

CITY OF OREM

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

Prepared by:
City of Orem, Administrative Services Department
Richard B. Manning, 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, 2008

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CITY OF OREM
OFFICE OF THE CITY MANAGER

December 9, 2008

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 twenty-first Comprehensive Annual Financial Report.

The report contains critical financial information regarding the City's activities over the past year. The report of Wisan, Smith, Racker & Prescott, LLP 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, 2008, in sound financial condition. The following is an overview of the City's financial condition.

Operating Revenues

Similar to State government and other cities' trends, major tax revenues began to decrease during the fiscal year. Consequently, revenue projections for FY 09 were very conservative and caution was exercised in the development of the budget. The revenues for capital projects were reduced to avoid reductions in ongoing operational programs.

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.

Expenditures

The City's infrastructure is in good condition. There were savings in the personnel and operational accounts of the City.

Within the last year, several significant capital projects were completed and several other projects are underway:

- 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 completed and put into use in a joint venture between the City of Orem and the Central Utah Water Conservancy District.
- Construction was completed on numerous voter-approved street projects.
- Fire Station #1 was remodeled to provide improved seismic construction and to provide improved living quarters in the 30 year-old facility.
- 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.
- Traffic signals were added at seven intersections.
- A new Cemetery building was completed. The Cemetery lawn sprinkling system is being improved.
- Remodeling of Fire Station #2 is nearly complete.

Additional Capital Funding is Needed:

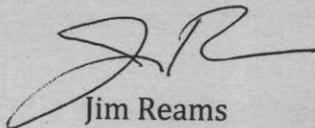
- To construct a new fire station to serve the growing population west of Interstate 15 was included in the FY 09 Budget, but was put on hold due to reduced revenues.
- To remodel the City Center and to provide office space for the City Attorney's offices. This will complete renovation of existing City facilities housing City services well into the future.
- To construct additional intersection signals and upgrade existing intersections with double left turn lanes.
- To install street lights in the portions of the City previously served by special lighting districts.
- To purchase additional open space for parks.
- To construct additional sidewalks.
- For continued road maintenance.
- To construct an urban trail system.
- To purchase and install a radio-read water meter system.

These projects will be funded over the next several years as 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 Richard Manning, Brandon Nelson or me.

Yours truly,



Jim Reams
City Manager



CITY OF OREM

DEPARTMENT OF ADMINISTRATIVE SERVICES

December 9, 2008

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, 2008, 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.

Wisan, Smith, Racker & Prescott, LLP, 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, 2008, 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, 2008, 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 93,090. Utah Valley University (UVU) is a major employer in the City with student enrollment in excess of 23,000. UVU became a university on July 1, 2008. With the change comes the addition of masters programs, a new state of the art library/digital learning center and the increased benefits that a 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, Nordstrom's and Macy's. The City, like the rest of the country is in the midst of economic uncertainty brought on by the housing/credit crisis and has experienced a marked decline in sales tax revenues. However, the City is cautiously optimistic that the Federal government's economic stimulus packages will result in a turn-around of the economy.

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 challenges for the 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 in the present soft economy.

Major Initiatives

For the Year

During the year, the City identified several projects needed to benefit 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 projects and other voter-approved road projects, including Sandhill Road
- Completion of missing sidewalk sections along all roads within 1/3 mile of each public school
- Installation of street lights in many city parks
- Completion of a new 20 million gallon water tank through a joint venture with the Central Utah Water Conservancy District
- Remodeling of Fire Station #2 is nearly complete

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:

- Continued road maintenance
- Completion of the storm sewer system
- City Center renovation
- Construction and staffing of a new fire station
- Treatment Plant expansion
- Completion of the City-wide sidewalk system

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 office, 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 2008. The internal auditors have focused on particular procedures within the City. Over the past three years they have focused on cash handling, fixed asset verification, credit card usage, liability accounts procedures, and travel authorizations processing. These audits have helped City staff to improve processes in each of the above mentioned areas.

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, 2007. This was the twentieth year that the City has

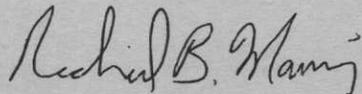
received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report must satisfy both generally accepted accounting 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, Wisan, Smith, Racker & Prescott, LLP 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,



Richard B. Manning
Administrative Services Director

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CITY OF OREM

LISTING OF OFFICIALS ORGANIZED BY CLASSIFICATIONS

Chief Executive Officer

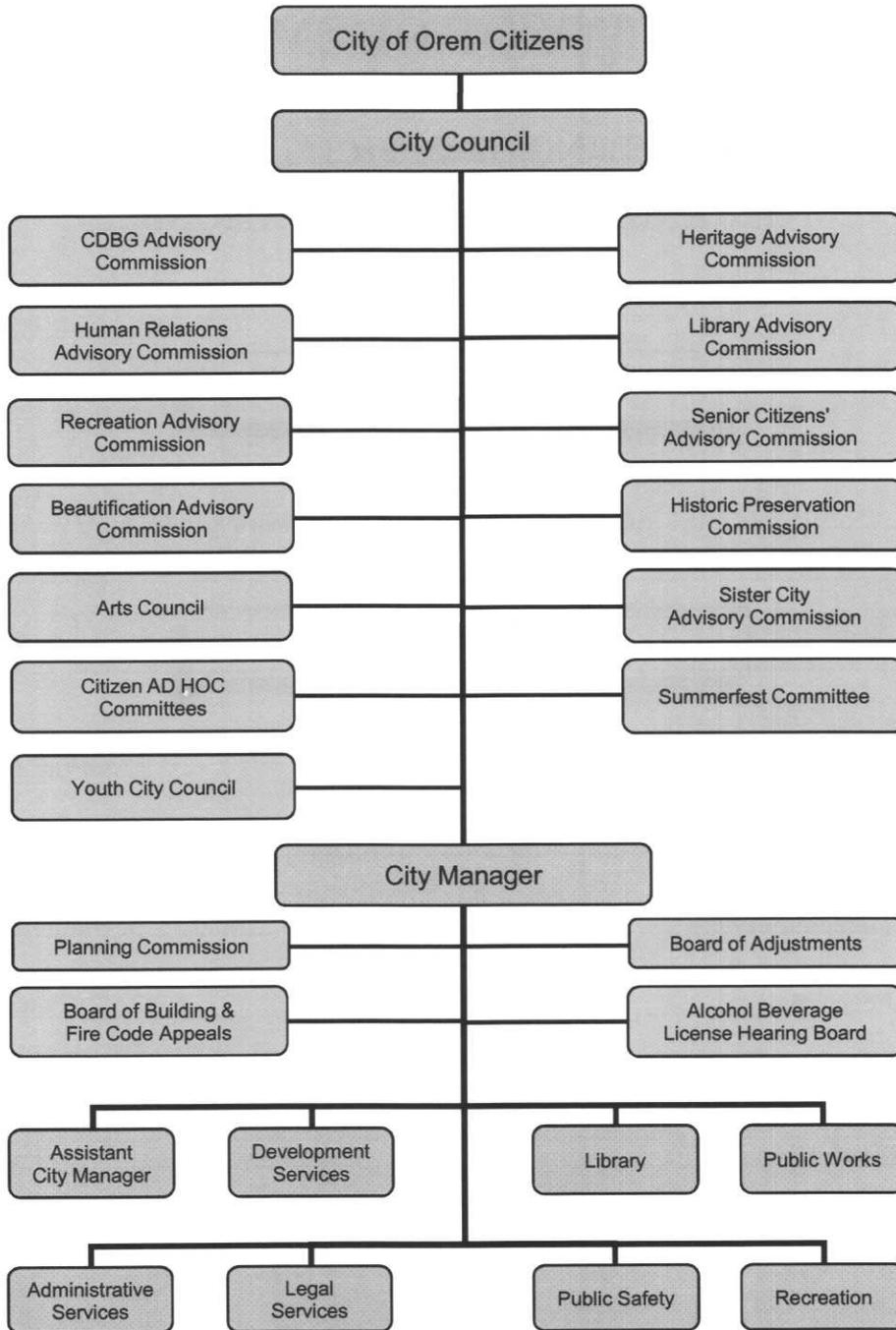
City Manager Jim Reams

Executive Staff

Assistant City Manager Jeffrey W. Pedersen
Director of Administrative Services Richard B. Manning
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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

City of Orem

Development Services Department 2008: Department Focus

Each year the City selects a department to highlight its efforts and accomplishments. In 2008, Development Services has been selected.

Development Services

- Building Safety
- Engineering
- Planning

Building Safety

- ◆ Building Permits
- ◆ Plan Review
- ◆ Building Inspections



Commercial Plans Examiner,
Jim Yeoman and Building
Inspector, Curt Davis

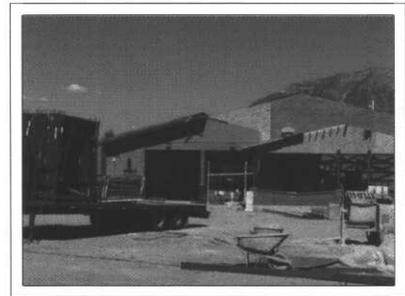
Development Services Department 2008

The City of Orem Development Services Department is responsible for providing those services that facilitate development within the City. The department is divided into three divisions: Building Safety, Engineering, and Planning.

This year, the department has been involved in numerous projects starting from the design stages to the initial plan review and through the final stages of construction.

In March, Development Services received an A+ rating in office/industrial development from Utah Chapters of the National Association of Industrial and Office Properties and the Society of Industrial and Office Realtors.

