

CITY OF OREM

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

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

City of Orem, Utah
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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December 7, 2007

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 twentieth Comprehensive Annual Financial Report.

The report contains critical financial information regarding the City's activities over the past year. The report 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.

The City concluded the year ended June 30, 2007, 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 increased annually for nearly three years; however, the annual increases are beginning to slow. 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 creating new programs. 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 services.

Revenues for the water, water reclamation and storm water funds 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.

Operating Expenditures

New personnel were added for fire, water, storm water, and street services. The first allocation of the Cultural Arts and Recreational Enhancement (CARE) funds were budgeted by the City Council. Programs which received grants included: the SCERA, Hale Center Theater, the Utah Storytelling Guild, Synergy Dance Company, and the

Utah Regional Ballet. One facilities grant was awarded to the Orem Historic Preservation Commission to erect a statue of Jorgen Nielsen at the Nielsen's Grove Park.

Capital Expenditures

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

- A new Public Works facility was completed. Funding for the facility was provided by selling the existing Public Works Facility and from current budget resources. No bonding was involved in the purchase of the new site or in the construction of the facilities.
- Work on the reconstruction and widening of Sandhill Road was started.
- Funds were provided for remodeling and upgrading the Cemetery Sexton office and the sprinkler systems.
- A new municipal golf course has been built and paid for with private funds and without any debt. Construction of the clubhouse is expected next spring. The course is being operated through a private company which assumes all financial risk for the operation of the course.
- New streetlights have been constructed throughout the entire community and streetlights are being installed in all the city parks.
- A new 20 million gallon water tank was recently completed through a joint venture between the City of Orem and the Central Utah Water Conservancy District.
- Missing sections of sidewalks are being replaced along all the roads through the community.
- Construction is nearly complete on various voter-approved street projects.
- Fire Station #1 was remodeled to provide improved seismic standards and to provide improved living quarters in the 30 year-old facility. Remodeling of Station #2 is currently underway.
- The 30 year-old portion of the Library was remodeled to improve the seismic systems, heating and air conditioning, lighting and overall appearance of the facility.
- Construction of the 1600 North State Street intersection was completed.

Additional Capital Needs:

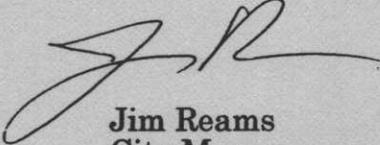
- Funding to construct a new fire station to serve the growing population west of Interstate 15.
- Funding to remodel the City Center and to provide office space for the City Attorney's offices. This will complete renovation of existing City facilities housing City services well into the future.
- Funding for additional intersection signals and upgrading existing intersections with double left turn lanes.
- Funding for street lights in the portions of the City previously served by special lighting districts and in the City parks.
- Funding to purchase additional park property.

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 efforts 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,

A handwritten signature in black ink, appearing to read "JR", written over a light blue circular stamp.

Jim Reams
City Manager

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CITY OF OREM

DEPARTMENT OF ADMINISTRATIVE SERVICES

December 7, 2007

Jim Reams
City Manager

City of Orem, Utah

The State of Utah 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, Utah for the fiscal year ended June 30, 2007, 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, have 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, 2007, 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, 2007, 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.

Economic Condition and Outlook

The City of Orem is located in north central Utah and is currently the sixth largest city in the state with a 2000 census population of 84,324 and an estimated current population of 92,212. Utah Valley State College (UVSC) is a major employer in the City with student enrollment in excess of 23,000. UVSC becomes Utah Valley University (UVU) on July 1, 2008. With the change comes the addition of a handful of master degrees, a new state of the art library/digital learning center and the increased benefits that a full-scale university brings to any city.

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 which attracted several large national retailers like Costco and Nordstrom. The City has been enjoying an economic upswing over the past three years with a marked decrease in unemployment and a significant increase in sales tax collections. While the City and the State of Utah have both seen a decrease in some economic indicators recently, the local economy is still performing well and management is cautiously optimistic about the next fiscal period.

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 is well positioned to continue to provide municipal services even if the economy was to soften and the growth of revenues 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 city-wide road crack sealing projects and other voter-approved road projects, including Sandhill Road,
- Completion or significant progress on missing sidewalk sections along all roads within 1/3 mile of each public school,
- The installation of street lights in many city parks,
- Near completion of a new 20 million gallon water tank through a joint venture with the Central Utah Water Conservancy District,
- Completion of remodeling projects at the Orem Fitness Center, Fire Station #1, and the 30 year-old portion of the Library, and,
- Completion of the new Public Works facility

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,
- Completion of the storm sewer system,
- City Center renovation,
- 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.

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, \$15,000 for general liability, and \$10,000 for 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. These internal audits have continued into calendar year 2007.

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, 2006. This was the nineteenth 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.

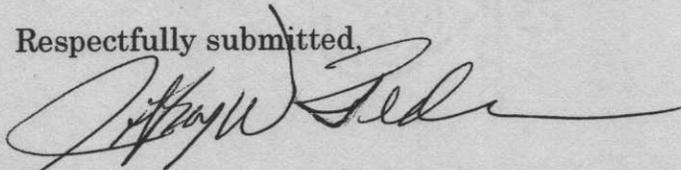
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to

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,

A handwritten signature in black ink, appearing to read "Jeffrey W. Pedersen", written over a horizontal line.

Jeffrey W Pedersen
Administrative Services Director

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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

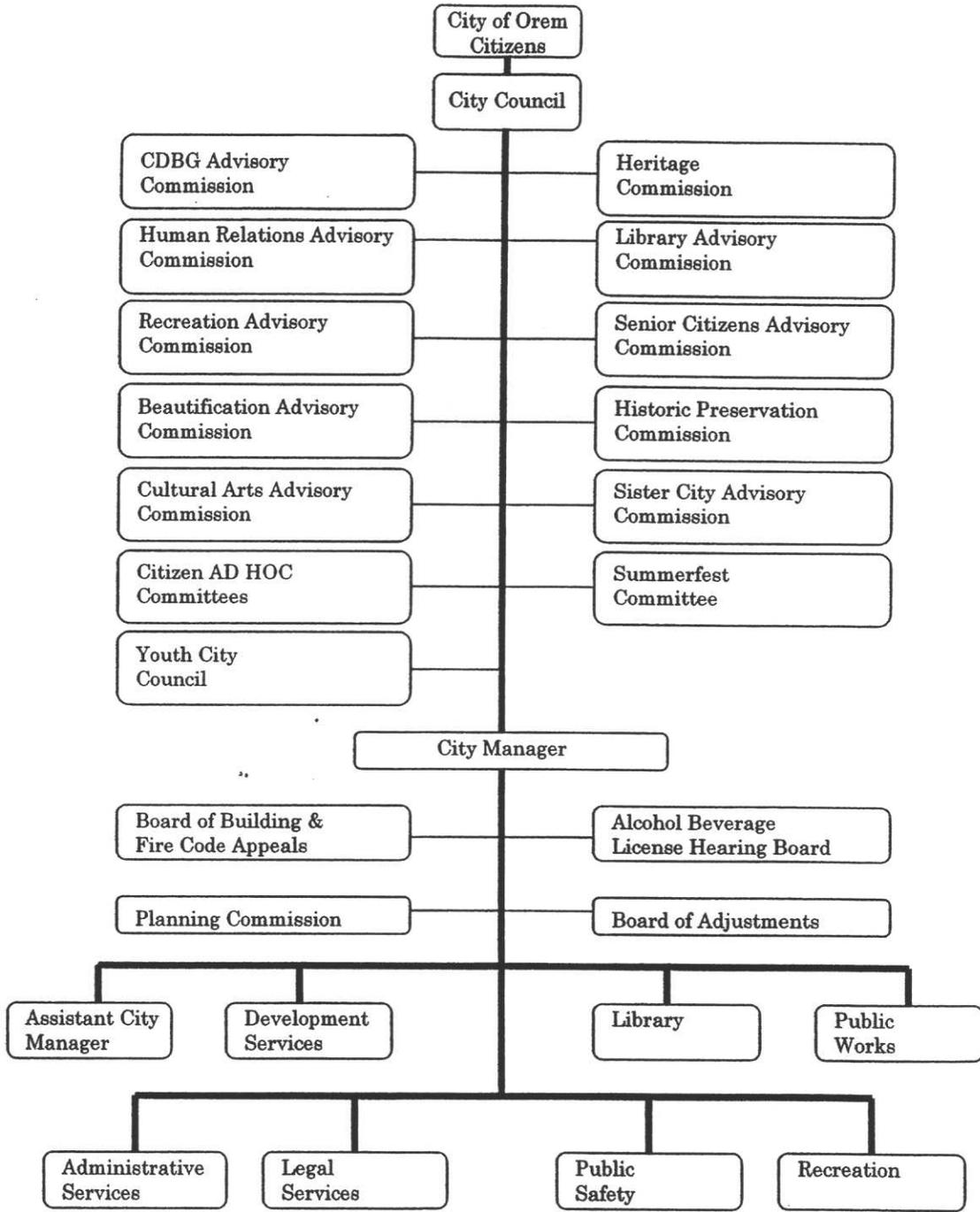
Director of Public Safety Michael J. Larsen

Director of Public Works Bruce W. Chesnut

Director of Recreational Services Karl R. Hirst

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, 2006

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.



President

Executive Director

T H E C I T Y O F O R E M
ADMINISTRATIVE *Services*

DEPARTMENT FOCUS

Each year the City selects a department and highlights its efforts and accomplishments. In 2007, Administrative Services has been selected.

✧ 2007 Year in Review ✧

The department is charged with overseeing the financial, information technology and billing functions of the City. The department is made up of three divisions: Treasury, Accounting and Information Technology.

Treasury Division

UTILITIES GROUP

The Utility Billing group consists of technicians and customer service representatives (CSR's). The technicians are responsible for the maintenance of over 20,000 water meters throughout the City while collecting approximately 160,000 meter reads during a fiscal year. The CSR's bill for the water service along with residential garbage collection (including recycling and green waste materials), storm sewer and city-wide street lighting services. Additionally, the

CSR's process and balance all funds coming in from the different departments on a daily basis. In addition to handling customer service calls for utility accounts, the CSR's also answer the general information line for the City and respond to an average of 500 phone calls per day.



Treasury Division

The Treasury Division is made up of three groups:

The Treasurer, Utilities and Business Licensing.

The Treasurer is responsible for working with our banks, managing investments, depositing City funds daily, ensuring the timely payment of all City debt and supervising the Treasury Division.

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Business Licensing

The Business Licensing group manages approximately 4,400 licenses for all types of businesses.

The business license technicians' responsibilities include code enforcement and annual license renewals among other things. Code enforcement activities reveal 10-15 unlicensed businesses per month. They work closely with Public Safety and Development Services personnel to ensure compliance with health, safety and zoning regulations.

Accounting Division

*The Accounting Division is made up of three groups:
Accounting, Accounts Payable and Purchasing and Warehousing.*



Accounting

Accounting is responsible for all City funds, assets and liabilities. These personnel manage the general and subsidiary ledgers, balance cash and investments with banks and other depository institutions, prepare the CAFR and bill accounts receivable. They recently implemented a new general ledger system. Working with the City's internal auditors, accounting personnel completed an extensive and comprehensive fixed asset audit in the past year.

The Purchasing and Warehousing Group

The Purchasing and Warehousing group is responsible for reviewing and approving all purchase orders issued by the city. This review ensures that all disbursements of the city are in compliance with city ordinances pertaining to bid and request for proposal limits. They are also responsible for maintaining adequate levels of certain inventoriable items that allow the city to operate more efficiently because these items are always available for immediate use. They are responsible for tracking over 35,000 inventory items. The Warehousing function recently moved to the new Public Works facility which increased storage capacity.



Accounts Payable

Accounts Payable processes approximately 10,000 purchase orders and check requests per year. A new accounts payable and purchase order system was implemented during the past year.

Information Technology Division

Information Technology (IT) is responsible for the majority of the computers and computer systems in the City. The division is made up of four groups: Software Development, Technology Support Services, Network Design and Implementation and Telecommunications.



SOFTWARE DEVELOPMENT

The Software Development group is on the leading edge of program development technology and has written nearly all the systems currently in use at the City. In the past year alone this group has created and integrated the following systems: Orem Application Toolbar, permit scheduling and tracking system, check-printing and automated-signature system, check-reconciliation, plat/Mylar tracking, employee ID card program, general ledger transaction drill down function and a web site for Timpanogos Storytelling Festival.

TECHNOLOGY SUPPORT SERVICES

The Technology Support Services group is responsible for installing, maintaining, trouble-shooting and updating software applications on all computers and laptops under IT's jurisdiction. They make certain all hardware and software is up-to-date and employees have access to programs they need to do their jobs.

NETWORK DESIGN & IMPLEMENTATION

The Network Design and Implementation group is responsible for everything related to the city-wide network of computers. This group makes sure that all City computers stay connected, are able to communicate with one another and connect to the internet appropriately. They maintain network security and recently completed an upgrade to this vital system.

TELECOMMUNICATIONS

The Telecommunications group is responsible for cell phone administration, telephones, phone switching equipment, wiring infrastructure and fiber connectivity between City sites.

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, 2007, 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 opinions 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, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2007 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 assessing the results of our audit.

The management's discussion and analysis on pages 19 through 32 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's basic financial statements. The introductory section, combining, and individual nonmajor fund financial statements and schedules, and statistical section 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 and schedules 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 and statistical sections 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

December 5, 2007

City of Orem
Management's Discussion and Analysis
June 30, 2007

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, 2007. 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 government-wide assets of the City exceeded its liabilities by \$202,518,936 (total net assets). Of this amount, \$31,136,091 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total government-wide net assets consist of \$166,994,644 in capital assets net of related debt and \$35,524,292 in other net assets.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,490,765. Of this amount, \$22,747,564 (85.87%) is available for spending at the government's discretion (unreserved fund balance) with the balance of \$3,743,201 reserved for capital projects, debt service, and prepaids.
- The City issued lease revenue refunding bonds in January of 2007 for \$3,826,000 to replace a portion of the existing 2000 Series bonds. This refunding took place in order to gain a more favorable interest rate saving the City \$208,615 in total debt service payments.
- As of the end of the current fiscal year, the City's enterprise funds reported an increase in net assets of \$4,485,402 compared to the prior year's increase of \$2,780,049. The increase was due primarily to increased water revenues of \$842,714, water reclamation revenues of \$336,539, and contributions from developers of \$914,440.

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 of 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, 2007

- 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*.

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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 servicing 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.

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Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As mentioned in the highlights section, assets exceeded liabilities by \$202,506,530 at June 30, 2007.

By far the largest portion of the City's net assets (82.46%) is its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets) less any outstanding debt related to the acquisition of those assets. 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 47,685,570	\$ 46,900,711	\$ 13,512,030	\$ 21,337,835	\$ 61,197,600	\$ 68,238,546
Capital assets	159,876,299	147,724,358	68,226,067	56,023,745	228,102,366	203,748,103
Total assets	<u>207,561,869</u>	<u>194,625,069</u>	<u>81,738,097</u>	<u>77,361,580</u>	<u>289,299,966</u>	<u>271,986,649</u>
Long-term debt						
outstanding	50,592,829	50,559,187	20,557,156	20,286,124	71,149,985	70,845,311
Other liabilities	11,528,602	6,866,261	4,102,443	4,482,360	15,631,045	11,348,621
Total liabilities	<u>62,121,431</u>	<u>57,425,448</u>	<u>24,659,599</u>	<u>24,768,484</u>	<u>86,781,030</u>	<u>82,193,932</u>
Net assets:						
Invested in capital assets,						
net of related debt	114,171,270	106,186,394	52,823,374	44,153,834	166,994,644	150,340,228
Restricted	4,388,201	2,177,533	-	190,283	4,388,201	2,367,816
Unrestricted	26,880,967	28,835,694	4,255,124	8,248,979	31,136,091	37,084,673
Total net assets	<u>\$ 145,440,438</u>	<u>\$ 137,199,621</u>	<u>\$ 57,078,498</u>	<u>\$ 52,593,096</u>	<u>\$ 202,518,936</u>	<u>\$ 189,792,717</u>

A portion of the City of Orem's net assets (2.17%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$31,136,091) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Street Lighting Fund was the only fund reporting a deficit in unrestricted net assets (\$388,739). This deficit was created by timing differences between debt service payments on leases and the implementation of fees assessed to property owners and will eventually be eliminated when the debt is retired.

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

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net assets, for the government as a whole, as well as for its separate governmental and business-type activities.

In comparing the current fiscal year to the prior fiscal year, the government's net assets, net of the prior period adjustment, increased by \$12,726,219 (6.71%), total revenues increased by \$11,539,522 (14.56%) due to increases in almost every revenue category, and expenses increased by \$4,634,211 (6.69%). The following is a summary of the changes in net assets:

City of Orem's Changes in Net Assets

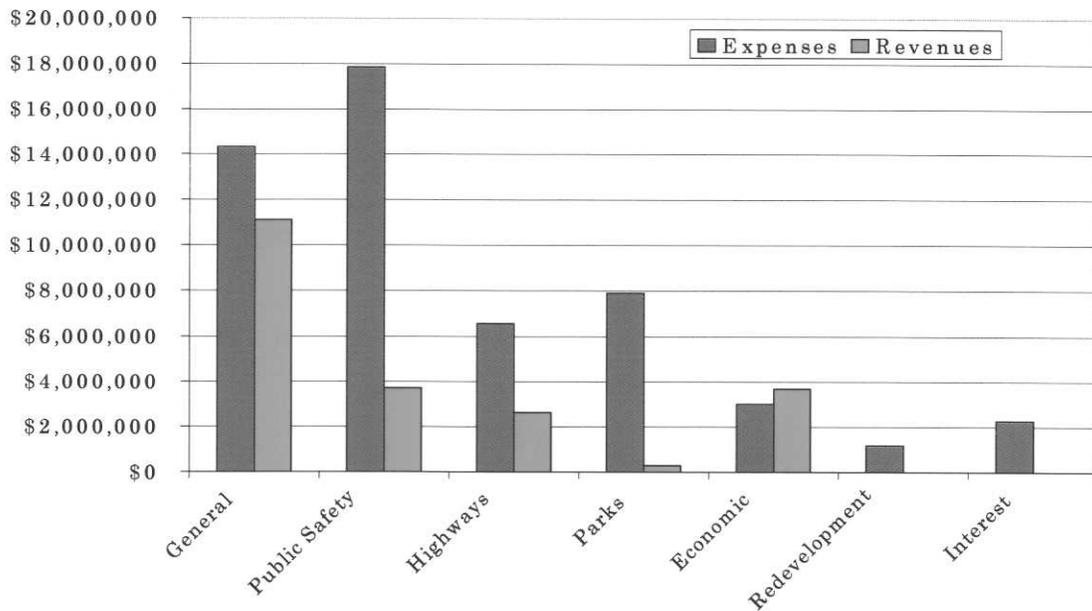
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 14,785,255	\$ 13,357,439	\$ 21,449,496	\$ 20,484,570	\$ 36,234,751	\$ 33,842,009
Operating grants and contributions	852,452	1,597,103	248,000	-	1,100,452	1,597,103
Capital grants and contributions	5,800,844	4,168,784	2,677,880	1,763,440	8,478,724	5,932,224
General revenues:						
Property taxes	9,558,706	8,741,450	-	-	9,558,706	8,741,450
Sales taxes	21,330,290	18,008,143	-	-	21,330,290	18,008,143
Other taxes	8,093,293	7,968,847	-	-	8,093,293	7,968,847
Other	5,303,210	2,199,586	697,655	968,197	6,000,865	3,167,783
Total revenues	<u>65,724,050</u>	<u>56,041,352</u>	<u>25,073,031</u>	<u>23,216,207</u>	<u>90,797,081</u>	<u>79,257,559</u>
Expenses:						
General government	14,331,656	12,100,627	-	-	14,331,656	12,100,627
Public safety	17,855,927	16,234,941	-	-	17,855,927	16,234,941
Highways and public improvements	6,574,954	6,485,972	-	-	6,574,954	6,485,972
Parks and recreation	7,904,959	6,866,860	-	-	7,904,959	6,866,860
Economic and physical development	3,009,244	3,430,829	-	-	3,009,244	3,430,829
Redevelopment	1,189,544	846,213	-	-	1,189,544	846,213
Interest on long-term debt	2,263,478	2,083,152	-	-	2,263,478	2,083,152
Water	-	-	7,431,471	7,503,542	7,431,471	7,503,542
Water reclamation	-	-	5,894,276	5,975,572	5,894,276	5,975,572
Storm sewer	-	-	1,725,747	1,814,312	1,725,747	1,814,312
Recreation	-	-	1,567,468	1,989,045	1,567,468	1,989,045
Solid waste	-	-	2,955,318	2,774,492	2,955,318	2,774,492
Street lighting	-	-	1,166,820	1,131,094	1,166,820	1,131,094
Total expenses	<u>53,129,762</u>	<u>48,048,594</u>	<u>20,741,100</u>	<u>21,188,057</u>	<u>73,870,862</u>	<u>69,236,651</u>
Increase (decrease) in net assets before transfers	12,594,288	7,992,758	4,331,931	2,028,150	16,926,219	10,020,908
Transfers in (out)	(153,471)	(751,899)	153,471	751,899	-	-
Increase in net assets	<u>12,440,817</u>	<u>7,240,859</u>	<u>4,485,402</u>	<u>2,780,049</u>	<u>16,926,219</u>	<u>10,020,908</u>
Net assets, beginning - as previously reported	137,199,621	129,958,762	52,593,096	49,813,047	189,792,717	179,771,809
Prior period adjustment	(4,200,000)	-	-	-	(4,200,000)	-
Net assets, beginning - as restated	<u>132,999,621</u>	<u>129,958,762</u>	<u>52,593,096</u>	<u>49,813,047</u>	<u>185,592,717</u>	<u>179,771,809</u>
Net assets, ending	<u>\$ 145,440,438</u>	<u>\$ 137,199,621</u>	<u>\$ 57,078,498</u>	<u>\$ 52,593,096</u>	<u>\$ 202,518,936</u>	<u>\$ 189,792,717</u>

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Governmental activities. Governmental activities increased the City of Orem's net assets, net of the prior period adjustment, by \$8,240,817 which represents 64.75% of the total growth of net assets of the City of Orem. The increase in net assets is primarily due to a 19.96% increase in general revenues offset by a 10.58% increase in total expenses.

The following graph displays the governmental activities reflected in the table "City of Orem's Changes in Net Assets". Note that the graph below does not include general revenues of \$44,285,499 because these revenues are not specific to a particular department.

**Expenses and Program Revenues - Governmental
 Activities
 For Year Ending June 30, 2007**



Key elements related to the increase in governmental activities net assets are as follows:

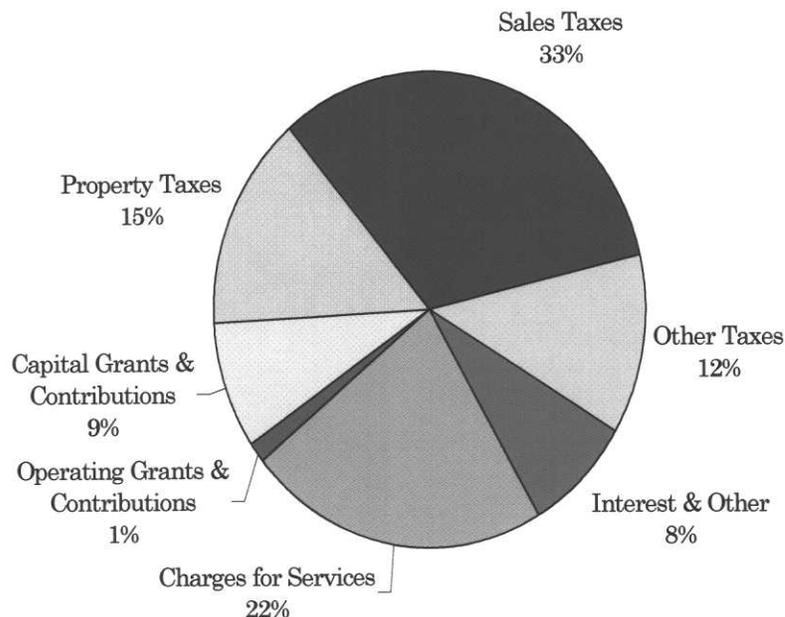
- Total revenues increased by \$9,682,698 (17.28%).
- Program revenues increased by \$2,315,225. This increase is primarily due to increases in capital grants and contributions (39.15%).
- General revenues increased by \$7,367,473 (19.96%). This increase is due in large part to the growth in property tax and sales tax

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- collections. Also, the sale of the City's public works building and property resulted in other revenue of approximately \$3,624,000.
- Total expenses increased by \$5,081,168 (10.58%). This increase is primarily due to increases in expenses for general government (18.44%), parks and recreation (15.12%), and public safety (9.98%). The increase in general government expenditures is due in large part to the increase in personnel costs of \$678,529 (10.24%) and self-insured recaptured losses of roughly \$420,000. The increase in parks and recreation expenditures is due mainly to moving the outdoor programs division from the recreation enterprise fund to the general fund. The increase in public safety expenditures is almost entirely due to an increase in personnel costs totaling \$988,887 (7.35%).

