

CITY OF OREM

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

Prepared by:
City of Orem, Administrative Services Department
Jeffrey W. Pedersen, CPA, Administrative Services Director
Brandon C. Nelson, CPA, Accounting Division Manager

(This page left blank intentionally)

**City of Orem, Utah
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

Table of Contents

	Page
INTRODUCTORY SECTION	
City Manager's Letter of Transmittal	1
Administrative Service Director's Letter of Transmittal	4
Listing of City Officials	10
Organizational Chart	11
Certificate of Achievement for Excellence in Financial Reporting	12
 FINANCIAL SECTION	
Report of Independent Certified Public Accountants	13
Management's Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	36
Statement of Net Assets – Proprietary Funds	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	40
Statement of Cash Flows – Proprietary Funds	42
Statement of Fiduciary Net Assets – Fiduciary Funds	44
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	45
Notes to the Financial Statements	47
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	88
Combining Statement of Net Assets – Nonmajor Proprietary Funds	92
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Proprietary Funds	94
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	96

Table of Contents (continued)

	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual:	
Debt Service – Debt Service Fund	100
Municipal Building Authority – Debt Service Fund	101
Capital Projects – Capital Projects Fund	102
Municipal Building Authority – Capital Projects Fund	103
Road Bond – Capital Projects Fund	104
Sales Tax Bond – Capital Projects Fund	105
Redevelopment Fund – Special Revenue Fund	106
Community Development Rehabilitation Fund – Special Revenue Fund	107
Combining Statement of Net Assets – Internal Service Funds	109
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	110
Combining Statement of Cash Flows – Internal Service Funds	111
Combining Statement of Fiduciary Net Assets – Fiduciary Funds	113
Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	114
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source	117
Schedule by Function and Activity	118
Schedule of Changes by Function and Activity	120

STATISTICAL SECTION

Fund Information:	
General Governmental Expenditures by Function	122
General Governmental Revenues by Source	124
General Governmental Tax Revenues by Source	126
Property Tax Levies and Collections	128
Assessed and Estimated Actual Value of Taxable Property	130
Property Tax Rates – Direct and Overlapping Governments	132
Principal Taxpayers	134
Major Employers	135
Special Assessment Billings and Collections	136
Computation of Legal Debt Margin	137
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	138
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	140
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds	141

Table of Contents (continued)

	Page
Demographic Statistics	142
Miscellaneous Statistics	143
Property Value, Construction and Bank Deposits	144
Summary of Taxable Value	146
Debt Service Schedule of Outstanding Lease Revenue Bonds	148
Long-term Bonded Indebtedness Paid by Governmental Funds – Schedule of Bonded Indebtedness	150

(This page left blank intentionally)



CITY OF OREM
OFFICE OF THE CITY MANAGER

December 13, 2005

To: Mayor and City Council

Subject: Comprehensive Annual Financial Report

In our ongoing efforts to provide more comprehensive financial information regarding the City, the Administrative Services Department has now completed its sixteenth Comprehensive Annual Financial Report.

The report contains critical financial information regarding the City's activities over the past year. The reports of Osborne, Robbins & Buhler PLLC resulting from their annual independent audit are included as a part of this annual report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe that the data, as presented, is accurate in all material aspects and fairly sets forth the financial position and results of operations of the City as measured by the financial activities of its various funds. Disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have also been included.

This year's report has been prepared according to the guidelines set forth by the Governmental Accounting Standards Board's (GASB) Statement 34. In accordance with those guidelines and those recommended by the Government Finance Officers Association of the United States and Canada, this report consists of the following three parts:

1. An introductory section including the Administrative Services Director's letter of transmittal.
2. The financial section, including management's discussion and analysis, financial statements, and the independent auditors' report.
3. The statistical section, including a number of tables depicting the financial history of the City for the past ten (10) years.

The City concluded the year ended June 30, 2005 in sound financial condition. The following is an overview of the City's financial condition.

Operating Revenues

Similar to Federal and State government trends, major tax revenues have been up for the past 18 months and this trend is continuing. As revenues continue to increase, only a portion of the growth will be used for additional operational expenses such as hiring more public safety officers or more major road maintenance projects. A significant portion of any additional revenue will be used to fund capital projects. When the next economic downturn occurs, the revenues being used for capital projects can be reduced to avoid reductions in ongoing operational programs.

Revenues for the water and storm water funds are stable and a rate adjustment for the water reclamation (sewer) fund have provided a reasonable level of revenue in each of these areas to support both the operational and capital needs for these three critical services.

Revenues for other service areas such as residential solid waste collection, recreation programs, and street lighting are stable.

In the past November election, the voters approved a 1/10 of 1% sales tax hike dedicated to the arts and recreation. This will last for 8 years and is estimated to generate \$1.6M per year. The City will closely study the best method of investing this revenue into arts and recreation.

Capital Expenditures

The City's infrastructure is in good condition. Within the last few years, several significant capital projects have been completed and several significant projects are underway:

- New Public Safety building has been built.
- Property for a new Public Works facility has been purchased and negotiations are underway for the construction of the new facilities. Funding exists in the Capital Projects Budget to build the new facilities.
- A new municipal golf course been paid for, built and is being operated through a private contract. The course is debt free.
- New streetlights have been constructed throughout the entire community.
- Two regional parks, a municipal swimming pool, and other smaller parks and recreational facilities have been built.
- Multiple soccer fields (over 20 acres) and five softball fields have been built as a regional park.
- A major sewer outfall line was recently completed to provide a redundant line and additional capacity to convey sewer to the Orem regional water reclamation plant.
- A new 20 million gallon water tank is under construction in a joint venture between the City of Orem and the Central Utah Water Conservancy District.
- Several major storm sewer lines and two regional detention basins are under construction which will provide a major portion of the physical facilities for Phase I of the Orem Storm Water Master Facilities Plan.
- A major renovation is underway at the Orem Fitness Center funded by a private anonymous donor.
- Construction is underway on voter approved street and sidewalk projects
- Funding is in place to remodel one of the City's three fire stations and the 30 years old portion of the library.

Additional Capital Needs:

- Funding to construct a new fire station to serve the growing population west of I-15.
- Funding to remodel the City Center and to provide office space for the City Attorney's offices. This will complete renovation of existing City facilities housing City services well into the future.
- Funding for additional intersection signals and upgrading existing intersections with double left turn lanes.

These projects will be funded over the next several years as various opportunities for one-time monies, such as land sales, unanticipated revenue, grants, and other resources become available to the city.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedicated effort of many individuals. In particular, the efforts of the Administrative Services Department staff have brought us to the point of having upgraded accounting and financial reporting systems which have improved the quality of information being reported to you, State oversight boards, and the citizens of the City of Orem.

If you have questions regarding the Comprehensive Annual Financial Report, please feel free to discuss them with Mr. Jeff Pedersen or me.

Yours truly,



Jim Reams
City Manager



CITY OF OREM

DEPARTMENT OF ADMINISTRATIVE SERVICES

December 13, 2005

Jim Reams
City Manager

City of Orem, Utah

State law requires that all local governments publish, within six months of the close of each year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This Comprehensive Annual Financial Report (CAFR) of the City of Orem, for the fiscal year ended June 30, 2005, is hereby submitted to you, in accordance with these requirements.

This year's report has been prepared according to the guidelines set forth by the Governmental Accounting Standards Board's (GASB) Statement 34. This report consists of management's representations concerning the finances of the City of Orem. Consequently, management assumes full responsibility for completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

Osborne, Robbins & Buhler PLLC, a firm of licensed certified public accountants, has audited the City of Orem's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Orem for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Orem's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections:

1. *The Introductory Section*, which is unaudited, includes the City Manager's introduction of this year's CAFR, this letter of transmittal, listing of officials, and the City's organization chart.
2. *The Financial Section*, which includes the MD&A, the basic financial statements, and the independent auditor's report on the financial statements.
3. *The Statistical Section*, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Economic Condition and Outlook

The City of Orem is located in north central Utah and is currently the fifth largest city in the state with a 2000 census population of 84,324 and an estimated current population of 90,374. The City has been involved in active economic development over the past two decades attracting stable industries and organizations. This economic development activity has directly led to the creation of approximately 7,000 non-retail jobs and thousands of retail jobs. The University Mall is the anchor to the largest retail area between Salt Lake County and Clark County, Nevada. The Mall has been revitalized through a major remodeling project, thus bringing several large national retailers like Costco and Nordstrom. Utah Valley State College (UVSC) is a major employer in the City of Orem with enrollment in excess of 24,000 students. Unemployment has decreased in this area during the past year. Though sales tax revenues had slowed in the last three years, these revenues have increased in this fiscal year.

Based on current projections, the population growth trend is expected to continue for the next few years. While having a positive impact, this growth also presents significant challenges for our city. If the present level of services is to be maintained, the City, in the future, will need to continue to be diligent in managing its resources.

While there have been significant increases in revenues to the City in recent years, there has been a concerted effort to limit the growth of expenditures related to operations and maintenance. Much of the additional revenue is being used for one-time expenditures such as capital projects. Accordingly, the City has been well positioned to continue to provide municipal services as the economy has softened and the growth of revenues has slowed.

Major Initiatives

For the Year

During the year, the City identified several projects needed to meet the needs of the citizens and businesses of the community. These projects included, but were not limited to the following:

- Completion or significant progress on major road projects including 1000 South Street improvements, city-wide crack sealing project, and 400 South Street Improvements,
- Installing sidewalks in the Geneva neighborhood and near elementary schools,
- Construction of a new 18-hole golf course in west Orem,
- Completion of Mt. Timpanogos Regional Park, and
- Completion of the city-wide street lighting project.

The current master plans for the water, water reclamation, storm sewer, and road systems are being implemented.

For the Future

The City faces many challenges in the future, the most significant of which are:

- Road maintenance,
- New water tanks,
- City Center renovation,
- Relocation of the Public Works Facility,
- Construction and staffing of a new fire station,
- Treatment Plant expansion, and
- Completion of the City-wide sidewalk system.

In November of 2004, citizens of the city approved \$14.5 million in general obligation road and sidewalk construction, reconstruction, and maintenance bonds which will address most of the City's road maintenance concerns.

Department Focus

Each year the City selects a department to highlight its efforts and accomplishments. In 2005, the Parks and Recreation Department has been selected.

By the end of Summer 2004, seven of the eight recreation facilities associated with the \$12,000,000 Pool, Parks and Play construction program were complete.

The remaining project, Nielsen's Grove Park, will soon be completed with the installation of a historically replicated swing. Mt. Timpanogos Regional Park, a 44-acre mountain scenic park, is home to the annual Timpanogos Storytelling Festival. Nielsen's Grove Park, 22-acres, is a passive open space facility which includes a parterre garden, water features, the historical swing and open air bowerys. The City's excellent park and recreation system provides excellent benefits to all citizens.

Additionally, the recreation programs that are offered through the Parks and Recreation Department are broad and varied. There are a broad range of activities for girls, boys, adults and senior citizens. Participation in recreation programs and visits to parks are known to improve the quality of life in a community and the City of Orem has provided a varied system to deliver parks and recreation services to its citizens.

The Outdoor Division of the Department offers programs for youth, teens and adults through a diverse menu of activities. In 2004/2005, approximately 24,500 youth participated in various sports and special event activities. Thus, an estimated 85% of Orem's youth between the ages of 6 and 18 are active in City sponsored recreation. An estimated 120,000 hours are volunteered by citizens in outdoor recreation programs on an annual basis.

The Fitness Center Division offers a full slate of programs and activities. As a result, the Fitness Center garnered recognition in the 2004 Reader's Choice Awards-Best of Utah County as the #1 community center and the #2 swimming pool. The Scera Park Pools received recognition as the #1 outdoor swimming pool. The Fire Arms Range received the Utah Recreation and Park Association Award for Innovation. Approximately 686,000 individuals used Fitness Center Division facilities during the year.

In addition to the services offered by the Outdoor and Fitness Center Divisions, the Parks and Recreation Department operates and manages the Senior Friendship Center through a broad and varied program for senior citizens. The programs include Saturday night dances, Tai Chi, conversational Spanish, line dancing, ceramics, tours and opportunities for socialization. Through participation in all of these programs, participation at the Center totaled approximately 7,400 seniors. Additionally, the daily hot lunch program generated 20,705 meals served throughout the year.

Cash Management

The City follows the requirements of the Utah Money Management Act (MM Act) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a *qualified depository*. The MM Act defines *qualified depository* 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." The MM Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions.

Allowable investments may consist of time certificates of deposit, repurchase agreements, commercial paper which is rated P-1 by Moodys Investor Services or A-1 by Standard and Poors Inc., banker's acceptances, obligations of the United States Treasury and various other obligations of state and local governments. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. The provisions of this act substantially protect the City from loss of investment principal; therefore, the City's investments are not collateralized and are not required to be collateralized by state law. The City has never lost any invested funds.

The law requires all securities to be delivered versus payment to the Treasurer's safekeeping bank. It also requires diversification of investments. The City is currently complying with all of the provisions of the MM Act for all City operating funds. Significant portions of the City's funds are invested in the Utah Public Treasurer's Investment Fund (PTIF). All deposits are held either by the City, its agent or a financial institution's trust department in the City's name.

Risk Management

The City provides for its general liability risks through a joint protection agreement with the Utah Risk Management Mutual Association (URMMA). URMMA provides for the City's lawful liabilities resulting from bodily injury, property damage, personal injury and/or public official's errors and omissions limited to \$6,000,000 per occurrence. The City maintains a Self-insurance Fund to account for and finance its uninsured risks of loss. Under this program, the Self-insurance Fund provides coverage for up to a maximum of \$400,000 for each worker's compensation claim and \$15,000 for general liability and property damage. Additional coverage for forgery, embezzlement and other potential internal losses is provided by commercial policies and is renewed annually. The City maintains a risk management section, which identifies areas of potential risk and provides training in risk avoidance and solutions to current risk concerns.

Other Information

Internal Audits

In 2005, the City Manager and Executive Staff contracted with Peterson, Allred and Jackson, CPAs for internal audit services on a quarterly basis. It was believed that improvements to the City's financial processes and procedures could be more readily identified by a third-party.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the seventeenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Administrative Services Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation and to our auditors, Osborne, Robbins & Buhler PLLC, for their cooperation. I would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jeffrey W. Pedersen,
Administrative Services Director

CITY OF OREM

LISTING OF OFFICIALS ORGANIZED BY CLASSIFICATIONS

Chief Executive Officer

City Manager Jim Reams

Executive Staff

Assistant City Manager Richard B. Manning

Director of Administrative Services Jeffrey W. Pedersen

Director of Development Services Stanford Sainsbury

Director of Legal Services Paul B. Johnson

Director of Library Services Louise G. Wallace

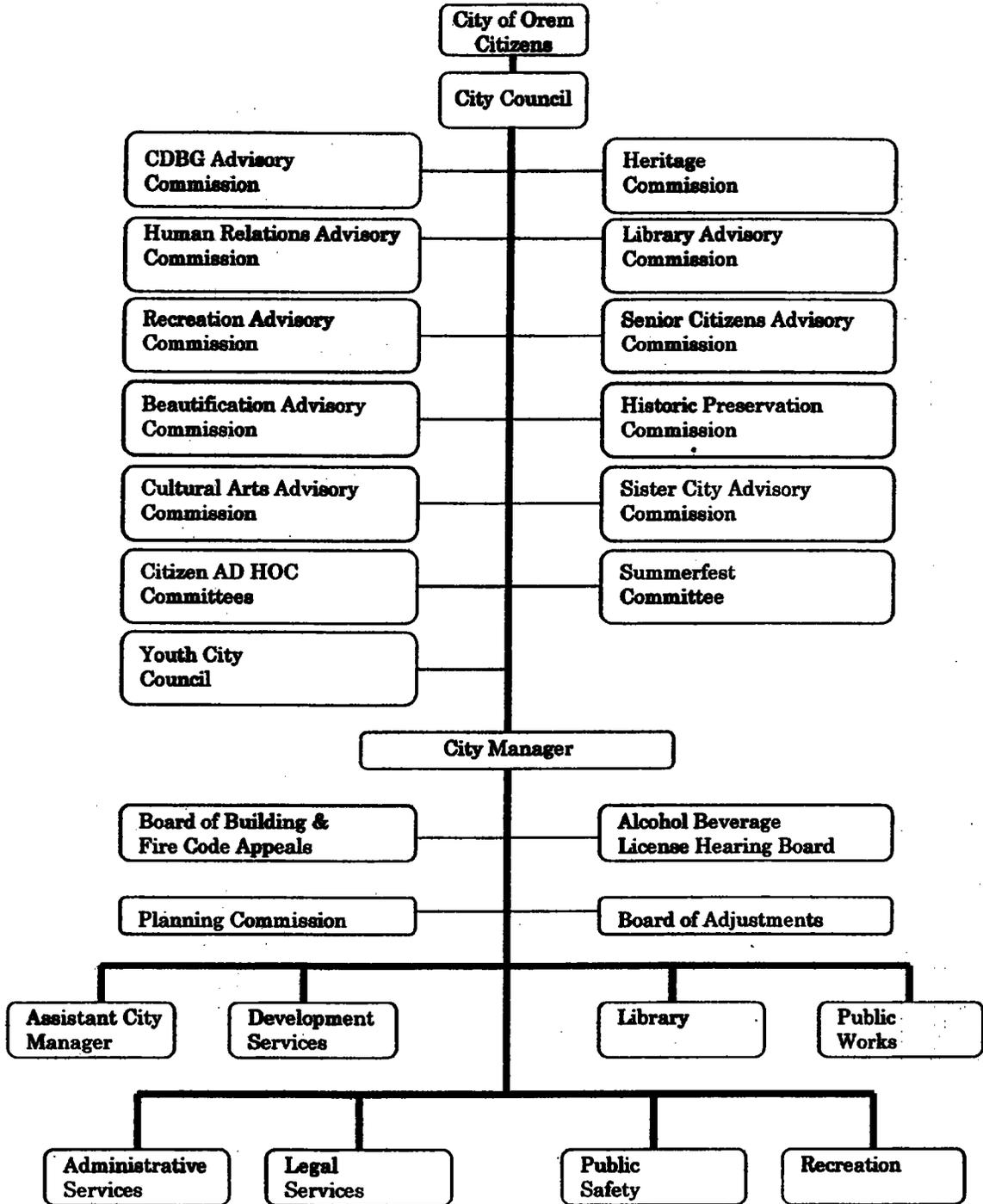
Director of Public Safety Michael J. Larsen

Director of Public Works Bruce W. Chesnut

Director of Recreational Services Jerrold J. Ortiz

CITY OF OREM, UTAH

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orem,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Orem, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (the City) as of and for the year ended June 30, 2005, 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah as of June 30, 2005, and the respective changes in financial position, budgetary comparison, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005 on our consideration of the City's internal control over financial reporting and on our 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 our 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 *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 15 through 27 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orem, Utah basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Osborne Robbins & Bahler PLLC

November 30, 2005

City of Orem
Management's Discussion and Analysis
June 30, 2005

As management of the City of Orem, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceeded its liabilities by \$179,771,809 (net assets). Of this amount, \$31,151,596 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets of \$179,771,809 consists of \$145,154,964 in capital assets net of related debt and \$34,616,845 in other net assets.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,406,238. Of this amount, \$23,237,624 (88.00%) is available for spending at the government's discretion (unreserved fund balance) with the balance of \$3,168,614 reserved for capital projects and debt service.
- The City's total long-term liabilities increased by \$24,237,190 (57.16%) during the current fiscal year. The key factors in this increase were:
 1. New general obligation bonds issued in April of 2005 for \$8,985,000 to be used for the rehabilitation and/or reconstruction of existing roads and the construction of new roads.
 2. New revenue bonds issued in March of 2005 for \$17,440,000 to be used for the improvement of the city's water and storm sewer system.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The 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 includes other supplementary information in addition to the basic financial statements.

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

- The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.

City of Orem
Management's Discussion and Analysis
June 30, 2005

- The *statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. 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 all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the 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 the City include general government, public safety, redevelopment, highways and public improvements, parks and recreation, and economic and physical development. The business-type activities of the City include culinary water distribution, water reclamation, storm sewer operations, recreation, solid waste disposal, and street lighting.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate entity, the Commission for Economic Development in Orem (CEDO), for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental funds.*** These 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 a government's 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 *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 government'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*.

City of Orem
Management's Discussion and Analysis
June 30, 2005

The City maintains nine 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 the two capital improvement funds, which are considered major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

- ***Proprietary funds.*** The City of Orem maintains two different types of proprietary funds. *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 its Water, Water Reclamation, Storm Sewer, Recreation, Solid Waste, and Street Lighting activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its service of its fleet of vehicles, for providing self-insurance, and for procurement and warehousing. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 the Water, Water Reclamation, and Storm Sewer funds, which are considered major funds of the City. The Recreation, Solid Waste, and the Street Lighting funds are classified as nonmajor and are included in the *combining statements* within this report. Conversely, the three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provide in the form of *combining statements* within this report.

- ***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary 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.

City of Orem
Management's Discussion and Analysis
June 30, 2005

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$179,771,809 at the close of the most recent year.

By far the largest portion of the City's net assets (80.74%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets); less any related debt used to acquire those assets 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 this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Orem's Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 42,278,954	\$ 30,632,919	\$ 27,939,904	\$ 8,628,196	\$ 70,218,858	\$ 39,261,115
Capital assets	139,401,428	140,930,179	44,409,441	44,131,527	183,810,869	185,061,706
Total assets	181,680,382	171,563,098	72,349,345	52,759,723	254,029,727	224,322,821
Long-term debt						
outstanding	46,204,622	40,172,796	20,433,876	2,228,512	66,638,498	42,401,308
Other liabilities	5,516,998	5,016,342	2,102,422	1,442,528	7,619,420	6,458,870
Total liabilities	51,721,620	45,189,138	22,536,298	3,671,040	74,257,918	48,860,178
Net assets:						
Invested in capital assets,						
net of related debt	102,793,522	102,275,533	42,361,442	41,914,527	145,154,964	144,190,060
Restricted	2,018,812	2,828,490	1,446,437	849,578	3,465,249	3,678,068
Unrestricted	25,146,428	21,269,937	6,005,168	6,324,578	31,151,596	27,594,515
Total net assets	\$ 129,958,762	\$ 126,373,960	\$ 49,813,047	\$ 49,088,683	\$ 179,771,809	\$ 175,462,643

An additional portion of the City of Orem's net assets (1.93%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$31,151,596) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, there were no funds reporting a deficit in unrestricted net assets.

At the end of the current fiscal year, the City of Orem is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate business-type activities. In the prior year, the City of Orem was able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities except for the Recreation Fund and Street Lighting Fund.