Development Services also provides the support staff for the Planning Commission, Historical Preservation Commission, Board of Adjustment and the Board of Appeals.



2008 Remodel of Fire Station #2



800 East Reconstruction Project

Building Safety Division

The Building Safety Division is responsible for enforcing adopted building codes and standards to protect the life and property of those who work, live, and visit the City of Orem.

This division issues permits, approves residential and commercial plans, and performs progress inspections for all new construction, additions, remodeling, fences, retaining walls, swimming pools, etc.

All residential and commercial plans are examined for structural integrity according to the International Building codes. The plans are approved when they have been examined for safety and code compliance.

Building inspectors make routine and scheduled inspections during each phase of construction. The inspectors conduct business license inspections and abate dangerous buildings and structures. In addition to these duties, they serve as staff advisors to the Board of Building and Fire Code Appeals.



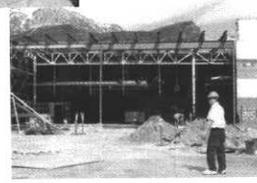
Telos: 870 West Center Street



Northgate Condominiums
837 North 900 West

Building Safety 2008 Highlights

- ◆ Conducted 6,143 building-safety inspections with 768 of those completed the same day of request; 5,357 completed within 24 hours of request; and 18 completed within 48 hours of request
- ◆ Issued 1,242 building permits, including 72 new houses, 142 condominiums, 100 apartment units and 20 new commercial buildings



Engineering Division

Engineering Division

- ◆ Construction Management
- ◆ Design
- ◆ Private Development
- ◆ Transportation

The Engineering Division is comprised of four sections under the management of the City Engineer: Construction Management, Design, Private Development, and Transportation. The Division has 5 professional engineers, 4 professional land surveyors, 3 associate engineers and 2 planners.

Construction Management: Orem currently has five construction managers who inspect and manage all new public works type of construction in the City. The construction managers supervise Orem Capital Improvement Projects (CIP) for all new sewer, water, storm drain, fiber optic, concrete, and asphalt construction. They also supervise Private Development projects adding new infrastructure to the City.

Design: The Design Section is responsible for the design and surveying of CIP, right-of-way acquisition, and property issues for the City. The Design Engineers produce plans and specifications for projects such as: Storm Drain, Sanitary Sewer, Culinary Water, Parks and Landscaping, Streets, and City Buildings. They are currently in the process of updating the City's storm drain, sewer, and water master plans.

Private Development: Private development issues are managed through Orem's Development Review Committee (DRC) and the private development team. Nearly 40% of their time is spent working directly with the customer, whether it is the developer, engineer, contractor, or the general public.

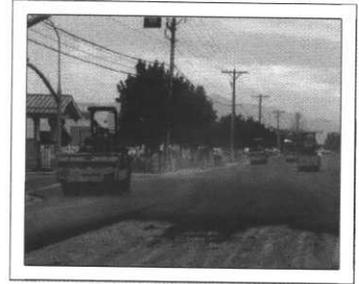
Transportation: Engineers are continually involved with transportation studies on many levels and often involve other entities throughout the City of Orem. This section plans, coordinates, and improves the intersections, local roads, and regionally significant roads.



800 East Water Line
and Road Overlay

Engineering 2008 Highlights

- ◆ Completed a total of 7.5 million dollars worth of CIP projects
- ◆ Completed Sandhill Road Construction
- ◆ Coordinated with residents on Orchard Estates for new fence along 400 East
- ◆ Completed site plan engineering for Fire Station #4
- ◆ Helped coordinate utilities and installation for 800 North
- ◆ Completed street overlays and reconstruction for 2008
- ◆ Completed 400 North Water Main, 500 East Water Line, and 800 East Water Line
- ◆ Coordinated with UDOT in the I-15 Reconstruction Corridor Planning
- ◆ Processed large private utility requests from Questar and Qwest



800 East Water Line and Road Overlay

Planning Division

The Planning Division includes four planners, all of whom are certified by the American Institute of Certified Planners. This Division's responsibilities include reviewing residential, commercial, and industrial developments; site plans; zoning and subdivision requests; ensures zoning compliance on all building permits; and works closely with the Development Review Committee (DRC), Planning Commission, Board of Adjustment, Historical Commission, and City Council.

The Development Review Committee (DRC), chaired by the Planning Division Manager, consists of key personnel from Development Services and other City departments who ensure compliance with all applicable City codes. The DRC reviews all requests requiring city approval and makes recommendations to the Planning Commission on items such as preliminary plats, final plats, site plans, conditional use permits, rezones, general plan amendments, annexations, and city boundary adjustments.

The Planning Commission is composed of seven citizens appointed by the City manager for a four year term. The Commission reviews and acts on most items recommended by the DRC. Over the past ten years the Planning Commission acted on an average of 157 items per year.

Using Geographic Information Systems technology, the Planning Division has developed a database that tracks progress on all development projects in Orem. This database is updated daily by the planners who make sure the data base is current, accurate, and available on the City's web page.

Planning 2008 Highlights

- ◆ Processed 232 DRC applications; The Planning Commission reviewed/approved 117 of these applications and the City Council reviewed/approved 31 of them
- ◆ Of the 232 DRC applications, 26% were site plans, 38% were subdivisions, and 14% pertained to Ordinance Amendments
- ◆ Oversaw the development process for major projects throughout Orem including: Sleepy Ridge Golf Course clubhouse, Northgate/Tuscan Villas PUD/Milano Village, University Mall Theaters and retail village, Fire Station #2, Kohl's remodel of the former Fred Meyer building, Timpanogos Regional Hospital Addition, Telos Residential facility, etc.

Planning Division

- ◆ Residential
- ◆ Commercial
- ◆ Development Tracking



Development Review Committee



INDEPENDENT AUDITORS' REPORT

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, 2008, 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 the 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, 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 *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 17 through 31 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's basic financial statements. The introductory section, combining and individual non-major fund financial statements, 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 non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory 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.

Wisam Smith Racker & Prescott, LLP

Salt Lake City, Utah
December 4, 2008

City of Orem
Management's Discussion and Analysis
June 30, 2008

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, 2008. 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 \$209,953,522 (total net assets). Of this amount, \$36,273,116 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total government-wide net assets consist of \$168,978,941 in capital assets net of related debt and \$40,974,581 in other net assets.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,148,141. Of this amount, \$21,446,676 (82.02%) is available for spending at the government's discretion (unreserved fund balance) with the balance of \$4,701,465 reserved for capital projects, debt service, and prepaid expenditures.
- As of the end of the current fiscal year, the City's enterprise funds reported an increase in net assets of \$3,479,166 compared to the prior year's increase of \$4,485,402. The decrease was due primarily to decreased contributions from developers of \$2,618,280 reflecting the decrease in residential and commercial construction. This decrease was partially offset by a water fund net income increase over the prior year of \$1,278,640. The increase was due primarily to an increase in water rates averaging approximately 12%.
- The City issued sales tax revenue refunding bonds in October of 2007 for \$5,720,000 to replace a portion of the existing 2002 Series bonds. This refunding took place in order to gain a more favorable interest rate saving the City \$205,550 in total debt service payments.
- The City issued water and storm sewer revenue bonds in March of 2008 for \$5,590,000 to be used to repair and improve the City's water and storm sewer system.

Overview of the Financial Statements

The following 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.

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- 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.
- 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 the general government, public safety, redevelopment, highways and public improvements, parks, recreation and arts, and economic and physical development. The business-type activities of the City include culinary water distribution, water reclamation, storm sewer operations, recreation (fitness center and outdoor pool), 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 two categories: governmental funds and proprietary 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

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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*.

The City maintains eleven 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 Capital Projects fund, which are considered major funds of the City. Data from the other nine 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.

Notes to the financial statements. The notes to the financial statements 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 \$209,953,522 at June 30, 2008.

By far the largest portion of the City's net assets (80.48%) 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 | |
|--|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 51,260,414 | \$ 47,685,570 | \$ 18,553,997 | \$ 13,512,030 | \$ 69,814,411 | \$ 61,197,600 |
| Capital assets | 162,846,732 | 159,876,299 | 71,664,090 | 68,226,067 | 234,510,822 | 228,102,366 |
| Total assets | <u>214,107,146</u> | <u>207,561,869</u> | <u>90,218,087</u> | <u>81,738,097</u> | <u>304,325,233</u> | <u>289,299,966</u> |
| Long-term debt outstanding | 49,063,171 | 50,592,829 | 27,019,828 | 20,557,156 | 76,082,999 | 71,149,985 |
| Other liabilities | 15,648,117 | 11,528,602 | 2,640,595 | 4,102,443 | 18,288,712 | 15,631,045 |
| Total liabilities | <u>64,711,288</u> | <u>62,121,431</u> | <u>29,660,423</u> | <u>24,659,599</u> | <u>94,371,711</u> | <u>86,781,030</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 117,130,313 | 114,171,270 | 51,848,628 | 52,823,374 | 168,978,941 | 166,994,644 |
| Restricted | 4,701,465 | 4,388,201 | - | - | 4,701,465 | 4,388,201 |
| Unrestricted | 27,564,080 | 26,880,967 | 8,709,036 | 4,255,124 | 36,273,116 | 31,136,091 |
| Total net assets | <u>\$ 149,395,858</u> | <u>\$ 145,440,438</u> | <u>\$ 60,557,664</u> | <u>\$ 57,078,498</u> | <u>\$ 209,953,522</u> | <u>\$ 202,518,936</u> |