The following graph displays the governmental activities revenues by source. The information reflected in this graph comes from the "City of Orem's Changes in Net Assets" table previously shown.

**Revenues by Source - Governmental Activities
For Fiscal Year Ending June 30, 2007**

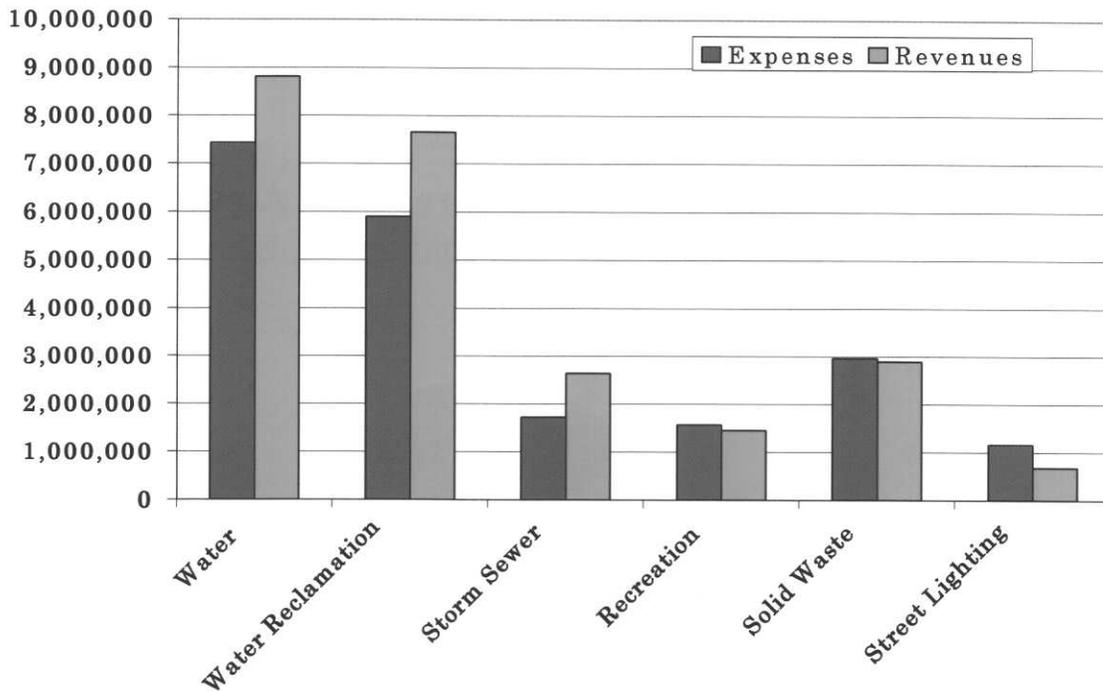


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Business-type activities. Business-type activities increased the City's net assets by \$4,485,402 which represents 35.25% of the total growth in net assets of the City of Orem. As of the end of the current fiscal year, all of the City's business-type funds reported positive net assets.

The following graph displays the business-type activities for enterprise funds reflected in the table "City of Orem's Changes in Net Assets".

**Expenses and Program Revenues - Business-type
 Activities
 For Fiscal Year Ending June 30, 2007**



Key elements related to the increase in business-type activities net assets are as follows:

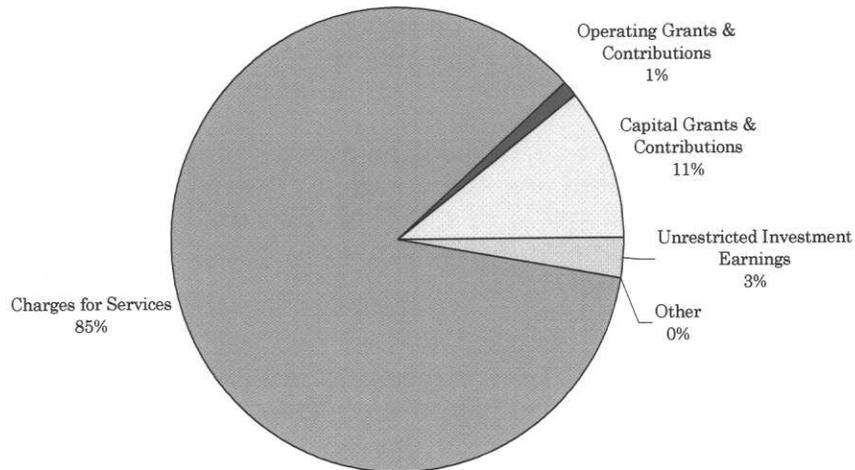
- Business-type activities reported increased revenues over the prior year of \$1,856,824 (8.00%). Total revenues increased or decreased as follows:

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- Water fund operating revenues increased by 11.36%, primarily due to an increase in the per meter base rate and due to increased water consumption.
 - Water Reclamation fund operating revenues increased by 6.10%, primarily due to an increase in water consumption.
 - Recreation fund operating revenues decreased by 11.90%, primarily due to moving the outdoor programs division to the general fund.
- Business-type activities reported a total decrease in expenses from the prior year of 2.11%. The decrease is primarily due to the recreation fund. As previously mentioned, the outdoor programs division was moved from the recreation fund to the general fund.

The following graph displays the business-type activities revenues by source. The information reflected in this graph comes from the "City of Orem's Changes in Net Assets" table previously shown.

Revenues by Source - Business-type Activities
For Fiscal Year Ending June 30, 2007



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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 \$26,490,765. Of this total amount, \$22,747,564 (85.87%) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining fund balance of \$3,743,201 is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service 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 \$9,031,333 while total fund balance reached \$10,772,082. 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 22.63% (prior year was 16.08%) of total general fund expenditures, while total fund balance represents 26.99% (prior year was 19.62%) of that same amount.

The capital projects fund has a total fund balance of \$8,438,908, all of which is designated for the payment of capital improvement or economic and physical development projects. The net increase in fund balance during the current year of \$1,426,606 represents an increase of 20.34%.

The road bonds capital projects fund has a total fund balance of \$1,911,824, all of which is designated for the payment of road improvement projects. Fund balance decreased by \$7,802,156 in the current fiscal year due to the bond related road improvement projects being completed or nearing completion during the 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 \$17,794. Total net assets increased by \$1,804,273 (7.44%) during the current fiscal year. Operating revenues increased by \$789,654 (11.36%). Water revenues increased primarily due to meter base rate increases which totaled approximately \$750,000 for the year. Water consumption increased by 6.82% which also increased revenues when compared to the prior year. Operating

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expenses decreased by \$68,976 (0.99%) in comparison with the prior year. The decrease in expenses is primarily associated with a \$311,484 decrease in depreciation expense. This decrease was the result of some of the original water system construction costs becoming fully depreciated in the prior fiscal year. The decrease was largely offset by increases in personnel costs and administrative fees. The increase in personnel costs (8.92%) were due to general pay increases and the increasing cost of healthcare benefits.

Unrestricted net assets of the water reclamation fund at the end of the year amounted to \$1,986,102. Total net assets increased by \$1,675,253 (10.37%) during the current fiscal year. Operating revenues increased by \$353,943 (6.10%) because water consumption is up 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. Operating expenses decreased by \$75,102 (1.27%) in comparison with the prior year. The decrease in expenses is primarily associated with a \$231,843 decrease in depreciation expense. This decrease was the result of some of the original sewer system construction costs becoming fully depreciated in the prior fiscal year. The decrease was largely offset by increases in personnel costs. The increase in personnel costs (5.30%) were due to general pay increases and the increasing cost of healthcare benefits.

Unrestricted net assets of the storm sewer fund at the end of the year amounted to \$1,784,156. Total net assets increased by \$782,153 (8.09%) during the current fiscal year. Operating revenues increased by \$13,094 (0.52%). Operating expenses decreased by \$85,196 (5.46%) in comparison with the prior year. Expenses associated with maintenance of the storm sewer system are the majority of the decrease 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 net transfers) of \$43,219,904 to a final budget of \$47,596,661, an increase of \$4,376,757. These increases to the budget can be briefly summarized as follows:

- An increase of \$230,510 in general government activities, primarily in the executive department related to healthcare expenditures.
- An increase of \$563,668 in the police division due to various public safety grants received during the year.
- An increase of \$292,237 for highways and public improvements. The City had a need to fund various miscellaneous projects.
- An increase of \$577,790 for parks and recreation for various projects including additional funding for remodeling the library.
- An increase of \$2,931,000 in transfers out to provide for critical current and future capital improvement needs such as various road improvement projects and building remodels and additions.

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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, 2007, amounts to \$228,102,366 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment (including vehicles), infrastructure, and construction in progress.

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

- Public safety purchased several new vehicles and replaced a number of aging police vehicles totaling \$453,845.
- Work on the new Public Works building, public library remodel, and fire station #1 remodel was completed with additional current year costs of approximately \$6,938,000.
- Various road projects completed or added to construction in process were approximately \$8,981,000.
- Work on a new 20 million gallon water tank added \$3,134,000 to construction in progress for the year.
- Remodel work on the Orem Fitness Center was completed with additional current year costs of approximately \$155,000.
- Various water, sewer, and storm sewer line improvements totaled approximately \$8,196,000.

**City of Orem's Capital Assets
(net of depreciaton)**

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 58,784,875	\$ 58,711,795	\$ 891,439	\$ 891,439	\$ 59,676,314	\$ 59,603,234
Buildings and systems	17,593,190	10,498,645	3,956,205	2,987,304	21,549,395	13,485,949
Improvements other than buildings	17,847,472	16,044,627	1,518,987	1,156,949	19,366,459	17,201,576
Machinery and equipment	4,913,122	4,979,981	1,603,875	1,484,267	6,516,997	6,464,248
Infrastructure	56,392,889	47,722,862	43,624,734	37,774,054	100,017,623	85,496,916
Construction in progress	4,344,751	9,766,448	16,630,827	11,729,735	20,975,578	21,496,183
Total net assets	<u>\$ 159,876,299</u>	<u>\$ 147,724,358</u>	<u>\$ 68,226,067</u>	<u>\$ 56,023,748</u>	<u>\$ 228,102,366</u>	<u>\$ 203,748,106</u>

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

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Long-term debt. At the end on the current year, the City had total bonded debt outstanding of \$62,340,757. Of this amount, \$21,025,000 comprises debt backed by the full faith and credit of the government and \$41,315,757 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 21,025,000	\$ 21,995,000	-	-	\$ 21,025,000	\$ 21,995,000
Revenue bonds	21,673,000	23,175,000	\$ 19,642,757	\$ 19,313,757	41,315,757	42,488,757
Total bonds	<u>\$ 42,698,000</u>	<u>\$ 45,170,000</u>	<u>\$ 19,642,757</u>	<u>\$ 19,313,757</u>	<u>\$ 62,340,757</u>	<u>\$ 64,483,757</u>

The City's total bonded debt decreased by \$2,143,000 (3.32%) during the current fiscal year. During the year, \$3,826,000 in Municipal Building Authority (MBA) Lease Revenue Refunding bonds were issued and \$3,520,000 of Series 2000 MBA Lease Revenue bonds were defeased.

The City of Orem maintains a "AA" rating from Fitch Ratings 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 \$211,203,149, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allow 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 \$422,406,298, which again significantly exceeds the outstanding business-type activity debt.

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 at June 30, 2007 was 2.8% (prior year was 3.1%). This compares with a Utah County (of which Orem is the second largest city) unemployment rate of 2.8% (prior year was 3.1%), a state unemployment rate of 2.9% (prior year was 3.3%), and a national rate of 4.5% (prior year was 4.6%). (Source: U.S. Bureau of Labor Statistics).
- The General Fund budget for the fiscal year-ending June 30, 2008 reflects a decrease of 4.48% in revenues, excluding appropriations of surplus, compared to the final fiscal year ending June 30, 2007. This decrease in revenues is due primarily to decreases in grants and

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special assessments. Budgeted expenditures decreased by 6.59% over the final fiscal year ending June 30, 2007 expenditures.

- Economic trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2008 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.

City of Orem
Statement of Net Assets
June 30, 2007

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit CEDO
ASSETS				
Cash and Cash Equivalents	\$ 21,089,520	\$ 7,083,756	\$ 28,173,276	\$ 252,279
Receivables (Net of Allowance for Uncollectibles)	85,970	1,677,268	1,763,238	-
Property Taxes Receivable	4,300,000	-	4,300,000	-
Other Taxes Receivable	4,958,114	-	4,958,114	-
Special Assessments Receivable	7,675,533	-	7,675,533	-
Internal Balances	410,271	(410,271)	-	-
Inventory	290,164	-	290,164	-
Notes Receivable	350,802	-	350,802	755,377
Prepaid Expenses	19,799	-	19,799	-
Deferred Charges	543,247	291,283	834,530	-
Restricted Assets:				
Cash and Cash Equivalents:				
Debt Service	548,735	-	548,735	-
Capital Improvement Projects	6,792,077	4,869,994	11,662,071	-
Intergovernmental Receivable	621,338	-	621,338	-
Capital Assets:				
Non-depreciable Capital Assets	63,129,626	17,522,266	80,651,892	15,000
Depreciable Capital Assets (net)	96,746,673	50,703,801	147,450,474	109,932
Total Assets	<u>207,561,869</u>	<u>81,738,097</u>	<u>289,299,966</u>	<u>1,132,588</u>
LIABILITIES				
Accounts Payable	1,997,172	3,081,610	5,078,782	-
Customer Deposits	1,890,149	10,914	1,901,063	-
Accrued Liabilities	2,061,163	202,608	2,263,771	-
Unearned Revenue	5,022,236	423,993	5,446,229	755,377
Accrued Interest Payable	509,463	383,318	892,781	-
Liabilities Payable from Restricted Assets	48,419	-	48,419	-
Noncurrent Liabilities:				
Due within One Year	9,125,204	1,129,304	10,254,508	-
Due in more than One Year	41,467,625	19,427,852	60,895,477	-
Total Liabilities	<u>62,121,431</u>	<u>24,659,599</u>	<u>86,781,030</u>	<u>755,377</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	114,171,270	52,823,374	166,994,644	124,932
Restricted for:				
Debt Service	548,175	-	548,175	-
Construction	3,820,227	-	3,820,227	-
Other Purposes	19,799	-	19,799	-
Unrestricted	26,880,967	4,255,124	31,136,091	252,279
Total Net Assets	<u>\$ 145,440,438</u>	<u>\$ 57,078,498</u>	<u>\$ 202,518,936</u>	<u>\$ 377,211</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, 2007

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 14,331,656	\$ 11,054,187	\$ 54,434	\$ -
Public Safety	17,855,927	3,156,406	376,891	178,598
Highways and Public Improvements	6,574,954	-	-	2,634,042
Parks and Recreation	7,904,959	301,383	-	-
Economic and Physical Development	3,009,244	273,279	421,127	2,988,204
Redevelopment	1,189,544	-	-	-
Interest on Long-term Debt	2,263,478	-	-	-
Total Governmental Activities	53,129,762	14,785,255	852,452	5,800,844
Business-type Activities:				
Water	7,431,471	7,741,810	-	1,066,880
Water Reclamation	5,894,276	6,154,501	-	1,497,200
Storm Sewer	1,725,747	2,523,425	248,000	113,800
Recreation	1,567,468	1,452,458	-	-
Solid Waste	2,955,318	2,893,052	-	-
Street Lighting	1,166,820	684,250	-	-
Total Business-type Activities	20,741,100	21,449,496	248,000	2,677,880
Total Primary Government	\$ 73,870,862	\$ 36,234,751	\$ 1,100,452	\$ 8,478,724
Component Unit:				
CEDO	\$ 199,162	-	\$ 155,000	-
Total Component Unit	\$ 199,162	-	\$ 155,000	-

General Revenues:

- Property Taxes
- Sales Taxes
- Franchise Taxes
- Vehicle Taxes
- Other Taxes
- Grants and Contributions not restricted to specific programs
- Unrestricted Investment Earnings
- Gain (Loss) on Sale of Capital Assets

Transfers In (Out)

Total General Revenues and Transfers

Change in Total Net Assets

Total Net Assets - Beginning, As Previously Reported

Prior Period Adjustment

Total Net Assets - Beginning, As Restated

Total 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
\$ (3,223,035)	\$ -	\$ (3,223,035)	\$ -
(14,144,032)	-	(14,144,032)	-
(3,940,912)	-	(3,940,912)	-
(7,603,576)	-	(7,603,576)	-
673,366	-	673,366	-
(1,189,544)	-	(1,189,544)	-
(2,263,478)	-	(2,263,478)	-
<u>(31,691,211)</u>	<u>-</u>	<u>(31,691,211)</u>	<u>-</u>
-	1,377,219	1,377,219	-
-	1,757,425	1,757,425	-
-	1,159,478	1,159,478	-
-	(115,010)	(115,010)	-
-	(62,266)	(62,266)	-
-	(482,570)	(482,570)	-
-	<u>3,634,276</u>	<u>3,634,276</u>	<u>-</u>
\$ (31,691,211)	\$ 3,634,276	\$ (28,056,935)	-
-	-	-	\$ (44,162)
-	-	-	\$ (44,162)
9,558,706	-	9,558,706	-
21,330,290	-	21,330,290	-
6,804,907	-	6,804,907	-
1,023,904	-	1,023,904	-
264,482	-	264,482	-
-	-	-	37,305
1,735,589	699,801	2,435,390	12,817
3,567,621	(2,146)	3,565,475	-
(153,471)	153,471	-	-
<u>44,132,028</u>	<u>851,126</u>	<u>44,983,154</u>	<u>50,122</u>
<u>12,440,817</u>	<u>4,485,402</u>	<u>16,926,219</u>	<u>5,960</u>
<u>137,199,621</u>	<u>52,593,096</u>	<u>189,792,717</u>	<u>371,251</u>
<u>(4,200,000)</u>	<u>-</u>	<u>(4,200,000)</u>	<u>-</u>
<u>132,999,621</u>	<u>52,593,096</u>	<u>185,592,717</u>	<u>371,251</u>
\$ <u>145,440,438</u>	\$ <u>57,078,498</u>	\$ <u>202,518,936</u>	\$ <u>377,211</u>

City of Orem
Balance Sheet
Governmental Funds
June 30, 2007

	General	Capital Projects	Road Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 8,101,512	\$ 6,933,904	\$ -	\$ 4,572,917	\$ 19,608,333
Receivables (Net of Allowance for Uncollectibles)	85,970	-	-	-	85,970
Property Taxes Receivable	4,300,000	-	-	-	4,300,000
Other Taxes Receivable	4,591,360	-	-	366,754	4,958,114
Special Assessments Receivable	7,675,533	-	-	-	7,675,533
Due from Other Funds	446,422	-	-	-	446,422
Intergovernmental Receivable	-	621,338	-	-	621,338
Notes Receivable	-	-	-	350,802	350,802
Prepays	19,799	-	-	-	19,799
Restricted Cash and Cash Equivalents:					
Debt Service	-	-	-	548,735	548,735
Capital Improvement Projects	1,774,313	1,166,527	2,919,047	287,190	6,147,077
Total Assets	<u>\$ 26,994,909</u>	<u>\$ 8,721,769</u>	<u>\$ 2,919,047</u>	<u>\$ 6,126,398</u>	<u>\$ 44,762,123</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts Payable	298,425	282,861	971,072	4,178	1,556,536
Customer Deposits	1,890,149	-	-	-	1,890,149
Accrued Liabilities	2,010,301	-	-	32,033	2,042,334
Due to Other Funds	-	-	36,151	-	36,151
Deferred Revenue	11,975,533	-	-	722,236	12,697,769
Liabilities Payable from Restricted Assets	48,419	-	-	-	48,419
Total Liabilities	<u>16,222,827</u>	<u>282,861</u>	<u>1,007,223</u>	<u>758,447</u>	<u>18,271,358</u>

	General	Capital Projects	Road Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Reserved for:					
Class "C" Road	1,470,950	-	-	-	1,470,950
Debt Service and Capital Improvements	250,000	1,166,527	-	835,925	2,252,452
Prepays	19,799	-	-	-	19,799
Unreserved, reported in:					
General Fund	9,031,333	-	-	-	9,031,333
Capital Projects Funds	-	7,272,381	1,911,824	-	9,184,205
Debt Service Funds	-	-	-	650,902	650,902
Special Revenue Funds	-	-	-	3,881,124	3,881,124
Total Fund Balances	<u>10,772,082</u>	<u>8,438,908</u>	<u>1,911,824</u>	<u>5,367,951</u>	<u>26,490,765</u>
Total Liabilities and Fund Balances	<u>\$ 26,994,909</u>	<u>\$ 8,721,769</u>	<u>\$ 2,919,047</u>	<u>\$ 6,126,398</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, warehousing 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

	159,876,299				
		543,247			7,675,533
					1,898,011
					(50,534,062)
					<u>(509,355)</u>
					<u>\$ 145,440,438</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, 2007

	General	Capital Projects	Road Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and Special Assessments	\$ 32,137,859	\$ -	\$ -	\$ 7,268,001	\$ 39,405,860
Licenses and Permits	1,647,862	-	-	-	1,647,862
Intergovernmental	3,160,144	75,000	-	421,127	3,656,271
Charges for Services	4,236,720	-	-	273,279	4,509,999
Fines and Forfeitures	607,152	-	-	-	607,152
Charges for Services - Other Funds	3,821,727	-	-	-	3,821,727
Interest Income	1,120,468	-	334,188	164,441	1,619,097
Miscellaneous Revenue	1,061,657	3,970,990	-	383,585	5,416,232
Total Revenues	47,793,589	4,045,990	334,188	8,510,433	60,684,200
EXPENDITURES					
Current:					
General Government	11,243,791	-	-	-	11,243,791
Public Safety	16,593,911	-	-	-	16,593,911
Highways and Public Improvements	4,062,508	-	-	-	4,062,508
Parks, Recreation and Arts	5,940,834	-	-	33,904	5,974,738
Economic and Physical Development	-	2,988,204	-	512,720	3,500,924
Redevelopment	-	-	-	620,031	620,031
Debt Service:					
Principal Retirement	-	-	-	2,967,022	2,967,022
Interest and Fiscal Charges	-	-	-	2,142,143	2,142,143
Bond Issuance Costs	-	-	-	49,667	49,667
Capital Lease Payments - Principal	115,378	-	-	-	115,378
Capital Lease Payments - Interest	11,815	-	-	-	11,815
Capital Outlay	1,942,003	5,646,475	8,136,344	1,789,518	17,514,340
Total Expenditures	39,910,240	8,634,679	8,136,344	8,115,005	64,796,268
Excess (Deficiency) of Revenues over (under) Expenditures	7,883,349	(4,588,689)	(7,802,156)	395,428	(4,112,068)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	3,826,000	3,826,000
Issuance of Notes Payable	-	2,988,204	-	-	2,988,204
Payment to Bond Refunding Agent	-	-	-	(3,770,800)	(3,770,800)
Transfers In	1,955,099	3,241,000	-	2,677,289	7,873,388
Transfers Out	(6,559,557)	(213,909)	-	(1,749,324)	(8,522,790)
Total Other Financing Sources and Uses	(4,604,458)	6,015,295	-	983,165	2,394,002
Net Change in Fund Balances	3,278,891	1,426,606	(7,802,156)	1,378,593	(1,718,066)
Fund Balance - Beginning	7,493,191	7,012,302	9,713,980	3,989,358	28,208,831
Fund Balance - Ending	\$ 10,772,082	\$ 8,438,908	\$ 1,911,824	\$ 5,367,951	\$ 26,490,765