City of Orem
Management's Discussion and Analysis
June 30, 2005

The government's net assets increased by \$4,309,166 (2.46%) during the current fiscal year. Total revenues decreased by \$954,208 (1.38%) due to decreases in capital grants and contributions of \$5,011,360 (53.81%) but being partially offset by a 13.51% increase in general revenues. Expenses increased at a nominal rate of 3.05%. The following is a summary of the changes in net assets:

City of Orem's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 12,804,410	\$ 12,946,891	\$ 18,703,567	\$ 18,323,835	\$ 31,507,977	\$ 31,270,726
Operating grants and contributions	1,546,029	1,407,736	-	-	1,546,029	1,407,736
Capital grants and contributions	3,178,409	8,309,689	1,123,170	1,003,250	4,301,579	9,312,939
General revenues:						
Property taxes	7,710,867	7,168,114	-	-	7,710,867	7,168,114
Other taxes	22,355,730	19,927,383	-	-	22,355,730	19,927,383
Other	530,883	96,413	344,082	68,044	874,965	164,457
Total revenues	48,126,328	49,856,226	20,170,819	19,395,129	68,297,147	69,251,355
Expenses:						
General government	11,540,773	12,109,241	-	-	11,540,773	12,109,241
Public safety	15,346,389	14,598,906	-	-	15,346,389	14,598,906
Highways and public improvements	7,100,065	5,731,034	-	-	7,100,065	5,731,034
Parks and recreation	6,662,804	6,333,042	-	-	6,662,804	6,333,042
Economic and physical development	853,787	883,877	-	-	853,787	883,877
Redevelopment	542,663	1,053,395	-	-	542,663	1,053,395
Interest on long-term debt	1,882,277	2,038,946	-	-	1,882,277	2,038,946
Water	-	-	6,804,176	6,442,662	6,804,176	6,442,662
Water reclamation	-	-	5,826,744	5,865,945	5,826,744	5,865,945
Storm sewer	-	-	1,539,806	1,268,541	1,539,806	1,268,541
Recreation	-	-	2,047,026	2,203,195	2,047,026	2,203,195
Solid waste	-	-	2,708,103	2,652,512	2,708,103	2,652,512
Street lighting	-	-	1,133,368	910,969	1,133,368	910,969
Total expenses	43,928,758	42,748,441	20,059,223	19,343,824	63,987,981	62,092,265
Increase (decrease) in net assets before transfers	4,197,570	7,107,785	111,596	51,305	4,309,166	7,159,090
Transfers	(612,768)	(1,225,304)	612,768	1,225,304	-	-
Increase in net assets	3,584,802	5,882,481	724,364	1,276,609	4,309,166	7,159,090
Net assets, beginning	126,373,960	121,502,016	49,088,683	47,812,074	175,462,643	169,314,090
Prior period adjustments	-	(1,010,537)	-	-	-	(1,010,537)
Net assets, ending	\$ 129,958,762	\$ 126,373,960	\$ 49,813,047	\$ 49,088,683	\$ 179,771,809	\$ 175,462,643

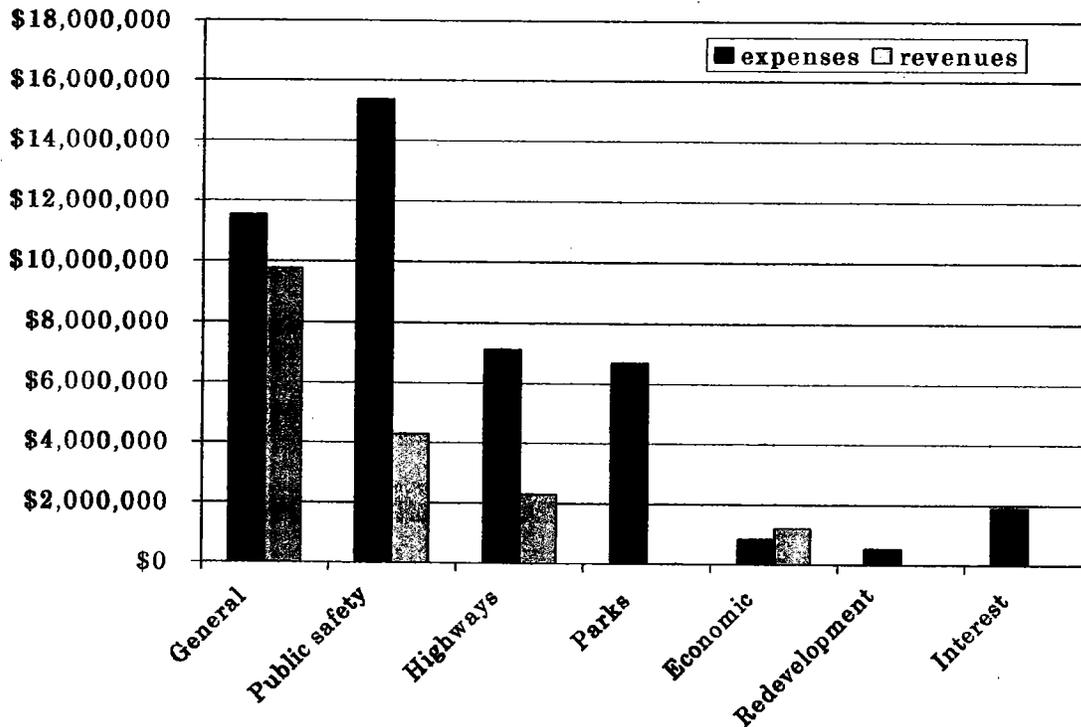
Governmental activities. Governmental activities increased the City of Orem's net assets by \$3,584,802, thereby accounting for 83.19% of the total growth in the net assets of the City of Orem. The increase in net assets is a combination of increases in revenues offset by a nominal increase in expenses. Key elements are as follows:

City of Orem
 Management's Discussion and Analysis
 June 30, 2005

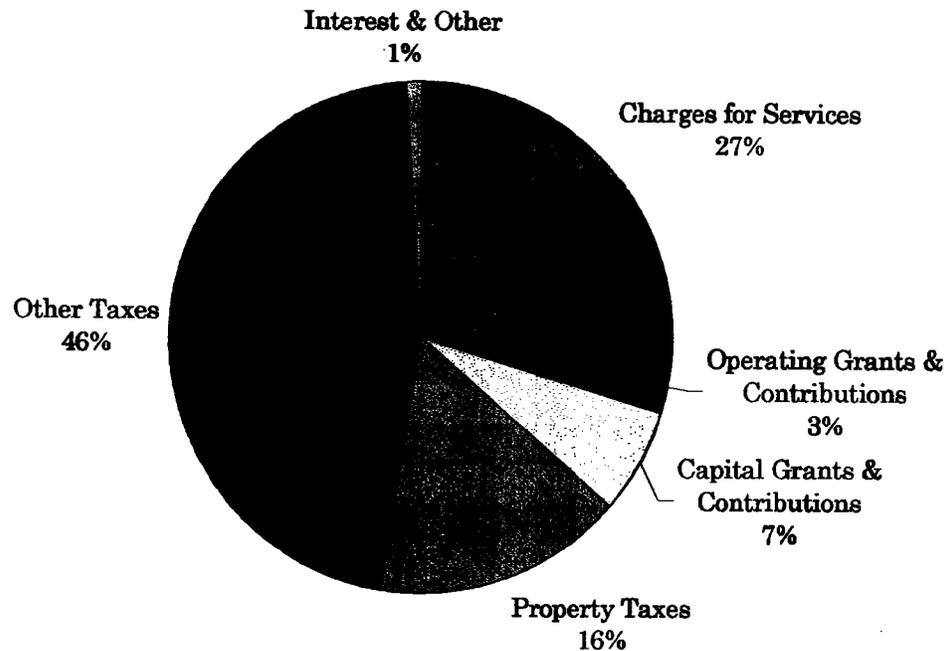
- Total revenues decreased by \$1,729,898 (3.47%).
- Program revenues decreased by \$5,135,468. This decrease is due to the one-time recognition of revenues in fiscal year 2004 resulting from the issuance of the Bunker Business Park and Canyon Park Special Improvement District Bonds.
- General revenues increased by \$3,405,570. This increase is mostly the result of growth in collections of property, sales, and franchise taxes.
- Total expenses increased by \$1,180,317 (2.76%). This increase is primarily due to increases in expenses for public safety (5.12%) and highways and public improvements (23.89%).

The following graphs display the government-wide activities for governmental activities reflected in the above tables. Note that the graph below does not include general revenues of \$30,597,480 because these revenues are not specific to a particular department.

**Expenses and Program Revenues - Governmental
 Activities
 For Year Ending June 30, 2005**



**Revenues by Source - Governmental Activities
For Fiscal Year Ending June 30, 2005**



Business-type activities. Business-type activities increased the City's net assets by \$724,364, thereby accounting for 16.81% of the total growth in the net assets of the City of Orem. As of the end of the current fiscal year, all of the City's business-type funds reported positive net assets. Key elements of this increase are as follows:

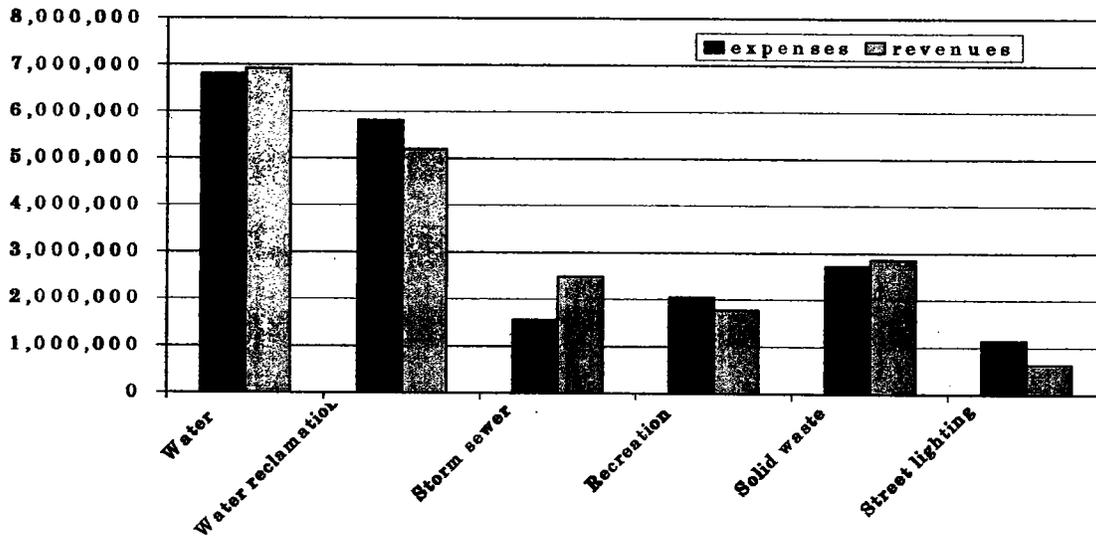
- Business-type funds reported increased revenues over the prior year of \$775,690 (4.00%). Charges for services increased or decreased as follows:
 - Water fund increased by 0.60%.
 - Water reclamation fund decreased by 2.91%.
 - Storm sewer fund increased by 2.83%.
 - Recreation fund increased by 10.01%.
 - Solid waste fund increased by 3.57%.
 - Street lighting fund increased by 34.09%.

City of Orem
 Management's Discussion and Analysis
 June 30, 2005

- Business-type funds reported total increases in expenses from the prior year of 3.70%. Approximately half of this increase is due to the water and storm sewer funds. Both funds had increases in maintenance expenditures. The storm sewer fund also had increases in personnel costs.

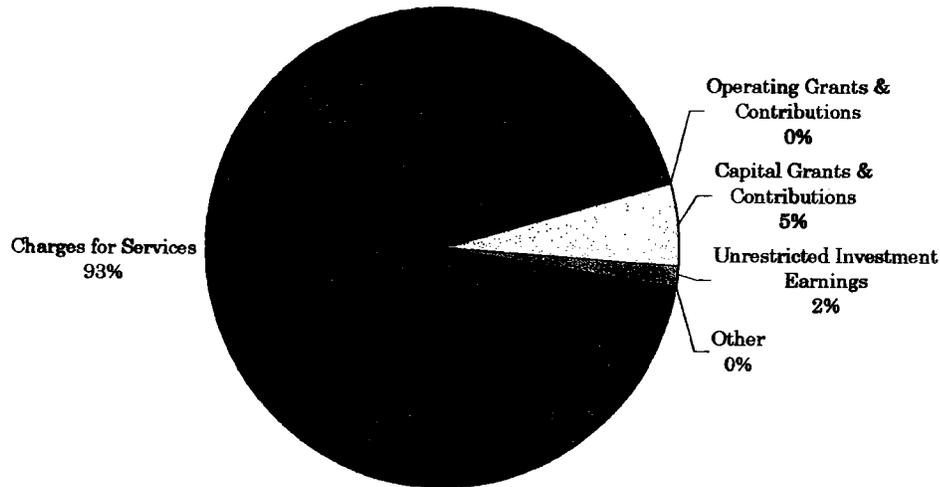
The following graphs display the business-wide activities for enterprise activities reflected in the above tables (City of Orem's Changes in Net Assets):

Expenses and Program Revenues - Business-type Activities
For Fiscal Year Ending June 30, 2005



City of Orem
Management's Discussion and Analysis
June 30, 2005

Revenues by Source - Business-type Activities
For Fiscal Year Ending June 30, 2005



Financial Analysis of the Government's Funds

As noted earlier, the City of Orem 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* may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,406,238. Of this total amount, \$23,237,624 (88.00%) constitutes *unreserved fund balance*, which is

City of Orem
Management's Discussion and Analysis
June 30, 2005

available for spending at the government's discretion. The remainder of fund balance of \$3,168,614 is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) or for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,521,065 while total fund balance reached \$7,305,609. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.28% of total general fund expenditures, while total fund balance represents 20.48% of that same amount.

The capital projects fund has a total fund balance of \$7,297,535, all of which is designated for the payment of capital improvement projects. The net increase in fund balance during the current year of \$4,509,765 was a result of transfers for improvement projects that were delayed until next year.

The road bond capital projects fund has a total fund balance of \$9,042,061, all of which is designated for the payment of road improvement projects. This new fund is the result of general obligation bonds being issued for road improvement projects which will be completed in the coming year.

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

Unrestricted net assets of the water fund at the end of the year amounted to \$2,112,498. Total net assets increased by \$357,977 (1.58%) in comparison with the prior year. Operating revenues increased by \$37,919 (0.62%). Water revenues were lower than projected due to water conservation efforts by the citizens of Orem. Operating expenses increased by \$180,963 (2.81%) in comparison with the prior year. Expenses associated with maintenance of the water system represent the majority of the increase in expenses from the prior year.

Unrestricted net assets of the water reclamation fund at the end of the year amounted to \$2,136,071. Total net assets decreased by \$610,915 (3.76%) in comparison with the prior year. Operating revenues decreased by \$144,504 (2.91%) because water consumption is down from the previous year. The water reclamation fund computes the amount to bill the user based upon the amount of water the user consumes. Therefore, revenues for the water reclamation fund will follow that of the water fund. In response to the revenue decreases and in order to maintain current services, the City Council enacted a rate increase for fiscal year 2006.

Unrestricted net assets of the storm sewer fund at the end of the year amounted to \$1,638,270. Total net assets increased by \$961,504 (11.97%) in comparison with the prior year. Operating revenues increased by \$68,023

City of Orem
Management's Discussion and Analysis
June 30, 2005

(2.83%). Operating expenses increased by \$188,025 (14.82%) in comparison with the prior year. Expenses associated with maintenance of the storm sewer system and personal service expenditures are the majority of the increase in expenses from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total (including transfers) of \$38,431,687 to a final budget of \$50,176,583, an increase of \$11,744,896. These increases can be briefly summarized as follows:

- \$640,640 increase in general government activities, primarily in the executive, personnel and administrative departments.
- \$1,878,558 increase in the police and fire departments. A large portion of the increase was due to the purchase of a new CAD software system.
- \$683,013 increase for highways and public improvements. The City had a need to fund various miscellaneous projects.
- \$319,993 increase for parks and recreation.
- \$8,222,692 increase in transfers out to provide for critical current and future capital improvement needs such as a new Public Works facility, remodeling the older portion of the City Library, remodeling Fire Station #1, funding of accrued compensated absences, replacing park pavilions, and for purchasing a new fire brush truck.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$183,810,870 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year include the following:

- Public safety purchased a new ambulance and replaced a number of aging police vehicles totaling \$399,726.
- Public safety purchased a new CAD software system as part of a county-wide agreement totaling \$742,500.
- Public safety upgraded their emergency 911 system for \$136,914.
- City-wide street lighting project completions and construction in progress reached \$3,409,924.
- Various water, sewer, and storm sewer line improvements totaled \$2,074,536.
- Construction on various recreation and park projects increased by \$295,298.

City of Orem
Management's Discussion and Analysis
June 30, 2005

City of Orem's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 58,702,000	\$ 58,507,126	\$ 891,439	\$ 878,224	\$ 59,593,439	\$ 59,385,350
Buildings and systems	10,634,388	10,404,217	3,020,161	3,665,605	13,654,549	14,069,822
Improvements other than buildings	13,676,641	11,589,328	1,418,363	604,927	15,095,004	12,194,255
Machinery and equipment	5,059,061	4,179,384	1,621,538	1,838,848	6,680,599	6,018,232
Infrastructure	48,087,567	40,806,564	35,811,816	34,016,035	83,679,383	74,822,599
Construction in progress	3,261,771	15,443,560	1,846,125	3,127,888	5,107,896	18,571,448
Total net assets	\$ 139,401,428	\$ 140,930,179	\$ 44,409,442	\$ 44,131,527	\$ 183,810,870	\$ 185,061,706

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt. At the end on the current year, the City had total bonded debt outstanding of \$63,325,000. Of this amount, \$17,225,000 comprises debt backed by the full faith and credit of the government and \$46,100,000 is debt that is secured solely by specific revenue sources (i.e., revenue bonds).

City of Orem's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 17,225,000	\$ 8,490,000	-	-	\$ 17,225,000	\$ 8,490,000
Revenue bonds	26,612,000	29,097,000	\$ 19,488,000	\$ 2,217,000	46,100,000	31,314,000
Total bonds	\$ 43,837,000	\$ 37,587,000	\$ 19,488,000	\$ 2,217,000	\$ 63,325,000	\$ 39,804,000

The City's total bonded debt increased by \$23,521,000 (59.09%) during the current fiscal year. During the year, \$17,440,000 in Water and Storm Sewer Revenue Bonds and \$12,960,000 in General Obligation Road Improvement and Refunding Bonds were issued. Of this amount, \$3,975,000 will be used to payoff the Series 1997 General Obligation Road Improvement Bonds.

The City of Orem maintains a "AA" rating from Fitch and from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$194,931,552, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer, or electrical projects is \$389,863,104, which again significantly exceeds the outstanding business-type activity debt.

City of Orem
Management's Discussion and Analysis
June 30, 2005

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Orem was 4.7%. This compares with a Utah County (of which Orem is the second largest city) unemployment rate of 4.7%, a state unemployment rate of 4.9% and a national rate of 5.0%. This compares with previous year's rates of 3.5%, 3.8%, 4.5%, and 5.5% respectively. (Source: U.S. Bureau of Labor Statistics).
- The General Fund budget for the fiscal year ending June 30, 2006 reflects a decrease of 4.71% in revenues, excluding appropriations of surplus, compared to the final fiscal year ending June 30, 2005. This decrease in revenues is due primarily to decreases in grants and special assessments. Expenses increased by 4.87% over the final fiscal year ending June 30, 2005.
- Economic trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2006 fiscal year.

Request For Information

This financial report is designed to provide a general overview of the City of Orem's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Orem, Finance Director, 56 North State Street, Orem, UT 84057.

(This page left blank intentionally)

City of Orem
Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit CEDO
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 15,540,557	\$ 8,093,166	\$ 23,633,723	\$ 63,420
Receivables (Net of Allowance for Uncollectibles)	30,859	1,089,812	1,120,671	150,000
Property Taxes Receivable	4,100,000	-	4,100,000	-
Other Taxes Receivable	3,899,958	-	3,899,958	-
Special Assessments Receivable	3,627,453	-	3,627,453	-
Internal Balances	458,454	(458,454)	-	-
Inventory	360,281	-	360,281	-
Notes Receivable	432,362	-	432,362	807,157
Prepaid Expenses	1,875	-	1,875	-
Deferred Charges	554,925	328,943	883,868	-
Restricted Assets:				
Cash and Cash Equivalents:				
Debt Service	1,912,200	-	1,912,200	-
Capital Improvement Projects	11,037,785	18,886,436	29,924,221	-
Intergovernmental Receivable	322,245	-	322,245	-
Capital Assets:				
Non-depreciable Capital Assets	61,963,771	2,737,564	64,701,335	15,000
Depreciable Capital Assets (net)	77,437,657	41,671,878	119,109,535	126,848
Total Assets	<u>181,680,382</u>	<u>72,349,345</u>	<u>254,029,727</u>	<u>1,162,425</u>
LIABILITIES				
Accounts Payable	451,361	1,288,211	1,739,572	-
Customer Deposits	2,220,426	8,334	2,228,760	-
Accrued Liabilities	1,362,996	179,903	1,542,899	-
Unearned Revenue	1,020,176	336,384	1,356,560	807,157
Accrued Interest Payable	448,107	289,590	737,697	-
Liabilities Payable from Restricted Assets	13,932	-	13,932	-
Noncurrent Liabilities:				
Due within One Year	4,377,404	379,291	4,756,695	-
Due in more than One Year	41,827,218	20,054,585	61,881,803	-
Total Liabilities	<u>51,721,620</u>	<u>22,536,298</u>	<u>74,257,918</u>	<u>807,157</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	102,793,522	42,361,442	145,154,964	141,848
Restricted for:				
Debt Service and Construction	2,018,812	1,446,437	3,465,249	-
Unrestricted	25,146,428	6,005,168	31,151,596	213,420
Total Net Assets	<u>\$ 129,958,762</u>	<u>\$ 49,813,047</u>	<u>\$ 179,771,809</u>	<u>\$ 355,268</u>

The notes to the financial statements are an integral part of this statement

City of Orem
Statement of Activities
For The Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 11,540,773	\$ 9,725,813	\$ 38,412	\$ -
Public Safety	15,346,389	2,779,134	590,111	907,728
Highways and Public Improvements	7,100,065	-	-	2,270,681
Parks and Recreation	6,662,804	12,559	-	-
Economic and Physical Development	853,787	286,904	917,506	-
Redevelopment	542,663	-	-	-
Interest on Long-term Debt	1,882,277	-	-	-
Total Governmental Activities	43,928,758	12,804,410	1,546,029	3,178,409
Business-type Activities:				
Water	6,804,176	6,166,137	-	756,760
Water Reclamation	5,826,744	4,824,003	-	365,760
Storm Sewer	1,539,806	2,470,225	-	650
Recreation	2,047,026	1,761,167	-	-
Solid Waste	2,708,103	2,853,586	-	-
Street Lighting	1,133,368	628,449	-	-
Total Business-type Activities	20,059,223	18,703,567	-	1,123,170
Total Primary Government	\$ 63,987,981	\$ 31,507,977	\$ 1,546,029	\$ 4,301,579
Component Unit:				
CEDO	\$ 180,395	-	\$ 145,000	-
Total Component Unit	\$ 180,395	-	\$ 145,000	-