A portion of the City of Orem's net assets (2.24%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$36,273,116) 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 (\$380,471). 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 \$7,434,586 (3.67%), total revenues decreased by \$4,436,828 (4.89%) due in large part to decreases in federal and state capital grants, and expenses increased by \$6,030,466 (8.16%). The following is a summary of the changes in net assets:

City of Orem's Changes in Net Assets

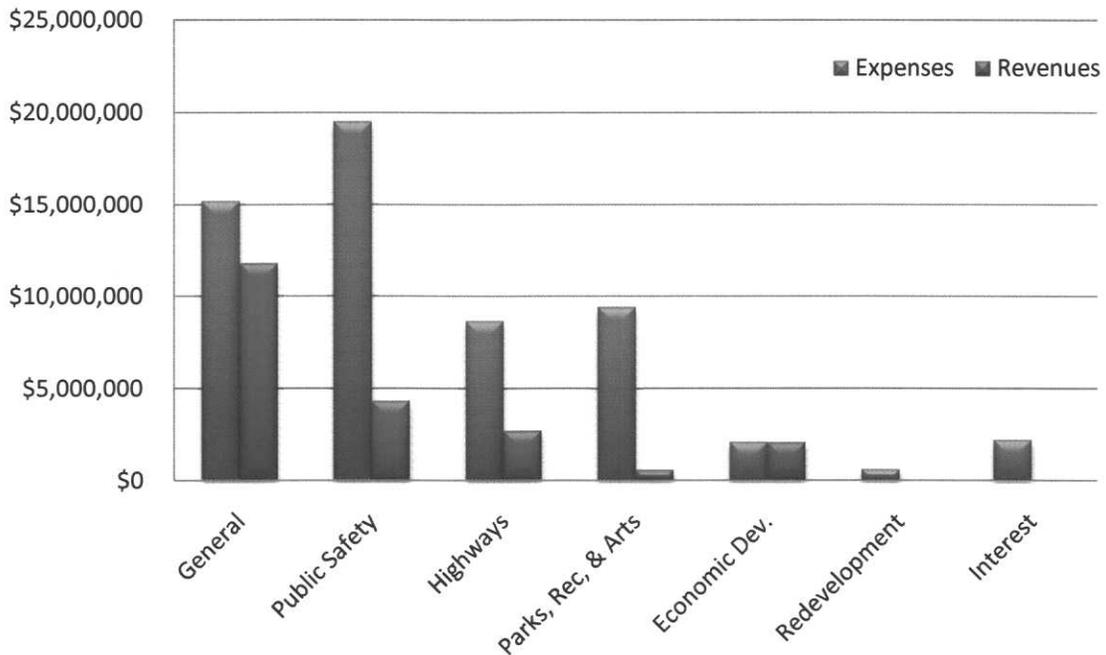
| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 15,858,973 | \$ 14,785,255 | \$ 23,193,312 | \$ 21,449,496 | \$ 39,052,285 | \$ 36,234,751 |
| Operating Grants and Contributions | 1,438,884 | 852,452 | - | 248,000 | 1,438,884 | 1,100,452 |
| Capital Grants and Contributions | 4,127,289 | 5,800,844 | 926,500 | 2,677,880 | 5,053,789 | 8,478,724 |
| General Revenues: | | | | | | |
| Sales Taxes | 20,616,891 | 21,330,290 | - | - | 20,616,891 | 21,330,290 |
| Property Taxes | 9,082,992 | 9,558,706 | - | - | 9,082,992 | 9,558,706 |
| Other Taxes | 8,405,861 | 8,093,293 | - | - | 8,405,861 | 8,093,293 |
| Other | 2,134,577 | 5,303,210 | 574,974 | 697,655 | 2,709,551 | 6,000,865 |
| Total Revenues | <u>61,665,467</u> | <u>65,724,050</u> | <u>24,694,786</u> | <u>25,073,031</u> | <u>86,360,253</u> | <u>90,797,081</u> |
| Expenses: | | | | | | |
| General Government | 15,187,762 | 14,331,656 | - | - | 15,187,762 | 14,331,656 |
| Public Safety | 19,491,191 | 17,855,927 | - | - | 19,491,191 | 17,855,927 |
| Highways and Public Improvements | 8,646,549 | 6,574,954 | - | - | 8,646,549 | 6,574,954 |
| Parks, Recreation & Arts | 9,416,719 | 7,904,959 | - | - | 9,416,719 | 7,904,959 |
| Economic and Physical Development | 2,096,573 | 3,009,244 | - | - | 2,096,573 | 3,009,244 |
| Redevelopment | 593,283 | 1,189,544 | - | - | 593,283 | 1,189,544 |
| Interest on Long-Term Debt | 2,217,525 | 2,263,478 | - | - | 2,217,525 | 2,263,478 |
| Water | - | - | 8,388,236 | 7,431,471 | 8,388,236 | 7,431,471 |
| Water Reclamation | - | - | 5,982,610 | 5,894,276 | 5,982,610 | 5,894,276 |
| Storm Sewer | - | - | 2,004,281 | 1,725,747 | 2,004,281 | 1,725,747 |
| Recreation | - | - | 1,617,587 | 1,567,468 | 1,617,587 | 1,567,468 |
| Solid Waste | - | - | 3,014,707 | 2,955,318 | 3,014,707 | 2,955,318 |
| Street Lighting | - | - | 1,244,305 | 1,166,820 | 1,244,305 | 1,166,820 |
| Total Expenses | <u>57,649,602</u> | <u>53,129,762</u> | <u>22,251,726</u> | <u>20,741,100</u> | <u>79,901,328</u> | <u>73,870,862</u> |
| Increase (Decrease) in Net Assets before Transfers | 4,015,865 | 12,594,288 | 2,443,060 | 4,331,931 | 6,458,925 | 16,926,219 |
| Transfers In (Out) | (1,036,106) | (153,471) | 1,036,106 | 153,471 | - | - |
| Increase in Net Assets | <u>2,979,759</u> | <u>12,440,817</u> | <u>3,479,166</u> | <u>4,485,402</u> | <u>6,458,925</u> | <u>16,926,219</u> |
| Net Assets, Beginning: | | | | | | |
| As Previously Reported | 145,440,438 | 137,199,621 | 57,078,498 | 52,593,096 | 202,518,936 | 189,792,717 |
| Prior Period Adjustment | 975,661 | (4,200,000) | - | - | 975,661 | (4,200,000) |
| Net Assets, Beginning - As Restated | <u>146,416,099</u> | <u>132,999,621</u> | <u>57,078,498</u> | <u>52,593,096</u> | <u>203,494,597</u> | <u>185,592,717</u> |
| Net Assets, Ending | <u>\$ 149,395,858</u> | <u>\$ 145,440,438</u> | <u>\$ 60,557,664</u> | <u>\$ 57,078,498</u> | <u>\$ 209,953,522</u> | <u>\$ 202,518,936</u> |

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Governmental activities. Governmental activities increased the City of Orem's net assets, net of the prior period adjustment, by \$3,955,420 which represents 53.20% of the total growth of net assets of the City of Orem. Although the City increased its net assets in the current fiscal year, general revenues decreased 9.13% and total expenses increased 8.51%. The increase in net assets represents a 2.72% increase for the current year but is a decrease of 52.00% when compared to the prior year's net asset change.

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 \$40,240,321 because these revenues are not specific to a particular department.

**Program Expenses & Revenues - Governmental Activities
 For Fiscal Year Ending June 30, 2008**



Key elements affecting the change in governmental activities net assets are as follows:

- Total revenues decreased by \$4,058,583 (6.18%).
- General revenues decreased by \$4,045,178 (9.13%). This decrease is due in large part to the prior fiscal year sale of the City's public works building and property which resulted in other revenue of approximately \$3,624,000. Property tax revenues decreased by

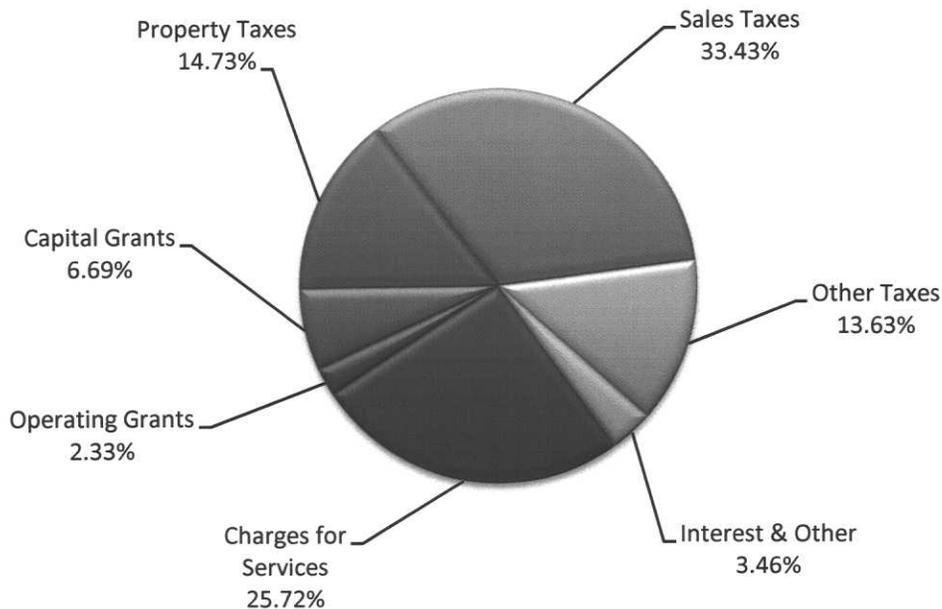
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\$475,714 (4.98%) and sales tax revenues decreased by \$713,399 (3.34%).