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, 2007

Amounts reported for Governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds		\$ (1,718,066)
<p>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.</p>		
Capital Asset Purchases Capitalized	\$ 18,545,054	
Depreciation Expense	<u>(6,193,594)</u>	12,351,460
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Issuance of Long-term Debt recorded as a long-term liability	\$ (6,814,204)	
Principal Payments recorded as a reduction of the long-term liability	<u>6,602,400</u>	(211,804)
<p>Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Bond Issuance Costs Capitalized	\$ -	
Bond Issuance Costs Capitalized - Refundings	55,200	
Bond (Premiums) Discounts	250,800	
Amortization of Bond Issuance Costs	(85,060)	
Amortization of Bond Issuance Costs - Refundings	(16,989)	
Amortization of Bond Premiums (Discounts)	<u>(4,158)</u>	199,793
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated Absences	\$ (150,847)	
Interest Expense	<u>(104,597)</u>	(255,444)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		2,471,516
<p>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.</p>		
		<u>(396,638)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 12,440,817</u></u>

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

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City of Orem
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Special Assessments	\$ 28,985,000	\$ 31,301,500	\$ 32,137,859	\$ 836,359
Licenses and Permits	1,300,000	1,600,000	1,647,862	47,862
Intergovernmental	2,497,390	2,649,014	3,160,144	511,130
Charges for Services	3,527,500	3,827,725	4,236,720	408,995
Fines and Forfeitures	510,000	552,741	607,152	54,411
Charges for Services - Other Funds	3,821,727	3,821,727	3,821,727	-
Interest Revenues	687,044	884,294	1,120,468	236,174
Miscellaneous Revenues	1,066,243	1,087,476	1,061,657	(25,819)
Total Revenues	<u>42,394,904</u>	<u>45,724,477</u>	<u>47,793,589</u>	<u>2,069,112</u>
EXPENDITURES				
General Government:				
Legislative	240,047	256,350	251,619	4,731
Executive	3,985,558	3,636,969	3,468,629	168,340
Personnel Administration	372,949	388,578	375,936	12,642
Administrative Services	3,125,037	3,449,805	2,844,489	605,316
Development Services	3,017,429	3,239,103	2,995,170	243,933
Other - Unclassified	1,437,999	1,438,724	1,360,451	78,273
Total General Government	<u>12,179,019</u>	<u>12,409,529</u>	<u>11,296,294</u>	<u>1,113,235</u>
Public Safety:				
Administration	786,172	952,385	871,703	80,682
Police	11,041,006	11,604,674	11,002,154	602,520
Fire	5,412,138	5,408,688	5,376,658	32,030
Total Public Safety	<u>17,239,316</u>	<u>17,965,747</u>	<u>17,250,515</u>	<u>715,232</u>
Highways and Public Improvements:				
Administration	1,145,781	1,221,378	1,170,193	51,185
Engineering	4,225,007	4,441,647	3,907,661	533,986
Total Highways and Public Improvements	<u>5,370,788</u>	<u>5,663,025</u>	<u>5,077,854</u>	<u>585,171</u>
Parks, Recreation and Arts	6,227,499	6,805,289	6,158,384	646,905
Debt Service:				
Principal Retirement	-	-	-	-
Capital Lease Payments - Principal	115,378	115,378	115,378	-
Capital Lease Payments - Interest	11,815	11,815	11,815	-
Total Debt Service	<u>127,193</u>	<u>127,193</u>	<u>127,193</u>	<u>-</u>
Total Expenditures	<u>41,143,815</u>	<u>42,970,783</u>	<u>39,910,240</u>	<u>3,060,543</u>
Excess of Revenues over Expenditures	<u>1,251,089</u>	<u>2,753,694</u>	<u>7,883,349</u>	<u>5,129,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,573,888	1,955,099	1,955,099	-
Transfers Out	(3,649,977)	(6,580,977)	(6,559,557)	21,420
Total Other Financing Sources and Uses	<u>(2,076,089)</u>	<u>(4,625,878)</u>	<u>(4,604,458)</u>	<u>21,420</u>
Net Change in Fund Balance	<u>(825,000)</u>	<u>(1,872,184)</u>	<u>3,278,891</u>	<u>5,151,075</u>
Fund Balance - Beginning	7,493,191	7,493,191	7,493,191	-
Fund Balance - Ending	<u>\$ 6,668,191</u>	<u>\$ 5,621,007</u>	<u>\$ 10,772,082</u>	<u>\$ 5,151,075</u>

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

City of Orem
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type			
	Water	Water	Water	Water
	Fund	Fund	Reclamation	Reclamation
	Current Year	Prior Year	Current Year	Prior Year
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,171,578	\$ 2,254,430	\$ 1,667,772	\$ 1,862,260
Accounts Receivable (Net of Allowance for Doubtful Accounts)	657,601	591,503	506,871	417,233
Inventories	-	-	-	-
Prepays	-	-	-	-
Restricted Cash:				
Capital Improvement Projects	4,381,656	8,815,044	-	-
Total Current Assets	6,210,835	11,660,977	2,174,643	2,279,493
Noncurrent Assets:				
Deferred Charges	195,418	208,958	-	-
Capital Assets:				
Land	-	-	557,654	557,654
Buildings and Systems	1,722,649	1,028,498	3,380,362	3,382,378
Improvements other than Buildings	152,231	204,273	578,018	568,858
Machinery and Equipment	1,252,991	2,096,911	3,376,845	4,137,980
Infrastructure	40,579,147	38,238,604	36,434,181	34,326,717
Construction in Progress	12,743,322	7,344,565	579,613	148,864
Less Accumulated Depreciation	(21,709,909)	(21,703,950)	(27,362,730)	(27,111,951)
Total Capital Assets (Net of Accumulated Depreciation)	34,740,431	27,208,901	17,543,943	16,010,500
Total Noncurrent Assets	34,935,849	27,417,859	17,543,943	16,010,500
Total Assets	41,146,684	39,078,836	19,718,586	18,289,993
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,868,937	2,291,032	55,668	125,122
Customer Deposits	10,914	7,961	-	-
Accrued Liabilities	49,682	47,176	65,619	59,475
Due to Other Funds	-	-	-	-
Accrued Vacation and Sick Leave	75,152	66,559	39,139	38,000
Unearned Revenue	48,808	41,060	-	-
Accrued Interest Payable	241,326	241,019	24,690	27,329
Bond Premium - Deferred Revenue	25,182	25,182	-	-
Capital Leases Payable - Current Portion	9,379	7,680	-	-
Bonds Payable - Current Portion	514,263	368,500	187,000	181,000
Total Current Liabilities	2,843,643	3,096,169	372,116	430,926
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	3,955	3,503	3,425	4,275
Bond Premium - Deferred Revenue (net)	431,233	456,414	-	-
Capital Leases Payable - Long-term Portion	9,210	16,974	-	-
Bonds Payable - Long-term Portion	11,791,044	11,242,450	1,505,757	1,692,757
Total Noncurrent Liabilities	12,235,442	11,719,341	1,509,182	1,697,032
Total Liabilities	15,079,085	14,815,510	1,881,298	2,127,958
NET ASSETS				
Invested in Capital Assets, Net of Related Debt Restricted for Capital Improvements	26,049,805	20,869,165	15,851,186	14,136,743
Unrestricted	17,794	3,394,161	1,986,102	2,025,292
Total Net Assets	\$ 26,067,599	\$ 24,263,326	\$ 17,837,288	\$ 16,162,035

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	Internal Service Funds Current Year
\$ 2,938,310	\$ 2,922,755	\$ 1,306,096	\$ 1,156,004	\$ 7,083,756	\$ 1,481,187
186,973	175,621	325,823	315,362	1,677,268	-
-	-	-	-	-	290,164
-	-	-	-	-	-
488,338	2,648,145	-	190,283	4,869,994	645,000
3,613,621	5,746,521	1,631,919	1,661,649	13,631,018	2,416,351
95,865	101,155	-	-	291,283	-
293,963	293,963	39,822	39,822	891,439	-
468,845	42,553	4,121,630	4,121,630	9,693,486	150,000
346,825	816,867	1,499,210	624,911	2,576,284	17,195
1,039,971	970,822	142,067	266,483	5,811,874	206,221
10,169,323	6,979,584	767,317	588,872	87,949,968	-
3,307,892	3,517,038	-	719,268	16,630,827	-
(1,936,811)	(1,716,185)	(4,318,361)	(4,461,284)	(55,327,811)	(168,032)
13,690,008	10,904,642	2,251,685	1,899,702	68,226,067	205,384
13,785,873	11,005,797	2,251,685	1,899,702	68,517,350	205,384
17,399,494	16,752,318	3,883,604	3,561,351	82,148,368	2,621,735
888,046	826,280	268,959	277,276	3,081,610	440,636
-	-	-	-	10,914	-
16,232	14,383	71,075	75,155	202,608	18,829
-	-	410,271	320,918	410,271	-
25,647	19,312	37,389	59,332	177,327	52,068
-	-	375,185	330,514	423,993	-
117,302	118,578	-	-	383,318	108
12,697	12,696	-	-	37,879	-
10,719	8,777	-	-	20,098	6,699
192,737	181,500	-	-	894,000	-
1,263,380	1,181,526	1,162,879	1,063,195	5,642,018	518,340
1,350	1,017	1,968	3,122	10,698	50,187
217,428	230,125	-	-	648,661	-
10,526	19,399	-	-	19,736	6,579
5,451,956	5,647,550	-	-	18,748,757	-
5,681,260	5,898,091	1,968	3,122	19,427,852	56,766
6,944,640	7,079,617	1,164,847	1,066,317	25,069,870	575,106
8,670,698	7,248,224	2,251,685	1,899,702	52,823,374	193,260
-	-	-	190,283	-	645,000
1,784,156	2,424,477	467,072	405,049	4,255,124	1,208,369
\$ 10,454,854	\$ 9,672,701	\$ 2,718,757	\$ 2,495,034	\$ 57,078,498	\$ 2,046,629

City of Orem
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended June 30, 2007

	Business-type Activities -			
	Water Fund Current Year	Water Fund Prior Year	Water Reclamation Fund Current Year	Water Reclamation Fund Prior Year
OPERATING REVENUES				
Charges for Services	\$ 7,480,217	\$ 6,637,503	\$ 5,678,134	\$ 5,341,595
Other Revenues	261,593	314,653	476,367	458,963
Total Operating Revenues	<u>7,741,810</u>	<u>6,952,156</u>	<u>6,154,501</u>	<u>5,800,558</u>
OPERATING EXPENSES				
Personal Services	1,744,270	1,601,466	1,834,659	1,742,364
Supplies and Maintenance	1,673,860	1,804,559	603,480	579,579
Administrative Fee	1,004,280	873,965	770,625	736,830
Utilities	514,877	461,206	458,212	454,539
Contract Services	680,921	676,768	696,470	718,029
Equipment Lease and Rentals	33,883	18,769	5,186	1,419
Insurance	97,021	74,701	55,230	42,386
Charges in Lieu of Property Tax	92,500	90,000	92,500	90,000
Bad Debt	81,328	85,756	-	-
Depreciation	933,039	1,244,523	1,258,685	1,490,528
Miscellaneous	68,859	62,101	56,286	50,761
Total Operating Expenses	<u>6,924,838</u>	<u>6,993,814</u>	<u>5,831,333</u>	<u>5,906,435</u>
Operating Income (Loss)	<u>816,972</u>	<u>(41,658)</u>	<u>323,168</u>	<u>(105,877)</u>
NONOPERATING REVENUES AND EXPENSES				
Interest Revenue	457,699	817,139	55,318	44,407
Gain (Loss) on Sale of Capital Assets	3,262	-	3,738	-
Donations / Grants	-	-	-	-
Deferred Charges	(13,540)	(13,540)	-	-
Interest Expense	(493,093)	(496,188)	(62,943)	(69,137)
Total Nonoperating Revenues	<u>(45,672)</u>	<u>307,411</u>	<u>(3,887)</u>	<u>(24,730)</u>
Income (Loss) before Transfers and Contributions	771,300	265,753	319,281	(130,607)
Contributions from Developers	1,066,880	995,440	1,497,200	768,000
Contributions Expense	(59,487)	-	(1,505)	-
Transfers In	97,139	85,170	-	-
Transfers Out	(71,559)	(68,750)	(139,723)	(124,945)
Change in Net Assets	1,804,273	1,277,613	1,675,253	512,448
Total Net Assets - Beginning	<u>24,263,326</u>	<u>22,985,713</u>	<u>16,162,035</u>	<u>15,649,587</u>
Total Net Assets - Ending	<u>\$ 26,067,599</u>	<u>\$ 24,263,326</u>	<u>\$ 17,837,288</u>	<u>\$ 16,162,035</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
\$ 2,523,425	\$ 2,504,281	\$ 5,029,285	\$ 5,219,502	\$ 20,711,061	\$ 2,173,230
-	6,050	475	2,023	738,435	-
<u>2,523,425</u>	<u>2,510,331</u>	<u>5,029,760</u>	<u>5,221,525</u>	<u>21,449,496</u>	<u>2,173,230</u>
467,956	452,425	1,112,966	1,438,406	5,159,851	705,600
163,467	264,943	274,858	203,796	2,715,665	1,846,701
296,769	272,569	318,278	320,444	2,389,952	-
2,334	1,105	498,173	475,510	1,473,596	-
150,321	161,106	2,678,826	2,586,257	4,206,538	-
11,585	11,450	705,159	725,935	755,813	-
24,074	18,536	23,593	18,165	199,918	-
-	-	-	-	185,000	-
-	-	-	-	81,328	-
328,592	349,641	60,022	100,006	2,580,338	8,910
29,149	27,668	17,731	26,112	172,025	-
<u>1,474,247</u>	<u>1,559,443</u>	<u>5,689,606</u>	<u>5,894,631</u>	<u>19,920,024</u>	<u>2,561,211</u>
<u>1,049,178</u>	<u>950,888</u>	<u>(659,846)</u>	<u>(673,106)</u>	<u>1,529,472</u>	<u>(387,981)</u>
128,801	42,587	57,983	64,064	699,801	-
(9,146)	-	-	-	(2,146)	(7,067)
248,000	-	-	-	248,000	-
(5,289)	(5,289)	-	-	(18,829)	-
(246,211)	(249,580)	-	-	(802,247)	(765)
<u>116,155</u>	<u>(212,282)</u>	<u>57,983</u>	<u>64,064</u>	<u>124,579</u>	<u>(7,832)</u>
1,165,333	738,606	(601,863)	(609,042)	1,654,051	(395,813)
113,800	-	-	-	2,677,880	-
(435,764)	-	-	-	(496,756)	-
-	-	855,177	947,710	952,316	-
(61,216)	(58,833)	(29,591)	(28,453)	(302,089)	(825)
<u>782,153</u>	<u>679,773</u>	<u>223,723</u>	<u>310,215</u>	<u>4,485,402</u>	<u>(396,638)</u>
<u>9,672,701</u>	<u>8,992,928</u>	<u>2,495,034</u>	<u>2,184,819</u>	<u>52,593,096</u>	<u>2,443,268</u>
<u>\$ 10,454,854</u>	<u>\$ 9,672,701</u>	<u>\$ 2,718,757</u>	<u>\$ 2,495,034</u>	<u>\$ 57,078,498</u>	<u>\$ 2,046,630</u>

City of Orem
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2007

	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	\$ 7,480,217	\$ 6,637,503	\$ 5,678,134
Receipts from Interfund Services Provided	261,593	314,653	476,367
Payments to Suppliers	(3,718,235)	(1,645,494)	(2,120,312)
Payments to Employees	(1,735,225)	(1,599,351)	(1,834,370)
Payments for Interfund Services Used	(1,004,280)	(873,965)	(770,625)
Net Cash Provided (Used) by Operating Activities	<u>1,284,070</u>	<u>2,833,346</u>	<u>1,429,194</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Donations / Grants	-	-	-
Transfers In	97,139	85,170	-
Transfers Out	(71,559)	(68,750)	(139,723)
Net Cash Provided (Used) by Noncapital Activities	<u>25,580</u>	<u>16,420</u>	<u>(139,723)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of Capital Assets	(7,453,913)	(6,983,049)	(1,294,928)
Proceeds from Bonds Issued	1,190,000	-	-
Proceeds from Sales of Capital Assets	-	-	2,233
Principal paid on Outstanding Debt	(501,708)	-	(181,000)
Interest paid on Outstanding Debt	(517,968)	(454,365)	(65,582)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,283,589)</u>	<u>(7,437,414)</u>	<u>(1,539,277)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income	457,699	817,139	55,318
Net Cash Provided (Used) by Investing Activities	<u>457,699</u>	<u>817,139</u>	<u>55,318</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,516,240)	(3,770,509)	(194,488)
Cash and Cash Equivalents - Beginning of Year	11,069,474	14,839,983	1,862,260
Cash and Cash Equivalents - End of Year	<u>\$ 5,553,234</u>	<u>\$ 11,069,474</u>	<u>\$ 1,667,772</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 816,972	\$ (41,658)	\$ 323,168
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	\$ 933,039	\$ 1,244,523	\$ 1,258,685
(Increase) Decrease in Receivables	(66,098)	(260,892)	(89,638)
(Increase) Decrease in Inventory	-	-	-
(Increase) Decrease in Prepaids	-	-	-
Increase (Decrease) in Accounts Payable	(422,095)	1,878,033	(69,454)
Increase (Decrease) in Customer Deposits	2,953	(373)	-
Increase (Decrease) in Accrued Liabilities	2,506	(19,049)	6,144
Increase (Decrease) in Unearned/Deferred Revenue	7,748	30,647	-
Increase (Decrease) in Accrued Vacation and Sick Leave	9,045	2,115	289
Total Adjustments	<u>467,098</u>	<u>2,875,004</u>	<u>1,106,026</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,284,070</u>	<u>\$ 2,833,346</u>	<u>\$ 1,429,194</u>
Noncash Investing, Capital, and Financing Activities:			
Contributions of Capital Assets from Developers	\$ 1,066,880	\$ 995,440	\$ 1,497,200
Contributions of Capital Assets to Governmental Funds	(59,487)	-	(1,505)

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

Activities - Enterprise Funds

Water Reclamation Fund Prior Year	Storm Sewer Fund Current Year	Storm Sewer Fund Prior Year	Other Enterprise Funds Current Year	Other Enterprise Funds Prior Year	Total Current Year	Governmental Activities Internal Service Funds
\$ 5,341,595	\$ 2,523,425	\$ 2,504,281	\$ 5,029,285	\$ 5,219,502	\$ 20,711,061	\$ -
458,963	-	6,050	475	2,023	738,435	2,173,230
(2,141,020)	(328,667)	(39,643)	(4,087,174)	(4,169,840)	(10,254,388)	(1,362,656)
(1,746,106)	(461,288)	(451,240)	(1,136,063)	(1,426,425)	(5,166,946)	(745,316)
(736,830)	(296,769)	(272,569)	(318,278)	(320,444)	(2,389,952)	-
<u>1,176,602</u>	<u>1,436,701</u>	<u>1,746,879</u>	<u>(511,755)</u>	<u>(695,184)</u>	<u>3,638,210</u>	<u>65,258</u>
-	248,000	-	-	-	248,000	-
-	-	-	855,177	947,710	952,316	-
(124,945)	(61,216)	(58,833)	(29,591)	(28,453)	(302,089)	(825)
<u>(124,945)</u>	<u>186,784</u>	<u>(58,833)</u>	<u>825,586</u>	<u>919,257</u>	<u>898,227</u>	<u>(825)</u>
(1,171,512)	(3,558,870)	(4,022,994)	(412,005)	(805,176)	(12,719,716)	(34,888)
-	113,801	-	-	-	1,190,000	-
(174,243)	(191,288)	-	-	-	116,034	-
(71,675)	(260,181)	(229,407)	-	-	(873,996)	(4,332)
<u>(1,417,430)</u>	<u>(3,896,538)</u>	<u>(4,252,401)</u>	<u>(412,005)</u>	<u>(805,176)</u>	<u>(843,731)</u>	<u>(877)</u>
44,407	128,801	42,587	57,983	64,064	699,801	-
44,407	128,801	42,587	57,983	64,064	699,801	-
(321,366)	(2,144,252)	(2,521,768)	(40,191)	(517,039)	(7,895,171)	24,336
2,183,626	5,570,900	8,092,668	1,346,287	1,863,326	19,848,921	2,101,851
<u>\$ 1,862,260</u>	<u>\$ 3,426,648</u>	<u>\$ 5,570,900</u>	<u>\$ 1,306,096</u>	<u>\$ 1,346,287</u>	<u>\$ 11,953,750</u>	<u>\$ 2,126,187</u>
\$ (105,877)	\$ 1,049,178	\$ 950,888	\$ (659,846)	\$ (673,106)	1,529,472	\$ (387,981)
\$ 1,490,528	\$ 328,592	\$ 349,641	\$ 60,022	\$ 100,006	2,580,338	\$ 8,910
(97,108)	(11,352)	(12,756)	(10,461)	(39,151)	(177,549)	-
-	-	-	-	-	-	80,874
(125,661)	61,766	454,824	(8,317)	24,303	(438,100)	5,213
-	-	-	-	-	2,953	397,031
18,462	1,849	3,097	85,273	(123,760)	95,772	927
(3,742)	6,668	1,185	44,671	4,543	52,419	-
<u>1,282,479</u>	<u>387,523</u>	<u>795,991</u>	<u>(23,097)</u>	<u>11,981</u>	<u>(7,095)</u>	<u>(39,716)</u>
<u>\$ 1,176,602</u>	<u>\$ 1,436,701</u>	<u>\$ 1,746,879</u>	<u>\$ (511,755)</u>	<u>\$ (695,184)</u>	<u>\$ 2,108,738</u>	<u>\$ 453,239</u>
\$ 768,000	\$ 113,800	\$ -	\$ -	\$ -	\$ 2,677,880	\$ -
-	(435,764)	-	-	-	(496,756)	-

City of Orem
Statement of Fiduciary Net Assets
Fiduciary Funds
Private Purpose Trusts
June 30, 2007

	Trust Fund Total
ASSETS	
Cash and Cash Equivalents	\$ 981,171
Total Assets	981,171
LIABILITIES	
Accounts Payable	5,510
Total Liabilities	5,510
NET ASSETS	
Held in Trust for Private Organizations	975,661
Total Net Assets	\$ 975,661

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, 2007

	Trust Fund Total
ADDITIONS	
Miscellaneous:	
Donations	\$ 243,033
Other	69,302
Total Additions	312,335
DEDUCTIONS	
Community Programs	227,748
Senior Citizens	19,816
Total Deductions	247,564
Change in Net Assets	64,771
Net Assets - Beginning	910,890
Net Assets - Ending	\$ 975,661

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

City of Orem
Notes to the Financial Statements
June 30, 2007

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 and covers approximately 18.25 square miles. 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 (CAFR). 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, 2007

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, 2007

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, 2007

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 Bonds 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.

The City reports the following internal service funds:

- *Self-insurance Fund*, which accounts for the self-insurance activities of the various funds throughout the City.
- *Fleet Maintenance Fund*, which accounts for the costs of operating and maintaining vehicles and equipment owned by the City.
- *Purchasing/Warehousing Fund*, which accounts for the central purchasing and warehousing operations of the City.

The City reports the activities of the following fiduciary funds:

- The *Senior Citizens' Fund*, which accounts for the activities of a senior citizen organization in the City.
- The *New Friends of the Library Fund*, which accounts for the activities of a non-profit organization involved with various community oriented programs, one of the largest being the Timpanogos Storytelling Festival.
- The *Orem Foundation Trust Fund*, which accounts for tax deductible donations to various community programs.

