,858,647
Less Accumulated Depreciation	<u>(32,101,420)</u>
Net Capital Asset Difference	<u>\$ 90,717,693</u>

Other Long-Term Asset Differences

Property taxes due in November 2009 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2009	<u>\$ 1,754,393</u>
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NOTE 2 - (CONTINUED)

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Bonds Payable	\$ (12,695,000)
Unamortized Bond Issuance Cost	125,720
Loans Payable	(210,897)
Accrued Interest	(134,092)
Long-Term Compensated Absences	<u>(226,523)</u>
Total Long-Term Liability Difference	\$ <u>(13,140,792)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 8,068,506
Depreciation Expense	<u>(3,521,193)</u>
Net Difference	\$ <u>4,547,313</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments on Bonds and Loans Payable	\$ 487,495
Amortization of Bond Issuance Costs	<u>(6,985)</u>
Net Difference	\$ <u>480,510</u>

NOTE 2 - (CONTINUED)

Other Revenue and Expense Differences

The change in long-term compensated absences and accrued interest are not reported in the statement of revenues, expenditures and changes in fund balance. These changes are reported in the statement of activities. The detail of these differences is reported below:

Change in Long-Term Compensated Absences	\$ (37,722)
Change in Accrued Interest	<u>6,485</u>
Net Difference	\$ <u>(31,237)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Administrator submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The City Administrator has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

NOTE 3 - (CONTINUED)

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2009, none of the City's bank balances of \$127,184 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

NOTE 4 - (CONTINUED)

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 2,215,060	\$ 2,215,060	\$ -	\$ -	\$ -
U.S. Treasuries	<u>8,434</u>	<u>8,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,223,494</u>	<u>\$ 2,223,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 204,185
Investments	<u>2,223,494</u>
Total	<u>\$ 2,427,679</u>
Cash and Cash Equivalents	\$ 2,400,296
Restricted Cash and Cash Equivalents	<u>27,383</u>
Total	<u>\$ 2,427,679</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for doubtful accounts at June 30, 2009 are presented in the schedule below.

Property taxes are levied on January 1 of 2009, are due in November of 2009, and are budgeted for the 2009 fiscal year. Even though they are not intended to fund the 2009 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

NOTE 5 - (CONTINUED)

The following is a summary of receivables at June 30, 2009:

	<u>Activities</u>	<u>Governmental Activities</u>	<u>Business-type Total</u>
Accounts Receivable	\$ 68,825	\$ 284,996	\$ 353,821
Allowance for Doubtful Accounts	(3,988)	(21,000)	(24,988)
Property Taxes Receivable	1,784,277	-	1,784,277
Sales Taxes Receivable	121,768	-	121,768
Class C Road Receivable	110,767	-	110,767
Franchise Taxes Receivable	93,216	-	93,216
Exaction Fees Receivable	2,055,193	-	2,055,193
Other Receivables	692,758	-	692,758
	<u>\$ 4,922,816</u>	<u>\$ 263,996</u>	<u>\$ 5,186,812</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2009.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Moves or Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 37,044,124	\$ 2,563,500	\$ -	\$ 39,607,624
Construction in Progress	11,269,399	-	8,468,043	2,801,356
Capital Assets being Depreciated				
Buildings and Structures	1,517,515	12,489,317	-	14,006,832
Improvements and Infrastructure	63,555,051	989,603	-	64,544,654
Machinery, Equipment and Vehicles	<u>1,452,683</u>	<u>494,129</u>	<u>88,165</u>	<u>1,858,647</u>
Total	114,838,772	16,536,549	8,556,208	122,819,113
Less Accumulated Depreciation	<u>(28,668,392)</u>	<u>(3,521,193)</u>	<u>(88,165)</u>	<u>(32,101,420)</u>
Governmental Activities Capital Assets, Net	<u>\$ 86,170,380</u>	<u>\$ 13,015,356</u>	<u>\$ 8,468,043</u>	<u>\$ 90,717,693</u>