- Total expenses increased by \$4,519,840 (8.51%). This increase is primarily due to increases in expenses for highways and public improvements of \$2,071,595 (31.51%), parks, recreation and arts of \$1,511,760 (19.12%), and public safety of \$1,635,264 (9.16%). The increase in highways and public improvements expenditures is due in large part to the increase in road and sidewalk repair and maintenance projects totaling \$1,204,382 and an increase in depreciation expense of \$469,041 related to several large road reconstruction projects that were completed. The increase in parks, recreation and arts is due primarily to the first distribution to approved applicants of the Cultural Arts & Recreation Enrichment (CARE) tax of \$1,038,750. The increase in public safety expenditures is due primarily to an increase in personnel costs totaling \$1,011,345 (7.01%).

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, 2008**

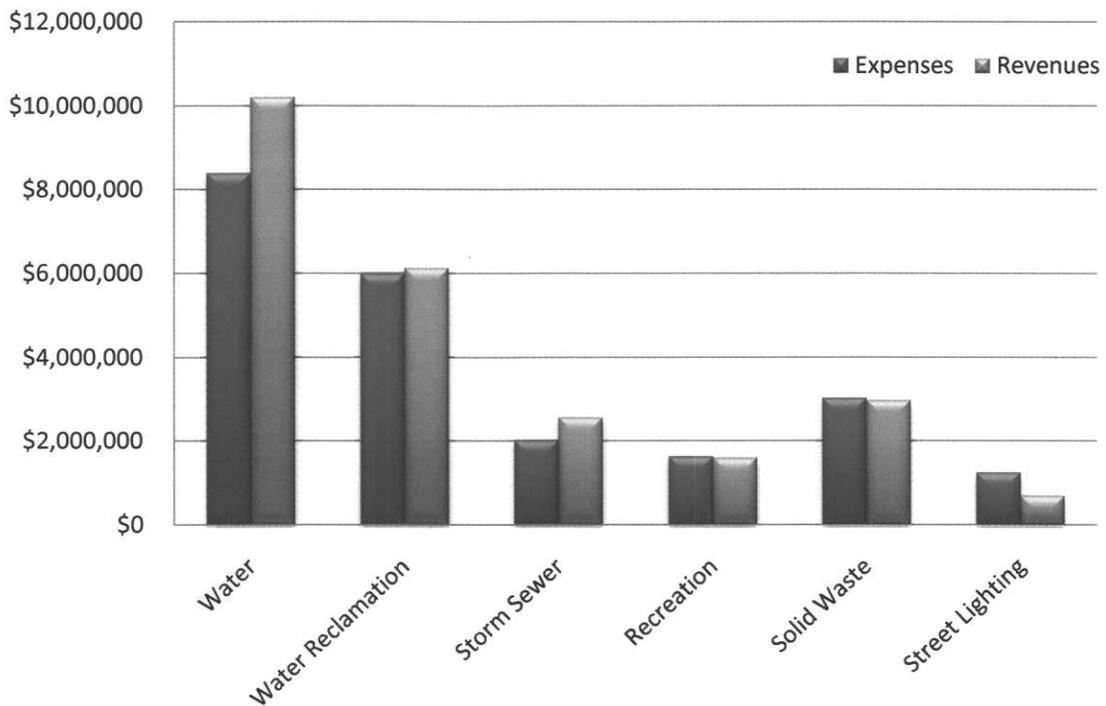


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Business-type activities. Business-type activities increased the City's net assets by \$3,479,166 which represents 46.80% of the total growth in net assets of the City of Orem. Although the City increased its net assets in the current fiscal year, total operating revenues decreased 1.51% and total operating expenses increased 7.28%. The increase in net assets represents a 6.10% increase for the current year but is a decrease of 22.43% when compared to the prior year's net asset change. 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".

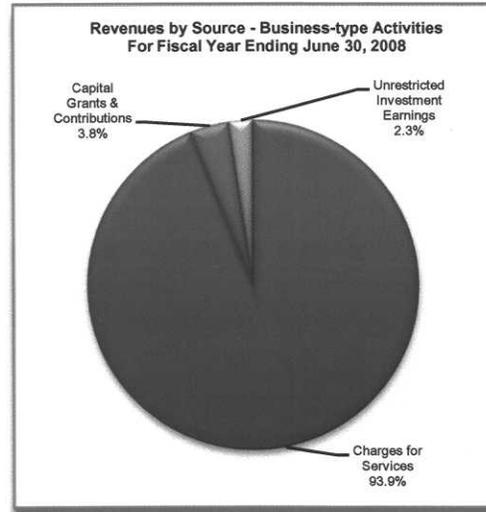
**Program Expenses & Revenues - Business-type Activities
For Fiscal Year Ending June 30, 2008**



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Key elements affecting the change in business-type activities net assets are as follows:

- Business-type activities reported decreased total revenues over the prior year of \$378,245 (1.51%). Total revenues increased or decreased as follows:
 - Water fund total operating revenues increased by \$1,670,616 or 21.81%, due primarily to an average increase in the per meter base rate of approximately 12% and an increase to the per gallon used assessment of 10%. However, contributions from developers decreased by \$1,058,880 or 99.25% which reflects the downward trend in residential and commercial construction.
 - Water Reclamation fund contributions from developers decreased by \$1,449,200 or 96.79%, due primarily to the construction downturn that was previously mentioned.
 - Recreation fund operating revenues increased by \$136,436 or 9.39%, primarily due to an increase in fitness center annual passes.
- Business-type activities reported an increase in total operating expenses from the prior year of \$1,510,626 or 7.28%. The increase is primarily due to an increase in water fund depreciation expense of \$535,643 or 57.41% which was due to several large capital projects being completed early in the year and overall personnel costs that increased by \$658,964 or 12.77% due to annual salary increases and an increase in health benefit costs of approximately 8%.



The graph above 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.

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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 \$26,148,141. Of this total amount, \$21,446,676 (82.02%) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining fund balance of \$4,701,465 is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service or 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 \$10,962,112 while total fund balance reached \$12,619,933. 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 24.87% (prior year was 22.63%) of total general fund expenditures, while total fund balance represents 28.63% (prior year was 26.99%) of that same amount.

Although the General Fund's total fund balance increased by \$1,847,851 in the current fiscal year, the prior year had an increase of \$3,278,891. Thus, there was a decrease from the prior year of \$1,431,040 (43.64%). The following elements were key factors in this decrease:

- Decreased taxes and special assessments revenues of \$479,628 due to a decrease in sales taxes of 3.34% and property taxes of 4.98%.
- Increased intergovernmental revenues in the form of federal, state, and local grants of \$595,625 (18.85%). The largest piece of this increase is related to federal drug task force funding of \$397,677.
- Increased capital outlay expenditures of \$1,832,918 (94.38%). Material purchases include a new fire engine, ambulance, loader, phone system, and increases in various road maintenance and/or construction projects.
- Increased personnel costs of approximately \$2,064,000 (7.35%) due to general salary increases and increased health benefit costs.
- Decreased transfers out of \$2,548,450. The decrease was due to a prior year transfer to the Capital Projects Fund for fire station renovation, cemetery building renovation, sidewalk replacements, landscape improvements, and five new intersection traffic signals.

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The Capital Projects fund has a total fund balance of \$4,314,558, all of which is designated for the payment of capital improvement or economic and physical development projects. The net decrease in fund balance during the current year of \$4,124,350 represents a decrease of 48.87%.

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

Unrestricted net assets of the Water fund at the end of the year amounted to \$2,916,078. Total net assets increased by \$2,145,661 (8.23%) during the current fiscal year. Operating revenues increased by \$1,670,616 (21.81%). Water revenues increased primarily due to meter base rate increases which totaled approximately \$440,000 for the year and the per gallon used assessment increased by 10.00% which increased revenues by approximately \$360,000. Water consumption increased by 3.50% which also increased revenues when compared to the prior year. Operating expenses increased by \$941,355 (13.76%) in comparison with the prior year. The increase in expenses is primarily associated with an increase in depreciation expense and personnel costs. The \$535,643 increase in depreciation expense was due to several large capital projects being completed early in the year. Increases in personnel costs of \$211,982 (12.15%) were due to general salary increases and the increasing cost of healthcare benefits of approximately 8%.

Unrestricted net assets of the Water Reclamation fund at the end of the year amounted to \$2,415,564. Total net assets increased by \$238,276 (1.34%) during the current fiscal year. Operating revenues decreased by \$80,710 (1.31%). Consumption revenues for the water reclamation fund will *generally* follow that of the water fund because the water reclamation fund computes the amount to bill the user based upon the amount of water the user consumes. Despite increased revenues from water consumption, decreases in permit violation fees (16.19%) and sewer connection fees (23.51%) created a decrease in operating revenues for the current year. Operating expenses increased by \$94,757 (1.62%) in comparison with the prior year. The increase in expenses is primarily due to increases in personnel costs. The increase in personnel costs (11.02%) were due to general salary increases and the increasing cost of healthcare benefits of approximately 8%.

Unrestricted net assets of the Storm Sewer fund at the end of the year amounted to \$2,644,286. Total net assets increased by \$623,958 (5.97%) during the current fiscal year. Operating revenues increased by \$25,657 (1.02%). Operating expenses increased by \$287,577 (19.51%) in comparison with the prior year. Personnel cost increases of \$166,500 (35.58%) are the majority of the increase in expenses from the prior year. A large portion of the personnel cost increases were due to a newly created position whose primary function is to monitor construction sites to ensure that developers are following federal and state environmental regulations regarding storm water runoff. Depreciation expense also increased by \$89,876 (27.35%) due to the completion of several large capital projects during the year.