City of Orem
Notes to the Financial Statements
June 30, 2007

1. Summary of significant accounting policies (continued)

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

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.

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 non-operating 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.

City of Orem
Notes to the Financial Statements
June 30, 2007

1. Summary of significant accounting policies (continued)

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

1. Cash and cash equivalents (continued)

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

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, 2007 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.

City of Orem
Notes to the Financial Statements
June 30, 2007

1. Summary of significant accounting policies (continued)

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

4. Capital assets (continued)

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

Assets	Years
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, vested or accumulated vacation leave and comp time are not expected to be liquidated with expendable available financial resources and are thus excluded as a liability in each fund's balance sheet and as an expenditure in the statement of revenues, expenditures, and changes in fund balance. These balances would only be reported in a governmental fund's financial statements as a liability and expenditure if they have matured (are due).

For proprietary funds, vested or accumulated vacation leave and comp time is recorded as an expense and a liability of those funds as the benefits accrue to the employees.

The government-wide financial statements reflect the entire amount of vested or accumulated vacation leave and compensatory time-off for all governmental and proprietary funds and are thus recorded as a liability in the statement of net assets and as an expense in the statement of activities.

Employees are limited to two years of accumulated vacation leave. 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.

City of Orem
Notes to the Financial Statements
June 30, 2007

1. Summary of significant accounting policies (continued)

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

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 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, 2007

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 the 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 are 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	\$	224,151,220
Accumulated Depreciation		(64,480,305)
Total difference	\$	159,670,915

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, 2007

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, 2007 were as follows:

General Obligation Bonds	\$ 21,025,000
Sales Tax Revenue Bonds	10,310,000
Municipal Building Authority Bonds	8,423,000
Special Improvement District Bonds	2,940,000
Notes Payable	6,396,631
Capital Leases	124,186
Less: Internal Service Funds - Current Portion	(6,699)
Bond Premiums Deferred	297,477
Bond Loss on Defeasance Deferred - Refunding	(229,900)
Bond Issuance Costs Deferred - Refunding	(199,925)
Compensated Absences	1,506,360
Less: Internal Service Funds - Current Portion	(52,068)
Total Difference	<u>\$ 50,534,062</u>

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 a 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. One of these differences is explained here in greater detail.

The second element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this difference are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2007

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 MBA Refunding Bonds	\$ (3,826,000)
Issuance of Interim Warrants	(2,988,204)
Subtotal	(6,814,204)
Principal payments:	
Payment to Escrow Agent for MBA Debt Refunding	3,520,000
Municipal Building Authority Bonds	1,053,000
General Obligation Bonds	970,000
Sales Tax Revenue Bonds	500,000
Special Improvement District Bonds	255,000
Notes Payable	189,022
Capital Leases	115,378
Subtotal	6,602,400
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>	\$ (211,804)

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, 2007

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 storm sewer. 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, have 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 Special Revenue Funds, 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 Utah County Treasurer and remitted to the City in two to three installments in December, January, and a final settlement generally in March 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, 2007

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, 2007, \$3,147,216 of the City's bank balance of \$3,653,734 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at June 30, 2007 is \$2,621,708.

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, 2007

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, 2007 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$ 35,928,258	\$ 35,928,258	\$ -	\$ -	\$ -
Certificates of Deposit	998,842	998,842	-	-	-
U.S. Treasuries	835,274	835,274	-	-	-
Total Debt Securities	\$ 37,762,374	\$ 37,762,374	\$ -	\$ -	\$ -

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, 2007

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, 2007 are presented below:

Rated Debt Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$ 35,928,258	\$ -	\$ -	\$ -	\$ 35,928,258
Certificates of Deposit	998,842	-	-	-	998,842
U.S. Treasuries	835,274	-	-	-	835,274
Total Debt Securities	<u>\$ 37,762,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,762,374</u>

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, 2007 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, 2007 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 2.21% of total investments.

City of Orem
Notes to the Financial Statements
June 30, 2007

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, 2007) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2007, the City had \$35,928,258 invested in the PTIF which had a fair value of \$35,921,000 for an unrealized loss of \$7,258. Due to the insignificance of this amount in relation to the funds affected by the unrealized loss, 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, 2007

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	82.97%
Money market accounts and certificates of deposit	14.12%
U.S. government securities	2.91%
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, 2007, as summarized below, has been shown in the government-wide statement of net assets as follows:

Housing rehabilitation loans	\$ 350,802
Total	\$ 350,802

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, 2007

4. Detailed notes for all funds (continued)

E. Receivables (continued)

	<u>Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Total Receivables</u>
General:			
Property Taxes	\$ 4,300,000	\$ -	\$ 4,300,000
Other Taxes	4,591,360	-	4,591,360
Special Assessments	7,675,533	-	7,675,533
Accounts	85,970	-	85,970
Due from Other Funds	446,422	-	446,422
Subtotal - General	<u>17,099,285</u>	<u>-</u>	<u>17,099,285</u>
Capital Projects:			
Intergovernmental	621,338	-	621,338
Water:			
Accounts	796,197	(138,596)	657,601
Water Reclamation:			
Accounts	506,871	-	506,871
Storm Sewer:			
Accounts	186,973	-	186,973
Nonmajor Funds:			
Other Taxes	366,754	-	366,754
Accounts	325,823	-	325,823
Notes Receivable	350,802	-	350,802
Subtotal - Nonmajor	<u>1,043,379</u>	<u>-</u>	<u>1,043,379</u>
Totals	<u>\$ 20,254,043</u>	<u>\$ (138,596)</u>	<u>\$ 20,115,447</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)	\$ 4,300,000	\$ -
Grant money used in revolving loan programs (special revenue fund)	-	722,236
Special assessments not yet due (general fund)	7,675,533	-
Total deferred/unearned revenue for governmental funds	<u>\$ 11,975,533</u>	<u>\$ 722,236</u>

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

F. Capital assets

Governmental activities capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 58,711,795	\$ 73,080	\$ -	\$ 58,784,875
Construction in progress	9,766,448	15,796,261	(21,217,958)	4,344,751
Total capital assets, not being depreciated:	<u>68,478,243</u>	<u>15,869,341</u>	<u>(21,217,958)</u>	<u>63,129,626</u>
Capital assets, being depreciated:				
Buildings and systems	19,830,572	7,915,306	(687,410)	27,058,468
Improvements other than buildings	23,353,251	3,775,272	(208,126)	26,920,397
Machinery and equipment	20,347,581	1,273,110	(7,537,498)	14,083,193
Infrastructure	82,377,668	10,955,284	-	93,332,952
Total capital assets, being depreciated:	<u>145,909,072</u>	<u>23,918,972</u>	<u>(8,433,034)</u>	<u>161,395,010</u>
Less accumulated depreciation for:				
Buildings and systems	(9,331,927)	(678,412)	545,061	(9,465,278)
Improvements other than buildings	(7,308,624)	(1,957,839)	193,538	(9,072,925)
Machinery and equipment	(15,367,600)	(1,272,086)	7,469,615	(9,170,071)
Infrastructure	(34,654,806)	(2,285,257)	-	(36,940,063)
Total accumulated depreciation	<u>(66,662,957)</u>	<u>(6,193,594)</u>	<u>8,208,214</u>	<u>(64,648,337)</u>
Total capital assets, being depreciated, net	<u>79,246,115</u>	<u>17,725,378</u>	<u>(224,820)</u>	<u>96,746,673</u>
Governmental activities capital assets, net	<u>\$ 147,724,358</u>	<u>\$ 33,594,719</u>	<u>\$ (21,442,778)</u>	<u>\$ 159,876,299</u>

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

Business-type activities capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning		Decreases	Ending
	Balance	Increases		Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 891,439	\$ -	\$ -	\$ 891,439
Construction in progress	11,729,735	11,878,664	(6,977,572)	16,630,827
Total capital assets, not being depreciated:	12,621,174	11,878,664	(6,977,572)	17,522,266
Capital assets, being depreciated:				
Buildings and systems	8,575,059	1,145,130	(26,703)	9,693,486
Improvements other than buildings	2,214,909	919,401	(558,026)	2,576,284
Machinery and equipment	7,472,196	489,428	(2,149,750)	5,811,874
Infrastructure	80,133,777	7,842,072	(25,881)	87,949,968
Total capital assets, being depreciated:	98,395,941	10,396,031	(2,760,360)	106,031,612
Less accumulated depreciation for:				
Buildings and systems	(5,757,606)	(157,022)	7,496	(5,907,132)
Improvements other than buildings	(1,058,978)	(109,943)	110,606	(1,058,315)
Machinery and equipment	(5,987,929)	(338,635)	2,118,564	(4,208,000)
Infrastructure	(42,188,857)	(1,974,738)	9,231	(44,154,364)
Total accumulated depreciation	(54,993,370)	(2,580,338)	2,245,897	(55,327,811)
Total capital assets, being depreciated, net	43,402,571	7,815,693	(514,463)	50,703,801
Business-type activities capital assets, net	\$ 56,023,745	\$ 19,694,357	\$ (7,492,035)	\$ 68,226,067

City of Orem
Notes to the Financial Statements
June 30, 2007

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	\$ 153,299
Public Safety	1,073,325
Highway and Streets	3,004,544
Parks and Recreation	1,875,683
Redevelopment	9,408
Economic and Physical Development	68,425
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	8,910
Total Depreciation Expense - Governmental Activities	\$ 6,193,594
Business-type Activities:	
Water	\$ 933,039
Water Reclamation	1,258,685
Storm Sewer	328,592
Recreation	36,122
Street Lighting	23,900
Total Depreciation Expense - Business-type Activities	\$ 2,580,338

Construction commitments

The City has active construction projects as of June 30, 2007. 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, new construction and improvements to various public facilities, 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>
Water systems improvements	\$ 10,710,093	\$ 3,560,029
Street construction and improvements	6,131,730	2,053,443
Storm sewer improvements	1,309,896	449,473
Public facility construction & improvements	8,901,037	437,200
Water reclamation improvements	27,775	15,125
Park and recreation construction	79,785	12,606
Total	\$ 27,160,316	\$ 6,527,876

City of Orem
Notes to the Financial Statements
June 30, 2007

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, 2007, 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	(80,710)	(8,458)	-	(89,168)
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Total accumulated depreciation	(80,710)	(8,458)	-	(89,168)
Total capital assets, being depreciated, net	118,390	(8,458)	-	109,932
CEDO capital assets, net	\$ 133,390	\$ (8,458)	\$ -	\$ 124,932

G. Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2007 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, 2007

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	\$ 36,151
General	Nonmajor Enterprise Funds	410,271
Total		<u>\$ 446,422</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, 2007 are as follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General	\$ 1,955,099	\$ 6,559,557
Capital Projects Fund	3,241,000	213,909
Water Fund	97,139	71,559
Water Reclamation Fund	-	139,723
Storm Sewer Fund	-	61,216
Nonmajor Governmental Funds	2,677,289	1,749,324
Nonmajor Enterprise Funds	855,177	29,591
Internal Service Funds	-	825
	<u>\$ 8,825,704</u>	<u>\$ 8,825,704</u>

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

H. Jointly governed organizations

The City in conjunction with other governmental entities, jointly governs several 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:

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, 2007, the City paid premiums of approximately \$236,000 to URMMA.

Utah County Solid Waste Special Service District (UCSWSSD) - The City disposes of its solid waste through an agreement with UCSWSSD, which operates a solid waste transfer station. During the year ended June 30, 2007, the City paid solid waste tipping fees of approximately \$972,000 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, 2007, the City paid no fees to UTOPIA. See footnote 5.B. (Other information, contingent liabilities) for additional information.

North Utah Valley Animal Services Special Service District (NUVAS) - The City, through agreement, delivers stray, homeless, endangered, injured or other animals to the district's shelter facility. NUVAS is charged with identifying and/or locating the animal's rightful owner. Personnel of the district also evaluate, house, treat and/or humanely dispose of any animal brought to them by the City. NUVAS also handles all licensing and licensing renewals. During the year ended June 30, 2007, the City paid participation fees of approximately \$120,000 to NUVAS.

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

I. Capital Leases

The City has entered into certain lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met.

All City lease contracts contain a fiscal non-funding clause that allows the City Council the option of terminating the lease agreement at the end of any fiscal year. 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 of all capital leases as well as the present value of the net minimum lease payments as of June 30, 2007:

Year ending June 30,	Governmental Activities	Business-type Activities
2008	\$ 68,781	\$ 20,096
2009	58,029	20,096
2010	4,835	1,676
2011	-	-
Thereafter	-	-
Total minimum lease payments	131,645	41,868
Less: Amount representing interest	(7,459)	(2,034)
Present value of net minimum lease payments	<u>\$ 124,186</u>	<u>\$ 39,834</u>

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

	Governmental Activities	Business-type Activities
Cost of equipment	\$ 635,207	\$ 52,829
Accumulated Depreciation	(412,319)	(2,893)
Difference	<u>\$ 222,888</u>	<u>\$ 49,936</u>

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 \$29,125,000.

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

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

General obligation bonds (continued)

General obligation bonds currently outstanding at June 30, 2007 are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
1998 Road Construction	5.25% to 5.40%	\$ 3,335,000
2004 Road Construction-Refunding	3.00% to 4.00%	3,905,000
2005 Road Construction	3.50% to 5.00%	8,420,000
2006 Road Construction	3.63% to 5.00%	5,365,000
Total		<u>\$ 21,025,000</u>

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 1,065,000	\$ 873,408	\$ 1,938,408
2009	1,095,000	834,274	1,929,274
2010	1,150,000	793,053	1,943,053
2011	1,200,000	749,039	1,949,039
2012	1,245,000	701,722	1,946,722
2013-2017	7,105,000	2,667,904	9,772,904
2018-2022	5,040,000	1,296,780	6,336,780
2023-2026	3,125,000	239,875	3,364,875
Totals	<u>\$ 21,025,000</u>	<u>\$ 8,156,055</u>	<u>\$ 29,181,055</u>

Revenue bonds

The City has the following revenue bonds outstanding at June 30, 2007:

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

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Water Quality Revenue Bonds (continued)

each year commencing February 1, 1995 through February 2015. Payments on the bonds are paid from sewer charges to customers. The interest rate is fixed at 3.5%.

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 September 15, 2010. The interest rate varies between 4.45% and 5.5%.

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. The interest rate varies between 2.50% and 4.50%.

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. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. 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%.

City of Orem
Notes to the Financial Statements
June 30, 2007

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%.

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 Drinking Water of up to \$3,000,000. As of June 30, 2007, the City had issued \$1,240,000 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%.

Refunding Lease Revenue Bonds – Series 2007

In January of 2007, the City issued lease revenue refunding bonds of \$3,826,000 through private placement. The proceeds 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 March 15, 2007 with interest payable semi-annually on March 15 and September 15 through March 2018. The interest rate is 3.761%.

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Current year advance refundings

In 2007, the City issued \$3,826,000 of municipal building authority lease revenue refunding bonds. The funds were placed in a trust for the purpose of generating resources to pay the remaining outstanding principal balance at September 15, 2010 of the Series 2000 municipal building authority lease revenue bonds. The amount to be paid at September 15, 2010 is \$3,520,000. As a result, this amount of Series 2000 municipal building authority lease revenue 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 \$250,800. 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 \$208,615 and resulted in an economic gain of \$173,645.

Revenue bonds currently outstanding at June 30, 2007 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Water and storm sewer	1.48%-5.25%	\$ 17,950,000
Recreation projects	3.00%-5.50%	10,310,000
Bond refunding	2.50%-4.50%	6,113,000
Property improvement	5.00%	2,940,000
Street lighting	4.45%-5.50%	2,310,000
Wastewater treatment	3.50%	1,692,757
Total		<u>\$ 41,315,757</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>
2008	\$ 2,769,000	\$ 1,821,769	\$ 4,590,769
2009	2,884,000	1,714,474	4,598,474
2010	3,003,000	1,600,085	4,603,085
2011	2,843,000	1,477,527	4,320,527
2012	2,604,000	1,357,123	3,961,123
2013-2017	13,984,757	5,009,110	18,993,867
2018-2022	8,078,000	2,244,456	10,322,456
2023-2026	5,150,000	517,390	5,667,390
Totals	<u>\$ 41,315,757</u>	<u>\$ 15,741,934</u>	<u>\$ 57,057,691</u>

City of Orem
Notes to the Financial Statements
June 30, 2007

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Notes payable

Notes payable currently outstanding at June 30, 2007 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Land Purchase - Fire Station	5.50%	\$ 120,119
Land Purchase - Park	6.00%	315,433
Land Purchase - Golf Course	10.00%	42,762
Interim Warrant - Parking Garage	Variable	3,166,623
Interim Warrant - Building	Variable	1,471,764
HUD Section 108 Loan - Economic Development	Variable	1,279,930
Total		<u>\$ 6,396,631</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>
2008	\$ 4,799,702	\$ 314,082	\$ 5,113,784
2009	122,697	85,814	208,511
2010	67,018	79,072	146,090
2011	68,068	75,397	143,465
2012	69,182	71,658	140,840
2013-2017	400,184	297,803	697,987
2018-2022	494,848	173,609	668,457
2023-2026	374,932	50,400	425,332
Totals	<u>\$ 6,396,631</u>	<u>\$ 1,147,835</u>	<u>\$ 7,544,466</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, 2007 are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2007

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	\$ 21,995,000	\$ -	\$ (970,000)	\$ 21,025,000	\$ 1,065,000
Revenue bonds	23,175,000	3,826,000	(5,328,000)	21,673,000	1,875,000
Plus deferred amounts:					
For issuance premiums	314,218	-	(16,742)	297,476	16,742
Less deferred amounts:					
On refunding	(161,714)	(306,000)	37,888	(429,826)	(92,200)
Total bonds payable	45,322,504	3,520,000	(6,276,854)	42,565,650	2,864,542
Notes payable	3,597,449	2,988,204	(189,022)	6,396,631	4,799,702
Capital leases	243,896	-	(119,710)	124,186	63,903
Compensated absences	1,395,338	125,911	(14,887)	1,506,362	1,397,057
Governmental activities					
Long-term liabilities	<u>\$ 50,559,187</u>	<u>\$ 6,634,115</u>	<u>\$ (6,600,473)</u>	<u>\$ 50,592,829</u>	<u>\$ 9,125,204</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 19,313,757	\$ 1,190,000	\$ (861,000)	\$ 19,642,757	\$ 894,000
Plus deferred amounts:					
For issuance premiums	724,418	-	(37,878)	686,540	37,879
Total bonds payable	20,038,175	1,190,000	(898,878)	20,329,297	931,879
Capital leases	52,829	-	(12,995)	39,834	20,098
Compensated absences	195,120	17,865	(24,960)	188,025	177,327
Business-type activities					
Long-term liabilities	<u>\$ 20,286,124</u>	<u>\$ 1,207,865</u>	<u>\$ (936,833)</u>	<u>\$ 20,557,156</u>	<u>\$ 1,129,304</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, 2007. The General Fund has typically been used in prior years to liquidate this liability for governmental funds.

Of total compensated absences, \$48,878 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, 2007

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 \$10,000 for property damage. 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. While URMMA pays for any liability and property claims exceeding the deductible amount, these claims are repaid by the City through a recapture program. Thus, each year the City pays its annual premium plus a recapture component. 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, 2006 and 2007 is as follows:

Year ended June 30,	2006	2007
Claim liability, beginning of year	\$ -	\$ -
Claims incurred during the year	134,401	264,060
Changes in estimates of claims of prior periods	-	-
Payments on claims during the year	(134,401)	(264,060)
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.

City of Orem
Notes to the Financial Statements
June 30, 2007

5. Other information (continued)

B. Contingent Liabilities (continued)

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.

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 service reserve fund. From that point on, until the bonds are due (July 2026), net revenues from the communication network will reimburse the debt service reserve 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 reserve 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. In relation to this yearly liability limit, the City was required on July 2, 2007 to deposit \$2,061,527 with the trustee as its pledge amount for Fiscal Year 2008. To the extent that the pilot project operates profitably, UTOPIA 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, 2007, 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:

City of Orem
Notes to the Financial Statements
June 30, 2007

5. Other information (continued)

C. Conduit debt obligations (continued)

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>

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 7.58% of their annual covered salary.

City of Orem
Notes to the Financial Statements
June 30, 2007

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Funding policy (continued)

In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.59% 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 15.69% of their annual covered salary. In the Public Safety Noncontributory Retirement System the City is required to contribute 25.49% of their annual covered salary. In the Firefighters Retirement System plan members are required to contribute 8.72% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is not required to contribute. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions in dollars to each of the Systems for the years ending June 30, 2007, 2006 and 2005, were equal to the required contributions for each year. The contribution amounts are as follows:

	Fiscal Year Ending June 30,		
	2007	2006	2005
Local governmental contributory retirement system	\$ 283,723	\$ 261,904	\$ 274,841
Governmental noncontributory retirement system	1,267,954	1,081,775	1,021,455
Public safety contributory retirement system	188,757	176,002	159,223
Public safety noncontributory retirement system	1,017,742	771,696	652,462
Firefighters retirement system	270,149	221,553	200,672

401(k) defined contribution plan

The City's 401(k) defined contribution plan is administered by ICMA Retirement Corporation (ICMA). The payroll covered by the defined contribution plan for the year ended June 30, 2007 was \$23,296,920. The City's expense for this plan for the year ended June 30, 2007 was approximately \$1,210,000 or 5.19% 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.

City of Orem
Notes to the Financial Statements
June 30, 2007

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

401(k) defined contribution plan (continued)

In the early 1980's, the City elected to withdraw from the Utah Retirement Systems (URS) pension plan and contribute these funds to each employee's 401(k) account. However, State lawmakers soon mandated that all employees were required to join the URS except certain classes of employees. The City Council was allowed to identify which employees qualified. They elected to allow department heads, the City Manager, and City Council members the option of whether or not to participate in the URS. There are currently 4 employees who have elected to not participate in the URS.

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.

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, 2007 was \$23,296,920. The City's expense for this plan for the year ended June 30, 2007 was approximately \$984,000 or 4.22% 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.

City of Orem
Notes to the Financial Statements
June 30, 2007

5. Other information (continued)

F. Redevelopment agency of the City of Orem

For the year ended June 30, 2007, 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	\$ 481,785
Orem 85-02: 1300 South Development	435,250
Orem 85-03A: University Parkway Development	454,264
Orem 85-03B: University Parkway Development	771,423
Orem 85-04: Economic Zone in Central Orem	222,358
Orem 87-10: Boyer Project on Center and State Street	296,647
Orem 90-08: 800 North and State Street Economic Zone	134,575
Total	\$ 2,796,302
Outstanding Loans to Finance RDA Projects	\$ -

During the year ending June 30, 2007, the RDA expended monies in the categories below as follows:

Economic Development	\$	1,180,136
Interest		-
Total	\$	1,180,136

G. Prior period adjustment

Government-wide total net assets

Since the implementation of GASB 33 and 34, deferred revenue associated with property taxes was eliminated in the government-wide financial statements. Further interpretation of GASB 33 indicates that deferred revenue for non-exchange transactions should not be eliminated in the government-wide financial statements. GASB 33 requires that revenue for property taxes be recognized "in the period for which the taxes are levied." Previously, the City has recognized property tax revenue in the government-wide financial statements in the period when the enforceable lien occurred rather than in the period "for which" the taxes were levied. It has been determined that property taxes levied in January are levied for the fiscal year beginning the following July. The total effect of this prior period adjustment decreases total net assets by \$4,200,000.

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 franchise 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.

Special Revenue Funds

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

CARE Tax Fund – This fund is used to account for the preparation and implementation of plans to improve, rehabilitate and/or develop cultural arts and recreation facilities within the City.