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Vehicle Taxes
Other Taxes
Grants and Contributions not restricted to specific programs
Unrestricted Investment Earnings
Gain on Sale of Capital Assets
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The notes to the financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental Activities	Business-type Activities	Total	Unit CEDO
\$ (1,776,548)	\$ -	\$ (1,776,548)	\$ -
(11,069,416)	-	(11,069,416)	-
(4,829,384)	-	(4,829,384)	-
(6,650,245)	-	(6,650,245)	-
350,623	-	350,623	-
(542,663)	-	(542,663)	-
(1,882,277)	-	(1,882,277)	-
<u>(26,399,910)</u>	<u>-</u>	<u>(26,399,910)</u>	<u>-</u>
-	118,721	118,721	-
-	(636,981)	(636,981)	-
-	931,069	931,069	-
-	(285,859)	(285,859)	-
-	145,483	145,483	-
-	(504,919)	(504,919)	-
-	(232,486)	(232,486)	-
<u>\$ (26,399,910)</u>	<u>\$ (232,486)</u>	<u>\$ (26,632,396)</u>	<u>-</u>
-	-	-	\$ (35,395)
-	-	-	<u>\$ (35,395)</u>
7,710,867	-	7,710,867	-
15,373,690	-	15,373,690	-
5,970,311	-	5,970,311	-
779,439	-	779,439	-
232,290	-	232,290	-
-	-	-	34,452
452,157	312,582	764,739	3,307
78,726	31,500	110,226	-
(612,768)	612,768	-	-
<u>29,984,712</u>	<u>956,850</u>	<u>30,941,562</u>	<u>37,759</u>
3,584,802	724,364	4,309,166	2,364
126,373,960	49,088,683	175,462,643	352,904
<u>\$ 129,958,762</u>	<u>\$ 49,813,047</u>	<u>\$ 179,771,809</u>	<u>\$ 355,268</u>

City of Orem
Balance Sheet
Governmental Funds
June 30, 2005

	General	Capital Projects	Road Bond Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 5,324,107	\$ 7,037,371	\$ -	\$ 988,027	\$ 13,349,505
Receivables (Net of Allowance for Uncollectibles)	30,859	-	-	-	30,859
Property Taxes Receivable	4,100,000	-	-	-	4,100,000
Other Taxes Receivable	3,899,958	-	-	-	3,899,958
Special Assessments Receivable	3,627,453	-	-	-	3,627,453
Due from Other Funds	1,165,350	-	-	-	1,165,350
Intergovernmental Receivable	-	322,245	-	-	322,245
Notes Receivable	-	-	-	432,362	432,362
Prepays	1,875	-	-	-	1,875
Restricted Cash and Cash Equivalents:					
Debt Service	-	-	-	1,912,200	1,912,200
Capital Improvement Projects	809,034	-	9,078,949	1,149,802	11,037,785
Total Assets	\$ 18,958,636	\$ 7,359,616	\$ 9,078,949	\$ 4,482,391	\$ 39,879,592
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts Payable	346,518	62,081	5,674	22,575	436,848
Customer Deposits	2,220,425	-	-	-	2,220,425
Accrued Liabilities	1,344,699	-	-	2,924	1,347,623
Due to Other Funds	-	-	31,214	675,682	706,896
Deferred Revenue	7,727,453	-	-	1,020,177	8,747,630
Liabilities Payable from Restricted Assets	13,932	-	-	-	13,932
Total Liabilities	11,653,027	62,081	36,888	1,721,358	13,473,354

	General	Capital Projects	Road Bond Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Reserved for:					
Class "C" Road	782,669	-	-	-	782,669
Debt Service and Capital Improvements	-	-	-	2,384,070	2,384,070
Prepays	1,875	-	-	-	1,875
Unreserved, reported in:					
General Fund	6,521,065	-	-	-	6,521,065
Capital Projects Funds	-	7,297,535	9,042,061	-	16,339,596
Debt Service Funds	-	-	-	-	-
Special Revenue Funds	-	-	-	376,963	376,963
Total Fund Balances	<u>7,305,609</u>	<u>7,297,535</u>	<u>9,042,061</u>	<u>2,761,033</u>	<u>26,406,238</u>
Total Liabilities and Fund Balances	<u>\$ 18,958,636</u>	<u>\$ 7,359,616</u>	<u>\$ 9,078,949</u>	<u>\$ 4,482,391</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources.

Other long-term assets are not available to pay for current-period expenditures.

Certain revenue is deferred in governmental funds but not in the statement of net assets because it qualifies for recognition under the economic resources measurement focus

Internal service funds are used by management to charge the cost of fleet management and self-insurance costs. The current assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period.

Interest payable on long-term obligations does not require current financial resources and is not reported in the governmental funds.

Net assets of governmental activities

	139,401,428				
	554,925				
		7,727,453			
					2,479,537
					(46,162,712)
					(448,107)
					<u>\$ 129,958,762</u>

The notes to the financial statements are an integral part of this statement

City of Orem
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2005

	General	Capital Projects	Road Bond Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and Special Assessments	\$ 26,934,093	\$ -	\$ -	\$ 2,911,070	\$ 29,845,163
Licenses and Permits	1,366,925	-	-	-	1,366,925
Intergovernmental	3,618,642	-	-	917,506	4,536,148
Charges for Services	3,376,940	-	-	286,904	3,663,844
Fines and Forfeitures	566,175	-	-	-	566,175
Charges for Services - Other Funds	3,654,299	-	-	-	3,654,299
Interest Income	378,741	18,561	51,757	28,397	477,456
Miscellaneous Revenue	2,950,394	478,321	-	35,478	3,464,193
Total Revenues	42,846,209	496,882	51,757	4,179,355	47,574,203
EXPENDITURES					
Current:					
General Government	9,942,870	-	-	-	9,942,870
Public Safety	16,293,215	-	-	-	16,293,215
Highways and Public Improvements	4,208,802	-	-	-	4,208,802
Parks and Recreation	5,130,601	-	-	-	5,130,601
Economic and Physical Development Redevelopment	-	-	-	1,102,607 530,618	1,102,607 530,618
Debt Service:					
Principal Retirement	-	-	-	3,047,454	3,047,454
Interest and Fiscal Charges	-	-	-	1,721,948	1,721,948
Bond Issuance Costs	-	-	151,569	-	151,569
Capital Lease Payments - Principal	80,627	-	-	-	80,627
Capital Lease Payments - Interest	10,845	-	-	-	10,845
Capital Projects	-	1,425,669	32,536	306,659	1,764,864
Total Expenditures	35,666,960	1,425,669	184,105	6,709,286	43,986,020
Excess (Deficiency) of Revenues over (under) Expenditures	7,179,249	(928,787)	(132,348)	(2,529,931)	3,588,183
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3,975,000	-	9,174,409	-	13,149,409
Payment to Bond Refunding Agent	(3,790,000)	-	-	-	(3,790,000)
Capital Leases	58,560	-	-	-	58,560
Transfers In	1,554,670	5,866,781	-	4,160,669	11,582,120
Transfers Out	(11,737,658)	(428,229)	-	(1,477,282)	(13,643,169)
Total Other Financing Sources and Uses	(9,939,428)	5,438,552	9,174,409	2,683,387	7,356,920
Net Change in Fund Balances	(2,760,179)	4,509,765	9,042,061	153,456	10,945,103
Fund Balance - Beginning	10,065,788	2,787,770	-	2,607,577	15,461,135
Fund Balance - Ending	\$ 7,305,609	\$ 7,297,535	\$ 9,042,061	\$ 2,761,033	\$ 26,406,238

The notes to the financial statements are an integral part of this statement

City of Orem
Reconciliation of The Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To The Statement of Activities
For The Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds	\$ 10,945,103		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$4,630,842 exceeded capital outlays of \$3,111,985 in the current period.	(1,518,857)		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,242,064)		
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	\$ (6,111,038)		
Governmental funds report bond issue costs as expenditures. However, in the statement of activities those costs are allocated over the life of the bond:	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">126,533</td> <td style="text-align: right; padding-left: 10px;">(5,984,505)</td> </tr> </table>	126,533	(5,984,505)
126,533	(5,984,505)		
Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(30,288)		
Internal service funds are used by management to charge the costs of fleet management and self-insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">1,415,413</td> <td></td> </tr> </table>	1,415,413	
1,415,413			
Change in net assets of governmental activities	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 3px double black;">\$ 3,584,802</td> <td></td> </tr> </table>	\$ 3,584,802	
\$ 3,584,802			

The notes to the financial statements are an integral part of this statement

City of Orem
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes and Special Assessments	\$ 24,441,000	\$ 25,143,021	\$ 26,934,093	\$ 1,791,072
Licenses and Permits	1,136,900	1,136,900	1,366,925	230,025
Intergovernmental	3,014,453	4,157,119	3,618,642	(538,477)
Charges for Services	3,173,442	2,773,442	3,376,940	603,498
Fines and Forfeitures	635,000	635,000	566,175	(68,825)
Charges for Services - Other Funds	3,654,249	3,654,249	3,654,299	50
Interest Revenues	172,568	172,568	378,741	206,173
Miscellaneous Revenues	1,547,139	2,792,323	2,950,394	158,071
Total Revenues	37,774,751	40,464,622	42,846,209	2,381,587
EXPENDITURES				
General Government:				
Legislative	240,594	195,721	191,996	3,725
Executive	2,573,642	2,869,351	2,801,682	67,669
Personnel Administration	316,319	338,555	319,382	19,173
Administrative Services	2,579,125	2,877,789	2,715,504	162,285
Development Services	2,558,997	2,615,065	2,534,076	80,989
Other - Unclassified	1,223,235	1,236,071	1,380,230	(144,159)
Total General Government	9,491,912	10,132,552	9,942,870	189,682
Public Safety:				
Administration	705,460	1,576,063	1,502,297	73,766
Police	9,514,042	10,204,393	9,806,574	397,819
Fire	4,824,859	5,142,463	4,984,344	158,119
Total Public Safety	15,044,361	16,922,919	16,293,215	629,704
Highways and Public Improvements:				
Administration	1,023,544	1,184,448	1,165,675	18,773
Engineering	4,236,368	4,758,477	3,043,127	1,715,350
Total Highways and Public Improvements	5,259,912	5,942,925	4,208,802	1,734,123
Parks and Recreation	5,119,850	5,439,843	5,130,601	309,242
Debt Service:				
Capital Lease Payments - Principal	80,627	80,627	80,627	.
Capital Lease Payments - Interest	10,845	10,845	10,845	.
Total Debt Service	91,472	91,472	91,472	.
Total Expenditures	35,007,507	38,529,711	35,666,960	2,862,751
Excess of Revenues over Expenditures	2,767,244	1,934,911	7,179,249	5,244,338
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	-	-	3,975,000	3,975,000
Payment to Bond Refunding Agent	-	-	(3,790,000)	(3,790,000)
Capital Leases	-	-	58,560	58,560
Transfers In	1,520,222	1,554,670	1,554,670	.
Transfers Out	(4,944,402)	(13,201,542)	(11,737,658)	1,463,884
Total Other Financing Sources and Uses	(3,424,180)	(11,646,872)	(9,939,428)	1,707,444
Net Change in Fund Balance	(656,936)	(9,711,961)	(2,760,179)	6,951,782
Fund Balance - Beginning	10,065,788	10,065,788	10,065,788	.
Fund Balance - Ending	\$ 9,408,852	\$ 353,827	\$ 7,305,609	\$ 6,951,782

The notes to the financial statements are an integral part of this statement

(This page left blank intentionally)

City of Orem
Statement of Net Assets
Proprietary Funds
June 30, 2005

			Business-type	
	Water Fund Current Year	Water Fund Prior Year	Water Reclamation Fund Current Year	Water Reclamation Fund Prior Year
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,806,098	\$ 2,396,488	\$ 2,183,626	\$ 2,550,272
Accounts Receivable (Net of Allowance for Doubtful Accounts)	330,611	438,019	320,125	336,277
Inventories				
Restricted Cash:				
Capital Improvement Projects	12,033,885	-	-	-
Total Current Assets	15,170,594	2,834,507	2,503,751	2,886,549
Capital Assets:				
Land	-	-	557,654	557,654
Buildings and Systems	1,028,498	1,028,498	3,382,378	3,552,229
Improvements other than Buildings	204,273	204,273	568,858	310,264
Machinery and Equipment	2,054,036	1,989,827	3,946,187	3,946,187
Infrastructure	36,645,172	35,246,818	32,239,839	31,503,049
Construction in Progress	977,729	872,156	488,023	437,800
Less Accumulated Depreciation	(20,459,428)	(19,229,791)	(25,621,423)	(24,133,984)
Total Capital Assets (Net of Accumulated Depreciation)	20,450,280	20,111,781	15,561,516	16,173,199
Other Assets:				
Deferred Charges	222,499	-	-	-
Total Assets	35,843,373	22,946,288	18,065,267	19,059,748
LIABILITIES				
Current Liabilities:				
Accounts Payable	412,999	202,946	250,783	41,574
Customer Deposits	8,334	8,893	-	-
Accrued Liabilities	66,225	40,950	41,013	42,389
Due to Other Funds	-	-	-	-
Accrued Vacation and Sick Leave	59,779	61,191	41,498	49,964
Unearned Revenue	10,413	-	-	413,820
Accrued Interest Payable	174,014	-	29,867	32,331
Bonds Payable - Current Portion	-	-	174,000	169,000
Bond Premium - Deferred Revenue	25,182	-	-	-
Total Current Liabilities	756,946	313,980	537,161	749,078
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	8,168	4,572	4,519	2,168
Bond Premium - Deferred Revenue (net)	481,596	-	-	-
Bonds Payable - Long-term Portion	11,610,950	-	1,874,000	2,048,000
Total Noncurrent Liabilities	12,100,714	4,572	1,878,519	2,050,168
Total Liabilities	12,857,660	318,552	2,415,680	2,799,246
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	20,450,280	20,111,781	13,513,516	13,956,199
Restricted for Capital Improvements	422,935	-	-	-
Unrestricted	2,112,498	2,515,955	2,136,071	2,304,303
Total Net Assets	\$ 22,985,713	\$ 22,627,736	\$ 15,649,587	\$ 16,260,502

The notes to the financial statements are an integral part of this statement

Activities - Enterprise Funds					Governmental
Storm Sewer Fund Current Year	Storm Sewer Fund Prior Year	Other Enterprise Funds Current Year	Other Enterprise Funds Prior Year	Total Current Year	Activities Internal Service Funds Current Year
\$ 2,112,074	\$ 1,313,111	\$ 991,368	\$ 722,067	\$ 8,093,166	\$ 2,191,052
162,865	156,686	276,211	271,679	1,089,812	360,281
5,980,594	-	871,958	849,578	18,886,437	-
<u>8,255,533</u>	<u>1,469,797</u>	<u>2,139,537</u>	<u>1,843,324</u>	<u>28,069,415</u>	<u>2,551,333</u>
293,963	280,748	39,822	39,822	891,439	-
42,553	25,883	4,121,630	4,121,630	8,575,059	14,321
816,867	816,868	546,011	-	2,136,009	39,283
942,646	793,681	270,385	254,305	7,213,254	266,689
6,126,629	4,886,833	548,490	-	75,560,130	-
347,000	830,266	33,373	987,666	1,846,125	-
<u>(1,366,544)</u>	<u>(1,039,034)</u>	<u>(4,365,179)</u>	<u>(4,152,121)</u>	<u>(51,812,574)</u>	<u>(300,605)</u>
7,203,114	6,595,245	1,194,532	1,251,302	44,409,442	19,688
106,444	-	-	-	328,943	-
<u>15,565,091</u>	<u>8,065,042</u>	<u>3,334,069</u>	<u>3,094,626</u>	<u>72,807,800</u>	<u>2,571,021</u>
371,456	4,198	252,973	294,370	1,288,211	14,513
-	-	-	-	8,334	-
11,286	12,118	61,379	9,750	179,903	15,373
-	-	458,454	405,981	458,454	-
18,187	17,302	47,950	56,576	167,414	41,910
-	-	325,971	154,732	336,384	-
85,709	-	-	-	289,590	-
-	-	-	-	174,000	-
12,696	-	-	-	37,878	-
<u>499,334</u>	<u>33,618</u>	<u>1,146,727</u>	<u>921,409</u>	<u>2,940,168</u>	<u>71,796</u>
957	-	2,523	4,196	16,167	146,966
242,822	-	-	-	724,418	-
5,829,050	-	-	-	19,314,000	-
<u>6,072,829</u>	<u>-</u>	<u>2,523</u>	<u>4,196</u>	<u>20,054,585</u>	<u>146,966</u>
<u>6,572,163</u>	<u>33,618</u>	<u>1,149,250</u>	<u>925,605</u>	<u>22,994,753</u>	<u>218,762</u>
7,203,114	6,595,245	1,194,532	1,251,302	42,361,442	19,688
151,544	-	871,958	849,578	1,446,437	-
1,638,270	1,436,179	118,329	68,141	6,005,168	2,332,571
<u>\$ 8,992,928</u>	<u>\$ 8,031,424</u>	<u>\$ 2,184,819</u>	<u>\$ 2,169,021</u>	<u>\$ 49,813,047</u>	<u>\$ 2,352,259</u>

City of Orem
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended June 30, 2005

	Business-type Activities			
	Water	Water	Water	Water
	Fund	Fund	Reclamation	Reclamation
	Current Year	Prior Year	Fund	Fund
			Current Year	Prior Year
OPERATING REVENUES				
Charges for Services	\$ 6,006,421	\$ 6,086,384	\$ 4,481,980	\$ 4,762,198
Other Revenues	159,716	41,834	342,023	206,309
Total Revenues	<u>6,166,137</u>	<u>6,128,218</u>	<u>4,824,003</u>	<u>4,968,507</u>
OPERATING EXPENSES				
Personal Services	1,460,530	1,402,113	1,716,877	1,711,814
Supplies and Maintenance	1,661,029	1,664,326	514,319	606,879
Administrative Fee	819,450	797,029	728,260	714,383
Utilities	427,561	437,471	433,416	419,955
Contract Services	717,507	684,070	719,769	659,455
Equipment Lease and Rentals	4,031	3,495	4,203	17,455
Insurance	81,701	72,117	47,797	41,438
Charges in Lieu of Property Tax	89,000	87,500	89,000	87,500
Bad Debt	117,888	110,245	-	-
Depreciation	1,229,637	1,169,289	1,487,439	1,515,276
Miscellaneous	15,291	15,007	10,533	13,157
Total Operating Expenses	<u>6,623,625</u>	<u>6,442,662</u>	<u>5,751,613</u>	<u>5,787,312</u>
Operating Income (Loss)	<u>(457,488)</u>	<u>(314,444)</u>	<u>(927,610)</u>	<u>(818,805)</u>
NONOPERATING REVENUES AND EXPENSES				
Interest Revenue	199,380	19,658	41,844	17,159
Gain on Sales of Capital Assets	-	-	31,500	-
Donations / Grants	117,100	-	-	-
Deferred Charges	(14,931)	-	-	-
Interest Expense	(165,620)	-	(75,131)	(78,633)
Total Nonoperating Revenues	<u>135,929</u>	<u>19,658</u>	<u>(1,787)</u>	<u>(61,474)</u>
Income (Loss) before Transfers and Contributions	<u>(321,559)</u>	<u>(294,786)</u>	<u>(929,397)</u>	<u>(880,279)</u>
Contributions from Developers	639,660	404,000	365,760	67,500
Transfers In	106,501	962,292	59,372	-
Transfers Out	(66,625)	(67,393)	(106,650)	(257,453)
Change in Net Assets	<u>357,977</u>	<u>1,004,113</u>	<u>(610,915)</u>	<u>(1,070,232)</u>
Total Net Assets - Beginning	<u>22,627,736</u>	<u>21,623,623</u>	<u>16,260,502</u>	<u>17,330,734</u>
Total Net Assets - Ending	<u>\$ 22,985,713</u>	<u>\$ 22,627,736</u>	<u>\$ 15,649,587</u>	<u>\$ 16,260,502</u>

The notes to the financial statements are an integral part of this statement

Enterprise Funds					Governmental
Storm Sewer	Storm Sewer	Other	Other	Total	Activities
Fund	Fund	Enterprise	Enterprise		Internal
Current Year	Prior Year	Funds	Funds	Current Year	Service Funds
		Current Year	Prior Year		Current Year
\$ 2,476,588	\$ 2,124,670	\$ 5,242,718	\$ 4,823,719	\$ 18,207,707	\$ 1,812,958
(6,363)	277,532	484	1,189	495,860	
<u>2,470,225</u>	<u>2,402,202</u>	<u>5,243,202</u>	<u>4,824,908</u>	<u>18,703,567</u>	<u>1,812,958</u>
444,149	457,751	1,416,728	1,486,445	5,038,284	635,736
171,610	137,269	232,856	261,795	2,579,814	1,225,971
273,559	246,562	319,691	306,989	2,140,960	-
1,285	1,419	385,661	347,491	1,247,923	-
193,822	152,924	2,532,832	2,398,910	4,163,930	-
7,146	7,123	722,635	725,352	738,015	-
17,405	17,348	17,057	17,001	163,960	-
-	-	-	-	178,000	-
-	-	-	-	117,888	-
327,510	238,265	213,059	172,811	3,257,645	9,894
20,080	9,880	47,978	49,882	93,882	-
<u>1,456,566</u>	<u>1,268,541</u>	<u>5,888,497</u>	<u>5,766,676</u>	<u>19,720,301</u>	<u>1,871,601</u>
<u>1,013,659</u>	<u>1,133,661</u>	<u>(645,295)</u>	<u>(941,768)</u>	<u>(1,016,734)</u>	<u>(58,643)</u>
35,157	15,507	36,201	15,720	312,582	25,775
-	-	-	-	31,500	-
-	-	-	-	117,100	-
(1,763)	-	-	-	(16,694)	-
(81,477)	-	-	-	(322,228)	-
<u>(48,083)</u>	<u>15,507</u>	<u>36,201</u>	<u>15,720</u>	<u>122,260</u>	<u>25,775</u>
965,576	1,149,168	(609,094)	(926,048)	(894,474)	(32,868)
650	531,750	-	-	1,006,070	-
52,662	-	942,017	890,669	1,160,552	1,460,106
(57,384)	(205,289)	(317,125)	(97,522)	(547,784)	(11,825)
<u>961,504</u>	<u>1,475,629</u>	<u>15,798</u>	<u>(132,901)</u>	<u>724,364</u>	<u>1,415,413</u>
<u>8,031,424</u>	<u>6,555,795</u>	<u>2,169,021</u>	<u>2,301,922</u>	<u>49,088,683</u>	<u>936,846</u>
<u>\$ 8,992,928</u>	<u>\$ 8,031,424</u>	<u>\$ 2,184,819</u>	<u>\$ 2,169,021</u>	<u>\$ 49,813,047</u>	<u>\$ 2,352,259</u>