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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 \$47,199,312 to a final budget of \$49,689,028, an increase of \$2,489,716. The increases to the General Fund budget are briefly summarized as follows:

- The administrative services department purchased a new server through a capital lease purchase for \$83,983 and increased funds for computer and network upgrades by \$280,000.
- The engineering division had a \$100,000 aerial flyover that was budgeted in the prior year carried over and, therefore, added to their current year budget.
- Various public safety grants received during the year totaled \$636,961. Public safety also purchased a storage shed for \$11,000 and had a need to increase their subcontracted ambulance collection fees by \$50,000 due to an increase in actual cash collections.
- The City had a need to purchase a new loader for the streets division for \$171,293.
- The library received a federal grant of \$242,685 for an RFID project and purchased a copier under a capital lease for \$6,800. The senior citizens center had an organ donated to them that was valued at \$34,500. Various other parks, recreation, and arts grants were added to the budget totaling \$97,311.
- Various capital equipment and projects were carried over from the prior year and, therefore, were added to the budget in the current year. This increased the budget by \$287,664.
- Various outstanding purchases were carried over from the prior year and, therefore, were added to the budget in the current year. This increased the budget by \$203,573.
- Various grants that did not have all funds spent by the end of the prior fiscal year were carried over and, therefore, were added to the budget. This increased the current year budget by \$122,225.

Several General Fund revenue and expenditure categories were significantly higher or lower than their final budgeted amounts. These variances are briefly summarized as follows:

- Charges for Services – Revenues – Exceeded budgeted amount by \$670,164 (18.08%). Ambulance service fees exceeded its budget by \$272,172 due to more transports and collections than expected. Cemetery lot sales and burial fees exceeded its budget by \$109,859. Plan check fees and E911 surcharge fees exceeded their budgeted amounts by \$100,622 and \$151,582, respectively.
- General Government – Expenditures – Actual amounts were lower than budgeted by \$918,546 (7.04%). Most of this variance was due to the Information Technology division, Administrative Services, not upgrading as many computers as expected, not incurring all of the costs for the new phone system by fiscal year end, and terminating maintenance agreements on the old phone system.

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- Public Safety – Expenditures – Actual amounts were lower than budgeted by \$1,309,458 (6.47%). A large portion of the variance, \$510,755, is due to lower than expected overtime and fringe benefits. There were also three large projects that were budgeted that had yet to incur any costs.
- Highways and Public Improvements – Expenditures – Actual amounts were lower than budgeted by \$267,533 (4.23%). Most of this variance can be attributed to the Streets division's difficulty in hiring enough temporary personnel during the year.
- Parks, Recreation and Arts – Expenditures – Actual amounts were lower than budgeted by \$669,281 (9.08%). Most of the variance is due to four projects that were budgeted that had not yet actually incurred much, if any, of their budgeted costs. The largest of which is a library RFID project.

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, 2008, amounts to \$234,510,822 (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 \$331,115. The fire division also purchased a new fire engine and ambulance totaling \$588,739.
- Administrative services purchased several new vehicles for the City's vehicle pool, IT division, and utility billing division totaling \$67,122.
- Work on the new Public Works building, public library remodel, cemetery remodel, and fire station #1 & #2 remodel/renovation was completed or in process with additional current year costs of approximately \$556,000.
- Various road projects completed or added to construction in process were approximately \$4,257,000.
- Work on a new 20 million gallon water tank was completed with current year additions totaling \$982,367.
- Remodel work on the Orem Fitness Center was completed with additional current year costs of approximately \$99,000.
- Various structural renovations or new construction work at several city parks was completed or in process totaling approximately \$133,000.
- Various water, sewer, and storm sewer line improvements totaled approximately \$4,589,000.

City of Orem
Management's Discussion and Analysis
June 30, 2008

**City of Orem's Capital Assets
(Net of Depreciation)**

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | Land | \$ 59,007,221 | \$ 58,784,875 | \$ 891,439 | \$ 891,439 | \$ 59,898,660 |
| Buildings and Systems | 16,776,318 | 17,593,190 | 3,763,719 | 3,956,205 | 20,540,037 | 21,549,395 |
| Improvements other than Buildings | 16,843,514 | 17,847,472 | 10,103,082 | 1,518,987 | 26,946,596 | 19,366,459 |
| Machinery and Equipment | 5,337,653 | 4,913,122 | 1,828,953 | 1,603,875 | 7,166,606 | 6,516,997 |
| Infrastructure | 62,746,198 | 56,392,889 | 52,718,700 | 43,624,734 | 115,464,898 | 100,017,623 |
| Construction in Progress | 2,135,828 | 4,344,751 | 2,358,197 | 16,630,827 | 4,494,025 | 20,975,578 |
| Total Capital Assets | <u>\$ 162,846,732</u> | <u>\$ 159,876,299</u> | <u>\$ 71,664,090</u> | <u>\$ 68,226,067</u> | <u>\$ 234,510,822</u> | <u>\$ 228,102,366</u> |

Additional information on the City's capital assets can be found in the footnotes to this financial report on pages 67-70.

Long-term debt. At the end on the current year, the City had total bonded debt outstanding of \$66,011,757. Of this amount, \$19,960,000 comprises debt backed by the full faith and credit of the government and \$46,051,757 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 | |
|---------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | General Obligation Bonds | \$ 19,960,000 | \$ 21,025,000 | - | - | \$ 19,960,000 |
| Revenue Bonds | 20,003,000 | 21,673,000 | \$ 26,048,757 | \$ 19,642,757 | 46,051,757 | 41,315,757 |
| Total Bonds | <u>\$ 39,963,000</u> | <u>\$ 42,698,000</u> | <u>\$ 26,048,757</u> | <u>\$ 19,642,757</u> | <u>\$ 66,011,757</u> | <u>\$ 62,340,757</u> |

The City's total bonded debt increased by \$3,671,000 (5.89%) during the current fiscal year. During the year, \$5,720,000 in Sales Tax Revenue Refunding bonds were issued and \$5,515,000 of the 2002 Sales Tax Revenue bonds were defeased. There were \$5,590,000 in new Water and Storm Sewer Revenue bonds issued as well.

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 \$269,165,352, 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

City of Orem
 Management's Discussion and Analysis
 June 30, 2008

water, sewer, or electrical projects is \$538,330,704, 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 on pages 73-80.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Orem at June 30, 2008 was 3.7%. The City's unemployment rate compares favorably to the national rate and is relatively close to the county and state. The table below provides current year comparative information as well as a historical perspective. (Source: U.S. Bureau of Labor Statistics).

| HISTORICAL ANNUAL UNEMPLOYMENT RATES | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| City | 3.5% | 4.7% | 3.1% | 2.8% | 3.7% |
| County | 3.8% | 4.7% | 3.1% | 2.8% | 3.5% |
| State | 4.5% | 4.9% | 3.3% | 2.9% | 3.5% |
| Nation | 5.5% | 5.0% | 4.6% | 4.5% | 5.5% |

- The General Fund budget for the fiscal year-ending June 30, 2009 reflects a decrease of 9.25% in revenues, excluding appropriations of surplus, compared to the final fiscal year ending June 30, 2008. This decrease in revenues is due primarily to decreases in federal and state grants. Budgeted expenditures decreased by 5.74% over the final fiscal year ending June 30, 2008 expenditures.
- Economic trends in the region compare favorably to national indices. However, sales tax revenues have been declining compared to equivalent prior year time periods. These declines are being monitored very closely so that the City can identify what future construction projects or anticipated spending may need to be modified or suspended should this trend continue.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year.

Request For Information

This financial report provides 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, Director of Administrative Services, 56 North State Street, Orem, UT 84057.

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City of Orem
Statement of Net Assets
June 30, 2008

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|-----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | Unit CEDO |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 25,255,297 | \$ 10,651,855 | \$ 35,907,152 | \$ 263,101 |
| Receivables (Net of Allowance for Uncollectibles) | 77,544 | 1,670,819 | 1,748,363 | - |
| Property Taxes Receivable | 4,341,572 | - | 4,341,572 | - |
| Other Taxes Receivable | 4,978,096 | - | 4,978,096 | - |
| Special Assessments Receivable | 8,634,128 | - | 8,634,128 | - |
| Internal Balances | 400,004 | (400,004) | - | - |
| Inventory | 371,006 | - | 371,006 | - |
| Notes Receivable | 408,440 | - | 408,440 | 731,288 |
| Prepaid Expenses | 22,636 | - | 22,636 | - |
| Deferred Charges | 495,654 | 376,822 | 872,476 | - |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents: | | | | |
| Debt Service | 2,747,978 | - | 2,747,978 | - |
| Capital Improvement Projects | 2,941,910 | 6,254,505 | 9,196,415 | - |
| Intergovernmental Receivable | 586,150 | - | 586,150 | - |
| Capital Assets: | | | | |
| Non-depreciable Capital Assets | 61,143,048 | 3,249,636 | 64,392,684 | 15,000 |
| Depreciable Capital Assets (net) | 101,703,684 | 68,414,454 | 170,118,138 | 101,474 |
| Total Assets | <u>214,107,146</u> | <u>90,218,087</u> | <u>304,325,233</u> | <u>1,110,863</u> |
| LIABILITIES | | | | |
| Accounts Payable | 1,050,854 | 1,467,609 | 2,518,463 | - |
| Customer Deposits | 3,627,619 | 11,002 | 3,638,621 | - |
| Accrued Liabilities | 2,645,092 | 271,807 | 2,916,899 | - |
| Unearned Revenue | 6,561,480 | 410,866 | 6,972,346 | 731,288 |
| Accrued Interest Payable | 655,201 | 479,311 | 1,134,512 | - |
| Liabilities Payable from Restricted Assets | 1,107,871 | - | 1,107,871 | - |
| Noncurrent Liabilities: | | | | |
| Due within One Year | 10,685,323 | 1,199,322 | 11,884,645 | - |
| Due in more than One Year | 38,377,848 | 25,820,506 | 64,198,354 | - |
| Total Liabilities | <u>64,711,288</u> | <u>29,660,423</u> | <u>94,371,711</u> | <u>731,288</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 117,130,313 | 51,848,628 | 168,978,941 | 116,474 |
| Restricted for: | | | | |
| Debt Service | 2,747,418 | - | 2,747,418 | - |
| Construction | 1,931,411 | - | 1,931,411 | - |
| Other Purposes | 22,636 | - | 22,636 | - |
| Unrestricted | 27,564,080 | 8,709,036 | 36,273,116 | 263,101 |
| Total Net Assets | <u>\$ 149,395,858</u> | <u>\$ 60,557,664</u> | <u>\$ 209,953,522</u> | <u>\$ 379,575</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, 2008