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 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, 2007

	Debt Service Funds			Capital Projects Funds	
	Debt Service	Municipal Building Authority - Debt Service	Total	Municipal Building Authority - Capital Projects	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 645,663	\$ 5,239	\$ 650,902	\$ -	\$ -
Taxes Receivable	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Restricted Cash and Cash Equivalents:					
Debt Service	547,548	627	548,175	-	-
Capital Improvement Projects	-	-	-	-	-
Total Assets	1,193,211	5,866	1,199,077	-	-
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-
Deferred Revenues	-	-	-	-	-
Total Liabilities	-	-	-	-	-
FUND BALANCES					
Restricted for Debt Service and Capital Improvements	547,548	627	548,175	-	-
Unreserved	645,663	5,239	650,902	-	-
Total Fund Balances	1,193,211	5,866	1,199,077	-	-
Total Liabilities and Fund Balances	\$ 1,193,211	\$ 5,866	\$ 1,199,077	\$ -	\$ -

Special Revenue Funds

<u>CARE Tax Fund</u>	<u>Redevelopment Fund</u>	<u>Community Development & Rehabilitation Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,266,507	\$ 1,247,863	\$ 407,645	\$ 3,922,015	\$ 4,572,917
366,754	-	-	366,754	366,754
-	-	350,802	350,802	350,802
-	-	560	560	548,735
-	-	287,190	287,190	287,190
<u>2,633,261</u>	<u>1,247,863</u>	<u>1,046,197</u>	<u>4,927,321</u>	<u>6,126,398</u>
-	-	4,178	4,178	4,178
-	-	32,033	32,033	32,033
-	-	722,236	722,236	722,236
-	-	758,447	758,447	758,447
-	-	287,750	287,750	835,925
<u>2,633,261</u>	<u>1,247,863</u>	<u>-</u>	<u>3,881,124</u>	<u>4,532,026</u>
<u>2,633,261</u>	<u>1,247,863</u>	<u>287,750</u>	<u>4,168,874</u>	<u>5,367,951</u>
<u>\$ 2,633,261</u>	<u>\$ 1,247,863</u>	<u>\$ 1,046,197</u>	<u>\$ 4,927,321</u>	<u>\$ 6,126,398</u>

City of Orem
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2007

	Debt Service Funds			Capital Projects Funds	
	Debt Service	Municipal Building Authority - Debt Service	Total	Municipal Building Authority - Capital Projects	Total
REVENUES					
Property Taxes	\$ 1,937,985	\$ -	\$ 1,937,985	\$ -	\$ -
Sales Taxes	-	-	-	-	-
Special Assessments	419,611	-	419,611	-	-
Intergovernmental	-	-	-	-	-
Program Income	-	-	-	-	-
Interest Income	33,763	90	33,853	38,466	38,466
Miscellaneous Revenues	-	-	-	-	-
Total Revenues	<u>2,391,359</u>	<u>90</u>	<u>2,391,449</u>	<u>38,466</u>	<u>38,466</u>
EXPENDITURES					
Current:					
Economic and Physical Development	-	-	-	-	-
Redevelopment	-	-	-	-	-
Arts and Recreation	-	-	-	-	-
Debt Service:					
Principal Retirement	1,874,022	1,053,000	2,927,022	-	-
Interest and Fiscal Charges	1,692,249	371,240	2,063,489	-	-
Bond Issuance Costs	-	49,667	49,667	-	-
Capital Outlay	-	-	-	1,229,413	1,229,413
Total Expenditures	<u>3,566,271</u>	<u>1,473,907</u>	<u>5,040,178</u>	<u>1,229,413</u>	<u>1,229,413</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,174,912)	(1,473,817)	(2,648,729)	(1,190,947)	(1,190,947)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	3,826,000	3,826,000	-	-
Payment to Bond Refunding Agent	-	(3,770,800)	(3,770,800)	-	-
Transfers In	1,213,397	1,424,239	2,637,636	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources and (Uses)	<u>1,213,397</u>	<u>1,479,439</u>	<u>2,692,836</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	38,485	5,622	44,107	(1,190,947)	(1,190,947)
Fund Balances - Beginning	<u>1,154,726</u>	<u>244</u>	<u>1,154,970</u>	<u>1,190,947</u>	<u>1,190,947</u>
Fund Balances - Ending	<u>\$ 1,193,211</u>	<u>\$ 5,866</u>	<u>\$ 1,199,077</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

CARE Tax Fund	Redevelopment Fund	Community Development & Rehabilitation Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ 2,796,302	\$ -	\$ 2,796,302	\$ 4,734,287
2,114,103	-	-	2,114,103	2,114,103
-	-	-	-	419,611
-	-	421,127	421,127	421,127
-	-	273,279	273,279	273,279
64,725	-	27,397	92,122	164,441
-	-	383,585	383,585	383,585
<u>2,178,828</u>	<u>2,796,302</u>	<u>1,105,388</u>	<u>6,080,518</u>	<u>8,510,433</u>
-	-	512,720	512,720	512,720
-	620,031	-	620,031	620,031
33,904	-	-	33,904	33,904
-	-	40,000	40,000	2,967,022
-	-	78,654	78,654	2,142,143
-	-	-	-	49,667
-	560,105	-	560,105	1,789,518
<u>33,904</u>	<u>1,180,136</u>	<u>631,374</u>	<u>1,845,414</u>	<u>8,115,005</u>
<u>2,144,924</u>	<u>1,616,166</u>	<u>474,014</u>	<u>4,235,104</u>	<u>395,428</u>
-	-	-	-	3,826,000
-	-	-	-	(3,770,800)
-	-	39,653	39,653	2,677,289
-	(1,248,000)	(501,324)	(1,749,324)	(1,749,324)
-	<u>(1,248,000)</u>	<u>(461,671)</u>	<u>(1,709,671)</u>	<u>983,165</u>
2,144,924	368,166	12,343	2,525,433	1,378,593
488,337	879,697	275,407	1,643,441	3,989,358
<u>\$ 2,633,261</u>	<u>\$ 1,247,863</u>	<u>\$ 287,750</u>	<u>\$ 4,168,874</u>	<u>\$ 5,367,951</u>

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**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, 2007

	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	\$ 831,908	\$ 603,600	\$ 474,188	\$ 552,404
Accounts Receivable (Net of Allowance for Doubtful Accounts)	-	-	270,396	262,193
Restricted Cash and Cash Equivalents:				
Capital Improvement Projects	-	190,283	-	-
Total Current Assets	<u>831,908</u>	<u>793,883</u>	<u>744,584</u>	<u>814,597</u>
Capital Assets:				
Land	39,822	39,822	-	-
Buildings and Systems	4,121,630	4,121,630	-	-
Improvements other than Buildings	1,499,210	624,911	-	-
Machinery and Equipment	47,458	214,715	-	35,688
Infrastructure	-	-	-	-
Construction in Progress	-	719,268	-	-
Less Accumulated Depreciation	(4,263,099)	(4,394,234)	-	(35,688)
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,445,021</u>	<u>1,326,112</u>	<u>-</u>	<u>-</u>
Total Assets	<u>2,276,929</u>	<u>2,119,995</u>	<u>744,584</u>	<u>814,597</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	19,956	19,187	227,057	222,658
Accrued Liabilities	68,266	71,596	-	-
Accrued Vacation and Sick Leave	28,706	51,815	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue	375,185	330,514	-	-
Total Current Liabilities	<u>492,113</u>	<u>473,112</u>	<u>227,057</u>	<u>222,658</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	1,511	2,727	-	-
Total Noncurrent Liabilities	<u>1,511</u>	<u>2,727</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>493,624</u>	<u>475,839</u>	<u>227,057</u>	<u>222,658</u>
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	1,445,021	1,326,112	-	-
Restricted for Capital Improvements	-	190,283	-	-
Unrestricted	<u>338,284</u>	<u>127,761</u>	<u>517,527</u>	<u>591,939</u>
Total Net Assets	<u>\$ 1,783,305</u>	<u>\$ 1,644,156</u>	<u>\$ 517,527</u>	<u>\$ 591,939</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ -	\$ -	\$ 1,306,096	\$ 1,156,004
55,427	53,169	325,823	315,362
-	-	-	190,283
<u>55,427</u>	<u>53,169</u>	<u>1,631,919</u>	<u>1,661,649</u>
-	-	39,822	39,822
-	-	4,121,630	4,121,630
-	-	1,499,210	624,911
94,609	16,080	142,067	266,483
767,317	588,872	767,317	588,872
-	-	-	719,268
<u>(55,262)</u>	<u>(31,362)</u>	<u>(4,318,361)</u>	<u>(4,461,284)</u>
806,664	573,590	2,251,685	1,899,702
<u>862,091</u>	<u>626,759</u>	<u>3,883,604</u>	<u>3,561,351</u>
21,946	35,431	268,959	277,276
2,809	3,559	71,075	75,155
8,683	7,517	37,389	59,332
410,271	320,918	410,271	320,918
-	-	375,185	330,514
<u>443,709</u>	<u>367,425</u>	<u>1,162,879</u>	<u>1,063,195</u>
457	395	1,968	3,122
457	395	1,968	3,122
<u>444,166</u>	<u>367,820</u>	<u>1,164,847</u>	<u>1,066,317</u>
806,664	573,590	2,251,685	1,899,702
-	-	-	190,283
<u>(388,739)</u>	<u>(314,651)</u>	<u>467,072</u>	<u>405,049</u>
\$ 417,925	\$ 258,939	\$ 2,718,757	\$ 2,495,034

City of Orem
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For The Year Ended June 30, 2007

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
OPERATING REVENUES				
Charges for Services	\$ 1,451,983	\$ 1,647,093	\$ 2,893,052	\$ 2,900,376
Other Revenues	475	1,526	-	497
Total Operating Revenues	<u>1,452,458</u>	<u>1,648,619</u>	<u>2,893,052</u>	<u>2,900,873</u>
OPERATING EXPENSES				
Personal Services	1,009,965	1,342,583	-	-
Supplies and Maintenance	205,046	184,898	49,344	11,569
Administrative Fee	3,295	3,159	314,983	317,285
Utilities	261,682	263,236	-	-
Contract Services	12,077	71,659	2,590,791	2,443,235
Equipment Lease and Rentals	-	-	-	-
Insurance	23,593	18,165	-	-
Depreciation	36,122	81,563	-	2,203
Miscellaneous	15,688	23,782	200	200
Total Operating Expenses	<u>1,567,468</u>	<u>1,989,045</u>	<u>2,955,318</u>	<u>2,774,492</u>
Operating Income (Loss)	<u>(115,010)</u>	<u>(340,426)</u>	<u>(62,266)</u>	<u>126,381</u>
NONOPERATING REVENUES AND EXPENSES				
Interest Revenue	<u>39,807</u>	<u>52,516</u>	<u>16,545</u>	<u>11,548</u>
Total Nonoperating Revenues	<u>39,807</u>	<u>52,516</u>	<u>16,545</u>	<u>11,548</u>
Income (Loss) before Transfers	<u>(75,203)</u>	<u>(287,910)</u>	<u>(45,721)</u>	<u>137,929</u>
Transfers In	215,177	343,710	-	-
Transfers Out	<u>(825)</u>	<u>(825)</u>	<u>(28,691)</u>	<u>(27,553)</u>
Change in Net Assets	139,149	54,975	(74,412)	110,376
Total Net Assets - Beginning	<u>1,644,156</u>	<u>1,589,181</u>	<u>591,939</u>	<u>481,563</u>
Total Net Assets - Ending	<u>\$ 1,783,305</u>	<u>\$ 1,644,156</u>	<u>\$ 517,527</u>	<u>\$ 591,939</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 684,250	\$ 672,033	\$ 5,029,285	\$ 5,219,502
-	-	475	2,023
<u>684,250</u>	<u>672,033</u>	<u>5,029,760</u>	<u>5,221,525</u>
103,001	95,823	1,112,966	1,438,406
20,468	7,329	274,858	203,796
-	-	318,278	320,444
236,491	212,274	498,173	475,510
75,958	71,363	2,678,826	2,586,257
705,159	725,935	705,159	725,935
-	-	23,593	18,165
23,900	16,240	60,022	100,006
1,843	2,130	17,731	26,112
<u>1,166,820</u>	<u>1,131,094</u>	<u>5,689,606</u>	<u>5,894,631</u>
<u>(482,570)</u>	<u>(459,061)</u>	<u>(659,846)</u>	<u>(673,106)</u>
1,631	-	57,983	64,064
<u>1,631</u>	-	<u>57,983</u>	<u>64,064</u>
<u>(480,939)</u>	<u>(459,061)</u>	<u>(601,863)</u>	<u>(609,042)</u>
640,000	604,000	855,177	947,710
(75)	(75)	(29,591)	(28,453)
158,986	144,864	223,723	310,215
258,939	114,075	2,495,034	2,184,819
<u>\$ 417,925</u>	<u>\$ 258,939</u>	<u>\$ 2,718,757</u>	<u>\$ 2,495,034</u>

City of Orem
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended June 30, 2007

	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	\$ 1,451,983	\$ 1,647,093	\$ 2,893,052	\$ 2,900,376
Receipts from Interfund Services Provided	475	1,526	-	497
Payments to Suppliers	(475,976)	(548,846)	(2,644,139)	(2,479,595)
Payments to Employees	(1,034,290)	(1,332,248)	-	-
Payments for Interfund Services Used	(3,295)	(3,159)	(314,983)	(317,285)
Net Cash Provided (Used) by Operating Activities	<u>(61,103)</u>	<u>(235,634)</u>	<u>(66,070)</u>	<u>103,993</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	215,177	343,710	-	-
Transfers Out	(825)	(825)	(28,691)	(27,553)
Net Cash Provided (Used) by Noncapital Activities	<u>214,352</u>	<u>342,885</u>	<u>(28,691)</u>	<u>(27,553)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of Capital Assets	(155,031)	(764,794)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(155,031)</u>	<u>(764,794)</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest Income	39,807	52,516	16,545	11,548
Net Cash Provided (Used) by Investing Activities	<u>39,807</u>	<u>52,516</u>	<u>16,545</u>	<u>11,548</u>
Net Increase (Decrease) in Cash and Cash Equivalents	38,025	(605,027)	(78,216)	87,988
Cash and Cash Equivalents - Beginning of Year	793,883	1,398,910	552,404	464,416
Cash and Cash Equivalents - End of Year	<u>\$ 831,908</u>	<u>\$ 793,883</u>	<u>\$ 474,188</u>	<u>\$ 552,404</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (115,010)	\$ (340,426)	\$ (62,266)	\$ 126,381
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	\$ 36,122	\$ 81,563	\$ -	\$ 2,203
(Increase) Decrease in Receivables	-	-	(8,203)	(32,782)
Increase (Decrease) in Accounts Payable	769	(4,589)	4,399	8,191
Increase (Decrease) in Accrued Liabilities	(3,330)	12,940	-	-
Increase (Decrease) in Deferred Revenue	44,671	4,543	-	-
Increase (Decrease) in Accrued Vacation and Sick Leave	(24,325)	10,335	-	-
Total Adjustments	<u>53,907</u>	<u>104,792</u>	<u>(3,804)</u>	<u>(22,388)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (61,103)</u>	<u>\$ (235,634)</u>	<u>\$ (66,070)</u>	<u>\$ 103,993</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 684,250	\$ 672,033	\$ 5,029,285	\$ 5,219,502
-	-	475	2,023
(967,059)	(1,141,399)	(4,087,174)	(4,169,840)
(101,773)	(94,177)	(1,136,063)	(1,426,425)
-	-	(318,278)	(320,444)
<u>(384,582)</u>	<u>(563,543)</u>	<u>(511,755)</u>	<u>(695,184)</u>
640,000	604,000	855,177	947,710
(75)	(75)	(29,591)	(28,453)
<u>639,925</u>	<u>603,925</u>	<u>825,586</u>	<u>919,257</u>
(256,974)	(40,382)	(412,005)	(805,176)
<u>(256,974)</u>	<u>(40,382)</u>	<u>(412,005)</u>	<u>(805,176)</u>
1,631	-	57,983	64,064
<u>1,631</u>	<u>-</u>	<u>57,983</u>	<u>64,064</u>
-	-	(40,191)	(517,039)
-	-	1,346,287	1,863,326
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,306,096</u>	<u>\$ 1,346,287</u>
\$ (482,570)	\$ (459,061)	(659,846)	(673,106)
\$ 23,900	\$ 16,240	60,022	100,006
(2,258)	(6,369)	(10,461)	(39,151)
(13,485)	20,701	(8,317)	24,303
88,603	(136,700)	85,273	(123,760)
-	-	44,671	4,543
<u>1,228</u>	<u>1,646</u>	<u>(23,097)</u>	<u>11,981</u>
<u>97,988</u>	<u>(104,482)</u>	<u>148,091</u>	<u>(22,078)</u>
<u>\$ (384,582)</u>	<u>\$ (563,543)</u>	<u>\$ (511,755)</u>	<u>\$ (695,184)</u>

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**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 BONDS CAPITAL PROJECTS FUND
CARE TAX 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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,940,726	\$ 1,940,726	\$ 1,937,985	\$ (2,741)
Special Assessments	414,750	414,750	419,611	4,861
Interest Revenues	-	-	33,763	33,763
Total Revenues	2,355,476	2,355,476	2,391,359	35,883
EXPENDITURES				
Debt Service:				
Principal Retirement	1,874,021	1,874,021	1,874,022	(1)
Interest and Fiscal Charges	1,695,252	1,695,252	1,692,249	3,003
Total Expenditures	3,569,273	3,569,273	3,566,271	3,002
Excess (Deficiency) of Revenues over (under) Expenditures	(1,213,797)	(1,213,797)	(1,174,912)	38,885
OTHER FINANCING SOURCES (USES)				
Transfers In	1,213,797	1,213,797	1,213,397	(400)
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	1,213,797	1,213,797	1,213,397	(400)
Net Change in Fund Balance	-	-	38,485	38,485
Fund Balance - Beginning	1,154,726	1,154,726	1,154,726	-
Fund Balance - Ending	\$ 1,154,726	\$ 1,154,726	\$ 1,193,211	\$ 38,485

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ -	\$ 90	90
Total Revenues	-	-	90	90
EXPENDITURES				
Debt Service:				
Principal Retirement	1,005,000	1,053,000	1,053,000	-
Interest and Fiscal Charges	438,423	390,423	371,240	19,183
Bond Issuance Costs	-	55,200	49,667	5,533
Total Expenditures	1,443,423	1,498,623	1,473,907	24,716
Excess (Deficiency) of Revenues over (under) Expenditures	(1,443,423)	(1,498,623)	(1,473,817)	24,806
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	-	3,826,000	3,826,000	-
Payment to Bond Refunding Agent	-	(3,770,800)	(3,770,800)	-
Transfers In	1,443,423	1,443,423	1,424,239	(19,184)
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	1,443,423	1,498,623	1,479,439	(19,184)
Net Change in Fund Balance	-	-	5,622	5,622
Fund Balance - Beginning	244	244	244	-
Fund Balance - Ending	\$ 244	\$ 244	\$ 5,866	\$ 5,622

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 75,000	\$ 75,000	\$ -
Miscellaneous Revenues	160,000	3,942,505	3,970,990	28,485
Total Revenues	160,000	4,017,505	4,045,990	28,485
EXPENDITURES				
Current:				
Capital Outlay	255,862	13,820,918	5,646,475	8,174,443
Economic and Physical Development	-	5,349,817	2,988,204	2,361,613
Total Expenditures	255,862	19,170,735	8,634,679	10,536,056
Excess (Deficiency) of Revenues over (under) Expenditures	(95,862)	(15,153,230)	(4,588,689)	10,564,541
OTHER FINANCING SOURCES (USES)				
Issuance of Notes Payable	-	5,349,817	2,988,204	(2,361,613)
Transfers In	310,000	3,241,000	3,241,000	-
Transfers Out	(214,138)	(214,138)	(213,909)	229
Total Other Financing Sources and (Uses)	95,862	8,376,679	6,015,295	(2,361,384)
Net Change in Fund Balance	-	(6,776,551)	1,426,606	8,203,157
Fund Balance - Beginning	7,012,302	7,012,302	7,012,302	-
Fund Balance - Ending	\$ 7,012,302	\$ 235,751	\$ 8,438,908	\$ 8,203,157

City of Orem
Municipal Building Authority - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ 38,720	\$ 38,466	\$ (254)
Total Revenues	-	38,720	38,466	(254)
EXPENDITURES				
Current:				
Capital Outlay	-	1,229,667	1,229,413	254
Total Expenditures	-	1,229,667	1,229,413	254
Excess (Deficiency) of Revenues over (under) Expenditures	-	(1,190,947)	(1,190,947)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-
Net Change in Fund Balance	-	(1,190,947)	(1,190,947)	-
Fund Balance - Beginning	1,190,947	1,190,947	1,190,947	-
Fund Balance - Ending	\$ 1,190,947	\$ -	\$ -	\$ -

City of Orem
Road Bonds - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest Revenues	\$ -	\$ 251,215	\$ 334,188	\$ 82,973
Total Revenues	-	251,215	334,188	82,973
EXPENDITURES				
Current:				
Capital Outlay	-	9,626,854	8,136,344	1,490,510
Total Expenditures	-	9,626,854	8,136,344	1,490,510
Excess (Deficiency) of Revenues over (under) Expenditures	-	(9,375,639)	(7,802,156)	1,573,483
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-
Net Change in Fund Balance	-	(9,375,639)	(7,802,156)	1,573,483
Fund Balance - Beginning	9,713,980	9,713,980	9,713,980	-
Fund Balance - Ending	<u>\$ 9,713,980</u>	<u>\$ 338,341</u>	<u>\$ 1,911,824</u>	<u>\$ 1,573,483</u>

City of Orem
CARE Tax - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales Taxes	\$ 1,800,000	\$ 1,800,000	\$ 2,114,103	\$ 314,103
Interest Revenues	-	-	64,725	64,725
Total Revenues	1,800,000	1,800,000	2,178,828	378,828
EXPENDITURES				
Current:				
Arts and Recreation Development	2,150,000	2,183,904	33,904	2,150,000
Total Expenditures	2,150,000	2,183,904	33,904	2,150,000
Excess (Deficiency) of Revenues over (under) Expenditures	(350,000)	(383,904)	2,144,924	2,528,828
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-
Net Change in Fund Balance	(350,000)	(383,904)	2,144,924	2,528,828
Fund Balance - Beginning	488,337	488,337	488,337	-
Fund Balance - Ending	\$ 138,337	\$ 104,433	\$ 2,633,261	\$ 2,528,828

City of Orem
 Redevelopment - Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For The Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,818,000	\$ 2,796,302	\$ 2,796,302	\$ -
Total Revenues	<u>2,818,000</u>	<u>2,796,302</u>	<u>2,796,302</u>	<u>-</u>
EXPENDITURES				
Current:				
Redevelopment	1,570,000	2,411,704	1,180,136	1,231,568
Total Expenditures	<u>1,570,000</u>	<u>2,411,704</u>	<u>1,180,136</u>	<u>1,231,568</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,248,000</u>	<u>384,598</u>	<u>1,616,166</u>	<u>1,231,568</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(1,248,000)</u>	<u>(1,248,000)</u>	<u>(1,248,000)</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>(1,248,000)</u>	<u>(1,248,000)</u>	<u>(1,248,000)</u>	<u>-</u>
Net Change in Fund Balance	-	(863,402)	368,166	1,231,568
Fund Balance - Beginning	879,697	879,697	879,697	-
Fund Balance - Ending	<u>\$ 879,697</u>	<u>\$ 16,295</u>	<u>\$ 1,247,863</u>	<u>\$ 1,231,568</u>

City of Orem
 Community Development and Rehabilitation - Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For The Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 626,923	\$ 626,923	\$ 421,127	\$ (205,796)
Program Income	27,033	27,033	273,279	246,246
Interest Revenues	-	-	27,397	27,397
Miscellaneous Revenues	-	381,211	383,585	2,374
Total Revenues	653,956	1,035,167	1,105,388	70,221
EXPENDITURES				
Current:				
Economic and Physical Development	470,561	513,749	512,720	1,029
Debt Service:				
Principal Retirement	40,000	40,000	40,000	-
Interest and Fiscal Charges	65,000	70,002	78,654	(8,652)
Total Expenditures	575,561	623,751	631,374	(7,623)
Excess (Deficiency) of Revenues over (under) Expenditures	78,395	411,416	474,014	62,598
OTHER FINANCING SOURCES (USES)				
Transfers In	41,718	41,718	39,653	(2,065)
Transfers Out	(120,113)	(501,324)	(501,324)	-
Total Other Financing Sources and (Uses)	(78,395)	(459,606)	(461,671)	(2,065)
Net Change in Fund Balance	-	(48,190)	12,343	60,533
Fund Balance - Beginning	275,407	275,407	275,407	-
Fund Balance - Ending	\$ 275,407	\$ 227,217	\$ 287,750	\$ 60,533