City of Orem
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2005

	Business-type		
	Water	Water	Water
	Fund	Fund	Reclamation Fund
	Current Year	Prior Year	Current Year
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Users	\$ 6,006,421	\$ 6,086,384	\$ 4,481,980
Receipts from Interfund Services provided	159,716	41,834	342,023
Payments to Suppliers	(2,761,418)	(2,851,900)	(2,008,872)
Payments to Employees	(1,458,346)	(1,402,192)	(1,722,992)
Payments for Interfund Services used	(819,450)	(797,029)	(728,260)
Net Cash provided (used) by Operating Activities	<u>1,126,923</u>	<u>1,077,097</u>	<u>363,879</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Donations / Grants	117,100	-	-
Transfers In	106,501	962,292	59,372
Transfers Out	(66,625)	(67,393)	(106,650)
Net Cash provided (used) by Noncapital Activities	<u>156,976</u>	<u>894,899</u>	<u>(47,278)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of Utility Plant in Service	-	(1,684,837)	-
Purchase of Capital Assets	(928,476)	-	(509,996)
Proceeds from Bonds Issued	12,126,122	-	-
Deferred Charges	(237,430)	-	-
Proceeds from Sales of Capital Assets	-	-	31,500
Principal paid on Outstanding Debt	-	-	(169,000)
Interest paid on Outstanding Debt	-	-	(77,595)
Net Cash provided (used) by Capital and Related Financing Activities	<u>10,960,216</u>	<u>(1,684,837)</u>	<u>(725,091)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income	199,380	19,658	41,844
Net Cash provided (used) by Investing Activities	<u>199,380</u>	<u>19,658</u>	<u>41,844</u>
Net increase (decrease) in Cash and Cash Equivalents	<u>12,443,495</u>	<u>306,817</u>	<u>(366,646)</u>
Cash and Cash Equivalents - Beginning of Year	2,396,488	2,089,671	2,550,272
Cash and Cash Equivalents - End of Year	<u>\$ 14,839,983</u>	<u>\$ 2,396,488</u>	<u>\$ 2,183,626</u>
Reconciliation of Operating Income to Net Cash provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (457,488)	\$ (314,444)	\$ (927,610)
Adjustments to reconcile Operating Income to Net Cash provided (used) by Operating Activities:			
Depreciation Expense	\$ 1,229,637	\$ 1,169,289	\$ 1,487,439
(Increase) Decrease in Receivables	107,408	202,114	16,152
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	210,053	3,964	209,209
Increase (Decrease) in Customer Deposits	(559)	600	-
Increase (Decrease) in Accrued Liabilities	25,275	15,653	(1,376)
Increase (Decrease) in Deferred Revenue	10,413	-	(413,820)
Increase (Decrease) in Accrued Vacation and Sick Leave	2,184	(79)	(6,115)
Total Adjustments	<u>1,584,411</u>	<u>1,391,541</u>	<u>1,291,489</u>
Net Cash provided (used) by Operating Activities	<u>\$ 1,126,923</u>	<u>\$ 1,077,097</u>	<u>\$ 363,879</u>
Noncash Investing, Capital, and Financing Activities:			
Contributions of Capital Assets from Developers	\$ 639,660	\$ 404,000	\$ 365,760

The notes to the financial statements are an integral part of this statement

Activities - Enterprise Funds

Water			Other		Total Current Year	Governmental Activities Internal Service Funds
Reclamation Fund Prior Year	Storm Sewer Fund Current Year	Storm Sewer Fund Prior Year	Enterprise Funds Current Year	Other Enterprise Funds Prior Year		
\$ 4,762,198	\$ 2,476,588	\$ 2,124,670	\$ 5,242,718	\$ 4,823,719	\$ 18,207,707	\$ -
206,309	(6,363)	277,532	484	1,189	495,860	1,812,958
(1,458,755)	(51,102)	(360,658)	(3,709,607)	(3,725,203)	(8,530,999)	(1,194,893)
(1,711,814)	(442,307)	(457,751)	(1,427,028)	(1,482,028)	(5,050,673)	(624,187)
(714,383)	(273,559)	(246,562)	(319,691)	(306,989)	(2,140,960)	-
<u>1,083,555</u>	<u>1,703,257</u>	<u>1,337,231</u>	<u>(213,124)</u>	<u>(689,312)</u>	<u>2,980,935</u>	<u>(6,122)</u>
-	-	-	-	-	117,100	-
-	52,662	-	942,017	890,669	1,160,552	1,460,106
(257,453)	(57,384)	(205,289)	(317,125)	(97,522)	(547,784)	(11,825)
<u>(257,453)</u>	<u>(4,722)</u>	<u>(205,289)</u>	<u>624,892</u>	<u>793,147</u>	<u>729,868</u>	<u>1,448,281</u>
(433,803)	-	-	-	-	-	-
-	(934,729)	(1,625,960)	(156,288)	(245,560)	(2,529,489)	-
-	6,088,801	-	-	-	18,214,923	-
-	(108,207)	-	-	-	(345,637)	-
-	-	-	-	-	31,500	-
(163,000)	-	-	-	-	(169,000)	-
(83,300)	-	-	-	-	(77,595)	-
<u>(680,103)</u>	<u>5,045,865</u>	<u>(1,625,960)</u>	<u>(156,288)</u>	<u>(245,560)</u>	<u>15,124,702</u>	<u>-</u>
17,159	35,157	15,507	36,201	15,720	312,582	25,775
17,159	35,157	15,507	36,201	15,720	312,582	25,775
163,158	6,779,557	(478,511)	291,681	(126,005)	19,148,087	1,467,934
2,387,114	1,313,111	1,791,622	1,571,645	1,697,650	7,831,516	723,118
<u>\$ 2,550,272</u>	<u>\$ 8,092,668</u>	<u>\$ 1,313,111</u>	<u>\$ 1,863,326</u>	<u>\$ 1,571,645</u>	<u>\$ 26,979,603</u>	<u>\$ 2,191,052</u>
\$ (818,805)	\$ 1,013,659	\$ 1,133,661	\$ (645,295)	\$ (941,768)	(1,016,734)	\$ (58,643)
\$ 1,515,276	\$ 327,510	\$ 238,265	\$ 213,059	\$ 172,811	3,257,645	\$ 9,894
54,886	(6,180)	14,667	(4,532)	2,205	112,848	-
-	-	-	-	-	-	35,506
(96,009)	367,258	(52,280)	(41,397)	(12,810)	745,123	(9,187)
-	-	2,918	-	-	(559)	-
14,387	(832)	-	104,102	96,878	127,169	4,759
413,820	-	-	171,239	(11,045)	(232,168)	-
-	1,842	-	(10,300)	4,417	(12,389)	11,549
<u>1,902,360</u>	<u>689,598</u>	<u>203,570</u>	<u>432,171</u>	<u>252,456</u>	<u>3,997,669</u>	<u>52,521</u>
<u>\$ 1,083,555</u>	<u>\$ 1,703,257</u>	<u>\$ 1,337,231</u>	<u>\$ (213,124)</u>	<u>\$ (689,312)</u>	<u>\$ 2,980,935</u>	<u>\$ (6,122)</u>
\$ 67,500	\$ 650	\$ 531,750	\$ -	\$ -	\$ 1,006,070	

City of Orem
Statement of Fiduciary Net Assets
Fiduciary Funds
Private Purpose Trusts
June 30, 2005

	Trust Fund Total
ASSETS	
Cash and Cash Equivalents	\$ 867,824
Total Assets	867,824
LIABILITIES	
Accounts Payable	6,215
Total Liabilities	6,215
NET ASSETS	
Held in Trust for Private Organizations	861,609
Total Net Assets	\$ 861,609

The notes to the financial statements are an integral part of this statement

City of Orem
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Private Purpose Trusts
For The Year Ended June 30, 2005

	Trust Fund Total
ADDITIONS	
Miscellaneous:	
Donations	\$ 207,092
Other	63,763
Total Additions	270,855
DEDUCTIONS	
Library Development	183,862
Senior Citizens	49,941
Total Deductions	233,803
Change in Net Assets	37,052
Net Assets - Beginning	824,557
Net Assets - Ending	\$ 861,609

The notes to the financial statements are an integral part of this statement

(This page left blank intentionally)

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies

A. Reporting Entity

The basic financial statements of the City of Orem (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The City of Orem was incorporated in 1919. The City operates under a Council-Manager form of government. As required by GAAP, the City and its component units (entities for which the City is considered to be financially accountable) presents this Comprehensive Annual Financial Report. 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 units discussed below are included as part of the City's reporting entity as blended component units.

The Redevelopment Agency of the City of Orem (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA 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 RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

The Municipal Building Authority of the City of Orem (MBA) was established to finance and construct municipal buildings that are then leased to the City. A seven-member board of trustees composed of the Mayor and the City Council governs the MBA. Although it is a legally separate entity from the

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

A. Reporting Entity (continued)

City, the MBA 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 MBA. The MBA is included in these financial statements as the Municipal Building Authority Debt Service and Capital Projects Funds. Separate financial statements are not issued for the MBA.

The Commission for Economic Development in Orem (CEDO) was included with the reporting entity as a discretely presented component unit, created to encourage the economic growth and development of the City, primarily through its function as the administrator of the City's revolving business loan program. Although it is primarily financed by the City and, therefore, fiscally dependent on the City, CEDO is a legally separate entity with an independently appointed board, which appointments are approved by the City Council, (a City Council member is always one of the board members) which provides services both to the City and to the citizens of the City directly. As exclusion from the financial statements of the City would be misleading, CEDO is included as a discretely presented component unit consisting of a single governmental type fund in the Basic Financial Statements. Separate financial statements are not issued for CEDO.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City 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 intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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.

The use of financial resources 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 expenses 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.

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

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 fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *road bond capital projects fund* is used to account for the improvement, rehabilitation, or construction of new roads throughout 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 operations.

The *water reclamation fund* accounts for the operation and maintenance of the City's sewer operations.

The *storm sewer fund* accounts for the operation and maintenance of the City's storm sewer operations.

Additionally, the City reports the following fund types:

Internal service funds are to account for the self-insurance activities of the various funds throughout the City, to account for the costs of operating and maintaining vehicles and equipment owned by the City, and to account for the central purchasing and warehousing for the City.

Fiduciary funds are maintained for the activities of the following:

- The Senior Citizens' Trust fund, which accounts for the activities of a senior citizen organization in the City.
- The New Friends of the Library Trust Fund, which accounts for the activities of a non-profit organization involved with the City's Library.
- The Orem Foundation Trust Fund, which accounts for tax deductible donations for the City's Library.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

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 includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. 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 the following (in compliance with the State of Utah's Money Management Act):

- Time certificates of deposit with federally insured depositories.
- Investment in the Utah Public Treasurer's Investment Pool.
- Open-end managed money market mutual funds.
- Qualified repurchase agreements with qualified depositories, certified dealers, or certified depositories.
- Other investments allowed by the State of Utah's Money Management Act.

Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

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.

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water, Water Reclamation, and Solid Waste funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2005 do not represent a material amount and, therefore, have not been accrued.

3. Inventories and prepaid items

Inventories of materials and supplies in the proprietary funds, consisting principally of materials used in the repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis (FIFO).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets --- which include property, plant, 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. The City defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

City of Orem
Notes to the Financial Statements
June 30, 2005

1. **Summary of significant accounting policies (continued)**

D. **Assets, liabilities, and net assets or equity (continued)**

4. *Capital assets (continued)*

<u>Assets</u>	<u>Years</u>
Infrastructure	33 - 50
Buildings and systems	25 - 33 ¹ / ₃
Machinery and equipment	5 - 20
Vehicles	5 - 20
Furniture and equipment	5 - 20
Improvements other than buildings	5 - 10

5. *Compensated absences*

For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. City employees earn twelve days of sick leave per year.

6. *Long-term obligations*

In the government-wide financial statements and 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, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets or equity (continued)

6. Long-term obligations (continued)

premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is 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.

7. Restricted assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

8. Fund equity reserves

Fund balance

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

Restricted net assets

In the government wide financial statements as well as the proprietary fund financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

9. Contributions from developers

Contributions from developers in the proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

City of Orem
Notes to the Financial Statements
June 30, 2005

1. Summary of significant accounting policies (continued)

E. 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *total governmental fund balances* and *net assets of governmental activities* as reported 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 related items

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$	201,561,547
Accumulated depreciation		(62,160,119)
Total difference	\$	<u>139,401,428</u>

Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental fund financials. All liabilities (both current and long-term) are reported in the statement of net assets.

City of Orem
Notes to the Financial Statements
June 30, 2005

2. Reconciliation of government-wide and fund financial statements
(continued)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets
(continued)

Long-term liability balances at June 30, 2005 were as follows:

Sales tax revenue bonds	\$ 11,285,000
Municipal building authority bonds	10,140,000
General obligation bonds	17,225,000
Special improvement district bonds	4,735,000
Excise tax revenue bonds	452,000
Compensated absences	1,397,035
Notes payable	765,119
Capital leases	152,999
Bond premiums deferred	187,797
Bond issuance costs deferred - refunding	(177,238)
Total difference	\$ 46,162,712

B. Explanation of differences between governmental fund operating statements and the statement of net activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balance - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 3,111,985
Depreciation expense	(4,630,842)
Net difference as reported	\$ (1,518,857)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2005

2. Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of differences between governmental fund operating statements and the statement of net activities (continued)

Debt issued or incurred:	
Issuance of general obligation bonds	(8,985,000)
Plus premiums	(187,797)
Less issuance costs	126,533
Issuance of general obligation refunding bonds	(3,975,000)
Less deferred charges - refunding	177,238
Capital lease financing	(58,560)
Principal repayments:	
Municipal building authority bonds	935,000
Excise tax revenue bonds	885,000
General obligation bonds	435,000
Sales tax revenue bonds	435,000
Special improvement district bonds	230,000
Capital leases	80,627
Notes payable	127,454
Payment to escrow agent for G.O debt refunding	<u>3,790,000</u>
Net adjustment to increase <i>net changes in fund balance</i> - total governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (5,984,505)</u>

3. Stewardship, compliance and accountability

A. Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the City Manager and appointed Budget Officer, submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the proposed sources of revenues.

Between May 1st and June 22nd, the City Council reviews and adjusts the proposed budget. On or before June 22nd, 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 17th, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

City of Orem
Notes to the Financial Statements
June 30, 2005

3. Stewardship, compliance and accountability (continued)

A. Budgetary Information (continued)

The City Manager, in conjunction with the Budget Officer and the appropriate department head, has the budget authority to transfer budget appropriations within and between any divisions of any budgetary fund.

An individual department, such as Public Works, is composed of several divisions, e.g., water, water reclamation and engineering. These divisions may be located in many different funds. Budget transfers may be made between divisions in a fund even if the divisions involved are not in the same department.

The City Council (administrators of the legal level of control), by resolution, has the authority to transfer budget appropriations between individual budgetary funds. 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 actual versus such budgets for governmental 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 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 those received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

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 within the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. Again an accrual has been made for all fees due and payable to the City at June 30th.

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds

A. Deposits and investments

The City's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

Custodial Credit Risk – Deposits

The 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 Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. As of June 30, 2005, \$1,005,578 of the City's bank balance of \$1,622,021 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at June 30, 2005 is \$1,123,655.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

A. Deposits and investments (continued)

Investments (continued)

rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The City's investments at June 30, 2005 are presented below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$ 52,437,547	\$ 52,437,547	\$ -	\$ -	\$ -
U.S. Treasuries	1,908,945	1,908,945	-	-	-
Total Debt Securities	\$ 54,346,492	\$ 54,346,492	\$ -	\$ -	\$ -

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk.

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

A. Deposits and investments (continued)

Credit Risk of Debt Securities (continued)

The City's debt investments ratings at June 30, 2005 are presented below:

Rated Debt Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$ 52,437,547	\$ -	\$ -	\$ -	\$ 52,437,547
U.S. Treasuries	1,908,945	1,908,945	-	-	-
Total Debt Securities	\$ 54,346,492	\$ 1,908,945	\$ -	\$ -	\$ 52,437,547

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

Most of the City's investments at June 30, 2005 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available in Note B. The investment in U.S. Treasuries represent amounts held in various bond trust funds.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

Most of the City's investments at June 30, 2005 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available in Note B. The investment in U.S. Treasuries represent amounts held in various bond trust funds and represent 3.51% of total investments.

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

B. External investment pool

The City invests in the Public Treasurer's Investment Fund (PTIF) which is an external investment pool administered by the Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2005) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2005, the City had \$52,437,547 invested in the PTIF which had a fair value of \$52,445,622 for an unrealized gain of \$8,075. Due to the insignificance of this amount in relation to the funds affected by the unrealized gain, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

B. External investment pool (continued)

The table below shows statistical information about the investment pool:

Investment Type	Investment Percentage
Corporate bonds and notes	56.61%
Money market accounts and certificates of deposit	9.39%
U.S. government securities	34.00%
Total	100.00%

C. Customer Deposits

Enterprise fund deposits are deposits the City requires from residential or business customers who are receiving a utility connection but have a bankruptcy on record. The deposit is refundable after 2 years of satisfactory payment history.

D. Loans receivable - CDBG and EDA loans

The City uses monies from the Community Development Block Grant (CDBG) program to create housing rehabilitation and business redevelopment loans. Additional funds from the Economic Development Agency (EDA) and the Utah Revolving Loan Fund are used to supplement the business redevelopment loan program. The principal balance of the loans at June 30, 2005, as summarized below, has been shown in the government-wide statement of net assets as follows:

Housing rehabilitation loans	\$ 432,362
Total	\$ 432,362

E. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

E. Receivables (continued)

	<u>Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Total Receivables</u>
General:			
Due from other funds	\$ 1,165,350	\$ -	\$ 1,165,350
Property taxes	4,100,000	-	4,100,000
Other taxes	3,899,958	-	3,899,958
Accounts	32,529	(1,670)	30,859
Special assessments	<u>3,627,453</u>	<u>-</u>	<u>3,627,453</u>
Subtotal - General	12,825,290	(1,670)	12,823,620
Capital Projects:			
Intergovernmental	322,245	-	322,245
Water:			
Accounts	469,029	(138,418)	330,611
Water Reclamation:			
Accounts	320,125	-	320,125
Storm Sewer:			
Accounts	162,865	-	162,865
Nonmajor Funds:			
Accounts	276,211	-	276,211
Notes receivable	<u>432,362</u>	<u>-</u>	<u>432,362</u>
Subtotal - Nonmajor	708,573	-	708,573
Totals	<u>\$ 14,808,127</u>	<u>\$ (140,088)</u>	<u>\$ 14,668,039</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property tax receivable (general fund)	\$ 4,100,000	\$ -
Grant money used in revolving loan programs (special revenue fund)	-	1,020,177
Special assessments not yet due (general fund)	<u>3,627,453</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 7,727,453</u>	<u>\$ 1,020,177</u>

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

F. Capital assets

Governmental capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 58,507,126	\$ 194,874	\$ -	\$ 58,702,000
Construction in progress	15,443,560	1,181,189	(13,362,978)	3,261,771
Total capital assets, not being depreciated:	73,950,686	1,376,063	(13,362,978)	61,963,771
Capital assets, being depreciated:				
Buildings and systems	18,456,198	869,945	-	19,326,143
Improvements other than buildings	17,009,913	3,034,049	-	20,043,962
Machinery and equipment	17,646,107	1,905,328	-	19,551,435
Infrastructure	71,385,981	9,289,578	-	80,675,559
Total capital assets, being depreciated:	124,498,199	15,098,900	-	139,597,099
Less accumulated depreciation for:				
Buildings and systems	(8,051,981)	(639,774)	-	(8,691,755)
Improvements other than buildings	(5,420,585)	(946,736)	-	(6,367,321)
Machinery and equipment	(13,466,723)	(1,025,651)	-	(14,492,374)
Infrastructure	(30,579,417)	(2,028,575)	-	(32,607,992)
Total accumulated depreciation	(57,518,706)	(4,640,736)	-	(62,159,442)
Total capital assets, being depreciated, net	66,979,493	10,458,164	-	77,437,657
Governmental activities capital assets, net	\$ 140,930,179	\$ 11,834,227	\$ (13,362,978)	\$ 139,401,428

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

Business-type capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 878,224	\$ 13,215	\$ -	\$ 891,439
Construction in progress	3,127,888	1,729,371	(3,011,134)	1,846,125
Total capital assets, not being depreciated:	4,006,112	1,742,586	(3,011,134)	2,737,564
Capital assets, being depreciated:				
Buildings and systems	8,728,240	16,670	(169,851)	8,575,059
Improvements other than buildings	1,331,405	804,604	-	2,136,009
Machinery and equipment	6,984,000	229,254	-	7,213,254
Infrastructure	71,636,700	3,923,430	-	75,560,130
Total capital assets, being depreciated:	88,680,345	4,973,958	(169,851)	93,484,452
Less accumulated depreciation for:				
Buildings and systems	(5,062,635)	(492,263)	-	(5,554,898)
Improvements other than buildings	(726,477)	(162,034)	-	(888,511)
Machinery and equipment	(5,145,152)	(446,564)	-	(5,591,716)
Infrastructure	(37,620,665)	(2,156,784)	-	(39,777,449)
Total accumulated depreciation	(48,554,929)	(3,257,645)	-	(51,812,574)
Total capital assets, being depreciated, net	40,125,416	1,716,313	(169,851)	41,671,878
Business-type activities capital assets, net	\$ 44,131,528	\$ 3,458,899	\$ (3,180,985)	\$ 44,409,442

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

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

Governmental activities:		
General government	\$	171,929
Public safety		554,319
Highway and streets		2,247,940
Parks and recreation		1,568,749
Redevelopment		12,045
Economic and physical development		75,860
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets		9,894
Total depreciation expense - governmental activities	\$	4,640,736
Business-type activities:		
Water	\$	1,229,637
Water reclamation		1,487,439
Storm sewer		327,510
Recreation		197,937
Street lighting		15,122
Total depreciation expense - business-type activities	\$	3,257,645

Construction commitments

The City has active construction projects as of June 30, 2005. The projects include street construction in areas with newly developed housing, widening and construction of existing streets and sidewalks, water, water reclamation, and storm sewer system improvements, and improvements and additions to parks and recreation facilities. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to- Date</u>	<u>Remaining Commitment</u>
Park and recreation construction	\$ 3,178,014	\$ 914,266
Street construction and improvements	73,609	2,356,000
Water systems improvements	977,729	9,255,949
Water reclamation improvements	488,023	870,296
Storm sewer improvements	347,000	300,000
Fiber optics construction	43,520	25,718
Total	\$ 5,107,895	\$ 13,722,229

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

Discretely presented component unit

Activity for the Commission for Economic Development in Orem (CEDO) for the year ended June 30, 2005, was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 15,000	-	-	\$ 15,000
Total capital assets, not being depreciated:	15,000	-	-	15,000
Capital assets, being depreciated:				
Buildings	199,100	-	-	199,100
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Total capital assets, being depreciated:	199,100	-	-	199,100
Less accumulated depreciation for:				
Buildings	(64,905)	(7,347)	-	(72,252)
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Total accumulated depreciation	(64,905)	(7,347)	-	(72,252)
Total capital assets, being depreciated, net	134,195	(7,347)	-	126,848
CEDO capital assets, net	\$ 149,195	\$ (7,347)	\$ -	\$ 141,848

G. Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds

Loans have been made between funds and are reflected as "due to, due from" on the respective funds' Balance Sheet (governmental funds) and/or Statement of Net Assets (business-type funds) are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

G. Interfund receivable, payables and transfers (continued)

Due to/from other funds (continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road Bond - Capital Projects Fund	\$ 31,214
General	Nonmajor Governmental Funds	675,682
General	Nonmajor Enterprise Funds	458,454
Total		<u>\$ 1,165,350</u>

Interfund Transfers

Transfers between funds occur primarily to finance programs accounted for in one fund with resources collected in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2005 are as follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General	\$ 1,554,670	\$ 11,737,658
Capital projects fund	5,866,781	428,229
Water fund	106,501	66,625
Water reclamation fund	59,372	106,650
Storm sewer fund	52,662	57,384
Nonmajor governmental funds	4,160,669	1,477,282
Nonmajor enterprise funds	942,017	317,125
Internal service funds	1,460,106	11,825
	<u>\$ 14,202,778</u>	<u>\$ 14,202,778</u>

H. Jointly governed organizations

The City in conjunction with other governmental entities, jointly governs two organizations. Each organization's board is comprised of one member from each participating entity. Except for customary fees, no participant has any obligations, entitlement or residual interest. A brief description of the City's relationship with each organization follows:

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

H. Jointly governed organizations (continued)

Utah Risk Management Mutual Association (URMMA) - The City provides for its general liability risks and worker's compensation through a joint protection agreement with URMMA. During the year ended June 30, 2005, the City paid premiums of approximately \$136,000 to URMMA.