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 15,187,762 | \$ 11,697,008 | \$ 71,179 | \$ - |
| Public Safety | 19,491,191 | 3,339,720 | 810,859 | 161,667 |
| Highways and Public Improvements | 8,646,549 | - | - | 2,704,380 |
| Parks, Recreation and Arts | 9,416,719 | 545,132 | - | 20,284 |
| Economic and Physical Development | 2,096,573 | 277,113 | 556,846 | 1,240,958 |
| Redevelopment | 593,283 | - | - | - |
| Interest on Long-term Debt | 2,217,525 | - | - | - |
| Total Governmental Activities | 57,649,602 | 15,858,973 | 1,438,884 | 4,127,289 |
| Business-type Activities: | | | | |
| Water | 8,388,236 | 9,331,098 | - | 874,900 |
| Water Reclamation | 5,982,610 | 6,073,791 | - | 48,000 |
| Storm Sewer | 2,004,281 | 2,549,082 | - | 3,600 |
| Recreation | 1,617,587 | 1,588,894 | - | - |
| Solid Waste | 3,014,707 | 2,961,104 | - | - |
| Street Lighting | 1,244,305 | 689,343 | - | - |
| Total Business-type Activities | 22,251,726 | 23,193,312 | - | 926,500 |
| Total Primary Government | \$ 79,901,328 | \$ 39,052,285 | \$ 1,438,884 | \$ 5,053,789 |
| Component Unit: | | | | |
| CEDO | \$ 211,846 | - | \$ 165,000 | - |
| Total Component Unit | \$ 211,846 | - | \$ 165,000 | - |

General Revenues:
Sales Taxes
Property 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 |
| \$ (3,419,575) | \$ - | \$ (3,419,575) | \$ - |
| (15,178,945) | - | (15,178,945) | - |
| (5,942,169) | - | (5,942,169) | - |
| (8,851,303) | - | (8,851,303) | - |
| (21,656) | - | (21,656) | - |
| (593,283) | - | (593,283) | - |
| (2,217,525) | - | (2,217,525) | - |
| <u>(36,224,456)</u> | <u>-</u> | <u>(36,224,456)</u> | <u>-</u> |
| - | 1,817,762 | 1,817,762 | - |
| - | 139,181 | 139,181 | - |
| - | 548,401 | 548,401 | - |
| - | (28,693) | (28,693) | - |
| - | (53,603) | (53,603) | - |
| - | (554,962) | (554,962) | - |
| - | 1,868,086 | 1,868,086 | - |
| <u>\$ (36,224,456)</u> | <u>\$ 1,868,086</u> | <u>\$ (34,356,370)</u> | <u>-</u> |
| - | - | - | \$ (46,846) |
| - | - | - | <u>\$ (46,846)</u> |
| 20,616,891 | - | 20,616,891 | - |
| 9,082,992 | - | 9,082,992 | - |
| 7,291,044 | - | 7,291,044 | - |
| 854,088 | - | 854,088 | - |
| 260,729 | - | 260,729 | - |
| - | - | - | 37,402 |
| 1,468,514 | 443,870 | 1,912,384 | 11,808 |
| 666,063 | 131,104 | 797,167 | - |
| (1,036,106) | 1,036,106 | - | - |
| <u>39,204,215</u> | <u>1,611,080</u> | <u>40,815,295</u> | <u>49,210</u> |
| <u>2,979,759</u> | <u>3,479,166</u> | <u>6,458,925</u> | <u>2,364</u> |
| 145,440,438 | 57,078,498 | 202,518,936 | 377,211 |
| 975,661 | - | 975,661 | - |
| <u>146,416,099</u> | <u>57,078,498</u> | <u>203,494,597</u> | <u>377,211</u> |
| <u>\$ 149,395,858</u> | <u>\$ 60,557,664</u> | <u>\$ 209,953,522</u> | <u>\$ 379,575</u> |

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**City of Orem
Balance Sheet
Governmental Funds
June 30, 2008**

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 13,086,003 | \$ 4,374,494 | \$ 6,217,829 | \$ 23,678,326 |
| Receivables (Net of Allowance for Uncollectibles) | 77,544 | - | - | 77,544 |
| Property Taxes Receivable | 4,341,572 | - | - | 4,341,572 |
| Other Taxes Receivable | 4,672,109 | - | 305,987 | 4,978,096 |
| Special Assessments Receivable | 8,634,128 | - | - | 8,634,128 |
| Due from Other Funds | 400,004 | - | - | 400,004 |
| Intergovernmental Receivable | - | 586,150 | - | 586,150 |
| Notes Receivable | - | - | 408,440 | 408,440 |
| Prepays | 22,636 | - | - | 22,636 |
| Restricted Cash and Cash Equivalents: | | | | |
| Debt Service | - | - | 2,747,978 | 2,747,978 |
| Capital Improvement Projects | 2,646,245 | - | 295,665 | 2,941,910 |
| Total Assets | \$ 33,880,241 | \$ 4,960,644 | \$ 9,975,899 | \$ 48,816,784 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | 307,476 | 646,086 | 31,353 | 984,915 |
| Customer Deposits | 3,627,619 | - | - | 3,627,619 |
| Accrued Liabilities | 1,748,945 | - | 3,685 | 1,752,630 |
| Deferred Revenue | 14,468,397 | - | 727,211 | 15,195,608 |
| Liabilities Payable from Restricted Assets | 1,107,871 | - | - | 1,107,871 |
| Total Liabilities | 21,260,308 | 646,086 | 762,249 | 22,668,643 |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Class "C" Road | 1,635,185 | - | - | 1,635,185 |
| Debt Service and Capital Improvements | - | - | 3,043,644 | 3,043,644 |
| Prepays | 22,636 | - | - | 22,636 |
| Unreserved, reported in: | | | | |
| General Fund | 10,962,112 | - | - | 10,962,112 |
| Capital Projects Funds | - | 4,314,558 | - | 4,314,558 |
| Debt Service Funds | - | - | 661,707 | 661,707 |
| Special Revenue Funds | - | - | 5,508,299 | 5,508,299 |
| Total Fund Balances | 12,619,933 | 4,314,558 | 9,213,650 | 26,148,141 |
| Total Liabilities and Fund Balances | \$ 33,880,241 | \$ 4,960,644 | \$ 9,975,899 | |

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

| | |
|--|-----------------------|
| Capital assets used in governmental funds are not financial resources. | 162,846,732 |
| Other long-term assets are not available to pay for current-period expenditures. | 495,654 |
| 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. | 8,634,128 |
| Internal service funds are used by management to charge the cost of fleet management, self-insurance, and purchasing/warehousing. The current assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. | 922,715 |
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. | (48,996,339) |
| Interest payable on long-term obligations does not require current financial resources and is not reported in the governmental funds. | (655,172) |
| Net assets of governmental activities | <u>\$ 149,395,858</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, 2008