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, 2007

	<u>Fleet Maintenance</u>	<u>Purchasing / Warehousing</u>	<u>Self- Insurance</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 106,933	\$ 99,594	\$ 1,274,660	\$ 1,481,187
Inventories	-	290,164	-	290,164
Prepays	-	-	-	-
Restricted Cash and Cash Equivalents:				
Cash - Capital Improvement Projects	-	-	645,000	645,000
Total Current Assets	106,933	389,758	1,919,660	2,416,351
Noncurrent Assets:				
Capital Assets:				
Buildings	-	150,000	-	150,000
Improvements other than Buildings	-	17,195	-	17,195
Machinery and Equipment	150,879	37,466	17,876	206,221
Construction in Progress	-	-	-	-
Less Accumulated Depreciation	(111,329)	(52,649)	(4,054)	(168,032)
Total Capital Assets (Net of Accumulated Depreciation)	39,550	152,012	13,822	205,384
Total Assets	146,483	541,770	1,933,482	2,621,735
LIABILITIES:				
Current Liabilities:				
Accounts Payable	1,254	2,784	436,598	440,636
Accrued Liabilities	10,366	6,294	2,169	18,829
Accrued Vacation and Sick Leave	29,595	15,451	7,022	52,068
Accrued Interest Payable	108	-	-	108
Capital Lease Payable - Current Portion	6,699	-	-	6,699
Total Current Liabilities	48,022	24,529	445,789	518,340
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	1,699	813	47,675	50,187
Capital Lease Payable - Long-term Portion	6,579	-	-	6,579
Total Noncurrent Liabilities	8,278	813	47,675	56,766
Total Liabilities	56,300	25,342	493,464	575,106
NET ASSETS				
Invested in Capital Assets	27,426	152,012	13,822	193,260
Restricted for Capital Improvements	-	-	645,000	645,000
Unrestricted	62,757	364,416	781,196	1,208,369
Total Net Assets	\$ 90,183	\$ 516,428	\$ 1,440,018	\$ 2,046,629

City of Orem
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For The Year Ended June 30, 2007

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
OPERATING REVENUES:				
Charges for Services to Other Funds	\$ 592,995	\$ 316,606	\$ 1,263,629	\$ 2,173,230
Other Revenues	-	-	-	-
Total Operating Revenues	<u>592,995</u>	<u>316,606</u>	<u>1,263,629</u>	<u>2,173,230</u>
OPERATING EXPENSES:				
Personal Services	418,379	212,732	74,489	705,600
Supplies, Maintenance and Claims	202,665	130,311	1,513,725	1,846,701
Depreciation	5,310	2,063	1,537	8,910
Total Operating Expenses	<u>626,354</u>	<u>345,106</u>	<u>1,589,751</u>	<u>2,561,211</u>
Operating Income (Loss)	<u>(33,359)</u>	<u>(28,500)</u>	<u>(326,122)</u>	<u>(387,981)</u>
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) on Sales of Fixed Assets	(6,141)	-	(926)	(7,067)
Interest Expense and Fiscal Charges	(765)	-	-	(765)
Total Nonoperating Revenues (Expenses)	<u>(6,906)</u>	<u>-</u>	<u>(926)</u>	<u>(7,832)</u>
Income (Loss) before Operating Transfers	(40,265)	(28,500)	(327,048)	(395,813)
Transfers In	-	-	-	-
Transfers Out	(450)	(300)	(75)	(825)
Change in Net Assets	<u>(40,715)</u>	<u>(28,800)</u>	<u>(327,123)</u>	<u>(396,638)</u>
Total Net Assets - Beginning	130,898	545,229	1,767,141	2,443,268
Total Net Assets - Ending	<u>\$ 90,183</u>	<u>\$ 516,429</u>	<u>\$ 1,440,018</u>	<u>\$ 2,046,630</u>

City of Orem
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2007

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 592,995	\$ 316,606	\$ 1,263,629	\$ 2,173,230
Payments to Suppliers	(202,220)	(52,943)	(1,107,493)	(1,362,656)
Payments to Employees	(417,979)	(209,790)	(117,547)	(745,316)
Net Cash Provided (Used) by Operating Activities	(27,204)	53,873	38,589	65,258
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers In	-	-	-	-
Transfers Out	(450)	(300)	(75)	(825)
Net Cash Provided (Used) by Noncapital Financing Activities	(450)	(300)	(75)	(825)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(19,888)	-	(15,000)	(34,888)
Principal paid on Outstanding Debt	(4,332)	-	-	(4,332)
Interest paid on Outstanding Debt	(877)	-	-	(877)
Net Cash Provided (Used) in Capital Financing Activities	(25,097)	-	(15,000)	(40,097)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest Income	-	-	-	-
Net Cash Provided (Used) by Investing Activities	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(52,751)	53,573	23,514	24,336
Cash and Cash Equivalents - Beginning of Year	159,684	46,021	1,896,146	2,101,851
Cash and Cash Equivalents - End of Year	\$ 106,933	\$ 99,594	\$ 1,919,660	\$ 2,126,187
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (33,359)	\$ (28,500)	\$ (326,122)	\$ (387,981)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	5,310	2,063	1,537	8,910
(Increase) Decrease in Accounts Receivable	-	-	-	-
(Increase) Decrease in Inventory	-	80,874	-	80,874
(Increase) Decrease in Prepaids	-	-	5,213	5,213
Increase (Decrease) in Accounts Payable	(132)	(3,727)	400,890	397,031
Increase (Decrease) in Accrued Liabilities	577	221	129	927
Increase (Decrease) in Accrued Vacation and Sick Leave	400	2,942	(43,058)	(39,716)
Total Adjustments	6,155	82,373	364,711	453,239
Net Cash Provided (Used) by Operating Activities	\$ (27,204)	\$ 53,873	\$ 38,589	\$ 65,258

FIDUCIARY FUNDS

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

New Friends of the Library Fund – to account for the financial transactions of the New Friends of the Library, a nonprofit organization involved with various community oriented programs, one of the largest being the Timpanogos Storytelling Festival.

Orem Foundation Trust Fund – to account for the financial transaction of the Orem Foundation Trust, a nonprofit charitable foundation. It was formed and operates as an approved IRS section 501(c)3 charitable foundation.

Senior Citizens' 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
Fiduciary Funds
Private Purpose Trusts
Combining Statement of Fiduciary Net Assets
June 30, 2007

	New Friends Of The Library Fund	Orem Foundation Trust Fund	Senior Citizens' Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 824,214	\$ 35,723	\$ 121,234	\$ 981,171
Total Assets	<u>824,214</u>	<u>35,723</u>	<u>121,234</u>	<u>981,171</u>
LIABILITIES				
Accounts Payable	4,946	-	564	5,510
Total Liabilities	<u>4,946</u>	<u>-</u>	<u>564</u>	<u>5,510</u>
NET ASSETS				
Held in Trust for Private Organizations	819,268	35,723	120,670	975,661
Total Net Assets	<u>\$ 819,268</u>	<u>\$ 35,723</u>	<u>\$ 120,670</u>	<u>\$ 975,661</u>

City of Orem
Fiduciary Funds
Private Purpose Trusts
Combining Statement of Changes in Fiduciary Net Assets
For The Year Ended June 30, 2007

	New Friends Of The Library Fund	Orem Foundation Trust Fund	Senior Citizens' Fund	Total
ADDITIONS				
Miscellaneous:				
Donations	\$ 202,273	\$ 31,000	\$ 9,760	\$ 243,033
Other	42,105	720	26,477	69,302
Total Additions	<u>244,378</u>	<u>31,720</u>	<u>36,237</u>	<u>312,335</u>
DEDUCTIONS				
Community Programs	227,748	-	-	227,748
Senior Citizens	-	-	19,816	19,816
Total Deductions	<u>227,748</u>	<u>-</u>	<u>19,816</u>	<u>247,564</u>
Change in Net Assets	16,630	31,720	16,421	64,771
Net Assets - Beginning	<u>802,638</u>	<u>4,003</u>	<u>104,249</u>	<u>910,890</u>
Net Assets - Ending	<u>\$ 819,268</u>	<u>\$ 35,723</u>	<u>\$ 120,670</u>	<u>\$ 975,661</u>

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

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City of Orem
Capital Assets Used in The Operations of Governmental Funds
Comparative Schedules By Source¹
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Governmental Funds Capital Assets:		
Land	\$ 58,784,875	\$ 58,711,795
Buildings	26,908,468	19,816,251
Improvements other than Buildings	26,903,203	23,313,968
Machinery and Equipment	13,876,972	20,062,488
Infrastructure	93,332,952	82,377,668
Construction in Progress	4,344,751	9,616,448
Total Governmental Funds Capital Assets	<u><u>\$ 224,151,221</u></u>	<u><u>\$ 213,898,618</u></u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 165,211,067	\$ 139,966,722
Capital Projects Fund	48,132,170	62,091,556
Federal Grants	221,518	228,526
State Road Funds	7,132,410	7,915,133
Redevelopment	969,909	575,377
Community Development	2,484,147	3,121,304
Total Governmental Funds Capital Assets	<u><u>\$ 224,151,221</u></u>	<u><u>\$ 213,898,618</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, 2007

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General government:			
Legislative	\$ -	\$ -	\$ -
Executive	-	-	30,689
Personnel Administration	-	-	-
Administrative Services	-	2,075	45,499
Legal	-	-	10,100
Development Services	-	-	-
General Government	1,510,691	3,538,860	398,042
Engineering	-	-	-
Redevelopment	-	-	85,080
Community Development	-	8,105	1,475,818
Total General Government	1,510,691	3,549,040	2,045,228
Public Safety:			
Administration	-	5,368,767	9,407
Police Protection	-	-	38,285
Fire Protection	190,596	1,461,832	24,948
Emergency Services	-	1,580	-
Total Public Safety	190,596	6,832,179	72,640
Highways and Streets:			
Engineering	33,550	-	-
Maintenance	-	-	-
Street System	54,787,069	8,240,156	9,328,821
Street Lighting	-	-	1,421,854
Total Highways and Streets	54,820,619	8,240,156	10,750,675
Parks and Recreation	2,262,969	3,820,868	13,879,064
Library	-	4,466,225	155,595
Total Governmental Funds Capital Assets	\$ 58,784,875	\$ 26,908,469	\$ 26,903,202

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
\$ -	\$ -	\$ -	\$ -
16,127	-	-	46,816
8,483	-	-	8,483
791,155	-	-	838,729
17,592	-	-	27,692
187,467	-	-	187,467
121,466	204,575	-	5,773,634
326,491	-	-	326,491
-	414,798	470,031	969,909
11,992	988,232	-	2,484,147
<u>1,480,773</u>	<u>1,607,605</u>	<u>470,031</u>	<u>10,663,368</u>
995,350	-	-	6,373,524
3,403,660	-	-	3,441,945
3,104,550	-	-	4,781,926
36,325	-	-	37,905
<u>7,539,885</u>	<u>-</u>	<u>-</u>	<u>14,635,300</u>
102,177	-	-	135,727
-	-	-	-
2,971,630	90,083,303	3,874,720	169,285,699
-	1,136,156	-	2,558,010
<u>3,073,807</u>	<u>91,219,459</u>	<u>3,874,720</u>	<u>171,979,436</u>
1,624,901	505,888	-	22,093,690
157,606	-	-	4,779,426
<u>\$ 13,876,972</u>	<u>\$ 93,332,952</u>	<u>\$ 4,344,751</u>	<u>\$ 224,151,221</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, 2007

Function and Activity	Governmental Funds Capital Assets June 30, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government:				
Legislative	\$ 34,845	\$ -	\$ (34,845)	\$ -
Executive	127,638	-	(80,822)	46,816
Personnel Administration	19,470	-	(10,987)	8,483
Administrative Services	2,251,773	244,777	(1,657,821)	838,729
Legal	87,004	10,100	(69,412)	27,692
Development Services	276,139	15,559	(104,231)	187,467
General Government	6,084,063	894,750	(1,205,179)	5,773,634
Engineering	114,700	211,791	-	326,491
Redevelopment	575,377	560,105	(165,573)	969,909
Community Development	3,121,305	-	(637,158)	2,484,147
Total General Government	<u>12,692,314</u>	<u>1,937,082</u>	<u>(3,966,028)</u>	<u>10,663,368</u>
Public Safety:				
Administration	1,563,139	5,169,369	(358,984)	6,373,524
Police Protection	3,784,212	664,406	(1,006,673)	3,441,945
Fire Protection	4,020,330	1,874,987	(1,113,391)	4,781,926
Emergency Services	58,478	19,536	(40,109)	37,905
Total Public Safety	<u>9,426,159</u>	<u>7,728,298</u>	<u>(2,519,157)</u>	<u>14,635,300</u>
Highways and Streets:				
Engineering	237,382	41,794	(143,449)	135,727
Maintenance	5,638	-	(5,638)	-
Street System	147,333,568	23,128,986	(1,176,855)	169,285,699
Street Lighting	1,328,596	1,229,413	-	2,558,009
Total Highways and Streets	<u>148,905,184</u>	<u>24,400,193</u>	<u>(1,325,942)</u>	<u>171,979,435</u>
Parks and Recreation	42,098,490	67,550	(20,072,349)	22,093,691
Library	776,471	4,543,613	(540,657)	4,779,427
Total Governmental Funds Capital Assets	<u>\$ 213,898,618</u>	<u>\$ 38,676,736</u>	<u>\$ (28,424,133)</u>	<u>\$ 224,151,221</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.

STATISTICAL SECTION

(Unaudited)

This section of the City of Orem's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	125
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	132
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
Debt Capacity and Other Debt Information	144
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	156
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
Operating and Other Information	162
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City of Orem implemented GASB Statement 44 for the fiscal year ending June 30, 2006. The new information required by this statement is shown prospectively except in those cases in which prior year information was readily available. The City of Orem implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

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City of Orem
Net Assets by Component
Last Six Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Invested in Capital Assets,						
Net of Related Debt	\$ 85,116,180	\$ 98,891,248	\$ 102,275,533	\$ 102,793,522	\$ 106,186,394	\$ 114,171,270
Restricted	1,594,319	1,197,534	2,828,490	2,018,812	2,177,533	4,388,201
Unrestricted	33,786,050	21,413,234	21,269,937	25,146,428	28,835,694	26,880,967
Total Governmental Activities Net Assets	<u>120,496,549</u>	<u>121,502,016</u>	<u>126,373,960</u>	<u>129,958,762</u>	<u>137,199,621</u>	<u>145,440,438</u>
Business-type Activities:						
Invested in Capital Assets,						
Net of Related Debt	38,380,888	39,853,758	41,914,527	42,361,442	44,153,834	52,823,374
Restricted	-	-	849,578	1,446,437	190,283	-
Unrestricted	8,746,135	7,958,316	6,324,578	6,005,168	8,248,979	4,255,124
Total Business-type Activities Net Assets	<u>47,127,023</u>	<u>47,812,074</u>	<u>49,088,683</u>	<u>49,813,047</u>	<u>52,593,096</u>	<u>57,078,498</u>
Primary Government:						
Invested in Capital Assets,						
Net of Related Debt	123,497,068	138,745,006	144,190,060	145,154,964	150,340,228	166,994,644
Restricted	1,594,319	1,197,534	3,678,068	3,465,249	2,367,816	4,388,201
Unrestricted	42,532,185	29,371,550	27,594,515	31,151,596	37,084,673	31,136,091
Total Primary Government Net Assets	<u>\$ 167,623,572</u>	<u>\$ 169,314,090</u>	<u>\$ 175,462,643</u>	<u>\$ 179,771,809</u>	<u>\$ 189,792,717</u>	<u>\$ 202,518,936</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in Fiscal Year 2002.

City of Orem
 Changes in Net Assets
 Last Six Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities:						
General Government	\$ 11,604,586	\$ 11,496,617	\$ 12,109,241	\$ 11,540,773	\$ 12,100,627	\$ 14,331,656
Public Safety	13,764,037	14,134,188	14,598,906	15,346,389	16,234,941	17,855,927
Highways and Public Improvements	9,791,936	5,545,048	5,731,034	7,100,065	6,485,972	6,574,954
Parks, Recreation and Arts	5,502,044	6,028,910	6,333,042	6,662,804	6,866,860	7,904,959
Economic and Physical Development	1,088,450	920,185	883,877	853,787	3,430,829	3,009,244
Redevelopment	782,929	683,317	1,053,395	542,663	846,212	1,189,544
Interest on Long-term Debt	1,942,912	1,547,707	2,038,946	1,882,277	2,083,152	2,263,478
Total Governmental Activities Expenses	44,476,894	40,355,972	42,748,441	43,928,758	48,048,593	53,129,762
Business-type Activities:						
Water	6,155,957	6,289,895	6,442,662	6,804,176	7,503,542	7,431,471
Water Reclamation	5,567,836	5,767,224	5,865,945	5,826,744	5,975,572	5,894,276
Storm Sewer	1,070,843	1,187,091	1,268,541	1,539,806	1,814,312	1,725,747
Recreation	1,617,454	1,900,263	2,203,195	2,047,026	1,989,045	1,567,468
Solid Waste	2,402,180	2,557,169	2,652,512	2,708,103	2,774,492	2,955,318
Street Lighting	704,035	824,071	910,969	1,133,368	1,131,094	1,166,820
Total Business-type Activities Expenses	17,518,305	18,525,713	19,343,824	20,059,223	21,188,057	20,741,100
Total Primary Government Expenses	61,995,199	58,881,685	62,092,265	63,987,981	69,236,650	73,870,862
Program Revenues						
Governmental Activities:						
Charges for Services:						
General Government	8,104,241	8,498,206	10,000,133	9,725,813	10,282,461	11,054,187
Public Safety	2,151,540	2,404,674	2,404,343	2,779,134	2,765,785	3,156,406
Parks, Recreation and Arts	8,450	6,960	8,910	12,559	19,717	301,383
Economic and Physical Development	415,587	459,023	308,367	286,904	289,476	273,279
Operating Grants and Contributions	1,799,227	1,535,732	1,407,736	1,546,029	1,597,103	852,452
Capital Grants and Contributions	2,619,879	2,649,670	8,309,689	3,178,409	4,168,784	5,800,844
Total Governmental Activities Program Revenues	15,098,924	15,554,265	22,439,178	17,528,848	19,123,326	21,438,551
Business-type Activities:						
Charges for Services:						
Water	5,881,629	5,754,336	6,128,218	6,166,137	6,952,156	7,741,810
Water Reclamation	5,270,158	5,117,669	4,968,507	4,824,003	5,800,558	6,154,501
Storm Sewer	2,149,608	2,153,728	2,402,202	2,470,225	2,510,331	2,523,425
Recreation	1,047,647	1,197,535	1,600,892	1,761,167	1,648,619	1,452,458
Solid Waste	2,557,893	2,626,672	2,755,344	2,853,586	2,900,873	2,893,052
Street Lighting	89,027	305,136	468,672	628,449	672,033	684,250
Operating Grants and Contributions	-	1,000,000	-	-	-	248,000
Capital Grants and Contributions	292,200	517,000	1,003,250	1,123,170	1,763,440	2,677,880
Total Business-type Activities Program Revenues	17,288,162	18,672,076	19,327,085	19,826,737	22,248,010	24,375,376
Total Primary Government Program Revenues	32,387,086	34,226,341	41,766,263	37,355,585	41,371,336	45,813,927
Net (Expense) Revenue						
Governmental Activities	(29,377,970)	(24,801,707)	(20,309,263)	(26,399,910)	(28,925,267)	(31,691,211)
Business-type Activities	(230,143)	146,363	(16,739)	(232,486)	1,059,953	3,634,276
Total Primary Government Net (Expense) Revenue	\$ (29,608,113)	\$ (24,655,344)	\$ (20,326,002)	\$ (26,632,396)	\$ (27,865,314)	\$ (28,056,935)

(Continued on next page)

City of Orem
 Changes in Net Assets
 Last Six Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

(Continued from prior page)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net (Expense) Revenue						
Governmental Activities	\$ (29,377,970)	\$ (24,801,707)	\$ (20,309,263)	\$ (26,399,910)	\$ (28,925,267)	\$ (31,691,211)
Business-type Activities	(230,143)	146,363	(16,739)	(232,486)	1,059,953	3,634,276
Total Primary Government Net (Expense) Revenue	<u>(29,608,113)</u>	<u>(24,655,344)</u>	<u>(20,326,002)</u>	<u>(26,632,396)</u>	<u>(27,865,314)</u>	<u>(28,056,935)</u>
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes:						
Sales Taxes	15,163,063	13,708,023	14,092,331	15,373,690	18,008,143	21,330,290
Property Taxes	6,310,153	6,577,989	7,168,114	7,710,867	8,741,450	9,558,706
Franchise Taxes	4,728,185	4,500,648	4,819,932	5,970,311	6,888,934	6,804,907
Vehicle and Other Taxes	1,183,472	976,352	1,015,120	1,011,729	1,079,912	1,288,386
Unrestricted Investment Earnings	747,178	479,461	292,972	452,157	1,424,846	1,735,589
Gain (Loss) on Sale of Capital Assets	161,069	27,731	28,579	78,726	774,740	3,567,621
Transfers	(1,680,254)	(463,030)	(1,225,304)	(612,768)	(751,899)	(153,471)
Total Governmental Activities	<u>26,612,866</u>	<u>25,807,174</u>	<u>26,191,744</u>	<u>29,984,712</u>	<u>36,166,126</u>	<u>44,132,028</u>
Business-type Activities:						
Unrestricted Investment Earnings	188,859	113,546	68,044	312,582	968,197	699,801
Gain (Loss) on Sale of Capital Assets	(33,401)	(37,888)	-	31,500	-	(2,146)
Transfers	1,680,254	463,030	1,225,304	612,768	751,899	153,471
Total Business-type Activities	<u>1,835,712</u>	<u>538,688</u>	<u>1,293,348</u>	<u>956,850</u>	<u>1,720,096</u>	<u>851,126</u>
Total Primary Government	<u>28,448,578</u>	<u>26,345,862</u>	<u>27,485,092</u>	<u>30,941,562</u>	<u>37,886,222</u>	<u>44,983,154</u>
Change in Net Assets						
Governmental Activities	(2,765,104)	1,005,467	5,882,481	3,584,802	7,240,859	12,440,817
Business-type Activities	1,605,569	685,051	1,276,809	724,364	2,780,049	4,485,402
Total Primary Government	<u>\$ (1,159,535)</u>	<u>\$ 1,690,518</u>	<u>\$ 7,159,090</u>	<u>\$ 4,309,166</u>	<u>\$ 10,020,908</u>	<u>\$ 16,926,219</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in Fiscal Year 2002.