Utah County Solid Waste Special Service District (UCSWSSD) - The City disposes of its solid waste through an agreement with UCSWSSD, which operated a solid waste transfer station. During the year ended June 30, 2005, the City paid solid waste tipping fees of approximately \$982,000 to UCSWSSD.

Utah Telecommunication Open Infrastructure Agency (UTOPIA) - UTOPIA was formed under the Utah Interlocal Cooperation Act by its 18 founding cities, of which, the City of Orem is a member. This agency has the assignment to design, finance, build, operate and maintain a fiber-to-home and fiber-to-business fiber optic communication network. UTOPIA will build the infrastructure but private companies will deliver the services over the network. During the year ended June 30, 2005, the City paid no fees to UTOPIA. See footnote 5.B. (Other information, contingent liabilities) for additional information.

I. Leases

AT&T Leases

In September of 2000, the City entered into a lease-purchase contract with AT&T for the acquisition of a telephone system. The terms of the contract (including miscellaneous adjustments and modifications) require monthly payments through August 2006, at which time ownership of the hardware will transfer to the City. The stated rate of interest in the related lease agreement is 6.96%. The underlying equipment of these leases is capitalized in the Governmental Activities Statement of Net Assets in the amount of \$23,160.

Fire Engine Lease

In February of 2000, the City entered into a lease-purchase contract with First Security Leasing Company for the acquisition of a new fire engine. The terms of the contract require annual payments through February 2007, at which time ownership of the fire engine will transfer to the City. The stated rate of interest in the related lease agreement is at 5.67%. The underlying value of the Fire Engine is capitalized in the Governmental Activities Statement of Net Assets in the amount of \$350,000.

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

I. Leases (continued)

IBM Leases

In January of 2005, the City entered into a series of lease-purchase contracts with IBM for the acquisition of various computer hardware and software items. The terms of the contracts (including miscellaneous adjustments and modifications) required monthly payments through March 2008, at which time ownership of the hardware and software transfers to the City. The stated rates of interest in the related lease agreements range from 4.50% to 6.77%. The underlying equipment of these leases is capitalized in the Governmental Activities Statement of Net Assets in the amount of \$58,560.

Summary of leases

All City lease contracts contain a fiscal non-funding clause, which give the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote. The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

Year ending June 30,	Governmental Activities
2006	\$ 79,638
2007	75,694
2008	8,960
2009	-
Thereafter	-
Total minimum lease payments	164,292
Less: Amount representing interest	11,293
Present value of net minimum lease payments	\$ 152,999

Equipment and related accumulated depreciation under capital leases is as follows:

	Governmental Activities
Cost of equipment	\$ 431,720
Accumulated Depreciation	(298,944)
Difference	\$ 132,776

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. All general obligation bonds issued are for governmental activities. The original amount of general obligation bonds issued in prior years was \$10,650,000. During 2005, general obligation bonds totaling \$12,960,000 were issued with \$3,975,000 of this amount issued to refund existing general obligation debt.

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

General obligation bonds currently outstanding at June 30, 2005 are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
1997 Road Construction	5.25% to 5.40%	\$ 540,000
1998 Road Construction	5.25% to 5.40%	3,725,000
2004 Road Construction-Refunding	3.00% to 4.00%	3,975,000
2005 Road Construction	3.50% to 5.00%	8,985,000
Total		<u>\$ 17,225,000</u>

Annual debt service requirements to maturity for the above reflected general obligation debt is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	\$ 745,000	\$ 765,812	\$ 1,510,812
2007	820,000	687,653	1,507,653
2008	855,000	655,793	1,510,793
2009	895,000	624,857	1,519,857
2010	925,000	592,137	1,517,137
2011-2015	5,245,000	2,373,171	7,618,171
2016-2020	4,665,000	1,208,843	5,873,843
2021-2025	3,075,000	391,639	3,466,639
Totals	<u>\$ 17,225,000</u>	<u>\$ 7,299,905</u>	<u>\$ 24,524,905</u>

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Current year advance refundings

In 2005, the City issued \$3,975,000 of general obligation refunding bonds to provide funds that were placed in a trust for the purpose of generating resources to pay the remaining outstanding principal balance at December 1, 2006 of the Series 1997 general obligation bonds. The amount to be paid at December 1, 2006 is \$3,790,000. As a result, this amount of Series 1997 general obligation bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$185,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$269,889 and resulted in an economic gain of \$211,112.

Revenue bonds

The City has the following revenue bonds outstanding at June 30, 2005:

Water Quality Revenue Bonds

In April of 1994, the City entered into an agreement to issue revenue bonds through the Utah State Department of Water Quality of up to \$3,500,000. As of June 30, 1997, the City had issued \$3,100,000 of such bonds. During the fiscal year ended June 30, 1998 the City issued the remaining \$400,000. The proceeds of the bonds were used to construct facilities at the Water Reclamation Plant. The terms of the bond contract require principal and interest payable annually on February 1 of each year commencing February 1, 1995 through February 2015. Payments on the bonds are paid from sewer charges to customers. Interest rate is fixed at 3.5%.

Excise Tax Revenue Bonds - Series 1999

In November of 1999, the City issued excise tax revenue bonds of \$4,443,000 through private placement for the completion of street projects. The principal and interest payments on the bonds will be provided from "C" Road (excise tax) funds received from the State of Utah. The terms of the bond contract require

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Excise Tax Revenue Bonds - Series 1999 (continued)

principal payable annually commencing August 1, 2000 with interest payable semi-annually on August 1 and February 1 of each year commencing August 1, 2000 through August 2005. Interest rate is fixed at 4.8%.

Lease Revenue Bonds - Series 2000

In September of 2000, the City issued lease revenue bonds of \$7,985,000 through private placement for the completion of a street lighting project. Payments on the bonds are paid from utility charges to customers. The terms of the bond contract require principal payable annually commencing March 15, 2002 with interest payable semi-annually on September 15 and March 15 of each year commencing March 15, 2001 through March 2018. Interest rate varies between 4.45% and 5.5%

Canyon River SID Bonds - Series 2001

In October of 2001, the City issued Canyon River special improvement district bonds of \$3,680,000 through private placement for the improvement of property. Payments on the bonds are paid from assessments levied against the property. The terms of the bond contract require principal payable annually and interest payable semi-annually commencing March 2002 through June 2016. The interest rate varies between 4.59% and 5.00%.

Refunding Lease Revenue Bonds - Series 2001

In October of 2001, the City issued lease revenue refunding bonds of \$5,345,000 through private placement that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of related defeased liabilities. The terms of the bond contract require principal payable annually commencing June 15, 2002 with interest payable semi-annually on June 15 and December 15 through June 2011. Interest rate varies between 2.50% and 4.50%

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Sales Tax Revenue Bonds – Series 2002

In February of 2002, the City issued sales tax lease revenue bonds of \$12,175,000 through private placement for completion of recreation projects. Payments on the bonds are paid from sales tax. The terms of the bond contract require semi-annual payments through April 2023. The terms of the bond contract require principal payable annually commencing April 15, 2003 with interest payable semi-annually commencing October 15, 2002 and April 15, 2003, respectively, through April 2023. The interest rate varies between 3.00% and 5.50%.

Bunker Business Park SID Bonds – Series 2003

In July of 2003, the City issued Bunker Business Park special improvement district bonds of \$1,300,000 through private placement for constructing improvement of property. Payments on the bonds are paid from assessments levied against the property owners. The terms of the bond contract require principal and interest payable annually commencing August 1, 2005 through August 2019. The interest rate varies between 2.85% and 5.65%. These bonds were retired in August of 2005.

Water and Storm Sewer Revenue Bonds – Series 2005 A

In March of 2005, the City issued revenue bonds of \$17,390,000 through private placement for completion of improvements to the city's water and storm sewer system. The terms of the bond contract require principal payable annually commencing July 15, 2006 with interest payable semi-annually commencing January 15, 2006 through July 2025. The interest rate varies between 3.50% and 5.25%.

Water and Storm Sewer Revenue Bonds – Series 2005 B

In March of 2005, the City entered into an agreement to issue revenue bonds through the Utah State Department of Water Quality of up to \$3,000,000. As of June 30, 2005, the City had issued \$50,000 of such bonds. The proceeds of the bonds are to be used for the completion of improvements to the city's water and storm sewer system. The terms of the bond contract require principal payable annually commencing July 15, 2006 with interest payable semi-annually commencing January 15, 2006 through July 2025. The interest rate is fixed at 1.48%.

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Revenue bonds currently outstanding at June 30, 2005 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Wastewater treatment	3.50%	\$ 2,048,000
Street projects	4.80%	452,000
Street lighting	4.45%-5.50%	6,615,000
Property improvement	2.85%-5.65%	4,735,000
Bond refunding	2.50%-4.50%	3,525,000
Recreation projects	3.00%-5.50%	11,285,000
Water and storm sewer	1.48%-5.25%	17,440,000
Total		<u>\$ 46,100,000</u>

Annual debt service requirements to maturity for the above reflected revenue bond debt is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	\$ 2,376,000	\$ 2,005,466	\$ 4,381,466
2007	2,608,000	2,012,062	4,620,062
2008	2,676,000	1,909,873	4,585,873
2009	2,790,000	1,801,238	4,591,238
2010	2,909,000	1,687,366	4,596,366
2011-2015	13,508,000	6,619,244	20,127,244
2016-2020	11,378,000	3,368,818	14,746,818
2021-2025	6,540,000	1,149,900	7,689,900
2026-2026	1,315,000	32,875	1,347,875
Totals	<u>\$ 46,100,000</u>	<u>\$ 20,586,842</u>	<u>\$ 66,686,842</u>

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Notes payable

Notes payable currently outstanding at June 30, 2005 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Land purchase - fire station	5.50%	\$ 228,039
Land purchase - park	6.00%	343,055
Land purchase - golf course	10.00%	194,025
Total		<u>\$ 765,119</u>

Annual debt service requirements to maturity for the above reflected notes payable is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006	\$ 137,783	\$ 48,927	\$ 186,710
2007	149,022	37,687	186,709
2008	116,315	26,376	142,691
2009	77,696	20,977	98,673
2010	17,018	16,596	33,614
2011-2015	102,191	65,884	168,075
2016-2020	137,837	30,238	168,075
2021-2025	27,257	757	28,014
Totals	<u>\$ 765,119</u>	<u>\$ 247,442</u>	<u>\$ 1,012,561</u>

Changes in long-term liabilities

Changes in bonds payable, deferred bond premiums, capital leases, and compensated absences during the fiscal year ended June 30, 2005 are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2005

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Changes in long-term liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 8,490,000	\$ 12,960,000	\$ (4,225,000)	\$ 17,225,000	\$ 745,000
Revenue bonds	29,097,000		(2,485,000)	26,612,000	2,202,000
Plus deferred amounts:					
For issuance premiums		189,409	(1,612)	187,797	9,672
Less deferred amounts:					
On refunding		(185,000)	7,762	(177,238)	(15,524)
Total bonds payable	37,587,000	12,964,409	(6,703,850)	43,847,559	2,941,148
Notes payable	892,580		(127,461)	765,119	137,783
Capital leases	175,066	58,560	(80,627)	152,999	74,766
Compensated absences	1,518,150	42,110	(121,315)	1,438,945	1,223,707
Governmental activities					
Long-term liabilities	<u>\$ 40,172,796</u>	<u>\$ 13,065,079</u>	<u>\$ (7,033,253)</u>	<u>\$ 46,204,622</u>	<u>\$ 4,377,404</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 2,217,000	\$ 17,440,000	\$ (169,000)	\$ 19,488,000	\$ 174,000
Plus deferred amounts:					
For issuance premiums		774,923	(12,627)	762,296	37,878
Total bonds payable	2,217,000	18,214,923	(181,627)	20,250,296	211,878
Compensated absences	11,512	186,393	(14,325)	183,580	167,413
Business-type activities					
Long-term liabilities	<u>\$ 2,228,512</u>	<u>\$ 18,401,316</u>	<u>\$ (195,952)</u>	<u>\$ 20,433,876</u>	<u>\$ 379,291</u>

Compensated absences

City employees earn vacation based upon the employee's years of service. Employees, upon termination, may be paid up to forty-two days of earned vacation. Amounts of vacation vested and not paid have been accrued as a liability at June 30, 2005.

Of total compensated absences, \$147,992 has been recorded in the Self - insurance Internal Service Fund. This liability relates to an old City benefit policy. On June 30, 1981, employees had their accumulated hours of vacation and sick leave frozen in a vacation and sick leave bank. Upon separation from service for any cause, an employee shall be paid 100% of their vacation bank and 50% of their sick leave bank. The total liability will not increase, but only decrease as the related employees retire or separate from service.

City of Orem
Notes to the Financial Statements
June 30, 2005

5. Other information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a Self-insurance Fund to account for and finance its uninsured risks of loss. Under this program, the Self-insurance Fund provides coverage for up to a maximum of \$400,000 for each worker's compensation claim, \$15,000 for general liability, and property damage varies from \$2,500 to \$10,000. The City is insured through the Utah Risk Management Mutual Association (URMMA) for liability and claims in excess of coverage provided by the Self-insurance Fund for liability and property claims. The City is insured by Midwest Employers' Company for worker's compensation claims in excess of coverage provided by the Self-insurance Fund. Settled claims have not exceeded such coverage in any of the past three fiscal years.

All Funds of the City participate in the program and make payments to the Self-insurance Fund based on estimates of the amounts needed to pay prior and current year claims. Estimates of incurred but not reported claims, which are reported but not settled do not represent a material amount and, therefore, have not been accrued at year end. The activity in worker's compensation claims (all retained risk) for the years ended June 30, 2004 and 2005 is as follows:

<u>Year ended June 30,</u>	<u>2004</u>	<u>2005</u>
Claim liability, beginning of year	\$ -	\$ -
Claims incurred during the year	187,513	246,426
Changes in estimates of claims of prior periods	-	-
Payments on claims during the year	(187,513)	(246,426)
Other	-	-
Claim liability, end of year	<u>\$ -</u>	<u>\$ -</u>

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Orem
Notes to the Financial Statements
June 30, 2005

5. **Other information (continued)**

B. Contingent Liabilities (continued)

The City is a member of Utah Telecommunication Open Infrastructure Agency (UTOPIA), an interlocal, nonprofit agency. UTOPIA was formed under the Utah Interlocal Cooperation Act by its 18 founding cities, of which the City is one of the eleven pledged members. This agency has the assignment to design, finance, build, operate and maintain a fiber-to-home and fiber-to-business fiber optic communication network. UTOPIA will build the infrastructure but private companies will deliver the services over the network. UTOPIA acts as the wholesaler, not the retailer. In July 2004, UTOPIA issued an \$85,000,000 revenue bond. The first four years of bond payments will be made from a debt reserve fund. From that point on, until the bonds are due (July 2026), net revenues from the communication network will reimburse the debt service fund for payments on the bond debt. To the extent that there are insufficient net revenues to pay the debt service, the eleven pledged members are required to reimburse the UTOPIA debt service fund of any shortfall by their respective percentages up to a specific dollar amount. The City's yearly liability limit is set at a maximum of \$2,189,704. To the extent that the pilot project operates profitably, UTOPIA has plans on issuing a total of \$340,000,000 in bonds.

C. Conduit debt obligations

From time to time, the City has issued Industrial Revenue Bonds (IRB's) to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2005, there are four series of Industrial Revenue Bonds issued and outstanding. The aggregate principal amount payable could not be determined; however, their original issue amounts totaled \$10.315 million, comprising of the following issues:

Organization	Maturity	Original Issue Principal Amount
BHC Enterprises - 1981	September 2007	\$ 600,000
Utah Valley State College - 1991	November 2008	4,205,000
Albertsons - 1993	November 2008	1,110,000
Utah Valley State College - 1991	November 2011	4,400,000
Total		<u>\$ 10,315,000</u>

City of Orem
Notes to the Financial Statements
June 30, 2005

5. Other information (continued)

D. Employee retirement systems and pension plans

Plan description

The City contributes to the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Contributory Retirement System, Public Safety Noncontributory Retirement System, and the Fire Fighters Retirement System, (hereafter referred to cumulatively as the Systems) which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

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 Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding policy

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 7.08% of their annual covered salary.

In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Contributory Retirement System division members are required to contribute 10.50% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 12.35% of their annual covered salary. In the Public Safety Noncontributory Retirement System the City is required to contribute 22.17% of their annual covered salary. In the Firefighters Retirement System plan members are required to contribute 7.83% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 0.00% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

City of Orem
Notes to the Financial Statements
June 30, 2005

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Funding policy (continued)

The City's contributions in dollars to each of the Systems for the years ending June 30, 2005, 2004 and 2003, were equal to the required contributions for each year. The contribution amounts are as follows:

	Fiscal Year Ending June 30,		
	2005	2004	2003
Local governmental contributory retirement system	\$ 274,841	\$ 282,179	\$ 229,757
Governmental noncontributory retirement system	1,021,455	831,492	756,685
Public safety contributory retirement system	159,223	148,099	134,309
Public safety noncontributory retirement system	652,462	602,200	536,480
Firefighters retirement system	200,672	206,658	197,184

401(k) defined contribution plan

The Utah Retirement Systems (Systems) have made reductions in the required contribution for employees other than Police and Fire. The City has placed the difference in a privately administered defined contribution retirement annuity plan. In accordance with State law, the City Council elected to allow department heads, the City Manager, and City Council members the option to not participate in the Systems. All other employees were required to join the Systems.

The payroll covered by the defined contribution plan for the year ended June 30, 2005 was \$21,370,825. The City's expense for this plan for the year ended June 30, 2005 was approximately \$1,325,000 or 6.2% of the total participants' salary.

The contribution rates were previously fixed by the City Council and the contributions were remitted on a timely basis. All employees are fully vested for the contributions made by the City.

457 deferred compensation plan

The deferred compensation plan was created in 1981 as a Social Security replacement program for the employees of the City. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City participates in four plans. The assets associated with these plans are not included in the basic financial statements, as they are not legal assets of the City.

City of Orem
Notes to the Financial Statements
June 30, 2005

5. **Other information (continued)**

D. Employee retirement systems and pension plans (continued)

457 deferred compensation plan (continued)

All elected officials and permanent employees may also elect to participate in the City's deferred compensation plan and all temporary employees are required to participate in a deferred compensation plan. Under this plan, participants defer a percentage of their compensation up to 7.5% for executive management personnel and up to 5.5% for all other employees (except for the City Manager, whose participation in the plan is determined through negotiation with the City Council, and employees required to pay Medicare insurance premiums) for employees hired prior to March 1986. For those hired after March 1986 the percentage is 6.0% and 4.0% respectively. The City matches the amount deferred by the participants, not to exceed the legal limit. The payroll covered by the deferred compensation plan for the year ended June 30, 2005 was \$21,522,728. The City's expense for this plan for the year ended June 30, 2005 was approximately \$904,000 or 4.2% of the total participants' salary. The contribution rates were determined by the City Council and the contributions were remitted on a timely basis.

E. Segment information for enterprise funds

The City has issued revenue bonds to finance certain improvements to its culinary water distribution system, water reclamation plant, and storm sewer system. Because each of these activities is accounted for in separate funds and all of those funds are reported as major funds in the fund financial statements, segment disclosures herein are not required.

F. Redevelopment agency of the City of Orem

For the year ended June 30, 2005, the following activity occurred in the City's Redevelopment Agency:

Tax Increment Collected From Other Taxing Agencies For The Project Area	Total
Orem 85-01: Timpanogos Technological Center	\$ 359,404
Orem 85-02: 1300 South development	389,178
Orem 85-03A: University Parkway development	362,931
Orem 85-03B: University Parkway development	526,039
Orem 85-04: Economic zone in central Orem	121,508
Orem 87-10: Boyer project on Center and State Street	207,306
Orem 90-08: 800 North and State Street economic zone	101,194
Total	\$ 2,067,560
Outstanding loans to finance RDA projects	\$ -

City of Orem
Notes to the Financial Statements
June 30, 2005

5. **Other information (continued)**

F. Redevelopment agency of the City of Orem (continued)

During the year ending June 30, 2005, the RDA expended monies in the categories below as follows:

Economic Development	\$	530,618
Interest		-
Total	<u>\$</u>	<u>530,618</u>

G. Expenditures exceeding appropriations

During the year ended June 30, 2005, the City incurred expenditures in excess of appropriations in the General Fund – Payment to Bond Refunding Agent by \$3,790,000. This amount related to a current year advance refunding of some of the City's general obligation bonds and was funded by the issuance of new general obligation refunding bonds.

Combining Financial Statements Nonmajor Governmental Funds

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Debt service fund – This fund is used to account for all general obligation debt of the City of Orem. Operating transfers are made from the General Fund to service the debt payments made by this fund. The source of fund revenue for retiring the general obligation debt is principally the power of the City to levy general property tax; however, certain debt is serviced by lease revenues and "C" Road excise tax revenues collected from the State of Utah and franchises taxes.

Municipal building authority debt service fund – This fund is used to account for all lease revenue debt of the Municipal Building Authority of the City of Orem Corporation. Lease payments are made from the General Fund of the City. The debt is secured by the value of the underlying property.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Municipal building authority – capital projects fund – to account for the purchase of property and future park property by the Municipal Building Authority of the City of Orem Corporation for lease to the City.

Sales tax bonds – capital projects fund – to account for the construction and improvement of various park and recreation facilities in the City of Orem.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Redevelopment fund – This fund is used to account for the preparation and implementation of plans to improve, rehabilitate and redevelop blighted areas within the City.

Community development – rehabilitation trust fund – to account for a variety of efforts to assist development. It is financed principally by federal entitlements from the U.S. Department of Housing and Urban Development, Community Development Block Grants. Grants and loans are made from this fund to assist housing rehabilitation, business development and equipment and services that aid the indigent, handicapped, elderly, etc.