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes and Special Assessments | \$ 31,658,231 | \$ - | \$ 6,859,513 | \$ 38,517,744 |
| Licenses and Permits | 1,596,935 | - | - | 1,596,935 |
| Intergovernmental | 3,755,769 | 12,600 | 556,846 | 4,325,215 |
| Charges for Services | 4,377,739 | - | 454,820 | 4,832,559 |
| Fines and Forfeitures | 580,510 | - | - | 580,510 |
| Charges for Services - Other Funds | 3,921,154 | - | - | 3,921,154 |
| Interest Income | 1,015,707 | - | 305,482 | 1,321,189 |
| Miscellaneous Revenue | 1,447,255 | 757,681 | 106,861 | 2,311,797 |
| Total Revenues | <u>48,353,300</u> | <u>770,281</u> | <u>8,283,522</u> | <u>57,407,103</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 11,620,136 | - | - | 11,620,136 |
| Public Safety | 17,851,249 | - | - | 17,851,249 |
| Highways and Public Improvements | 4,107,184 | - | - | 4,107,184 |
| Parks, Recreation and Arts | 6,491,069 | - | 1,316,258 | 7,807,327 |
| Economic and Physical Development | - | 1,400,593 | 598,082 | 1,998,675 |
| Redevelopment | - | - | 577,702 | 577,702 |
| Debt Service: | | | | |
| Principal Retirement | 159,635 | - | 3,101,315 | 3,260,950 |
| Interest and Fiscal Charges | - | - | 2,007,451 | 2,007,451 |
| Bond Issuance Costs | - | - | 139,440 | 139,440 |
| Capital Lease Payments - Principal | 68,361 | - | - | 68,361 |
| Capital Lease Payments - Interest | 5,824 | - | - | 5,824 |
| Capital Outlay | 3,774,921 | 3,593,517 | 3,152,376 | 10,520,814 |
| Total Expenditures | <u>44,078,379</u> | <u>4,994,110</u> | <u>10,892,624</u> | <u>59,965,113</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>4,274,921</u> | <u>(4,223,829)</u> | <u>(2,609,102)</u> | <u>(2,558,010)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of Bonds | - | - | 5,720,000 | 5,720,000 |
| Issuance of Notes Payable | - | 1,400,593 | - | 1,400,593 |
| Payment to Bond Refunding Agent | - | - | (5,750,946) | (5,750,946) |
| Bond Issuance Premium | - | - | 169,576 | 169,576 |
| Capital Leases | 90,783 | - | - | 90,783 |
| Transfers In | 1,493,254 | 310,000 | 4,859,229 | 6,662,483 |
| Transfers Out | (4,011,107) | (1,611,114) | (1,430,543) | (7,052,764) |
| Total Other Financing Sources (Uses) | <u>(2,427,070)</u> | <u>99,479</u> | <u>3,567,316</u> | <u>1,239,725</u> |
| Net Change in Fund Balances | <u>1,847,851</u> | <u>(4,124,350)</u> | <u>958,214</u> | <u>(1,318,285)</u> |
| Fund Balance - Beginning, As Previously Reported | 10,772,082 | 8,438,908 | 7,279,775 | 26,490,765 |
| Prior Period Adjustment | - | - | 975,661 | 975,661 |
| Fund Balance - Beginning, As Restated | <u>10,772,082</u> | <u>8,438,908</u> | <u>8,255,436</u> | <u>27,466,426</u> |
| Fund Balance - Ending | <u>\$ 12,619,933</u> | <u>\$ 4,314,558</u> | <u>\$ 9,213,650</u> | <u>\$ 26,148,141</u> |

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, 2008

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

| | | |
|--|--------------------|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ (1,318,285) |
| <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 | \$ 9,022,245 | |
| Depreciation Expense | <u>(6,030,611)</u> | 2,991,634 |
| <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 | \$ (7,211,376) | |
| Principal Payments recorded as a reduction of the long-term liability | <u>8,844,311</u> | 1,632,935 |
| <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 - Refundings | \$ 139,440 | |
| Bond (Premiums) Discounts | 66,370 | |
| Amortization of Bond Issuance Costs | (47,593) | |
| Amortization of Bond Issuance Costs - Refundings | (26,915) | |
| Amortization of Bond Premiums (Discounts) | <u>(57,948)</u> | 73,353 |
| <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 | \$ (227,743) | |
| Interest Expense | <u>(145,817)</u> | (373,560) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | 941,058 |
| <p>Internal service funds are used by management to charge the costs of fleet management, purchasing/warehousing and self-insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p> | | |
| | | <u>(967,376)</u> |
| Change in Net Assets of Governmental Activities | | <u><u>\$ 2,979,759</u></u> |

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

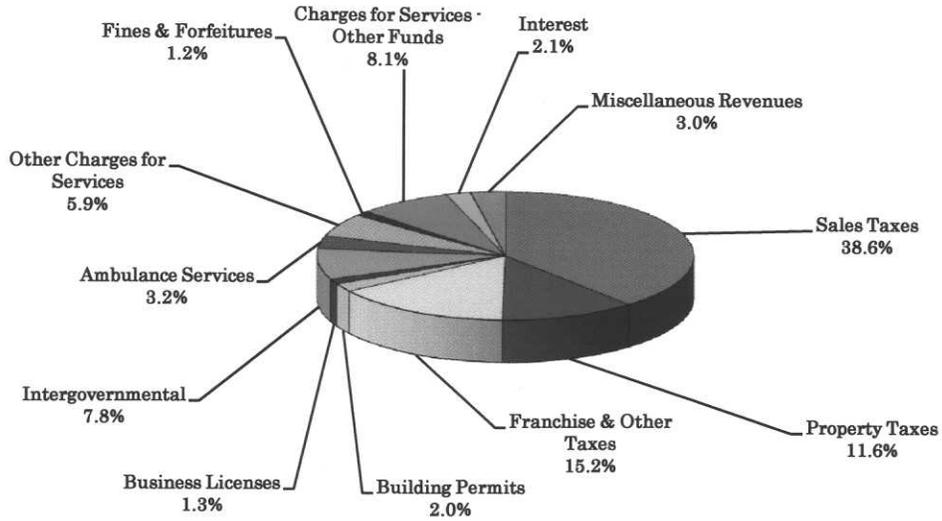
City of Orem
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes and Special Assessments | \$ 31,734,000 | \$ 31,734,000 | \$ 31,658,231 | \$ (75,769) |
| Licenses and Permits | 1,400,000 | 1,400,000 | 1,596,935 | 196,935 |
| Intergovernmental | 2,926,305 | 3,817,502 | 3,755,769 | (61,733) |
| Charges for Services | 3,624,000 | 3,707,575 | 4,377,739 | 670,164 |
| Fines and Forfeitures | 520,000 | 540,525 | 580,510 | 39,985 |
| Charges for Services - Other Funds | 3,921,154 | 3,921,154 | 3,921,154 | - |
| Interest Revenues | 930,281 | 930,281 | 1,015,707 | 85,426 |
| Miscellaneous Revenues | 1,060,072 | 1,295,457 | 1,447,255 | 151,798 |
| Total Revenues | 46,115,812 | 47,346,494 | 48,353,300 | 1,006,806 |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Legislative | 295,005 | 298,200 | 293,000 | 5,200 |
| Executive | 4,330,433 | 3,704,599 | 3,474,576 | 230,023 |
| Personnel Administration | 407,497 | 410,478 | 380,586 | 29,892 |
| Administrative Services | 3,204,848 | 3,769,310 | 3,343,869 | 425,441 |
| Development Services | 3,195,371 | 3,325,262 | 3,264,689 | 60,573 |
| Other - Unclassified | 1,691,835 | 1,548,788 | 1,381,371 | 167,417 |
| Total General Government | 13,124,989 | 13,056,637 | 12,138,091 | 918,546 |
| Public Safety: | | | | |
| Administration | 618,087 | 832,838 | 608,942 | 223,896 |
| Police | 12,228,781 | 12,934,387 | 11,962,411 | 971,976 |
| Fire | 6,202,140 | 6,481,929 | 6,368,343 | 113,586 |
| Total Public Safety | 19,049,008 | 20,249,154 | 18,939,696 | 1,309,458 |
| Highways and Public Improvements: | | | | |
| Administration | 1,332,676 | 1,358,504 | 1,301,368 | 57,136 |
| Engineering | 4,573,273 | 4,971,486 | 4,761,089 | 210,397 |
| Total Highways and Public Improvements | 5,905,949 | 6,329,990 | 6,062,457 | 267,533 |
| Parks, Recreation and Arts | | | | |
| | 6,508,067 | 7,373,596 | 6,704,315 | 669,281 |
| Debt Service: | | | | |
| Principal Retirement | - | 159,635 | 159,635 | - |
| Capital Lease Payments - Principal | 68,361 | 68,361 | 68,361 | - |
| Capital Lease Payments - Interest | 5,824 | 5,824 | 5,824 | - |
| Total Debt Service | 74,185 | 233,820 | 233,820 | - |
| Total Expenditures | 44,662,198 | 47,243,197 | 44,078,379 | 3,164,818 |
| Excess of Revenues over Expenditures | 1,453,614 | 103,297 | 4,274,921 | 4,171,624 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Leases | - | 90,783 | 90,783 | - |
| Transfers In | 1,492,754 | 1,493,254 | 1,493,254 | - |
| Transfers Out | (4,029,868) | (4,029,868) | (4,011,107) | 18,761 |
| Total Other Financing Sources (Uses) | (2,537,114) | (2,445,831) | (2,427,070) | 18,761 |
| Net Change in Fund Balance | (1,083,500) | (2,342,534) | 1,847,851 | 4,190,385 |
| Fund Balance - Beginning | 10,772,082 | 10,772,082 | 10,772,082 | - |
| Fund Balance - Ending | \$ 9,688,582 | \$ 8,429,548 | \$ 12,619,933 | \$ 4,190,385 |

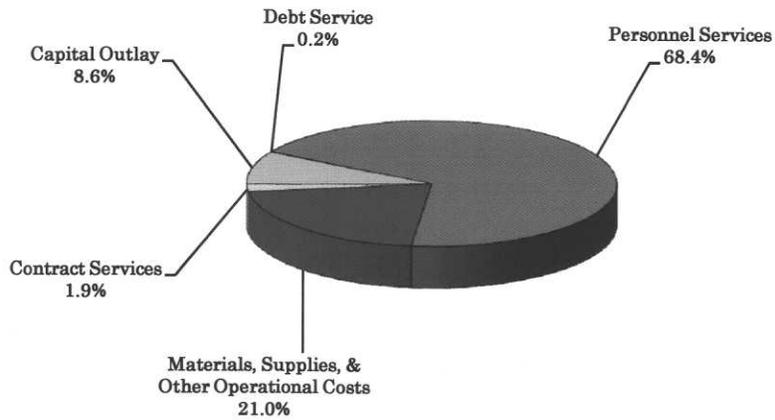
The notes to the financial statements are an integral part of this statement

City of Orem
 General Fund
 Revenues and Expenditures - Actual
 For The Year Ended June 30, 2008