NOTE 6 - (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2009.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Moves or Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 507,915	\$ 26,540	\$ -	\$ 534,455
Water Shares	20,659,406	370,269	-	21,029,675
Construction in Progress	681,423	483,939	587,468	577,894
Capital Assets being Depreciated				
Buildings and Structures	1,157,289	-	-	1,157,289
Improvements and Infrastructure	31,626,967	587,468	-	32,214,435
Machinery, Equipment and Vehicles	<u>1,932,086</u>	<u>115,444</u>	<u>-</u>	<u>2,047,530</u>
Total	56,565,086	1,583,660	587,468	57,561,278
Less Accumulated Depreciation	<u>(6,492,096)</u>	<u>(1,121,412)</u>	<u>-</u>	<u>(7,613,508)</u>
Business-type Activities Capital Assets, Net	<u>\$ 50,072,990</u>	<u>\$ 462,248</u>	<u>\$ 587,468</u>	<u>\$ 49,947,770</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 240,736
Public Safety	188,381
Streets and Public Works	2,761,942
Parks and Recreation	282,076
Cemetery	<u>48,058</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,521,193</u>
Business-type Activities	
Water	\$ 304,519
Sewer	297,280
Pressurized Irrigation	390,244
Storm Drain	<u>129,368</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 1,121,411</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Payable	\$ 1,069,989	\$ 177,337	\$ 1,247,326
Accrued Interest Payable	134,092	292,752	426,844
Developer Bonds Payable	<u>282,259</u>	<u>-</u>	<u>282,259</u>
	<u>\$ 1,486,340</u>	<u>\$ 470,089</u>	<u>\$ 1,956,429</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in Governmental Activities long-term debt of the City for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue Bonds Payable					
2006 Sales and Franchise Tax	\$ 5,805,000	\$ -	\$ (200,000)	\$ 5,605,000	\$ 210,000
2007 Sales and Franchise Tax	7,315,000	-	(225,000)	7,090,000	230,000
Loans Payable					
1998 Cemetery Mortgage	273,392	-	(62,495)	210,897	66,245
Compensated Absences	<u>280,974</u>	<u>54,505</u>	<u>-</u>	<u>335,479</u>	<u>108,956</u>
	<u>\$ 13,674,366</u>	<u>\$ 54,505</u>	<u>\$ (487,495)</u>	13,241,376	<u>\$ 615,201</u>
Unamortized Bond Issuance Costs				<u>(125,720)</u>	
				<u>\$13,115,656</u>	

The following is a summary of changes in Business-type Activities long-term debt of the City for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
General Obligation Bonds					
1996B Irrigation Water	\$ 123,390	\$ -	\$ -	\$ 123,390	\$ -
1998 Irrigation Refunding	4,230,000	-	(4,230,000)	-	-
2009 Refunding Bonds	-	4,310,000	-	4,310,000	255,000
Compensated Absences	<u>40,177</u>	<u>708</u>	<u>-</u>	<u>40,885</u>	<u>40,885</u>
	<u>\$ 4,393,567</u>	<u>\$ 4,310,708</u>	<u>\$ (4,230,000)</u>	4,474,275	<u>\$ 295,885</u>
Unamortized Bond Issuance Costs and Discounts				<u>(23,553)</u>	
				<u>\$ 4,450,722</u>	

The 2006 and 2007 sales and franchise tax revenue bonds were issued for the construction of the City Hall, the Justice Center and the Fire Station. The City pledges income derived from sales and franchise taxes to repay the revenue bonds. The cemetery mortgage loan was used to acquire land to expand the cemetery. The general obligation bonds were issued to improve the secondary water system. The City pledges income derived from the secondary water system to repay the general obligation bonds.

NOTE 8 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2009 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Governmental Activities</u>				
Sales and Franchise Tax Revenue Bonds, Series 2006 (original amount--\$6,000,000)	4.00% to 4.35%	2027	\$ 210,000	\$ 5,395,000
Sales and Franchise Tax Revenue Bonds, Series 2007 (original amount--\$7,315,000)	4.00% to 5.25%	2028	230,000	6,860,000
Cemetery Mortgage (original amount--\$766,281)	6.00%	2012	66,245	144,652
Compensated Absences			108,956	226,523
Unamortized Bond Issuance Costs			<u>-</u>	<u>(125,720)</u>
Total Governmental Activities Long-term Debt			<u>\$ 615,201</u>	<u>\$ 12,500,455</u>
<u>Business-type Activities</u>				
Irrigation Water General Obligation Bonds, Series 1996B (original amount--\$123,390)	4.00%	2018	\$ -	\$ 123,390
Irrigation General Obligation Refunding Bonds, Series 2009 (original amount--\$4,310,000)	2.75% to 4.125%	2022	255,000	4,055,000
Compensated Absences			40,885	-
Unamortized Bond Issuance Costs and Discounts			<u>-</u>	<u>(23,553)</u>
Total Business-type Activities Long-term Debt			<u>\$ 295,885</u>	<u>\$ 4,154,837</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 506,245	\$ 545,820	\$ 255,000	\$ 172,549	\$ 761,245	\$ 718,369
2011	530,219	522,133	280,000	146,744	810,219	668,877
2012	554,433	497,333	290,000	139,044	844,433	636,377
2013	500,000	471,404	300,000	131,069	800,000	602,473
2014	525,000	448,954	305,000	122,069	830,000	571,023
2015-2019	2,995,000	1,869,806	1,818,390	707,968	4,813,390	2,577,774
2020-2024	3,705,000	1,165,717	1,185,000	97,537	4,890,000	1,263,254
2025-2028	<u>3,590,000</u>	<u>314,022</u>	<u>-</u>	<u>-</u>	<u>3,590,000</u>	<u>314,022</u>
	<u>\$12,905,897</u>	<u>\$5,835,189</u>	<u>\$4,433,390</u>	<u>\$1,516,980</u>	<u>\$17,339,287</u>	<u>\$ 7,352,169</u>

NOTE 9 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund.