City of Orem
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Debt Service Funds			Capital Project Funds	
	Debt Service	Municipal Building Authority - Debt Service	Total	Municipal Building Authority - Capital Projects	Sales Tax Bonds - Capital Projects
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Receivable	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Restricted Cash and Cash Equivalents:					
Debt Service	1,911,640	-	1,911,640	-	-
Capital Improvement Projects	-	-	-	1,149,802	-
Total Assets	1,911,640	-	1,911,640	1,149,802	-
LIABILITIES					
Current Liabilities:					
Accounts Payable	2,250	-	2,250	-	-
Accrued Liabilities	-	-	-	-	-
Due to Other Funds	669,023	-	669,023	6,659	-
Deferred Revenues	-	-	-	-	-
Total Liabilities	671,273	-	671,273	6,659	-
FUND BALANCES					
Restricted for Debt Service and Capital Improvements	1,240,367	-	1,240,367	1,143,143	-
Unreserved:					
Total Fund Balances	1,240,367	-	1,240,367	1,143,143	-
Total Liabilities and Fund Balances	\$ 1,911,640	\$ -	\$ 1,911,640	\$ 1,149,802	\$ -

Special Revenue

<u>Total</u>	<u>Redevelopment Fund</u>	<u>Community Development Rehabilitation Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 376,963	\$ 611,064	\$ 988,027	\$ 988,027
-	-	432,362	432,362	432,362
-	-	560	560	1,912,200
<u>1,149,802</u>	-	-	-	<u>1,149,802</u>
<u>1,149,802</u>	<u>376,963</u>	<u>1,043,986</u>	<u>1,420,949</u>	<u>4,482,391</u>
-	-	20,325	20,325	22,575
-	-	2,924	2,924	2,924
6,659	-	-	-	675,682
-	-	1,020,177	1,020,177	1,020,177
<u>6,659</u>	-	<u>1,043,426</u>	<u>1,043,426</u>	<u>1,721,358</u>
1,143,143	-	560	560	2,384,070
-	376,963	-	376,963	376,963
<u>1,143,143</u>	<u>376,963</u>	<u>560</u>	<u>377,523</u>	<u>2,761,033</u>
<u>\$ 1,149,802</u>	<u>\$ 376,963</u>	<u>\$ 1,043,986</u>	<u>\$ 1,420,949</u>	<u>\$ 4,482,391</u>

City of Orem
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2005

	Debt Service Funds			Capital
	Debt Service	Municipal Building Authority - Debt Service	Total	Municipal Building Authority - Capital Improvement Projects
REVENUES				
Property Taxes	\$ 843,510	\$ -	\$ 843,510	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Interest Income	-	-	-	27,866
Miscellaneous Revenues	17,168	-	17,168	-
Total Revenues	860,678	-	860,678	27,866
EXPENDITURES				
Current:				
Economic and Physical Development	-	-	-	-
Redevelopment	-	-	-	-
Debt Service:				
Principal Retirement	2,112,454	935,000	3,047,454	-
Interest and Fiscal Charges	1,212,140	509,808	1,721,948	-
Capital Projects	-	-	-	8,823
Total Expenditures	3,324,594	1,444,808	4,769,402	8,823
Excess (Deficiency) of Revenues over (under) Expenditures	(2,463,916)	(1,444,808)	(3,908,724)	19,043
OTHER FINANCING SOURCES (USES)				
Transfers In	2,683,840	1,444,808	4,128,648	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	2,683,840	1,444,808	4,128,648	-
Net Change in Fund Balances	219,924	-	219,924	19,043
Fund Balances - Beginning	1,020,443	-	1,020,443	1,124,100
Fund Balances - Ending	\$ 1,240,367	\$ -	\$ 1,240,367	\$ 1,143,143

Project Funds		Special Revenue			
Sales Tax Bonds - Capital Projects	Total	Redevelopment Fund	Community Development Rehabilitation Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,067,560	\$ -	\$ 2,067,560	\$ 2,911,070
-	-	-	917,506	917,506	917,506
-	-	-	286,904	286,904	286,904
531	28,397	-	-	-	28,397
-	-	-	18,310	18,310	35,478
<u>531</u>	<u>28,397</u>	<u>2,067,560</u>	<u>1,222,720</u>	<u>3,290,280</u>	<u>4,179,355</u>
-	-	-	1,102,607	1,102,607	1,102,607
-	-	530,618	-	530,618	530,618
-	-	-	-	-	3,047,454
-	-	-	-	-	1,721,948
297,836	306,659	-	-	-	306,659
<u>297,836</u>	<u>306,659</u>	<u>530,618</u>	<u>1,102,607</u>	<u>1,633,225</u>	<u>6,709,286</u>
(297,305)	(278,262)	1,536,942	120,113	1,657,055	(2,529,931)
-	-	32,021	-	32,021	4,160,669
(165,169)	(165,169)	(1,192,000)	(120,113)	(1,312,113)	(1,477,282)
<u>(165,169)</u>	<u>(165,169)</u>	<u>(1,159,979)</u>	<u>(120,113)</u>	<u>(1,280,092)</u>	<u>2,683,387</u>
(462,474)	(443,431)	376,963	-	376,963	153,456
462,474	1,586,574	-	560	560	2,607,577
<u>\$ -</u>	<u>\$ 1,143,143</u>	<u>\$ 376,963</u>	<u>\$ 560</u>	<u>\$ 377,523</u>	<u>\$ 2,761,033</u>

(This page left blank intentionally)

**Combining Financial Statements
Nonmajor Proprietary Funds**

Recreation fund – This fund is to account for the services provided by the City's Fitness Center. The Fitness Center complex includes an indoor swimming pool, indoor track, basketball court, handball courts, racquetball courts, an outdoor swimming pool/water park (Scera Park), and other facilities. A variety of classes and open play are made available to residents and non-residents on a fee basis.

Solid waste fund – This fund is to account for the collection of residential garbage within the City. Residential garbage collection services are provided by a private contractor through a contract with the City. Businesses and commercial concerns within the City are not serviced, but may contract with private firms for these same services.

Street lighting fund – This fund is to account for providing the residents and businesses of the City with a new street lighting system. Lease Revenue Bonds were issued to cover the purchase and installation of the system. Payment and costs of these bonds are not accounted for here, but are in the Debt Service Fund.

City of Orem
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2005

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 526,952	\$ 212,195	\$ 464,416	\$ 509,872
Accounts Receivable (Net of Allowance for Doubtful Accounts)	-	3	229,411	231,184
Restricted Cash and Cash Equivalents:				
Capital Improvement Projects	871,958	849,578	-	-
Total Current Assets	1,398,910	1,061,776	693,827	741,056
Capital Assets:				
Land	39,822	39,822	-	-
Buildings and Systems	4,121,630	4,121,630	-	-
Improvements other than Buildings	546,011	-	-	-
Machinery and Equipment	215,053	215,053	35,688	35,688
Infrastructure	-	-	-	-
Construction in Progress	33,373	546,011	-	-
Less Accumulated Depreciation	(4,313,008)	(4,115,072)	(33,485)	(33,485)
Total Capital Assets (Net of Accumulated Depreciation)	642,881	807,444	2,203	2,203
Total Assets	2,041,791	1,869,220	696,030	743,259
LIABILITIES				
Current Liabilities:				
Accounts Payable	23,776	87,443	214,467	206,906
Accrued Liabilities	58,656	6,815	-	-
Accrued Vacation and Sick Leave	41,997	52,485	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue	325,971	154,682	-	-
Total Current Liabilities	450,400	301,425	214,467	206,906
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	2,210	4,196	-	-
Total Noncurrent Liabilities	2,210	4,196	-	-
Total Liabilities	452,610	305,621	214,467	206,906
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	642,881	807,444	2,203	2,203
Restricted for Capital Improvements	871,958	849,578	-	-
Unrestricted	74,342	(93,423)	479,360	534,150
Total Net Assets	\$ 1,589,181	\$ 1,563,599	\$ 481,563	\$ 536,353

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ -	\$ -	\$ 991,368	\$ 722,067
46,800	40,492	276,211	271,679
-	-	871,958	849,578
<u>46,800</u>	<u>40,492</u>	<u>2,139,537</u>	<u>1,843,324</u>
-	-	39,822	39,822
-	-	4,121,630	4,121,630
-	-	546,011	-
19,644	3,564	270,385	254,305
548,490	-	548,490	-
-	441,655	33,373	987,666
<u>(18,686)</u>	<u>(3,564)</u>	<u>(4,365,179)</u>	<u>(4,152,121)</u>
549,448	441,655	1,194,532	1,251,302
<u>596,248</u>	<u>482,147</u>	<u>3,334,069</u>	<u>3,094,626</u>
14,730	21	252,973	294,370
2,723	2,935	61,379	9,750
5,953	4,091	47,950	56,576
458,454	405,981	458,454	405,981
-	50	325,971	154,732
<u>481,860</u>	<u>413,078</u>	<u>1,146,727</u>	<u>921,409</u>
313	-	2,523	4,196
313	-	2,523	4,196
<u>482,173</u>	<u>413,078</u>	<u>1,149,250</u>	<u>925,605</u>
549,448	441,655	1,194,532	1,251,302
-	-	871,958	849,578
<u>(435,373)</u>	<u>(372,586)</u>	<u>118,329</u>	<u>68,141</u>
\$ <u>114,075</u>	\$ <u>69,069</u>	\$ <u>2,184,819</u>	\$ <u>2,169,021</u>

City of Orem
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For The Year Ended June 30, 2005

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
OPERATING REVENUES				
Charges for Services	\$ 1,760,683	\$ 1,599,703	\$ 2,853,586	\$ 2,755,344
Other Revenues	484	1,189	-	-
Total Revenues	1,761,167	1,600,892	2,853,586	2,755,344
OPERATING EXPENSES				
Personal Services	1,314,953	1,381,526	-	-
Supplies and Maintenance	213,108	250,964	11,186	13,667
Administrative Fee	3,542	3,116	316,149	303,873
Utilities	207,174	267,423	-	-
Contract Services	59,978	64,224	2,380,623	2,334,665
Equipment Lease and Rentals	-	-	-	-
Insurance	17,057	17,001	-	-
Depreciation	197,937	172,110	-	107
Miscellaneous	33,277	46,831	145	200
Total Operating Expenses	2,047,026	2,203,195	2,708,103	2,652,512
Operating Income (Loss)	(285,859)	(602,303)	145,483	102,832
NONOPERATING REVENUES AND EXPENSES				
Interest Revenue	28,674	13,331	7,527	2,389
Donations / Grants	-	-	-	-
Total Nonoperating Revenues	28,674	13,331	7,527	2,389
Income (Loss) before Transfers	(257,185)	(588,972)	153,010	105,221
Transfers In	353,592	380,669	38,425	30,000
Transfers Out	(70,825)	(71,118)	(246,225)	(26,404)
Change in Net Assets	25,582	(279,421)	(54,790)	108,817
Total Net Assets - Beginning	1,563,599	1,843,020	536,353	427,536
Total Net Assets - Ending	\$ 1,589,181	\$ 1,563,599	\$ 481,563	\$ 536,353

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 628,449	\$ 468,672	\$ 5,242,718	\$ 4,823,719
628,449	468,672	484	1,189
		5,243,202	4,824,908
101,775	104,919	1,416,728	1,486,445
8,562	(2,836)	232,856	261,795
		319,691	306,989
178,487	80,068	385,661	347,491
92,231	21	2,532,832	2,398,910
722,635	725,352	722,635	725,352
		17,057	17,001
15,122	594	213,059	172,811
14,556	2,851	47,978	49,882
1,133,368	910,969	5,888,497	5,766,676
(504,919)	(442,297)	(645,295)	(941,768)
		36,201	15,720
		36,201	15,720
(504,919)	(442,297)	(609,094)	(926,048)
550,000	480,000	942,017	890,669
(75)	-	(317,125)	(97,522)
45,006	37,703	15,798	(132,901)
69,069	31,366	2,169,021	2,301,922
\$ 114,075	\$ 69,069	\$ 2,184,819	\$ 2,169,021

City of Orem
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended June 30, 2005

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,760,683	\$ 1,599,703	\$ 2,853,586	\$ 2,755,344
Receipts from Interfund Services provided	484	1,189	-	-
Payments to Suppliers	(371,128)	(676,987)	(2,382,620)	(2,321,981)
Payments to Employees	(1,327,427)	(1,377,109)	-	-
Payments for Interfund Services used	(3,542)	(3,116)	(316,149)	(303,873)
Net Cash provided (used) by Operating Activities	<u>59,070</u>	<u>(456,320)</u>	<u>154,817</u>	<u>129,490</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Donations	-	-	-	-
Transfers In	353,592	380,669	38,425	30,000
Transfers Out	(70,825)	(71,118)	(246,225)	(26,404)
Net Cash provided (used) by Noncapital Activities	<u>282,767</u>	<u>309,551</u>	<u>(207,800)</u>	<u>3,596</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchase of Capital Assets	(33,374)	(132,067)	-	4,025
Net Cash provided (used) by Capital and related Financing Activities	<u>(33,374)</u>	<u>(132,067)</u>	<u>-</u>	<u>4,025</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest Income	28,674	13,331	7,527	2,389
Net Cash provided (used) by Investing Activities	<u>28,674</u>	<u>13,331</u>	<u>7,527</u>	<u>2,389</u>
Net increase (decrease) in Cash and Cash Equivalents	337,137	(265,505)	(45,456)	139,500
Cash and Cash Equivalents - Beginning of Year	1,061,773	1,327,278	509,872	370,372
Cash and Cash Equivalents - End of Year	<u>\$ 1,398,910</u>	<u>\$ 1,061,773</u>	<u>\$ 464,416</u>	<u>\$ 509,872</u>
Reconciliation of Operating Income to Net Cash provided (used) by Operating Activities:				
Operating Income (Loss)	\$ (285,859)	\$ (602,303)	\$ 145,483	\$ 102,832
Adjustments to reconcile Operating Income to Net Cash provided (used) by Operating Activities:				
Depreciation Expense	\$ 197,937	\$ 172,110	\$ -	\$ 107
(Increase) Decrease in Receivables	3	(3)	1,773	13,650
Increase (Decrease) in Accounts Payable	(63,667)	(25,564)	7,561	12,901
Increase (Decrease) in Accrued Liabilities	51,841	6,068	-	-
Increase (Decrease) in Deferred Revenue	171,289	(11,045)	-	-
Increase (Decrease) in Accrued Vacation and Sick Leave	(12,474)	4,417	-	-
Total Adjustments	<u>344,929</u>	<u>145,983</u>	<u>9,334</u>	<u>26,658</u>
Net Cash provided (used) by Operating Activities	<u>\$ 59,070</u>	<u>\$ (456,320)</u>	<u>\$ 154,817</u>	<u>\$ 129,490</u>

<u>Street Lighting Fund Current Year</u>	<u>Street Lighting Fund Prior Year</u>	<u>Total Nonmajor Proprietary Funds Current Year</u>	<u>Total Nonmajor Proprietary Funds Prior Year</u>
\$ 628,449	\$ 468,672	\$ 5,242,718	\$ 4,823,719
(955,859)	(726,235)	484	1,189
(99,601)	(104,919)	(3,709,607)	(3,725,203)
-	-	(1,427,028)	(1,482,028)
-	-	(319,691)	(306,989)
<u>(427,011)</u>	<u>(362,482)</u>	<u>(213,124)</u>	<u>(689,312)</u>
550,000	480,000	942,017	890,669
(75)	-	(317,125)	(97,522)
<u>549,925</u>	<u>480,000</u>	<u>624,892</u>	<u>793,147</u>
(122,914)	(117,518)	(156,288)	(245,560)
<u>(122,914)</u>	<u>(117,518)</u>	<u>(156,288)</u>	<u>(245,560)</u>
-	-	36,201	15,720
-	-	36,201	15,720
-	-	291,681	(126,005)
-	-	1,571,645	1,697,650
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,863,326</u>	<u>\$ 1,571,645</u>
\$ (504,919)	\$ (442,297)	(645,295)	(941,768)
\$ 15,122	\$ 594	213,059	172,811
(6,308)	(11,442)	(4,532)	2,205
14,709	(147)	(41,397)	(12,810)
52,261	90,810	104,102	96,878
(50)	-	171,239	(11,045)
2,174	-	(10,300)	4,417
<u>77,908</u>	<u>79,815</u>	<u>432,171</u>	<u>252,456</u>
<u>\$ (427,011)</u>	<u>\$ (362,482)</u>	<u>\$ (213,124)</u>	<u>\$ (689,312)</u>

(This page left blank intentionally)

**INDIVIDUAL FUND SCHEDULES OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL**

**DEBT SERVICE FUND
MBA DEBT SERVICE FUND
CAPITAL PROJECTS FUND
MBA CAPITAL IMPROVEMENT PROJECTS FUND
ROAD BOND – CAPITAL PROJECTS FUND
SALES TAX BOND – CAPITAL PROJECTS FUND
REDEVELOPMENT FUND
COMMUNITY DEVELOPMENT REHABILITATION FUND**

City of Orem
Debt Service - Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 843,231	\$ 843,231	\$ 843,510	\$ 279
Miscellaneous Revenues	-	-	17,168	17,168
Total Revenues	843,231	843,231	860,678	17,447
EXPENDITURES				
Debt Service:				
Principal Retirement	2,221,430	3,456,430	2,112,454	1,343,976
Interest and Fiscal Charges	1,272,000	1,272,000	1,212,140	59,860
Capital Lease Payments - Principal	-	-	-	-
Capital Lease Payments - Interest	-	-	-	-
Total Expenditures	3,493,430	4,728,430	3,324,594	1,403,836
Excess (Deficiency) of Revenues over (under) Expenditures	(2,650,199)	(3,885,199)	(2,463,916)	1,421,283
OTHER FINANCING SOURCES (USES)				
Transfers In	2,649,920	4,050,089	2,683,840	(1,366,249)
Transfers Out	(928,936)	(928,936)	-	928,936
Total Other Financing Sources and (Uses)	1,720,984	3,121,153	2,683,840	(437,313)
Net Change in Fund Balance	(929,215)	(764,046)	219,924	983,970
Fund Balance - Beginning	1,020,443	1,020,443	1,020,443	-
Fund Balance - Ending	\$ 91,228	\$ 256,397	\$ 1,240,367	\$ 983,970

City of Orem
Municipal Building Authority - Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ -	\$ -	-
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Debt Service:				
Principal Retirement	1,025,000	1,025,000	935,000	90,000
Interest and Fiscal Charges	650,090	650,090	509,808	140,282
Total Expenditures	1,675,090	1,675,090	1,444,808	230,282
Excess (Deficiency) of Revenues over (under) Expenditures	(1,675,090)	(1,675,090)	(1,444,808)	230,282
OTHER FINANCING SOURCES (USES)				
Transfers In	1,675,090	1,675,090	1,444,808	(230,282)
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	1,675,090	1,675,090	1,444,808	(230,282)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

City of Orem
Capital Projects - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ -	\$ 18,561	\$ 18,561
Miscellaneous Revenues	143,000	411,245	478,321	67,076
Total Revenues	143,000	411,245	496,882	85,637
EXPENDITURES				
Current:				
Capital Projects	210,300	5,849,797	1,425,669	4,424,128
Total Expenditures	210,300	5,849,797	1,425,669	4,424,128
Excess (Deficiency) of Revenues over (under) Expenditures	(67,300)	(5,438,552)	(928,787)	4,509,765
OTHER FINANCING SOURCES (USES)				
Transfers In	253,073	5,866,781	5,866,781	-
Transfers Out	(185,773)	(428,229)	(428,229)	-
Total Other Financing Sources and (Uses)	67,300	5,438,552	5,438,552	-
Net Change in Fund Balance			4,509,765	4,509,765
Fund Balance - Beginning	2,787,770	2,787,770	2,787,770	-
Fund Balance - Ending	\$ 2,787,770	\$ 2,787,770	\$ 7,297,535	\$ 4,509,765

City of Orem
Municipal Building Authority - Capital Improvement Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ -	\$ 27,866	\$ 27,866
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	-	27,866	27,866
EXPENDITURES				
Current:				
Capital Projects	3,000,000	4,160,867	8,823	4,152,044
Total Expenditures	3,000,000	4,160,867	8,823	4,152,044
Excess (Deficiency) of Revenues over (under) Expenditures	(3,000,000)	(4,160,867)	19,043	4,179,910
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	3,000,000	3,000,000	-	(3,000,000)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	3,000,000	3,000,000	-	(3,000,000)
Net Change in Fund Balance	-	(1,160,867)	19,043	1,179,910
Fund Balance - Beginning	1,124,100	1,124,100	1,124,100	-
Fund Balance - Ending	\$ 1,124,100	\$ (36,767)	\$ 1,143,143	\$ 1,179,910

City of Orem
Road Bond - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ -	\$ 51,757	\$ 51,757
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	-	51,757	51,757
EXPENDITURES				
Current:				
Debt Service:				
Bond Issuance Costs	-	174,209	151,569	22,640
Capital Projects	5,000,000	9,000,000	32,536	8,967,464
Total Expenditures	5,000,000	9,174,209	184,105	8,990,104
Excess (Deficiency) of Revenues over (under) Expenditures	(5,000,000)	(9,174,209)	(132,348)	9,041,861
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	5,000,000	9,174,209	9,174,409	200
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	5,000,000	9,174,209	9,174,409	200
Net Change in Fund Balance	-	-	9,042,061	9,042,061
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 9,042,061	\$ 9,042,061

City of Orem
Sales Tax Bond - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ -	\$ 531	\$ 531
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	-	531	531
EXPENDITURES				
Current:				
Capital Projects	-	297,836	297,836	-
Total Expenditures	-	297,836	297,836	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	(297,836)	(297,305)	531
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(165,169)	(165,169)	-
Total Other Financing Sources and (Uses)	-	(165,169)	(165,169)	-
Net Change in Fund Balance	-	(463,005)	(462,474)	531
Fund Balance - Beginning	462,474	462,474	462,474	-
Fund Balance - Ending	\$ 462,474	\$ (531)	\$ -	\$ 531

City of Orem
Redevelopment Fund - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,545,000	\$ 2,099,581	\$ 2,067,560	\$ (32,021)
Miscellaneous Revenues	-	-	-	-
Total Revenues	2,545,000	2,099,581	2,067,560	(32,021)
EXPENDITURES				
Current:				
Redevelopment	1,353,000	907,581	530,618	376,963
Debt Service	-	-	-	-
Total Expenditures	1,353,000	907,581	530,618	376,963
Excess (Deficiency) of Revenues over (under) Expenditures	1,192,000	1,192,000	1,536,942	344,942
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	32,021	32,021
Transfers Out	(1,192,000)	(1,192,000)	(1,192,000)	-
Total Other Financing Sources and (Uses)	(1,192,000)	(1,192,000)	(1,159,979)	32,021
Net Change in Fund Balance	-	-	376,963	376,963
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 376,963	\$ 376,963

City of Orem
Community Development Rehabilitation Fund - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 856,426	\$ 1,395,923	\$ 917,506	\$ (478,417)
Program Income	-	-	286,904	286,904
Miscellaneous Revenues	-	-	18,310	18,310
Total Revenues	856,426	1,395,923	1,222,720	(173,203)
EXPENDITURES				
Current:				
Economic and Physical Development	736,313	1,275,810	1,102,607	173,203
Total Expenditures	736,313	1,275,810	1,102,607	173,203
Excess (Deficiency) of Revenues over (under) Expenditures	120,113	120,113	120,113	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(120,113)	(120,113)	(120,113)	-
Total Other Financing Sources and (Uses)	(120,113)	(120,113)	(120,113)	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	560	560	560	-
Fund Balance - Ending	\$ 560	\$ 560	\$ 560	\$ -

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Fleet maintenance fund – This fund is to account for the repair and maintenance of vehicles and equipment for the entire City operation. It is financed by charges made to the funds it services. Supplies and materials are charged at cost to the specific fund. Personnel, administration and overhead costs are charged on an estimated basis established at the beginning of each year.