City of Orem
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	1998	1999	2000	2001
General Fund				
Reserved	\$ 1,418,706	\$ 1,324,508	\$ 1,084,193	\$ 2,894,448
Unreserved	7,163,560	4,616,617	5,166,024	9,638,997
Total General Fund	<u>8,582,266</u>	<u>5,941,125</u>	<u>6,250,217</u>	<u>12,533,445</u>
 All Other Governmental Funds				
Reserved	1,472,108	1,324,272	1,323,098	1,632,187
Unreserved, reported in:				
Capital Projects Funds	5,781,428	10,389,923	6,044,463	10,231,022
Debt Service Funds	-	-	-	-
Special Revenue Funds	-	-	-	-
Total All Other Governmental Funds	<u>7,253,536</u>	<u>11,714,195</u>	<u>7,367,561</u>	<u>11,863,209</u>
 Total Governmental Funds				
Reserved	2,890,814	2,648,780	2,407,291	4,526,635
Unreserved	12,944,988	15,006,540	11,210,487	19,870,019
Total Governmental Funds	<u>\$ 15,835,802</u>	<u>\$ 17,655,320</u>	<u>\$ 13,617,778</u>	<u>\$ 24,396,654</u>

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 2,555,380	\$ 2,273,488	\$ 718,380	\$ 784,544	\$ 1,352,706	\$ 1,740,749
6,789,541	7,057,860	9,347,408	6,521,065	6,140,485	9,031,333
9,344,921	9,331,348	10,065,788	7,305,609	7,493,191	10,772,082
1,162,055	1,197,534	2,110,110	2,384,070	2,017,220	2,002,452
19,740,782	6,492,956	3,117,098	16,339,596	16,726,282	9,184,205
-	-	168,139	-	604,104	650,902
560	63,943	-	376,963	1,368,034	3,881,124
20,903,397	7,754,433	5,395,347	19,100,629	20,715,640	15,718,683
3,717,435	3,471,022	2,828,490	3,168,614	3,369,926	3,743,201
26,530,883	13,614,759	12,632,645	23,237,624	24,838,905	22,747,564
\$ 30,248,318	\$ 17,085,781	\$ 15,461,135	\$ 26,406,238	\$ 28,208,831	\$ 26,490,765

City of Orem
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
Revenues					
Taxes and Special Assessments	\$ 22,353,328	\$ 22,871,996	\$ 24,019,314	\$ 25,416,573	\$ 27,441,124
Licenses and Permits	1,132,174	1,089,699	1,134,303	1,094,650	1,044,082
Intergovernmental	2,604,426	2,257,067	3,364,968	3,700,938	4,377,717
Charges for Services	1,671,726	2,005,916	2,061,741	2,385,067	2,919,220
Fines and Forfeitures	282,552	382,080	334,501	388,011	454,335
Charges for Services - Other Funds	2,766,703	2,858,178	2,894,777	3,103,181	3,248,931
Interest Income	724,153	488,746	456,258	621,111	779,468
Miscellaneous Revenue	1,801,872	2,004,203	1,707,884	1,957,838	1,478,109
Total Revenues	33,336,934	33,957,885	35,973,746	38,667,369	41,742,986
Expenditures					
General Government	8,583,367	8,798,905	7,485,512	7,486,112	9,796,957
Public Safety	10,956,238	11,243,922	12,597,305	12,854,036	13,786,791
Highways and Public Improvements	4,474,597	4,298,774	5,120,196	4,113,586	4,282,923
Parks, Recreation and Arts	3,542,455	3,643,758	3,781,425	4,197,894	4,449,966
Economic and Physical Development	1,319,634	1,217,382	758,565	1,123,414	1,545,673
Redevelopment	534,270	698,086	612,874	786,807	714,309
Debt Service:					
Principal Retirement	745,000	785,000	905,000	1,721,000	4,455,399
Interest and Fiscal Charges	594,361	676,200	681,247	1,271,827	1,339,460
Capital Lease Payments - Principal	737,503	432,408	428,414	503,974	3,252,624
Capital Lease Payments - Interest	91,152	50,729	54,578	62,926	264,928
Capital Outlay	4,829,952	7,755,211	10,614,462	6,207,120	11,515,674
Total Expenditures	36,408,529	39,600,375	43,039,578	40,328,696	55,404,704
Excess of Revenues over (under) Expenditures	(3,071,595)	(5,642,490)	(7,065,832)	(1,661,327)	(13,661,718)
Other Financing Sources (Uses)					
Issuance of Bonds & Other Debt	-	4,650,000	4,443,000	7,763,487	21,167,630
Bond Issuance Premium	-	-	-	-	-
Payment to Bond Refunding Agent	-	-	-	-	-
Capital Leases	260,190	-	350,000	23,160	233,038
Transfers In	4,087,987	8,923,779	3,975,675	17,233,789	10,269,881
Transfers Out	4,419,067	(6,499,061)	(6,733,713)	(16,560,677)	(11,949,040)
Total Other Financing Sources (Uses)	8,767,244	7,074,718	2,034,962	8,459,759	19,721,509
Net Change in Fund Balances	\$ 5,695,649	\$ 1,432,228	\$ (5,030,870)	\$ 6,798,432	\$ 6,059,791
Debt Service as a percentage of Noncapital Expenditures	6.4%	5.4%	5.8%	10.6%	20.2%

Fiscal Year				
2003	2004	2005	2006	2007
\$ 25,773,431	\$ 27,093,824	\$ 29,845,163	\$ 35,035,714	\$ 39,405,860
1,004,672	1,295,544	1,366,925	1,880,567	1,647,862
4,153,970	4,804,640	4,536,148	4,110,180	3,656,271
3,197,288	3,544,661	3,663,844	3,865,549	4,509,999
547,988	454,749	566,175	534,071	607,152
3,546,614	3,701,855	3,654,299	3,681,670	3,821,727
545,589	350,831	477,456	1,270,386	1,619,097
1,330,019	1,643,953	3,464,193	2,335,497	5,416,232
40,099,571	42,890,057	47,574,203	52,713,634	60,684,200
9,528,847	9,777,288	9,942,870	10,133,159	11,243,791
14,187,339	15,121,260	16,293,215	15,534,673	16,593,911
3,648,773	4,850,849	4,208,802	4,223,289	4,062,508
5,027,240	5,064,150	5,130,601	5,294,410	5,974,738
1,016,568	944,119	1,102,607	3,354,384	3,500,924
677,067	857,550	530,618	594,165	620,031
2,249,000	2,566,957	3,047,454	4,319,780	2,967,022
1,846,933	2,043,617	1,873,517	2,226,774	2,191,810
214,900	127,123	80,627	112,590	115,378
26,557	15,026	10,845	18,327	11,815
14,202,752	4,735,354	1,764,864	12,971,979	17,514,340
52,625,976	46,103,293	43,986,020	58,783,530	64,796,268
(12,526,405)	(3,213,236)	3,588,183	(6,069,896)	(4,112,068)
-	1,300,000	12,960,000	8,485,113	6,814,204
-	-	189,409	138,450	-
-	-	(3,790,000)	-	(3,770,800)
-	-	58,560	-	-
5,666,551	6,899,378	11,582,120	9,018,070	7,873,388
(6,107,542)	(7,839,846)	(13,643,169)	(9,769,144)	(8,522,790)
(440,991)	359,532	7,356,920	7,872,489	2,394,002
\$ (12,967,396)	\$ (2,853,704)	\$ 10,945,103	\$ 1,802,593	\$ (1,718,066)

11.7% 12.3% 12.3% 14.6% 11.2%

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

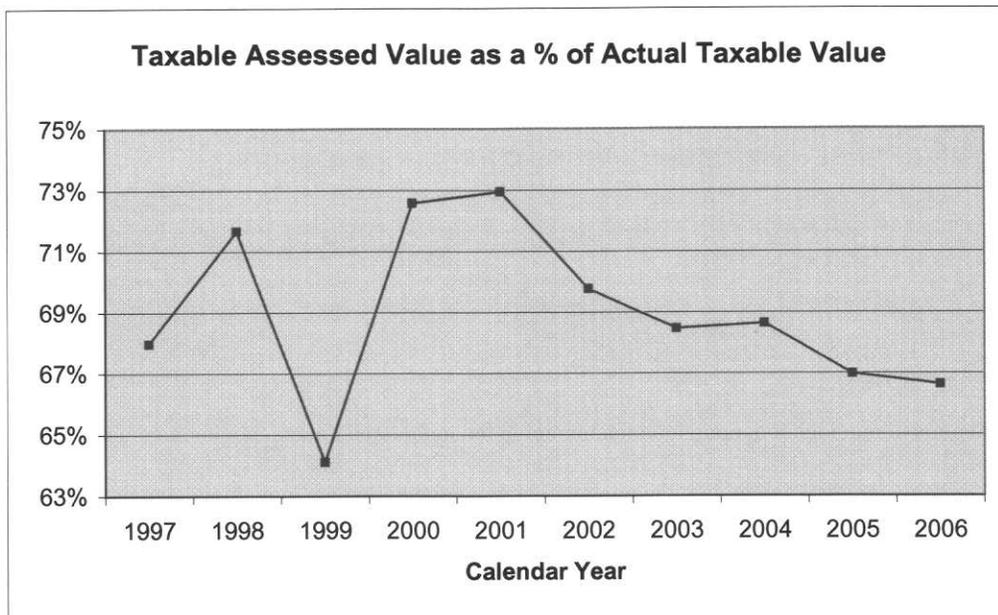
Calendar Year ¹	Taxable Value				
	Primary Residential Property	Other Residential Property	Commercial & Industrial Property	Agricultural Property	Unimproved Real Property
1997	\$ 1,467,428,500	\$ 74,869	\$ 564,472,379	\$ 44,112,056	\$ 906,604
1998	1,494,208,145	74,869	598,251,559	39,950,927	802,598
1999	1,518,298,501	74,869	699,553,718	39,501,936	2,029,832
2000	1,674,055,370	80,110	774,700,081	38,178,438	785,900
2001	1,856,564,339	86,092	841,554,729	34,718,238	719,813
2002	1,881,126,204	170,403	1,004,495,783	33,940,732	754,280
2003	1,911,504,645	361,581	1,007,647,856	1,455,150	29,143,864
2004	1,953,411,264	362,106	1,029,051,253	1,198,488	31,784,709
2005	1,992,628,465	434,933	1,017,869,457	903,526	31,998,112
2006	2,149,974,976	2,163,884	1,076,093,714	817,809	26,283,264

Source: Utah State Tax Commission

Notes: Property in the City of Orem is reassessed once every five years, on average. The city assesses property at approximately 55 percent of actual value for residential property and 100 percent of actual value for all other categories. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages.

¹ Assessed values are reported by the County on a calendar year basis rather than July 1 to June 30 fiscal year.

Personal Property	Fee in Lieu Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 219,354,061	\$ 252,768,786	\$ 2,549,117,255	\$ 0.001594	\$ 3,749,801,830	67.98%
236,061,456	318,059,538	2,687,409,092	0.001864	3,749,801,830	71.67%
242,089,476	4,798,030	2,506,346,362	0.001826	3,910,004,285	64.10%
232,924,820	231,060	2,720,955,779	0.001972	3,748,651,847	72.58%
249,759,927	702,322	2,984,105,460	0.001850	4,090,702,990	72.95%
221,551,045	515,589	3,142,554,036	0.001677	4,503,183,085	69.79%
214,696,514	41,328,176	3,206,137,786	0.001698	4,681,796,714	68.48%
217,460,513	41,478,607	3,274,746,940	0.001800	4,770,391,971	68.65%
213,740,087	51,946,930	3,309,521,510	0.002036	4,940,209,745	66.99%
233,802,981	30,101,214	3,519,237,842	0.002045	5,280,078,727	66.65%



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

Calendar Year ²	City of Orem Direct Rates			Overlapping Rates ¹					Total
	General Fund	Debt Service Fund	Total Direct Rate	Alpine School District	Utah County	Central Utah Water Conservancy District	Metropolitan Water District of Orem		
1997	\$ 0.001464	\$ 0.000130	\$ 0.001594	\$ 0.005457	\$ 0.001545	\$ 0.000349	\$ 0.000049	\$ 0.008994	
1998	0.001617	0.000247	0.001864	0.005524	0.001268	0.000397	0.000049	0.009102	
1999	0.001598	0.000228	0.001826	0.006410	0.001682	0.000396	0.000048	0.010362	
2000	0.001621	0.000351	0.001972	0.006884	0.001116	0.000377	0.000044	0.010393	
2001	0.001507	0.000343	0.001850	0.006769	0.001038	0.000369	0.000042	0.010068	
2002	0.001378	0.000299	0.001677	0.006953	0.001053	0.000358	0.000041	0.010082	
2003	0.001395	0.000303	0.001698	0.007884	0.001411	0.000358	0.000041	0.011392	
2004	0.001479	0.000321	0.001800	0.008119	0.001425	0.000353	0.000043	0.011740	
2005	0.001485	0.000551	0.002036	0.008082	0.001391	0.000400	0.000043	0.011952	
2006	0.001404	0.000641	0.002045	0.006883	0.001262	0.000357	0.000042	0.010589	

Source: Utah State Tax Commission - Property Tax Division

Notes: The city's basic property tax rate is primarily increased by: 1) a majority vote of the City Council after holding public hearings, 2) the approval of general obligation debt by a majority of the City's residents, 3) through a judgment levy due to a court ordered reduction to an entity(s) property tax, and 4) the overall assessed property values of the City's residents are reduced by the County Assessor. Rates for debt service are set based on each year's requirements. The tax rate is applied directly to the taxable value of the property.

¹ Overlapping rates are those of local and county governments. These rates apply to all property owners within the City of Orem.

² Taxes are collected and reported by the County on a calendar year basis rather than July 1 to June 30 fiscal year.

City of Orem
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Calendar Year 2007			Calendar Year 1998		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value
University Mall	\$ 79,163,341	1	2.25%	\$ 15,086,987	2	0.59%
TCU Properties	19,613,850	2	0.56%	----		----
Timpanogas Regional Medical	19,000,000	3	0.54%	----		----
GGP UC LLC	17,723,800	4	0.50%	----		----
Parkway Crossing Phase One LLC	16,295,050	5	0.46%	6,557,976	8	0.26%
Retail Trust III (Walmart)	14,778,667	6	0.42%	11,189,898	3	0.44%
Dayton Hudson Corporation	12,600,000	7	0.36%	----		----
Orem Eastpointe LLC	12,220,395	8	0.35%	----		----
Canyon River Partnership	11,675,992	9	0.33%	----		----
Dickson Properties LC	11,510,884	10	0.33%	7,323,089	6	0.29%
Novell, Inc.	----		----	40,216,943	1	1.58%
First Security Bank	----		----	10,722,100	4	0.42%
ZCMI (Macy's)	----		----	8,868,729	5	0.35%
YKK Beehive L.C.	----		----	6,657,716	7	0.26%
Shopko	----		----	6,400,000	9	0.25%
University Square Associates	----		----	6,193,922	10	0.24%
Total	\$ 214,581,979		6.10%	\$ 119,217,360		4.68%

Notes: Electric, telephone and natural gas utilities are centrally assessed by the State Tax Commission. These assessed amounts were not available in 1998 and therefore, Qwest Corporation (\$23,224,025), PacifiCorp (\$22,998,270), and Questar Gas (\$13,355,406) have been excluded from the current year since meaningful comparisons cannot be made.

¹ Assessed values are reported by the County on a calendar year basis rather than July 1 to June 30 fiscal year.

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

Calendar Year ¹	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
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
2006	6,628,909	6,136,638	92.57%	422,922	6,559,560

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

<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
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%
98.95%	492,271	7.43%

City of Orem
Sales Taxes by Category
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	1998	1999	2000	2001
General Merchandise and Groceries	\$ 3,053,338	\$ 3,223,651	\$ 3,601,615	\$ 3,972,554
Building Materials, Hardware, and Tools	2,043,508	2,110,444	2,131,157	1,970,028
Auto Dealers, Supplies, and Accessories	1,516,780	1,705,249	1,888,238	1,734,194
Home Furnishings, Appliances, & Electronics	1,283,221	1,308,723	1,363,533	1,310,584
Eating and Drinking Establishments	596,126	671,573	748,552	851,118
Clothing, Apparel, and Accessories	1,148,563	941,629	858,399	861,022
Professional Equipment and Supplies	953,526	957,547	724,914	714,277
Arts, Crafts, and Specialty Items	335,115	354,512	396,661	411,263
Amusement and Recreation	624,580	560,875	555,666	547,857
All Other Categories	482,143	878,590	1,078,706	1,405,110
Total Sales Taxes	\$ 12,036,900	\$ 12,712,793	\$ 13,347,441	\$ 13,778,007
Total City Direct Sales Tax Rate	1.00%	1.00%	1.00%	1.00%

Source: Internally generated, but based upon sales tax amounts reported to the City by the Utah State Tax Commission.

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 4,194,426	\$ 4,248,061	\$ 4,371,549	\$ 4,326,371	\$ 4,713,674	\$ 4,939,575
1,769,262	1,809,798	1,925,917	2,374,234	3,201,675	3,911,446
1,906,772	1,838,868	1,837,823	2,062,928	2,468,369	2,908,745
1,332,570	1,528,310	1,769,511	1,983,027	2,238,050	2,314,861
912,860	955,788	1,038,994	1,048,781	1,123,739	1,173,656
807,319	822,242	843,961	851,206	926,725	1,479,232
724,009	699,054	711,657	782,075	862,307	1,003,913
439,932	441,109	494,137	560,885	591,078	653,808
571,096	568,971	535,883	550,779	531,375	686,992
2,504,817	795,822	562,899	833,404	1,351,151	2,258,062
<u>\$ 15,163,063</u>	<u>\$ 13,708,023</u>	<u>\$ 14,092,331</u>	<u>\$ 15,373,690</u>	<u>\$ 18,008,143</u>	<u>\$ 21,330,290</u>

1.00%	1.00%	1.00%	1.00%	1.10%	1.10%
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City of Orem
Other Sales Tax Revenue Information by Category
Current Year and Nine Years Ago
(Unaudited)

	Fiscal Year 2007			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	231	8.35%	\$ 4,939,575	23.16%
Building Materials, Hardware, and Tools	176	6.37%	3,911,446	18.34%
Auto Dealers, Supplies, and Accessories	279	10.09%	2,908,745	13.64%
Home Furnishings, Appliances, & Electronics	236	8.54%	2,314,861	10.85%
Eating and Drinking Establishments	181	6.55%	1,173,656	5.50%
Clothing, Apparel, and Accessories	158	5.71%	1,479,232	6.93%
Professional Equipment and Supplies	308	11.14%	1,003,913	4.71%
Arts, Crafts, and Specialty Items	312	11.28%	653,808	3.07%
Amusement and Recreation	138	4.99%	686,992	3.22%
All Other Categories	746	26.98%	2,258,062	10.59%
Total	2,765	100.00%	\$ 21,330,290	100.00%

	Fiscal Year 1998			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	250	10.74%	\$ 3,053,338	25.37%
Building Materials, Hardware, and Tools	189	8.12%	2,043,508	16.98%
Auto Dealers, Supplies, and Accessories	198	8.51%	1,516,780	12.60%
Home Furnishings, Appliances, & Electronics	123	5.28%	1,283,221	10.66%
Eating and Drinking Establishments	167	7.17%	596,126	4.95%
Clothing, Apparel, and Accessories	124	5.33%	1,148,563	9.54%
Professional Equipment and Supplies	368	15.81%	953,526	7.92%
Arts, Crafts, and Specialty Items	179	7.69%	335,115	2.78%
Amusement and Recreation	129	5.54%	624,580	5.19%
All Other Categories	601	25.82%	482,143	4.01%
Total	2,328	100.00%	\$ 12,036,900	100.00%

Source: Internally generated, but based upon sales tax amounts reported to the City by the Utah State Tax Commission.

City of Orem
Principal Sales Tax Payers
Current Year and Nine Years Ago
(Unaudited)

<u>Taxpayer</u>	<u>Fiscal Year</u> <u>2007</u>			<u>Fiscal Year</u> <u>1998</u>		
	<u>Sales Taxes ¹</u>	<u>Rank</u>	<u>Percentage of Total Sales Taxes ¹</u>	<u>Sales Taxes ¹</u>	<u>Rank</u>	<u>Percentage of Total Sales Taxes ¹</u>
Costco Wholesale Corporation	N/A	1	N/A	----		----
Wal-Mart Supercenter	N/A	2	N/A	N/A	2	N/A
RC Willey Home Furnishings	N/A	3	N/A	N/A	1	N/A
Target	N/A	4	N/A	N/A	4	N/A
Mountainland Supply Company	N/A	5	N/A	N/A	8	N/A
BMC West	N/A	6	N/A	----		----
Geneva Rock Products	N/A	7	N/A	----		----
Lowes (Eagle) Hardware	N/A	8	N/A	N/A	6	N/A
Stock Building Supply	N/A	9	N/A	----		----
Best Buy	N/A	10	N/A	----		----
Finlay Fine Jewelry Corporation	----		----	N/A	3	N/A
Macey's, Inc.	----		----	N/A	5	N/A
Fred Meyer	----		----	N/A	7	N/A
JC Penney Company, Inc.	----		----	N/A	9	N/A
Smith's Food & Drug	----		----	N/A	10	N/A
Total	<u>\$ 5,360,673</u>		<u>25.13%</u>	<u>\$ 2,985,438</u>		<u>24.80%</u>

Source: Utah State Tax Commission.

¹ Due to confidentiality issues, the amounts and percentages of the ten largest revenue payers cannot be displayed. However, the aggregate total is displayed along with the individual rankings in an effort to provide the reader with information as to where the City's sales tax base originates.

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

Fiscal Year	City Direct Sales Tax Rates			Overlapping Sales Tax Rates				Total Sales Tax Rate
	City Direct Rate	City Cultural Arts & Rec Rate ¹	Total City Direct Rate	County Direct Rate	County Mass Transit Rate ²	State Direct Rate	State Mass Transit Rate	
1998	1.00%	--	1.00%	0.25%	--	4.75%	0.25%	6.25%
1999	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2000	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2001	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2002	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2003	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2004	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2005	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2006	1.00	0.10	1.10	0.25	--	4.75	0.25	6.35
2007	1.00	0.10	1.10	0.25	0.25	4.75	0.25	6.60

Source: Utah State Tax Commission

¹ This additional sales tax rate, titled CARE tax, was voted on by the citizens of Orem and went into effect on April 1, 2006.

² This additional sales tax rate was voted on by the citizens of Utah County and went into effect on April 1, 2007. The additional tax is to be used to fund highways, fixed guideways, or systems for public transit.

City of Orem
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Governmental Activities

Fiscal Year	General Obligation Bonds	Excise Tax Revenue Bonds	Sales Tax Revenue Bonds	Lease Revenue Bonds	Special Assessment Bonds	Notes Payable	Capital Leases
1998	\$ 5,820,000	\$ 1,465,000	\$ -	\$ 2,870,000	\$ -	\$ -	\$ 4,532,093
1999	10,290,000	1,005,000	-	2,725,000	-	-	4,059,179
2000	10,015,000	4,963,000	-	2,580,000	-	854,214	3,939,660
2001	9,660,000	3,752,000	-	10,410,000	-	808,836	3,536,675
2002	9,290,000	2,985,000	12,175,000	12,860,000	3,675,000	750,035	517,089
2003	8,900,000	2,181,000	12,010,000	11,975,000	3,670,000	1,010,532	302,189
2004	8,490,000	1,337,000	11,720,000	11,075,000	4,965,000	892,580	175,066
2005	17,225,000	452,000	11,285,000	10,140,000	4,735,000	765,119	152,999
2006	21,995,000	-	10,810,000	9,170,000	3,195,000	3,597,449	243,896
2007	21,025,000	-	10,310,000	8,423,000	2,940,000	6,396,631	124,186

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Business-type Activities

Water Quality Revenue Bonds	Water & Storm Sewer Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 3,115,000	\$ -	\$ -	\$ 17,802,093	1.44%	\$ 214
2,978,000	-	-	21,057,179	1.61	251
2,836,000	-	-	25,187,874	1.82	299
2,689,000	-	-	30,856,511	2.13	365
2,537,000	-	-	44,789,124	3.00	535
2,380,000	-	-	42,428,721	2.64	491
2,217,000	-	-	40,871,646	2.36	458
2,048,000	17,440,000	-	64,243,118	3.52	711
1,873,757	17,440,000	52,829	68,377,931	3.57	746
1,692,757	17,950,000	39,834	68,901,408	3.43	747

City of Orem
Ratios of Net General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ¹	Taxable Value	Gross Bonded Debt	Debt Service Monies Available ²	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1998	83,241	\$ 2,549,117,255	\$ 5,820,000	\$ 20,120	\$ 5,799,880	0.23%	70
1999	83,921	2,687,409,092	10,290,000	26,449	10,263,551	0.38	122
2000	84,326	2,506,346,362	10,015,000	25,513	9,989,487	0.40	118
2001	84,500	2,720,955,779	9,660,000	16,839	9,643,161	0.35	114
2002	83,662	2,984,105,460	9,290,000	339,058	8,950,942	0.30	107
2003	86,346	3,142,554,036	8,900,000	339,058	8,560,942	0.28	99
2004	89,326	3,206,137,786	8,490,000	938,255	7,551,745	0.24	85
2005	90,374	3,274,746,940	17,225,000	1,240,367	15,984,633	0.49	177
2006	91,649	3,309,521,510	21,995,000	1,154,726	20,840,274	0.63	227
2007	92,212	3,519,237,842	21,025,000	1,193,211	19,831,789	0.56	215

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

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

City of Orem
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2007
 (Unaudited)

Jurisdiction	Net General Obligation Debt Outstanding ¹	Percentage Applicable to the Citizens of the City of Orem	Amount Applicable to the Citizens of the City of Orem
Direct Debt:			
City of Orem	\$ 19,831,789	100.0000%	\$ 19,831,789
Overlapping Debt:			
Alpine School District	326,480,000	29.9675%	97,838,044
Utah County	15,455,000	13.5781%	2,098,496
Central Utah Water Conservancy District	<u>310,254,390</u>	3.2671%	<u>10,136,306</u>
Total Overlapping Debt	652,189,390		110,072,846
Total Direct and Overlapping Debt	<u><u>\$ 672,021,179</u></u>		<u><u>\$ 129,904,635</u></u>
Total Direct and Overlapping Debt Per Capita			<u><u>\$ 1,409</u></u>

¹Applies only to General Obligation Bonds.