NOTE 10 - RETIREMENT PLANS

Plan Description

Highland City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement systems, 540 East 200 South Salt Lake City, Utah 84102-2099 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Highland City is required to contribute 11.62% of plan members' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Highland City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2009, 2008, and 2007 were \$188,276, \$168,719 and \$137,346 respectively. The contributions were equal to the required contributions for each year.

NOTE 11 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 457 for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2009, 2008, and 2007 contributions totaling \$43,316, \$49,249, and \$35,967, respectively were made to the plan by employees and \$167,697, \$180,429 and \$150,821 respectively by the City.

NOTE 11 - (CONTINUED)

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2009, 2008, and 2007 contributions totaling \$43,201, \$61,835 and \$32,822, respectively were made to the plan by employees and \$78,667, \$112,011, and \$65,828 respectively by the City.

NOTE 12 - RISK MANAGEMENT

Highland City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

NOTE 13 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 1,271,295
Open Space	175,000	-
Debt Service	977,000	-
Capital Projects - Parks	-	585,000
Capital Projects - Roads	846,295	-
Capital Projects - Building	1,460,000	442,000
Sewer	-	840,000
Pressurized Irrigation	-	320,000
	<u>\$ 3,458,295</u>	<u>\$ 3,458,295</u>

NOTE 14 - RELATED PARTY TRANSACTIONS

The City Treasurer and the Finance Director are related through marriage as sister-in-law and brother-in-law, respectively.

SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND, UTAH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Debt Service Fund</u>	<u>Open Space Trust</u>	<u>Northwest Annexation</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	28,146	-	28,146
Due from Other Fund	-	-	-	-
Restricted Cash	<u>3,592</u>	<u>-</u>	<u>-</u>	<u>3,592</u>
TOTAL ASSETS	<u>\$ 3,592</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ 31,738</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Fund	<u>-</u>	<u>58,903</u>	<u>738</u>	<u>59,641</u>
TOTAL LIABILITIES	<u>-</u>	<u>58,903</u>	<u>738</u>	<u>59,641</u>
FUND BALANCE				
Reserved for Impact Fees				
Debt Service	3,592	-	-	3,592
Impact Fees	-	-	-	-
Unreserved	<u>-</u>	<u>(30,757)</u>	<u>(738)</u>	<u>(31,495)</u>
TOTAL FUND EQUITY	<u>3,592</u>	<u>(30,757)</u>	<u>(738)</u>	<u>(27,903)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,592</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ 31,738</u>

CITY OF HIGHLAND, UTAH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Debt Service Fund</u>	<u>Open Space Trust</u>	<u>Northwest Annexation</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Charges for Services	\$ -	\$ 235,026	\$ -	\$ 235,026
TOTAL REVENUES	<u>-</u>	<u>235,026</u>	<u>-</u>	<u>235,026</u>
EXPENDITURES				
General Government	-	461,661	2	461,663
Streets and Public Works	-	-	-	-
Capital Outlay	-	13,425	-	13,425
Debt Service				
Principal	425,000	-	-	425,000
Interest and Finance Charges	552,968	-	-	552,968
TOTAL EXPENDITURES	<u>977,968</u>	<u>475,086</u>	<u>2</u>	<u>1,453,056</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(977,968)	(240,060)	(2)	(1,218,030)
OTHER FINANCING SOURCES				
Impact Fees	-	-	3,396	3,396
Transfers from Other Funds	977,000	175,000	-	1,152,000
Transfers to Other Funds	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(968)	(65,060)	3,394	(62,634)
BEGINNING FUND BALANCE	<u>4,560</u>	<u>34,303</u>	<u>(4,132)</u>	<u>34,731</u>
ENDING FUND BALANCE	<u>\$ 3,592</u>	<u>\$ (30,757)</u>	<u>\$ (738)</u>	<u>\$ (27,903)</u>

STATE LEGAL COMPLIANCE REPORT

**GREG ODGEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

October 28, 2009

**The Honorable Mayor
Members of the City Council
Highland City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements and have issued my report thereon dated October 28, 2009. As part of my audit, I have audited Highland City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

My audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt	Other General Issues
Cash Management	Uniform Building Code Standards
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Justice Court
Truth in Taxation and Property	Impact Fees
Tax Limitations	Asset Forfeiture
Class C Road Funds	Utah Retirement System
Special Districts	

The management of Highland City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

My audit does not provide a legal determination on the City's compliance with these requirements.

The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter as State Compliance Finding #1. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Highland City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

The report is intended solely for the information and use of management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.


**Greg Ogden,
Certified Public Accountant**

GOVERNMENT AUDITING STANDARDS REPORT

**GREG ODGEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801) 489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 28, 2009

**Honorable Mayor
Members of the City Council
Highland City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 28, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider internal control deficiencies #1 and #2 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highland City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden
Certified Public Accountant