Purchasing/warehousing fund – This fund is to account for the central purchasing and warehousing for the City. It provides the service to all governmental and proprietary funds. It is financed by charges made to the other funds. Funds are charged for supplies and materials at cost. Personnel, administrative and overhead costs are charged on an estimated allocation basis established at the beginning of each year.

Self-insurance fund – This fund is to account for the costs of insurance premiums and claims made against the City. Monies are accumulated in this fund to pay premiums for liability and property damage insurance and other claims. The City participates in the Utah Risk Management Mutual Association for its liability and property damage insurance and is responsible for a \$15,000 deductible. Insurance for large vehicles and equipment is purchased from private insurers. The fund also accounts for the insurance benefits of employees i.e., state unemployment insurance, workers compensation insurance (for a limit of \$400,000 per occurrence), health insurance, etc. The fund is financed by allocated charges made to the other funds for liability and property damage insurance. It is based on an allocation established at the beginning of each year for potential risk and prior experience. Charges for employee insurance benefits are made directly to each fund as a part of the payroll system. Another function of the self-insurance fund is to accumulate resources to pay the long-term portion of the compensated absences liability of the general fund.

City of Orem
Internal Service Funds
Combining Statement of Net Assets
June 30, 2005

	<u>Fleet Maintenance</u>	<u>Purchasing / Warehousing</u>	<u>Self- Insurance</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 150,981	\$ 194,518	\$ 1,845,553	\$ 2,191,052
Inventories	-	360,281	-	360,281
Total Current Assets	150,981	554,799	1,845,553	2,551,333
Noncurrent Assets:				
Capital Assets:				
Buildings	14,321	-	-	14,321
Improvements other than Buildings	16,799	17,195	5,289	39,283
Machinery and Equipment	199,012	53,435	14,242	266,689
Less Accumulated Depreciation	(213,881)	(69,294)	(17,430)	(300,605)
Total Capital Assets (Net of Accumulated Depreciation)	16,251	1,336	2,101	19,688
Total Assets	167,232	556,135	1,847,654	2,571,021
LIABILITIES:				
Current Liabilities:				
Accounts Payable	761	7,025	6,727	14,513
Accrued Liabilities	8,389	5,159	1,825	15,373
Accrued Vacation and Sick Leave	22,683	11,480	7,747	41,910
Total Current Liabilities	31,833	23,664	16,299	71,796
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	4,301	604	142,061	146,966
Total Noncurrent Liabilities	4,301	604	142,061	146,966
Total Liabilities	36,134	24,268	158,360	218,762
NET ASSETS				
Invested in Capital Assets	16,251	1,336	2,101	19,688
Unrestricted	114,847	530,531	1,687,193	2,332,571
Total Net Assets	\$ 131,098	\$ 531,867	\$ 1,689,294	\$ 2,352,259

City of Orem
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For The Year Ended June 30, 2005

	<u>Fleet Maintenance</u>	<u>Purchasing / Warehousing</u>	<u>Self- Insurance</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services to Other Funds	\$ 614,551	\$ 344,661	\$ 853,746	\$ 1,812,958
Other Revenues	-	-	-	-
Total Operating Revenues	614,551	344,661	853,746	1,812,958
OPERATING EXPENSES:				
Personal Services	370,764	192,608	72,364	635,736
Supplies, Maintenance and Claims	183,865	101,782	940,324	1,225,971
Depreciation	7,269	1,809	816	9,894
Total Operating Expenses	561,898	296,199	1,013,504	1,871,601
Operating Income (Loss)	52,653	48,462	(159,758)	(58,643)
NONOPERATING REVENUES (EXPENSES):				
Interest Revenues	-	-	25,775	25,775
Total Nonoperating Revenues (Expenses)	-	-	25,775	25,775
Income (Loss) before Operating	52,653	48,462	(133,983)	(32,868)
Transfers	52,653	48,462	(133,983)	(32,868)
Transfers In	-	-	1,460,106	1,460,106
Transfers Out	(450)	(300)	(11,075)	(11,825)
Change in Net Assets	52,203	48,162	1,315,048	1,415,413
Total Net Assets - Beginning	78,895	483,705	374,246	936,846
Total Net Assets - Ending	\$ 131,098	\$ 531,867	\$ 1,689,294	\$ 2,352,259

City of Orem
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2005

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 614,551	\$ 344,661	\$ 853,746	\$ 1,812,958
Payments to Suppliers	(182,867)	(67,287)	(944,739)	(1,194,893)
Payments to Employees	(363,812)	(190,985)	(69,390)	(624,187)
Net Cash provided (used) by Operating Activities	67,872	86,389	(160,383)	(6,122)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers In	-	-	1,460,106	1,460,106
Transfers Out	(450)	(300)	(11,075)	(11,825)
Net Cash provided (used) by Noncapital Financing Activities	(450)	(300)	1,449,031	1,448,281
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of Capital Assets	-	-	-	-
Net Cash used in Capital Financing Activities	-	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES				
Interest Income	-	-	25,775	25,775
Net Cash provided (used) by Investing Activities	-	-	25,775	25,775
Net increase (decrease) in Cash and Cash Equivalents	67,422	86,089	1,314,423	1,467,934
Cash and Cash Equivalents - Beginning of Year	83,559	108,429	531,130	723,118
Cash and Cash Equivalents - End of Year	\$ 150,981	\$ 194,518	\$ 1,845,553	\$ 2,191,052
Reconciliation of Operating Income to Net Cash provided (used) by Operating Activities:				
Operating Income (Loss)	\$ 52,653	\$ 48,462	\$ (159,758)	\$ (58,643)
Adjustments to reconcile Operating Income (Loss) to Net Cash provided by Operating Activities:				
Depreciation	7,269	1,809	816	9,894
(Increase) Decrease in Accounts Receivable	-	-	-	-
(Increase) Decrease in Inventory	-	35,506	-	35,506
Increase (Decrease) in Accounts Payable	(78)	(4,581)	(4,528)	(9,187)
Increase (Decrease) in Accrued Liabilities	1,076	3,570	113	4,759
Increase (Decrease) in Accrued Vacation and Sick Leave	6,952	1,623	2,974	11,549
Total Adjustments	15,219	37,927	(625)	52,521
Net Cash provided (used) by Operating Activities	\$ 67,872	\$ 86,389	\$ (160,383)	\$ (6,122)

FIDUCIARY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the City's own programs.

New friends of the library trust fund – to account for the financial transactions of the New Friends of the Library, a nonprofit organization involved in the expansion of the City of Orem Library.

Orem foundation trust fund – to account for the financial transaction of the Orem Foundation Trust, a nonprofit charitable foundation. The Internal Revenue Service (IRS) granted permission for the City to form and operate as an approved IRS section 501(c)3 charitable foundation. This enables donors broader charitable donation capabilities as donations will be fully tax deductible.

Senior citizens' trust fund – to account for the financial transactions of the Senior Citizens' Organization, a nonprofit organization located within the boundaries of the City of Orem.

City of Orem
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
Private Purpose Trusts
June 30, 2005

	New Friends Of The Library Fund	Orem Foundation Trust Fund	Senior Citizens' Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 763,471	\$ 90	\$ 104,263	\$ 867,824
Total Assets	<u>763,471</u>	<u>90</u>	<u>104,263</u>	<u>867,824</u>
LIABILITIES				
Accounts Payable	5,947	-	268	6,215
Total Liabilities	<u>5,947</u>	<u>-</u>	<u>268</u>	<u>6,215</u>
NET ASSETS				
Held in Trust for Private Organizations	757,524	90	103,995	861,609
Total Net Assets	<u>\$ 757,524</u>	<u>\$ 90</u>	<u>\$ 103,995</u>	<u>\$ 861,609</u>

City of Orem
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Private Purpose Trusts
For The Year Ended June 30, 2005

	New Friends Of The Library Fund	Orem Foundation Trust Fund	Senior Citizens' Fund	Total
ADDITIONS				
Miscellaneous:				
Donations	\$ 200,946	\$ 7	\$ 6,139	\$ 207,092
Other	18,637	30	45,096	63,763
Total Additions	219,583	37	51,235	270,855
DEDUCTIONS				
Library Development	181,362	2,500	-	183,862
Senior Citizens	-	-	49,941	49,941
Total Deductions	181,362	2,500	49,941	233,803
Change in Net Assets	38,221	(2,463)	1,294	37,052
Net Assets - Beginning	719,303	2,553	102,701	824,557
Net Assets - Ending	\$ 757,524	\$ 90	\$ 103,995	\$ 861,609

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

(This page left blank intentionally)

City of Orem
Capital Assets Used in The Operations of Governmental Funds
Comparative Schedules By Source¹
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Governmental Funds Capital Assets:		
Land	\$ 58,702,000	\$ 58,507,126
Buildings	19,311,822	18,441,877
Improvements other than Buildings	20,004,678	16,970,630
Machinery and Equipment	19,285,425	17,370,201
Infrastructure	80,675,559	71,385,981
Construction in Progress	3,261,770	15,443,560
Total Governmental Funds Capital Assets	<u><u>\$ 201,241,254</u></u>	<u><u>\$ 198,119,375</u></u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 139,504,538	\$ 137,866,199
Capital Projects Fund	50,830,450	49,970,180
Federal Grants	4,029,757	3,766,997
State Road Funds	3,956,066	3,956,066
Redevelopment	340,483	304,653
Community Development	2,579,960	2,255,280
Total Governmental Funds Capital Assets	<u><u>\$ 201,241,254</u></u>	<u><u>\$ 198,119,375</u></u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Orem
Capital Assets Used in The Operations of Governmental Funds
Schedule By Function and Activity¹
June 30, 2005

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General government:			
Legislative	\$ -	\$ -	\$ -
Executive	-	-	30,689
Personnel Administration	-	-	-
Administrative Services	-	8,253	98,194
Legal	-	-	16,328
Development Services	-	-	-
General Government Buildings	327,393	4,025,443	856,932
Engineering	-	-	-
Redevelopment	-	-	250,653
Community Development	-	8,105	2,023,293
Total General Government	327,393	4,041,801	3,276,089
Public Safety:			
Administration	117,642	70,753	-
Police Protection	-	-	-
Fire Protection	7,000	95,386	-
Emergency Services	-	1,580	-
Total Public Safety	124,642	167,719	-
Highways and Streets:			
Engineering	33,550	38,150	-
Maintenance	-	-	-
Street System	52,009,142	278,518	1,454,162
Street Lighting	-	-	192,441
Total Highways and Streets	52,042,692	316,668	1,646,603
Parks and Recreation	6,207,273	14,689,855	15,076,391
Library	-	95,779	5,595
Total Governmental Funds Capital Assets	\$ 58,702,000	\$ 19,311,822	\$ 20,004,678

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Machinery and Equipment	Infrastructure	Construction in Progress	Total
\$ 34,845	\$ -	\$ -	\$ 34,845
101,557	-	-	132,246
19,470	-	-	19,470
1,934,427	-	-	2,040,874
62,931	-	-	79,259
244,180	-	-	244,180
874,295	-	-	6,084,063
51,831	-	-	51,831
-	54,000	35,830	340,483
102,861	445,701	-	2,579,960
<u>3,426,397</u>	<u>499,701</u>	<u>35,830</u>	<u>11,607,211</u>
1,374,745	-	-	1,563,140
3,623,079	-	-	3,623,079
3,789,952	-	-	3,892,338
43,512	-	-	45,092
<u>8,831,288</u>	<u>-</u>	<u>-</u>	<u>9,123,649</u>
166,945	-	-	238,645
7,429	-	-	7,429
2,961,680	78,993,359	412,853	136,109,714
-	1,136,156	-	1,328,597
<u>3,136,054</u>	<u>80,129,515</u>	<u>412,853</u>	<u>137,684,385</u>
3,229,986	46,343	2,813,087	42,062,935
661,700	-	-	763,074
<u>\$ 19,285,425</u>	<u>\$ 80,675,559</u>	<u>\$ 3,261,770</u>	<u>\$ 201,241,254</u>

City of Orem
Capital Assets Used in The Operations of Governmental Funds
Schedule of Changes By Function and Activity¹
For The Year Ended June 30, 2005

Function and Activity	Governmental Funds Capital Assets June 30, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
General government:				
Legislative	\$ 34,845	\$ -	\$ -	\$ 34,845
Executive	132,245	-	-	132,245
Personnel Administration	19,470	-	-	19,470
Administrative Services	1,938,908	101,966	-	2,040,874
Legal	79,259	-	-	79,259
Development Services	244,974	-	(794)	244,180
General Government Buildings	6,084,063	-	-	6,084,063
Engineering	35,329	16,501	-	51,830
Redevelopment	304,653	35,830	-	340,483
Community Development	2,255,281	368,650	(43,970)	2,579,961
Total General Government	11,129,027	522,947	(44,764)	11,607,210
Public Safety:				
Administration	840,380	742,500	(19,741)	1,563,139
Police Protection	3,187,175	448,274	(12,370)	3,623,079
Fire Protection	3,568,890	325,348	(1,900)	3,892,338
Emergency Services	45,092	-	-	45,092
Total Public Safety	7,641,537	1,516,122	(34,011)	9,123,648
Highways and Streets:				
Engineering	238,645	-	-	238,645
Maintenance	7,429	-	-	7,429
Street System	135,290,805	1,458,205	(639,295)	136,109,715
Street Lighting	1,319,773	8,823	-	1,328,596
Total Highways and Streets	136,856,652	1,467,028	(639,295)	137,684,385
Parks and Recreation	41,734,679	328,258	-	42,062,937
Library	757,480	5,594	-	763,074
Total Governmental Funds Capital Assets	\$ 198,119,375	\$ 3,839,949	\$ (718,070)	\$ 201,241,254

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL
SECTION**

(Unaudited)

City of Orem
General Governmental Expenditures By Function¹
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Highways and Public		Economic and Physical	
			Improve- ments	Parks & Recreation	Development	Redevelopment
1996	\$ 5,803,400	\$ 8,886,863	\$ 3,572,574	\$ 3,034,807	\$ 958,817	\$ 1,186,291
1997	6,033,926	9,464,030	3,689,801	3,247,263	847,842	902,885
1998	8,583,367	10,956,238	4,474,597	3,542,455	1,319,634	534,270
1999	8,798,905	11,243,922	4,298,774	3,643,758	1,217,382	698,086
2000	7,485,512	12,597,305	5,120,196	3,781,425	758,565	612,874
2001	7,486,112	12,854,036	4,113,586	4,197,894	1,123,414	786,807
2002	9,796,957	13,786,791	4,282,923	4,449,966	1,545,673	714,309
2003	9,528,847	14,187,339	3,648,773	5,027,240	1,016,568	677,067
2004	9,777,288	15,121,260	4,850,849	5,064,150	944,119	857,550
2005	9,942,870	16,293,215	4,208,802	5,130,601	1,102,607	530,618

¹Includes the General, Debt Service, Redevelopment, Capital Projects, and Special Revenue Funds.

Capital Projects	Debt Service		Capital Lease	Total
	Principal	Interest	Payments	
\$ 4,391,927	\$ 902,850	\$ 316,644	\$ 498,820	\$ 29,552,993
6,539,508	902,376	349,727	487,673	32,465,031
4,829,952	745,000	594,361	828,655	36,408,529
7,755,211	785,000	676,200	483,137	39,600,375
10,614,462	905,000	681,247	482,992	43,039,578
6,207,120	1,721,000	1,149,674	566,900	40,206,543
11,515,674	4,455,399	1,275,840	3,517,552	55,341,084
14,202,752	2,249,000	1,808,532	241,457	52,587,575
4,735,354	2,566,957	1,979,573	142,149	46,039,249
1,764,864	3,047,454	1,873,517	91,472	43,986,020

City of Orem
General Governmental Revenues by Source¹
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes	Licenses and Permits	Inter- Governmental	Charges For Services
1996	\$ 19,027,711	\$ 1,237,493	\$ 1,565,646	\$ 1,327,514
1997	20,159,472	1,154,895	1,271,345	1,652,533
1998	22,353,328	1,132,174	2,604,426	1,671,726
1999	22,871,996	1,089,699	2,257,067	2,005,916
2000	24,019,314	1,134,303	3,364,968	2,061,741
2001	25,416,573	1,094,650	3,700,938	2,385,067
2002	27,441,124	1,044,082	4,377,717	2,919,220
2003	25,773,431	1,004,672	4,153,970	3,197,288
2004	27,093,824	1,295,544	4,804,640	3,544,661
2005	29,845,163	1,366,925	4,536,148	3,663,844

¹Includes the General, Debt Service, Redevelopment, Capital Projects, and Special Revenue Funds.

Fines and Forfeitures	Charges For		Total
	Services - Other Funds	Miscellaneous	
\$ 257,152	\$ 2,186,230	\$ 2,420,266	\$ 28,022,012
247,336	2,509,026	3,369,232	30,363,839
282,552	2,766,703	2,526,025	33,336,934
382,080	2,858,178	2,492,949	33,957,885
334,501	2,894,777	2,164,142	35,973,746
388,011	3,103,181	2,578,949	38,667,369
454,335	3,248,931	2,257,577	41,742,986
547,988	3,546,614	1,875,608	40,099,571
454,749	3,701,855	1,994,784	42,890,057
566,175	3,654,299	3,941,649	47,574,203

City of Orem
General Governmental Tax Revenue by Source¹
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>General Property Tax²</u>	<u>Sales Tax</u>	<u>Franchise Tax³</u>	<u>Total Tax Revenue</u>
1996	\$ 5,676,173	\$ 10,548,094	\$ 2,803,444	\$ 19,027,711
1997	5,547,728	11,484,567	3,127,177	20,159,472
1998	6,827,758	12,036,900	3,488,670	22,353,328
1999	6,758,959	12,726,449	3,386,588	22,871,996
2000	7,125,755	13,382,945	3,510,614	24,019,314
2001	7,292,579	13,817,999	4,305,995	25,416,573
2002	6,366,404	15,163,063 ⁴	5,911,657	27,441,124
2003	6,588,408	13,708,023	5,477,000	25,773,431
2004	7,166,441	14,092,331	5,835,052	27,093,824
2005	7,489,433	15,373,690	6,982,040	29,845,163

¹Includes the General, Debt Service, Capital Projects, and Redevelopment Funds.

²Includes penalties, interest and payments in lieu of taxes.

³Includes vehicles and miscellaneous tax revenue.

⁴Includes a one-time tax revenue refund of approximately \$1.3M that had been withheld for the 2002 Winter Olympics.

(This page left blank intentionally)

City of Orem
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Tax Year¹	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
1996	\$ 3,708,992	\$ 3,593,178	96.88%	\$ 125,979	\$ 3,719,157
1997	3,131,324	3,024,115	96.58%	183,768	3,207,883
1998	4,058,315	3,756,370	92.56%	140,252	3,896,622
1999	4,178,341	3,926,709	93.98%	230,206	4,156,915
2000	4,786,855	4,419,489	92.33%	225,199	4,644,688
2001	4,955,236	4,521,008	91.24%	317,283	4,838,291
2002	4,975,745	4,594,310	92.33%	304,927	4,899,237
2003	5,118,892	4,688,570	91.59%	354,678	5,043,248
2004	5,003,673	4,655,802	93.05%	454,709	5,110,511
2005	5,418,232	4,992,684	92.15%	419,892	5,412,576

¹Taxes are collected and reported by the County on a calendar year basis rather than July 1 to June 30 fiscal year.

Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
100.27%	\$ 146,783	3.96%
102.44%	113,674	3.63%
96.02%	158,403	3.90%
99.49%	128,375	3.07%
97.03%	234,746	4.90%
97.64%	270,799	5.46%
98.46%	270,638	5.44%
98.52%	430,322	8.41%
102.14%	290,771	5.81%
99.90%	425,549	7.85%

City of Orem
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Taxable Value		Total		Ratio of Total Taxable Value To Total Estimated Actual Value
	Real Property	Personal Property	Taxable Value	Estimated Actual Value	
1996	\$ 1,740,888,786	\$ 308,520,187	\$ 2,049,408,973	\$ 3,056,389,168	67.05%
1997	1,873,757,508	386,068,730	2,259,826,238	3,333,548,119	67.79%
1998	2,076,994,408	472,122,847	2,549,117,255	3,749,801,830	67.98%
1999	2,133,288,098	554,120,994	2,687,409,092	3,910,004,285	68.73%
2000	2,259,458,856	246,887,506	2,506,346,362	3,748,651,847	66.86%
2001	2,487,799,899	233,155,880	2,720,955,779	4,090,702,990	66.52%
2002	2,733,643,211	250,462,249	2,984,105,460	4,503,183,085	66.27%
2003	2,920,487,402	222,066,634	3,142,554,036	4,681,796,714	67.12%
2004	2,950,113,096	256,024,690	3,206,137,786	4,770,391,971	67.21%
2005	3,015,807,820	258,939,120	3,274,746,940	4,873,288,788	67.20%

Source: Utah State Tax Commission

(This page left blank intentionally)

City of Orem
 Property Tax Rates
 Direct and Overlapping Governments¹
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	City of Orem				Alpine School District	Utah County
	General Fund	Debt Service Fund	Capital Projects Fund	Total		
1996	0.001445	0.000269	-	0.001714	0.006492	0.002064
1997	0.001464	0.000130	-	0.001594	0.005457	0.001545
1998	0.001617	0.000247	-	0.001864	0.005524	0.001268
1999	0.001598	0.000228	-	0.001826	0.006410	0.001682
2000	0.001621	0.000351	-	0.001972	0.006884	0.001116
2001	0.001507	0.000343	-	0.001850	0.006769	0.001038
2002	0.001378	0.000299	-	0.001677	0.006770	0.001411
2003	0.001395	0.000303	-	0.001698	0.006953	0.001053
2004	0.001475	0.000321	-	0.001796	0.007884	0.001065
2005	0.001485	0.000551	-	0.002036	0.008082	0.001040

Source: Statistical Review of Government in Utah - Utah Foundation

¹The tax rate is applied directly to the taxable value of the property.