City of Orem
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year			
	1998	1999	2000	2001
Debt Limit	\$ 151,383,623	\$ 156,400,171	\$ 149,946,074	\$ 163,628,120
Total Net Debt Applicable to Limit	(5,799,880)	(10,263,551)	(9,989,487)	(9,643,161)
Legal Debt Margin	<u>\$ 145,583,743</u>	<u>\$ 146,136,620</u>	<u>\$ 139,956,587</u>	<u>\$ 153,984,959</u>
Total Net Debt Applicable to Limit as a percentage of debt limit	3.83%	6.56%	6.66%	5.89%

¹ Debt margin applies only to general obligation bonds.

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

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Valuations:

Taxable Value	<u>\$ 3,519,237,842</u>
Estimated Market Value	<u>\$ 5,280,078,727</u>

Legal Debt Margin:

Debt Limitation - 4% of Estimated Market Value ¹ \$ 211,203,149

Debt Applicable to Limitation:

Total General Obligation Bonded Debt \$ (21,025,000)

Less:

Assets in Debt Service Funds Available
for payment of Principal ²

1,193,211

Total Debt Applicable to Limitation (19,831,789)

Legal Debt Margin \$ 191,371,360

Fiscal Year

2002	2003	2004	2005	2006	2007
\$ 180,127,323	\$ 187,271,869	\$ 190,815,679	\$ 194,931,552	\$ 197,608,390	\$ 211,203,149
(8,950,942)	(8,670,993)	(7,551,745)	(15,984,633)	(20,840,274)	(19,831,789)
<u>\$ 171,176,381</u>	<u>\$ 178,600,876</u>	<u>\$ 183,263,934</u>	<u>\$ 178,946,919</u>	<u>\$ 176,768,116</u>	<u>\$ 191,371,360</u>

4.97%

4.63%

3.96%

8.20%

10.55%

9.39%

City of Orem
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Lease Revenue Bonds				Special Assessment Revenue Bonds			
	Lease Revenues	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
1998	\$ 275,999	\$ 135,000	\$ 150,314	0.97	\$ 81,474	\$ 38,000	\$ 16,806	1.49
1999	289,406	145,000	145,273	1.00	86,874	41,000	14,393	1.57
2000	284,147	145,000	137,423	1.01	77,936	44,000	11,256	1.41
2001	540,891	155,000	323,318	1.13	85,957	47,000	8,165	1.56
2002	1,100,085	545,000	529,222	1.02	66,230	50,000	89,224	0.48
2003	1,439,752	885,000	580,253	0.98	78,767	54,000	183,349	0.33
2004	1,450,286	900,000	544,337	1.00	186,941	5,000	181,583	1.00
2005	1,444,808	935,000	505,090	1.00	1,470,871	230,000	183,250	3.56
2006	1,444,384	970,000	470,630	1.00	417,274	1,540,000	231,152	0.24
2007	1,424,239	1,053,000	367,639	1.00	419,611	255,000	159,750	1.01

Fiscal Year	Sales Tax Revenue Bonds			
	Sales Taxes	Debt Service		Coverage
		Principal	Interest	
1998	\$ -	\$ -	\$ -	0.00
1999	-	-	-	0.00
2000	-	-	-	0.00
2001	-	-	-	0.00
2002	15,163,063	5,000	47,442	289.14
2003	13,708,023	165,000	683,546	16.15
2004	14,092,331	290,000	562,047	16.54
2005	15,373,690	435,000	552,621	15.57
2006	18,008,143	475,000	539,136	17.76
2007	21,330,290	500,000	522,986	20.85

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

¹ Operating Expenses exclude depreciation expense.

Water & Storm Sewer Revenue Bonds

Utility Service Charges	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ -	\$ -	\$ -	\$ -	\$ -	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
9,141,784	6,959,093	2,182,691	-	681,773	3.20
10,003,642	7,137,454	2,866,188	680,000	773,519	1.97

Water Reclamation Revenue Bonds

Utility Service Charges	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 3,920,953	\$ 3,504,531	\$ 416,422	\$ 133,000	\$ 107,083	1.73
4,399,131	4,155,237	243,894	137,000	109,025	0.99
4,607,442	3,600,351	1,007,091	142,000	104,230	4.09
5,128,911	3,805,019	1,323,892	147,000	99,260	5.38
4,791,987	3,983,007	808,980	152,000	94,115	3.29
4,648,383	4,134,290	514,093	157,000	88,795	2.09
4,762,198	4,272,036	490,162	163,000	83,300	1.99
4,481,980	4,264,174	217,806	169,000	77,595	0.88
5,341,595	4,415,907	925,688	174,243	71,675	3.76
5,678,134	4,572,648	1,105,486	181,000	65,590	4.48

City of Orem
Debt Service Schedule of Outstanding Lease Revenue Bonds
June 30, 2007
(Unaudited)

Fiscal Year Ending June 30	Series 2000 \$7,985,000 (Street Lights)		Series 2001 \$5,345,000 (Refunding)	
	Principal	Interest	Principal	Interest
	2008	\$ 420,000	\$ 112,725	\$ 630,000
2009	440,000	92,985	650,000	67,375
2010	460,000	72,085	675,000	42,675
2011	485,000	50,005	380,000	15,675
2012	505,000	25,755	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
TOTALS	\$ 2,310,000	\$ 353,555	\$ 2,335,000	\$ 216,725

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

Series 2007		Totals		
\$3,520,000 (Refunding)		Total	Total	Total Debt
Principal	Interest	Principal	Interest	Service
\$ 30,000	\$ 142,072	\$ 1,080,000	\$ 345,797	\$ 1,425,797
31,000	140,943	1,121,000	301,303	1,422,303
32,000	139,778	1,167,000	254,538	1,421,538
33,000	138,574	898,000	204,254	1,102,254
34,000	137,333	539,000	163,088	702,088
571,000	136,055	571,000	136,055	707,055
589,000	114,582	589,000	114,582	703,582
612,000	92,434	612,000	92,434	704,434
634,000	69,419	634,000	69,419	703,419
659,000	45,577	659,000	45,577	704,577
553,000	20,796	553,000	20,796	573,796
<u>\$ 3,778,000</u>	<u>\$ 1,177,563</u>	<u>\$ 8,423,000</u>	<u>\$ 1,747,843</u>	<u>\$ 10,170,843</u>

City of Orem
 Long-term Bonded Indebtedness Paid By Governmental and Enterprise Funds
 Schedule of Bonded Indebtedness
 June 30, 2007
 (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
Series 2006 Road Bonds	3.63% - 5.00%	03/07/06	2006-2024	Various
Total General Obligation Bonds				
Revenue Bonds:				
Lease Revenue Bonds - Series 2000	4.45% - 5.50%	09/11/00	2000-2012	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
Refunding Lease Revenue Bonds - Series 2007	3.76%	01/03/07	2007-2018	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 06/30/07	Retired Year Ended 06/30/07	Expense Year Ended 06/30/07	Payable In Future Years
\$ 6,000,000	\$ -	\$ 275,000	\$ 6,875	\$ -
\$ 4,650,000	3,335,000	200,000	154,050	1,003,438
\$ 3,975,000	3,905,000	35,000	142,919	789,829
\$ 8,985,000	8,420,000	310,000	383,809	4,053,174
\$ 5,515,000	5,365,000	150,000	277,973	2,309,616
	<u>21,025,000</u>	<u>970,000</u>	<u>965,626</u>	<u>8,156,057</u>
\$ 7,985,000	2,310,000	3,920,000	226,084	353,555
\$ 3,680,000	2,940,000	255,000	159,750	782,750
\$ 5,345,000	2,335,000	605,000	112,780	216,725
\$ 12,175,000	10,310,000	500,000	522,986	4,071,972
\$ 3,826,000	3,778,000	48,000	28,775	1,177,563
	<u>21,673,000</u>	<u>5,328,000</u>	<u>1,050,375</u>	<u>6,602,565</u>
	<u>42,698,000</u>	<u>6,298,000</u>	<u>2,016,001</u>	<u>14,758,622</u>
\$ 3,500,000	1,692,757	181,000	65,590	277,340
\$ 17,390,000	16,840,000	550,000	772,025	8,789,000
\$ 1,240,000	1,110,000	130,000	1,494	73,031
	<u>19,642,757</u>	<u>861,000</u>	<u>839,109</u>	<u>9,139,371</u>
	<u>19,642,757</u>	<u>861,000</u>	<u>839,109</u>	<u>9,139,371</u>
	<u>\$ 62,340,757</u>	<u>\$ 7,159,000</u>	<u>\$ 2,855,110</u>	<u>\$ 23,897,993</u>

City of Orem
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ²	Median Age	Unemployment Rate
1998	83,241	\$ 1,232,383,005	14,805	23.5	3.10%
1999	83,921	1,309,251,521	15,601	23.7	3.00
2000	84,326	1,385,138,876	16,426	23.9	3.00
2001	84,500	1,446,640,000	17,120	24.3	4.10
2002	83,662	1,492,781,066	17,843	24.8	5.70
2003	86,346	1,605,776,562	18,597	25.2	5.20
2004	89,326	1,731,405,858	19,383	25.7	4.80
2005	90,374	1,826,006,670	20,205	26.1	4.70
2006	91,649	1,914,914,206	20,894	26.4	3.10
2007	92,212	2,009,524,662	21,792	26.6	2.80

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

² Personal income data was based upon census data and estimates provided by the Economic Development Corporation of Utah (EDC).

City of Orem
Other Demographic Statistics
(Unaudited)

Census Population Count

Year	Population	Increase	Percent Increase
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 Population ¹

Age	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
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%

¹ Source: 2000 Census

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City of Orem
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Fiscal Year 2007			Fiscal Year 1998		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Utah Valley State College	1,208	1	3.37%	2,550	1	6.69%
Alpine School District	1,089	2	3.03%	----		----
U.S. Synthetic Corporation	593	3	1.65%	----		----
Convergys Corporation	592	4	1.65%	----		----
Orem City	513	5	1.43%	474	7	1.25%
Timpanogos Regional Hospital	510	6	1.42%	----		----
Wal-Mart	494	7	1.38%	348	10	0.91%
Sento Corporation	398	8	1.11%	----		----
Mity-Lite, Inc.	385	9	1.07%	----		----
StoresOnline, Inc.	309	10	0.86%	----		----
SOS Temporary Services	----		----	700	2	0.87%
Geneva Rock Products	----		----	650	3	1.70%
Matrixx Marketing	----		----	580	4	0.87%
Novell, Inc.	----		----	550	5	1.57%
Man Power	----		----	500	6	1.31%
Target Stores	----		----	450	8	1.31%
Macy's (ZCMI)	----		----	370	9	0.92%
Total	6,091		16.97%	7,172		17.40%

Source: Economic Development Corporation of Utah (EDCU), Orem City's business licensing database, and personal communication with certain entities by Orem City personnel.

City of Orem
Full-Time-Equivalent City Government Employees
by Function/Program
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	1998	1999	2000	2001
General Government	126	133	127	131
Public Safety:				
Police Protection	108	110	112	117
Fire Protection	53	53	53	53
Highways and Public Improvements	1	1	0	1
Parks and Recreation:				
Parks and Recreation	31	25	35	30
Library	53	53	56	54
Cemetary	4	4	5	5
Economic and Physical Development	4	3	3	3
Water	20	22	22	23
Water Reclamation	30	31	33	31
Storm Sewer	8	8	8	9
Recreation	36	34	36	31
Street Lighting	0	0	0	1
Total	474	477	490	489

Source: City of Orem - Human Resource Department

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Fiscal Year					
2002	2003	2004	2005	2006	2007
136	145	129	138	130	119
114	114	127	118	134	137
53	53	53	55	56	54
4	1	1	4	5	2
31	32	32	33	31	34
57	57	56	54	54	50
4	5	4	5	5	5
3	3	2	2	2	1
23	23	23	24	23	24
32	32	30	31	29	29
9	9	10	9	9	8
35	40	47	45	45	49
1	4	2	2	2	1
502	518	516	520	525	513

City of Orem
 Operating Indicators by Function / Program
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
General Government:					
Building Permits Issued	1,396	1,389	1,223	1,192	1,203
Public Safety:					
Police Protection:					
Physical Arrests	7,318	8,117	5,483	9,571	8,254
Traffic Stops, Citations, & Warnings	N/A	N/A	N/A	N/A	41,361
Fire Protection:					
Emergency Responses	N/A	N/A	N/A	N/A	1,558
Ambulance Transports	1,870	2,106	1,958	2,066	2,224
Other Public Safety Services:					
Emergency Dispatch Calls	N/A	N/A	N/A	N/A	2,802
Highways and Public Improvements:					
Asphalt Used - Streets (Tons)	N/A	N/A	N/A	N/A	5,376
Concrete Used - Sidewalks (Yards)	N/A	N/A	N/A	N/A	1,009
Parks and Recreation:					
Library - Volumes in Collection (approx.)	190,000	221,000	243,900	254,235	260,000
Cemetery - Internments	209	229	221	216	222
Economic and Physical Development:					
Public Service Organizations Assisted	N/A	N/A	N/A	N/A	14
Housing Rehab Loans/Grants Added	N/A	N/A	N/A	N/A	7
Major Project Improvements Completed	N/A	N/A	N/A	N/A	2
Water:					
Number of Consumers	18,600	19,000	19,668	19,896	19,900
Average Daily Consumption (MGD)	22.0	22.2	24.1	22.5	22.5
Water Reclamation:					
Number of Service Connections	18,575	18,966	18,966	19,405	19,425
Average Daily Treated (MGD)	9.9	9.8	9.8	9.8	9.8
Storm Sewer:					
Number of Sumps	N/A	N/A	N/A	N/A	21
New Infrastructure (Feet)	N/A	N/A	N/A	N/A	N/A
Recreation:					
Recreation Programs Participants	N/A	N/A	20,800	24,000	23,800
Solid Waste:					
Annual Waste Tonnage	N/A	N/A	N/A	N/A	N/A
Avg Annual Waste per Household (Tons)	N/A	N/A	N/A	N/A	N/A
Street Lighting:					
Number of Street Lights Added	N/A	8	0	1,121	494

Source: Various city departments

Fiscal Year				
2003	2004	2005	2006	2007
1,396	1,118	1,083	1,149	1,166
9,479	8,306	8,145	8,495	6,599
44,420	37,958	40,780	42,841	47,224
1,558	1,383	1,250	1,169	2,738
2,598	2,549	2,761	3,145	3,026
4,697	4,961	4,935	5,236	5,448
5,417	6,599	4,048	4,500	4,300
972	905	1,089	1,100	1,200
266,720	275,497	280,000	284,573	289,742
255	247	250	289	290
13	15	14	14	14
13	12	15	8	7
3	4	1	1	0
20,142	20,425	20,240	21,228	21,153
22.0	20.6	21.2	23.5	23.7
19,511	20,017	20,107	20,314	20,616
9.7	8.4	8.4	8.5	8.5
18	24	25	22	22
N/A	6,600	4,000	4,500	6,872
22,800	24,000	24,500	24,700	24,750
29,221	29,993	30,209	27,193	26,586
1.69	1.72	1.72	1.51	1.26
0	1,477	233	230	171

City of Orem
 Capital Asset Statistics by Function / Program
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
General Government:					
Vehicles	131	146	148	141	152
Public Safety:					
Police Protection:					
Stations	1	1	1	1	1
Vehicles	84	88	88	94	98
Fire Protection:					
Stations	3	3	3	3	3
Vehicles	27	28	28	28	26
Highways and Public Improvements:					
Streets (miles)	N/A	N/A	N/A	N/A	N/A
Traffic Signals	N/A	N/A	N/A	N/A	N/A
Parks and Recreation:					
Parks	14	14	14	15	18
Parks Acreage	127	127	127	131	212
Playgrounds	13	14	14	14	17
Walking/Jogging Trails (miles)	N/A	N/A	N/A	N/A	N/A
Libraries	1	1	1	1	1
Cemeteries	1	1	1	1	1
Water:					
Water Mains (miles)	308	308	308	310	310
Wells	7	7	7	7	7
Storage Capacity (thousands of gallons)	12,040	12,040	12,440	12,440	12,440
Water Reclamation:					
Sewer Lines (miles)	260	260	260	260	260
Treatment Capacity (MGD)	12.3	12.3	12.3	12.3	12.3
Storm Sewer:					
Storm Sewer Lines (miles)	N/A	N/A	N/A	N/A	N/A
Recreation:					
Fitness Centers	1	1	1	1	1
Pools	1	1	1	1	1
Baseball / Softball Diamonds	12	12	12	12	18
Soccer / Football Fields	5	5	5	5	18
Street Lighting:					
Street Lights	1,067	1,075	1,075	2,196	2,630

Source: Various city departments

Fiscal Year				
2003	2004	2005	2006	2007
164	169	177	191	170
1	1	1	1	1
104	105	106	108	111
3	3	3	3	3
25	25	25	23	24
N/A	232	233	235	238
N/A	25	25	25	26
18	20	20	20	20
212	277	277	277	287
17	18	18	18	18
29.5	33.0	33.0	33.0	33.0
1	1	1	1	1
1	1	1	1	1
345	345	345	345	345
7	8	8	8	8
12,440	12,440	12,440	12,440	22,440
272	272	272	272	275
12.3	12.3	12.3	12.3	12.3
64.6	64.6	64.6	64.6	65.9
1	1	1	1	1
2	2	2	2	2
18	18	18	18	18
18	18	18	18	18
2,630	4,107	4,340	4,570	4,741

City of Orem
 Water Impact Fees Report ¹
 Last Ten Fiscal Years
 (Unaudited)

Water Impact Fees				
Fiscal Year	Impact Fees Collected	City of Orem Administrative Fee	Impact Fees Remitted to Metro Water of Orem	Unspent Impact Fees
1998	\$ 516,589	\$ (56,962)	\$ (459,627)	\$ -
1999	448,279	(49,352)	(398,927)	-
2000	364,584	(29,140)	(335,444)	-
2001	335,145	(18,731)	(316,414)	-
2002	418,708	(47,329)	(371,379)	-
2003	632,175	(69,003)	(563,172)	-
2004	649,883	(72,677)	(577,206)	-
2005	683,798	(71,547)	(612,251)	-
2006	929,602	(104,069)	(825,533)	-
2007	994,624	(109,408)	(885,216)	-

Notes: The City remits all water impact fees collected (less an administrative fee) to Metropolitan Water Conservancy District of Orem. The City anticipates this practice will continue to occur in the future.

¹ The State of Utah Legislature modified *Utah Code Sections* 10-5-129, 10-6-150, 17-36-37, and 17A-1-4 to require governments to provide additional reporting for impact fees collected.

CITY OF OREM

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

**City of Orem, Utah
Single Audit**

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

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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 (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the City in a separate letter dated December 5, 2007.

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 & Bahler PLLC

December 5, 2007

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

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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, 2007. The City's major federal programs are identified in the summary of auditor's 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 programs 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 of 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 each of its major federal programs for the year ended June 30, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of

performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weaknesses is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2007, and have issued our report thereon dated December 5, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. 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 & Bader PLLC

December 5, 2007

City of Orem
Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2007

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-05-MC-49-002	\$ 432,720
Total Department of Housing and Urban Development			<u>432,720</u>
Department of Commerce			
Direct Program:			
Economic Adjustment Assistance	11.307	05-39-02234	80,000
Total Department of Commerce			<u>80,000</u>
Environmental Protection Agency			
Passed through Department of Environmental Quality:			
Cooperative Agreement for Water Quality Standards	66.436	EM-978511-01	248,000
Drinking Water State Revolving Fund	66.468	FS-998784-04	1,990,000
Total Environmental Protection Agency			<u>2,238,000</u>
Department of Homeland Security			
Passed through Department of Public Safety Division of Emergency Services and Homeland Security:			
State Domestic Preparedness Equipment Support Program	97.004	DES-2006-CIT-027	3,641
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2007-DHLS-CTY14	3,750
2005 Buffer Zone Protection Grant	97.078	BZPP-2005-006	1,185
2005 Pre-Disaster Mitigation Competitive Grant	97.017	EMD-2005-PC-0005-OREM	75,000
2006 State Homeland Security Program (LEPC)	97.067	DES-2006-SHSP-002	53,743
Total Department of Homeland Security			<u>137,319</u>
Department of Justice			
Passed through Commission on Criminal and Juvenal Justice:			
Byrne Formula Grant Program	16.579	6A05	150,000
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0151	10,615
Violence Against Women Formula Grants	16.588	05-VAWA-19	24,977
Violence Against Women Formula Grants	16.588	06-VAWA-19	20,920
Crime Victim Assistance	16.575	05-VOCA-32	13,248
Crime Victim Assistance	16.575	06-VOCA-32	13,942
HIDTA Grant Program	7.9999	16-PRMP595Z	86,876
HIDTA Grant Program	7.9999	17-PRMP595Z	30,897
Total Department of Justice			<u>351,475</u>
Department of Transportation			
Passed through Utah Department of Transportation:			
Federal-Aid Highway Program	20.205	STP-LC49(73)	1,529
Federal-Aid Highway Program	20.205	STP-LC49(94)	565,803
Federal-Aid Highway Program	20.205	STP-0089(40)298	40,197
Total Department of Transportation			<u>607,529</u>
Total Federal Financial Assistance			<u>\$ 3,847,043</u>

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF OREM, UTAH
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

The following are the notes to the 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, 2007

SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of auditor's report issued on the basic financial statements:	An unqualified opinion was issued on the basic financial statements of the City.
Internal control over financial reporting:	
Material weakness	No material weaknesses were identified.
Significant deficiencies not considered to be material weaknesses	No significant deficiencies were reported.
Noncompliance:	No instances of noncompliance were found which were material to the basic financial statements.

Federal Awards

Internal control over major programs:	
Material weakness	No material weaknesses were identified.
Significant deficiencies not considered to be material weaknesses	No significant deficiencies were reported.
Type of auditor's report issued on compliance for major programs:	An unqualified opinion was issued on compliance for the major program.
Audit Findings:	No audit findings required to be reported in accordance with section 510 of Circular A-133 or <i>Government Auditing Standards</i> .
Identification of Major Programs:	
CFDA #66.468	Drinking Water State Revolving Fund
CFDA #20.205	Federal Aid Highway Program
Dollar threshold – type A and type B programs:	\$300,000
Qualifications of the auditee:	The City qualified as a low-risk auditee under OMB Circular A-133.

CITY OF OREM, UTAH
Schedule of Findings and Questioned Costs - continued
June 30, 2007

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, 2007

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

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

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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, 2007, and have issued our report thereon dated December 5, 2007. 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, 2007. 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)

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)
State Asset Forfeiture (Department of Justice)

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	Liquor Law Enforcement
B & C Road Funds	Uniform Building Code
Truth in Taxation & Property Tax	Standards
Limitations	Asset Forfeiture
Impact Fees	

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, 2007.

This report is intended solely for the information and use of the City Council, management, 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 Rollins & Bahler PLLC

December 5, 2007