Central Utah		
Water Conservancy District	Metropolitan Water District of Orem	Total
0.000349	0.000051	0.010670
0.000349	0.000049	0.008994
0.000397	0.000049	0.009102
0.000396	0.000048	0.010362
0.000377	0.000044	0.010393
0.000369	0.000042	0.010068
0.000358	0.000041	0.010257
0.000358	0.000041	0.010103
0.000353	0.000043	0.011141
0.000400	0.000043	0.011601

City of Orem
Principal Taxpayers
June 30, 2005
(Unaudited)

<u>Taxpayer¹</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
University Mall	Retail	\$ 71,604,041	2.19%
Qwest Corporation	Utility	26,163,026	0.80%
Pacificorp	Utility	23,302,279	0.71%
Timpanogas Regional Medical	Medical Services	19,000,000	0.58%
GGP UC LLC	Retail	15,688,500	0.48%
Retail Trust III (Walmart)	Retail	13,675,892	0.42%
Questar Gas	Utility	12,966,523	0.40%
Dayton Hudson Corporation	Retail	12,600,000	0.38%
Lowes Hardware	Retail	9,375,822	0.29%
BRE Property Investors	Retail	9,093,088	0.28%
Canyon River Partnership	Business Park/Office Buildings	9,070,000	0.28%
Parkway Crossing Phase One LLC	Retail / Apartment Rentals	8,532,912	0.26%
University Square Associates	Retail	8,238,349	0.25%
Total		<u><u>\$ 239,310,432</u></u>	<u><u>7.31%</u></u>

¹Electric, telephone and natural gas utilities are centrally assessed by the State Tax Commission.

City of Orem
Major Employers
June 30, 2005
(Unaudited)

Top Ten Employers¹	Number of Employees	Business Classification
Utah Valley State College	1,156	College
Alpine School District	869	Schools
Western Wats Center	700	Research Firm
Wal-Mart	575	Retail
Orem City	520	Local Government
Geneva Rock Products	400	Building Materials
PGM, Inc.	350	Commercial, Nonphysical Research
Phone Directories Company	320	Miscellaneous Publishing
Mity-Lite, Inc.	315	Manufacturer and Retailer
Timpanogas Regional Hospital	300	General Medical and Surgical

¹Per the Economic Development Corporation of Utah (EDCU)

City of Orem
Special Assessment Billings and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Assessments Uncollected -			Total Assessments Uncollected - End of Period ¹
	Beginning of Period ¹	Billings	Collections	
1996	\$ 378,622	\$ 4,388	\$ 54,426	\$ 328,584
1997	328,584	167,962	51,427	445,119
1998	445,119	278,112	81,474	641,757
1999	641,757	49,898	86,874	604,781
2000	604,781	2,024	77,936	528,869
2001	528,869	4,181	85,957	447,093
2002	447,093	2,589	66,230	383,452
2003	383,452	5,926	78,767	310,611
2004	310,611	4,967,281 ²	186,941	5,090,951
2005	5,090,951	7,373	1,470,871 ³	3,627,453

¹Total Assessments Uncollected represents the entire billing total of the tax assessment.

²Most of these billings, \$4,965,000, were for the Canyon River and Bunker Business Park SID's.

These SID's have scheduled annual collections and will be paid to the city through 2016.

³Most of these collections, \$1,182,424, were for the Bunker Business Park SID which has now been collected in its entirety.

City of Orem
 Computation of Legal Debt Margin
 June 30, 2005
 (Unaudited)

Assessed valuations:		
Taxable value		\$ 3,274,746,940
Estimated market value		<u>\$ 4,873,288,788</u>
Legal debt margin		
Debt limitation - 4 percent of estimated market value ¹		\$ 194,931,552
Debt applicable to limitation:		
Total general obligation bonded debt	\$ 17,225,000	
Less:		
Assets in debt service funds available for payment of principal ²	<u>1,240,367</u>	
Total debt applicable to limitation		<u>15,984,633</u>
Legal debt margin		<u>\$ 178,946,919</u>

¹Debt margin applies only to general obligation bonds.

²Debt service monies available are net of reserves dedicated to other debt issues,
 i.e., revenue bonds and capital leases.

City of Orem
Ratio of Net General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ¹	Taxable Value ²	Gross Bonded Debt	Debt Service Monies Available ³	Net Bonded Debt
1996	81,488	\$ 2,049,408,973	\$ 250,000	\$ 37,443	\$ 212,557
1997	82,578	2,259,826,238	6,000,000	6,896	5,993,104
1998	83,241	2,549,117,255	5,820,000	20,120	5,799,880
1999	83,921	2,687,409,092	10,290,000	26,449	10,263,551
2000	84,326	2,506,346,362	10,015,000	25,513	9,989,487
2001	84,500	2,720,955,779	9,660,000	16,839	9,643,161
2002	83,662	2,984,105,460	9,290,000	339,058	8,950,942
2003	86,346	3,142,554,036	9,290,000	339,058	8,950,942
2004	89,326	3,206,137,786	8,490,000	938,255	7,551,745
2005	90,374	3,274,746,940	17,225,000	1,240,367	15,984,633

¹Population estimates were based upon census data and building activity within the City.

²From report titled "Assessed and Estimated Actual Value of Taxable Property".

³Debt service monies available are net of reserves dedicated to other debt issues, i.e., revenue bonds and capital leases.

Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
0.01%	3
0.27%	73
0.23%	70
0.38%	122
0.40%	118
0.35%	114
0.30%	107
0.28%	104
0.24%	85
0.49%	177

City of Orem
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Debt Service Requirements		Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest			
1996	\$ 420,000	\$ 38,220	\$ 458,220	\$ 29,552,993	1.55%
1997	250,000	10,500	260,500	32,465,031	0.80%
1998	180,000	323,110	503,110	36,408,529	1.38%
1999	180,000	468,840	648,840	39,600,375	1.64%
2000	275,000	499,399	774,399	43,039,578	1.80%
2001	355,000	482,861	837,861	40,206,543	2.08%
2002	370,000	463,830	833,830	55,341,084	1.51%
2003	390,000	443,878	833,878	52,587,575	1.59%
2004	410,000	423,230	833,230	46,039,249	1.81%
2005	435,000	367,053	802,053	43,986,020	1.82%

City of Orem
 Computation of Direct and Overlapping Debt
 General Obligation Bonds
 June 30, 2005
 (Unaudited)

<u>Jurisdiction</u>	<u>Net General Obligation Debt Outstanding¹</u>	<u>Percentage Applicable to The Citizens of The City of Orem</u>	<u>Amount Applicable to The Citizens of The City of Orem</u>
City of Orem	\$ 15,984,633	100.0000%	\$ 15,984,633
Metropolitan Water District	-	100.0000%	-
Alpine School District	292,830,000	36.1142%	105,753,342
Utah County	19,235,000	19.8922%	3,826,274
Central Utah Water Conservancy District	318,325,950	4.4444%	14,147,809
Total Overlapping Debt	<u>\$ 630,390,950</u>		<u>\$ 123,727,424</u>
Total direct and overlapping debt	<u>\$ 646,375,583</u>		<u>\$ 139,712,057</u>
Total direct and overlapping debt per capita for the City			<u>\$ 1,564</u>

¹Applies only to General Obligation Bonds.

City of Orem
Demographic Statistics
(Unaudited)

Census Population Count

<u>Year</u>	<u>Population</u>	<u>Increase</u>	<u>Percent Increase</u>
1890	435	-	-
1900	692	257	37.14%
1910	1,064	372	34.96
1920	1,664	600	36.06
1930	1,915	251	13.11
1940	2,914	999	34.28
1950	8,338	5,424	65.05
1960	18,394	10,056	54.67
1970	25,760	7,366	28.59
1980	52,399	26,639	50.84
1990	67,561	15,162	22.44
2000	84,324	16,763	19.88

Age Distribution of Population¹

<u>Age</u>	<u>Total</u>		<u>Male</u>		<u>Female</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
0 - 4	8,901	10.56%	4,549	5.39%	4,352	5.16%
5 - 9	7,762	9.20	3,942	4.67	3,820	4.53
10 - 14	7,879	9.34	4,054	4.81	3,825	4.54
15 - 19	9,157	10.86	4,531	5.37	4,626	5.49
20 - 24	10,832	12.85	5,413	6.42	5,417	6.42
25 - 29	7,530	8.93	4,061	4.82	3,469	4.11
30 - 34	4,941	5.86	2,501	2.97	2,440	2.89
35 - 39	4,568	5.42	2,263	2.68	2,305	2.73
40 - 44	4,675	5.54	2,262	2.68	2,413	2.86
45 - 49	4,270	5.06	2,066	2.45	2,204	2.61
50 - 54	3,496	4.15	1,642	1.95	1,854	2.20
55 - 59	2,594	3.08	1,248	1.48	1,346	1.60
60 - 64	1,861	2.21	885	1.05	976	1.16
65 - 69	1,572	1.86	712	0.84	860	1.02
70 - 74	1,479	1.75	658	0.78	821	0.97
75 - 79	1,210	1.43	520	0.62	690	0.82
80 - 84	830	0.98	321	0.38	509	0.60
85 - 89	525	0.62	183	0.22	342	0.41
90+	244	0.29	68	0.08	176	0.21
TOTAL	84,326	100.00%	41,879	49.66%	42,445	50.33%

¹Source: 2000 Census

City of Orem
Miscellaneous Statistics
June 30, 2005
(Unaudited)

Date of incorporation	1919
Form of government	Council-Manager
Area	18.25 square miles
Miles of streets	232
Number of street lights	5090
Fire protection:	
Number of stations	3
Number of firemen and officers	53
Staff	2
Police protection:	
Number of stations	1
Number of policemen and officers	86
Staff	32
Education:	
Attendance Centers	23
Number of teachers	869
Number of students	17,207
Municipal water departments:	
Number of consumers	20,240
Average daily consumption	21.2 MGD
Miles of water mains	425
Sewers:	
Number of service connections	20,107
Average daily treated	8.4 MGD
Miles of sanitary sewers lines	340
Number of lift stations	6
Building permits issued	1,083
Recreation and culture:	
Number of parks	21
Number of libraries	1
Number of volumes	280,000 (approx.)
Employees:	
Full-time	387
Part-time	29
Temporary (full-time equivalents)	104

City of Orem
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Property Value	Commercial Construction ¹		Residential Construction ¹	
		Number of Permits	Value	Number of Permits	Value
1996	\$ 3,056,389,168	104	\$ 27,141,334	510	\$ 62,326,327
1997	3,333,548,119	197	61,636,885	478	43,911,918
1998	3,749,801,830	190	32,616,967	666	55,911,618
1999	3,910,004,285	233	28,867,286	706	64,677,854
2000	3,748,651,847	214	44,538,113	536	42,473,399
2001	4,090,702,990	194	47,223,380	467	34,557,823
2002	4,503,183,085	165	32,885,502	390	36,668,957
2003	4,681,796,714	200	23,473,843	669	50,555,711
2004	4,770,391,971	200	29,387,413	568	46,956,019
2005	4,873,288,788	148	41,118,102	448	52,480,921

¹Source: Department of Developmental Services of the City of Orem.

²Deposit figures available on a state-wide basis only.

Miscellaneous
Construction¹

<u>Number of Permits</u>	<u>Value</u>	<u>Bank Deposits</u>
889	\$ 10,536,909	Not Available ²
682	1,999,849	
540	3,495,991	
450	2,494,735	
473	1,872,636	
531	2,706,475	
648	8,293,756	
527	5,497,297	
527	3,269,940	
487	2,680,453	

City of Orem
 Summary of Taxable Value
 June 30, 2005
 (Unaudited)

	Calendar Year			
	2004 Taxable Value	Percent of Total	2003 Taxable Value	2002 Taxable Value
Primary residential	\$ 1,953,411,264	58.23%	\$ 1,911,504,645	\$ 1,881,126,204
Other residential	362,106	0.01%	361,581	170,403
Commercial, industrial	1,029,051,253	30.67%	1,007,647,856	1,004,495,783
Agricultural	1,198,488	0.04%	1,455,150	33,940,732
Unimproved real estate	31,784,709	0.95%	29,143,864	754,280
Other personal property	217,460,513	6.48%	214,696,514	221,551,045
Fee in lieu	41,478,607	1.24%	41,328,176	515,589
Total locally assessed	<u>3,274,746,940</u>	97.62%	<u>3,206,137,786</u>	<u>3,142,554,036</u>
State assessed	<u>79,954,593</u>	2.38%	<u>89,067,782</u>	<u>87,727,518</u>
Total taxable value	<u><u>\$ 3,354,701,533</u></u>	100.00%	<u><u>\$ 3,295,205,568</u></u>	<u><u>\$ 3,230,281,554</u></u>

Source: Utah State Tax Commission

Note: This table is included in accordance with the requirements of 15c2-12 promulgated by the Securities and Exchange Commission. Taxable value is for the latest year available.

2001 Taxable Value	2000 Taxable Value
\$ 1,856,564,339	\$ 1,674,055,370
86,092	80,110
841,554,729	774,700,081
34,718,238	38,178,438
719,813	785,900
249,759,927	232,924,820
702,322	231,060
2,984,105,460	2,720,955,779
92,024,192	76,952,630
<u>\$ 3,076,129,652</u>	<u>\$ 2,797,908,409</u>

City of Orem
Debt Service Schedule of Outstanding Lease Revenue Bonds
June 30, 2005
(Unaudited)

Fiscal Year Ending June 30	Series 2000 \$7,985,000 (Street Lights)		Series 2001 \$5,345,000 (Refunding)	
	Principal	Interest	Principal	Interest
	2006	\$ 385,000	\$ 338,545	\$ 585,000
2007	400,000	320,642	605,000	112,780
2008	420,000	301,843	630,000	91,000
2009	440,000	282,102	650,000	67,375
2010	460,000	261,203	675,000	42,675
2011	485,000	239,122	380,000	15,675
2012	505,000	214,873	-	-
2013	535,000	189,118	-	-
2014	560,000	161,565	-	-
2015	590,000	131,885	-	-
2016	620,000	100,615	-	-
2017	655,000	66,825	-	-
2018	560,000	30,800	-	-
TOTALS	\$ 6,615,000	\$ 2,639,138	\$ 3,525,000	\$ 461,590

Note: This table is included in accordance with the requirements of 15c2-12 promulgated by the Securities and Exchange Commission.

<u>Totals</u>		
<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
\$ 970,000	\$ 470,630	\$ 1,440,630
1,005,000	433,422	1,438,422
1,050,000	392,843	1,442,843
1,090,000	349,477	1,439,477
1,135,000	303,878	1,438,878
865,000	254,797	1,119,797
505,000	214,873	719,873
535,000	189,118	724,118
560,000	161,565	721,565
590,000	131,885	721,885
620,000	100,615	720,615
655,000	66,825	721,825
560,000	30,800	590,800
<u>\$ 10,140,000</u>	<u>\$ 3,100,728</u>	<u>\$ 13,240,728</u>

City of Orem
Long-term Bonded Indebtedness Paid By Governmental and Enterprise Funds
Schedule of Bonded Indebtedness
June 30, 2005
(Unaudited)

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Term of Bonds</u>	<u>Annual Terms of Serial Bonds</u>
Governmental Funds:				
General Obligation Bonds:				
Series 1997 Road Bonds	5.00% - 5.40%	05/15/97	1997-2016	Various
Series 1998 Road Bonds	4.05% - 5.25%	08/15/98	1998-2018	Various
Series 2004 Road Bonds - Refunding	3.00% - 4.00%	12/22/04	2004-2016	Various
Series 2005 Road Bonds	3.50% - 5.00%	04/20/05	2005-2024	Various
Total General Obligation Bonds				
Revenue Bonds:				
Excise Tax Revenue Bonds - Series 1999	4.80%	11/24/99	1999-2006	Various
Lease Revenue Bonds - Series 2000	4.45% - 5.50%	09/11/00	2000-2018	Various
Canyon River - Special Improvement District				
Bonds - Series 2001	4.49% - 5.50%	10/02/01	2002-2016	Various
Refunding Lease Revenue Bonds - Series 2001	2.50% - 4.50%	10/15/01	2001-2011	Various
Sales Tax Revenue Bonds - Series 2002	3.00% - 5.50%	02/01/02	2002-2023	Various
Bunker Business Park - Special				
Improvement District Bonds - Series 2003	2.85% - 5.65%	07/01/03	2003-2019	Various
Total Revenue Bonds				
Total Governmental Funds				
Enterprise Funds:				
Revenue Bonds:				
Water Quality Revenue Bonds	3.50%	04/12/94	1994-2014	Various
2005A Water and Storm Sewer Revenue Bonds	3.50% - 5.25%	03/17/05	2005-2025	Various
2005B Water and Storm Sewer Revenue Bonds	1.48%	03/17/05	2005-2025	Various
Total Revenue Bonds				
Total Enterprise Funds				
Total Governmental and Enterprise Funds				

Original Amount	Principal		Interest	
	Balance 06/30/05	Retired Year Ended 06/30/05	Expense Year Ended 06/30/05	Payable In Future Years
\$ 6,000,000	\$ 540,000	\$ 4,040,000	\$ 133,499	\$ 27,581
\$ 4,650,000	3,725,000	185,000	169,736	1,319,584
\$ 3,975,000	3,975,000	-	63,818	1,076,716
\$ 8,985,000	8,985,000	-	-	4,876,025
	<u>17,225,000</u>	<u>4,225,000</u>	<u>367,053</u>	<u>7,299,906</u>
\$ 4,443,000	452,000	885,000	42,936	10,848
\$ 7,985,000	6,615,000	365,000	355,335	2,639,138
\$ 3,680,000	3,435,000	230,000	183,250	1,114,250
\$ 5,345,000	3,525,000	570,000	149,755	461,590
\$ 12,175,000	11,285,000	435,000	552,621	5,134,094
\$ 1,300,000	1,300,000	-	-	632,880
	<u>26,612,000</u>	<u>2,485,000</u>	<u>1,283,897</u>	<u>9,992,800</u>
	<u>43,837,000</u>	<u>6,710,000</u>	<u>1,650,950</u>	<u>17,292,706</u>
\$ 3,500,000	2,048,000	169,000	77,595	414,610
\$ 17,390,000	17,390,000	-	-	10,242,798
\$ 50,000	50,000	-	-	987
	<u>19,488,000</u>	<u>169,000</u>	<u>77,595</u>	<u>10,658,395</u>
	<u>19,488,000</u>	<u>169,000</u>	<u>77,595</u>	<u>10,658,395</u>
	<u>\$ 63,325,000</u>	<u>\$ 6,879,000</u>	<u>\$ 1,728,545</u>	<u>\$ 27,951,101</u>

(This page left blank intentionally)

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE LEGAL COMPLIANCE IN ACCORDANCE WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Honorable Mayor and Members of the City Council
City of Orem, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (City), for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; 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, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds	(Department of Transportation)
Liquor Law Enforcement	(State Tax Commission)
Credit Enhancement Grant	(Department of Natural Resources)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subjected to testwork as part of the audit of the City's financial statements.)

Emergency Medical Services (Department of Health)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Other General Issues
Cash Management	Budgetary Compliance
Purchasing Requirements	Justice Court
B & C Road Funds	Liquor Law Enforcement
Truth in Taxation & Property Tax Limitations	Uniform Building Code Standards
Impact Fees	Asset Forfeiture

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

We conducted our 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 we 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. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, the City of Orem, 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, 2005.

Osborne Robbins & Buhler PLLC

November 30, 2005

CITY OF OREM

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

**City of Orem, Utah
Single Audit**

Table of Contents

	<u>Page</u>
Report on Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	9

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS 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**

Honorable Mayor and Members of the City Council
City of Orem, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our 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 our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal awarding and pass-through entities, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Bakler PLLC

November 30, 2005

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council
City of Orem, Utah

Compliance

We have audited the compliance of the City of Orem, Utah (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control

components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Baker PLLC

November 30, 2005

City of Orem
Supplementary Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditure
Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grant	14.218	B-04-MC-49-002	\$ 1,102,726
Special Projects Grant	14.246	B-03-SP-UT-0773	268,245
Total Department of Housing and Urban Development			<u>1,370,971</u>
Department of Commerce			
Direct Program:			
Economic Adjustment Assistance	11.307	05-39-02234	119,992
Total Department of Commerce			<u>119,992</u>
Department of Homeland Security			
Passed through Federal Emergency Management Agency:			
Assistance to Fire Fighter Grant 2003	83.554	EMW-2003-FG-08135	1,305
State and Local Assistance Grant	83.552	SLA-2004-DEF-CTY11	7,750
Passed through Department of Public Safety Division of Emergency Services and Homeland Security:			
Citizen Corps Grant	97.004	DES-2004-CIT-027	3,015
FY 2003 Homeland Security Grant-Part II, Critical Infrastructure Protection Grant	97.004	DES-2003-ODP2-02	30,081
2004 State Homeland Security Program	97.004	DES-2004-SHSP-002	105,500
2004 Law Enforcement Terrorist Program	97.004	DES-2004-LETP-002	105,500
2005 State Homeland Security Program	97.067	DES-2005-SHSP-002	71,983
Region 2 Homeland Security Grant	16.007	DES-2003-ODP2-92	186,544
Total Department of Homeland Security			<u>511,678</u>
Department of Justice			
Direct Program:			
2004 BJA Congressionally Mandated Award	16.580	2004-RG-CX-1317	593,589
Bullet Proof Partnership	16.607	N/A	11,381
Passed through Commission on Criminal and Juvenal Justice:			
Byrne Formula Grant Program	16.579	4DO5	279,213
Victim Assistant Coordinator Grant	16.588	04-VAWA-16	23,901
Victim Volunteer Coordinator Grant	16.575	04-VOCA-30	39,031
HIDTA Grant Program	7.9999	14-PRMP595	99,176
Total Department of Justice			<u>1,046,291</u>
Total Federal Financial Assistance			<u>\$ 3,048,932</u>

See notes to the Supplementary Schedule of Expenditures of Federal Awards.

CITY OF OREM, UTAH
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

The following are the notes to the supplementary schedule of expenditures of federal awards:

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Orem, Utah (the City). The City is defined in Note 1 to the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the modified-accrual basis of accounting for expenditures of governmental fund types, which is described in Note 1 to the City's basic financial statements.
- Relationship to Basic Financial Statements – Federal financial assistance expenditures cannot be directly reconciled to the basic financial statements because other non-federal revenues are included in intergovernmental revenues.

CITY OF OREM, UTAH
Schedule of Findings and Questioned Costs
June 30, 2005

SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of report issued on the basic financial statements: An unqualified opinion was issued on the basic financial statements of the City.

Reportable conditions in internal control: None

Noncompliance: No instances of noncompliance were found which were material to the basic financial statements.

Type of report issued on compliance for major programs: An unqualified opinion was issued on compliance for the major programs.

Type of auditor's report issued on compliance for major programs: Unqualified

Audit Findings: No audit findings required to be reported in accordance with section 510 of Circular A-133 or *Government Auditing Standards*.

Identification of Major Programs:
CFDA #14.218 Community Development Block Grant
CFDA #97.004 Homeland Security Grant
CFDA #16.580 BJA Congressionally Mandated Award

Dollar threshold – type A and type B programs: \$300,000

Qualifications of the auditee: The City did not qualify as a low-risk auditee under OMB Circular A-133.

CITY OF OREM, UTAH
Schedule of Findings and Questioned Costs - continued
June 30, 2005

FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS

No findings or questioned costs are required to be reported under *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

No findings or questioned costs related to federal awards that are required to be reported under OMB Circular A-133 were noted during the audit.

CITY OF OREM, UTAH
Summary Schedule of Prior Audit Findings
June 30, 2005

The City has no prior audit findings on which to report status.