GENERAL FUND - REVENUES



GENERAL FUND - EXPENDITURES



City of Orem
Statement of Net Assets
Proprietary Funds
June 30, 2008

| | | | Business-type | |
|---|-------------------------------|-----------------------------|--|--|
| | Water Fund Current Year | Water Fund Prior Year | Water Reclamation Fund Current Year | Water Reclamation Fund Prior Year |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 4,016,876 | \$ 1,171,578 | \$ 2,212,535 | \$ 1,667,772 |
| Accounts Receivable (Net of Allowance for Doubtful Accounts) | 712,280 | 657,601 | 479,140 | 506,871 |
| Inventories | - | - | - | - |
| Prepays | - | - | - | - |
| Restricted Cash: | | | | |
| Capital Improvement Projects | 6,254,505 | 4,381,656 | - | - |
| Total Current Assets | <u>10,983,661</u> | <u>6,210,835</u> | <u>2,691,675</u> | <u>2,174,643</u> |
| Noncurrent Assets: | | | | |
| Deferred Charges | 286,246 | 195,418 | - | - |
| Capital Assets: | | | | |
| Land | - | - | 557,654 | 557,654 |
| Buildings and Systems | 1,722,649 | 1,722,649 | 3,380,362 | 3,380,362 |
| Improvements other than Buildings | 9,194,323 | 152,231 | 589,496 | 578,018 |
| Machinery and Equipment | 1,294,705 | 1,252,991 | 3,752,205 | 3,376,845 |
| Infrastructure | 47,293,914 | 40,579,147 | 37,052,774 | 36,434,181 |
| Construction in Progress | 1,816,620 | 12,743,322 | 133,361 | 579,613 |
| Less Accumulated Depreciation | <u>(23,178,591)</u> | <u>(21,709,909)</u> | <u>(28,300,095)</u> | <u>(27,362,730)</u> |
| Total Capital Assets (Net of Accumulated Depreciation) | <u>38,143,620</u> | <u>34,740,431</u> | <u>17,165,757</u> | <u>17,543,943</u> |
| Total Noncurrent Assets | <u>38,429,866</u> | <u>34,935,849</u> | <u>17,165,757</u> | <u>17,543,943</u> |
| Total Assets | <u>49,413,527</u> | <u>41,146,684</u> | <u>19,857,432</u> | <u>19,718,586</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 1,004,955 | 1,868,937 | 108,925 | 55,668 |
| Customer Deposits | 11,002 | 10,914 | - | - |
| Accrued Liabilities | 74,321 | 49,682 | 89,217 | 65,619 |
| Due to Other Funds | - | - | - | - |
| Accrued Vacation and Sick Leave | 90,792 | 75,152 | 51,759 | 39,139 |
| Unearned Revenue | 60,207 | 48,808 | - | - |
| Accrued Interest Payable | 343,264 | 241,326 | 21,963 | 24,690 |
| Bond Premiums | 29,112 | 25,182 | - | - |
| Capital Leases Payable - Current Portion | 9,172 | 9,379 | - | - |
| Bonds Payable - Current Portion | <u>532,883</u> | <u>514,263</u> | <u>194,000</u> | <u>187,000</u> |
| Total Current Liabilities | <u>2,155,708</u> | <u>2,843,643</u> | <u>465,864</u> | <u>372,116</u> |
| Noncurrent Liabilities: | | | | |
| Accrued Vacation and Sick Leave | 4,778 | 3,955 | 4,247 | 3,425 |
| Bond Premiums - Long-term Portion | 480,893 | 431,233 | - | - |
| Capital Leases Payable - Long-term Portion | 726 | 9,210 | - | - |
| Bonds Payable - Long-term Portion | <u>18,558,162</u> | <u>11,791,044</u> | <u>1,311,757</u> | <u>1,505,757</u> |
| Total Noncurrent Liabilities | <u>19,044,559</u> | <u>12,235,442</u> | <u>1,316,004</u> | <u>1,509,182</u> |
| Total Liabilities | <u>21,200,267</u> | <u>15,079,085</u> | <u>1,781,868</u> | <u>1,881,298</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 25,297,182 | 26,049,805 | 15,660,000 | 15,851,186 |
| Unrestricted | <u>2,916,078</u> | <u>17,794</u> | <u>2,415,564</u> | <u>1,986,102</u> |
| Total Net Assets | <u>\$ 28,213,260</u> | <u>\$ 26,067,599</u> | <u>\$ 18,075,564</u> | <u>\$ 17,837,288</u> |

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

Activities - Enterprise Funds

| Storm Sewer Fund | | Other Enterprise Funds | | Other Enterprise Funds | | Governmental Activities Internal Service Funds | |
|----------------------|----------------------|------------------------|---------------------|------------------------|------------|--|--------------|
| Current Year | Prior Year | Current Year | Prior Year | Current Year | Prior Year | Current Year | Current Year |
| \$ 2,788,196 | \$ 2,938,310 | \$ 1,634,248 | \$ 1,306,096 | \$ 10,651,855 | | \$ 1,576,971 | |
| 166,867 | 186,973 | 312,532 | 325,823 | 1,670,819 | | - | 371,006 |
| - | - | - | - | - | | - | - |
| - | 488,338 | - | - | 6,254,505 | | - | - |
| <u>2,955,063</u> | <u>3,613,621</u> | <u>1,946,780</u> | <u>1,631,919</u> | <u>18,577,179</u> | | <u>1,947,977</u> | |
| 90,576 | 95,865 | - | - | 376,822 | | - | - |
| 293,963 | 293,963 | 39,822 | 39,822 | 891,439 | | - | - |
| 468,845 | 468,845 | 4,121,630 | 4,121,630 | 9,693,486 | | 150,000 | - |
| 357,034 | 346,825 | 1,499,210 | 1,499,210 | 11,640,063 | | 17,195 | - |
| 1,061,823 | 1,039,971 | 142,067 | 142,067 | 6,250,800 | | 219,221 | - |
| 13,846,542 | 10,169,323 | 902,953 | 767,317 | 99,096,183 | | - | - |
| 224,865 | 3,307,892 | 183,351 | - | 2,358,197 | | - | - |
| <u>(2,355,279)</u> | <u>(1,936,811)</u> | <u>(4,432,113)</u> | <u>(4,318,361)</u> | <u>(58,266,078)</u> | | <u>(184,696)</u> | |
| 13,897,793 | 13,690,008 | 2,456,920 | 2,251,685 | 71,664,090 | | 201,720 | - |
| 13,988,369 | 13,785,873 | 2,456,920 | 2,251,685 | 72,040,912 | | 201,720 | - |
| <u>16,943,432</u> | <u>17,399,494</u> | <u>4,403,700</u> | <u>3,883,604</u> | <u>90,618,091</u> | | <u>2,149,697</u> | |
| 12,292 | 888,046 | 341,437 | 268,959 | 1,467,609 | | 65,939 | - |
| - | - | - | - | 11,002 | | - | - |
| 25,499 | 16,232 | 82,770 | 71,075 | 271,807 | | 892,462 | - |
| - | - | 400,004 | 410,271 | 400,004 | | - | - |
| 30,447 | 25,647 | 36,862 | 37,389 | 209,860 | | 60,281 | - |
| - | - | 350,659 | 375,185 | 410,866 | | - | - |
| 114,084 | 117,302 | - | - | 479,311 | | 29 | - |
| 12,696 | 12,697 | - | - | 41,808 | | - | - |
| 10,482 | 10,719 | - | - | 19,654 | | 6,551 | - |
| 201,117 | 192,737 | - | - | 928,000 | | - | - |
| <u>406,617</u> | <u>1,263,380</u> | <u>1,211,732</u> | <u>1,162,879</u> | <u>4,239,921</u> | | <u>1,025,262</u> | |
| 1,602 | 1,350 | 1,940 | 1,968 | 12,567 | | 44,663 | - |
| 204,733 | 217,428 | - | - | 685,626 | | - | - |
| 830 | 10,526 | - | - | 1,556 | | 519 | - |
| 5,250,838 | 5,451,956 | - | - | 25,120,757 | | - | - |
| <u>5,458,003</u> | <u>5,681,260</u> | <u>1,940</u> | <u>1,968</u> | <u>25,820,506</u> | | <u>45,182</u> | |
| <u>5,864,620</u> | <u>6,944,640</u> | <u>1,213,672</u> | <u>1,164,847</u> | <u>30,060,427</u> | | <u>1,070,444</u> | |
| 8,434,526 | 8,670,698 | 2,456,920 | 2,251,685 | 51,848,628 | | 194,650 | - |
| 2,644,286 | 1,784,156 | 733,108 | 467,072 | 8,709,036 | | 884,603 | - |
| <u>\$ 11,078,812</u> | <u>\$ 10,454,854</u> | <u>\$ 3,190,028</u> | <u>\$ 2,718,757</u> | <u>\$ 60,557,664</u> | | <u>\$ 1,079,253</u> | |

City of Orem
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended June 30, 2008

| | Business-type Activities - | | | |
|--|----------------------------|----------------------|----------------------|----------------------|
| | Water | Water | Water | Water |
| | Fund | Fund | Reclamation | Reclamation |
| | Current Year | Prior Year | Current Year | Prior Year |
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 8,522,976 | \$ 7,398,889 | \$ 5,682,018 | \$ 5,678,134 |
| Other Revenues | 808,122 | 261,593 | 391,773 | 476,367 |
| Total Operating Revenues | <u>9,331,098</u> | <u>7,660,482</u> | <u>6,073,791</u> | <u>6,154,501</u> |
| OPERATING EXPENSES | | | | |
| Personnel Services | 1,956,252 | 1,744,270 | 2,036,850 | 1,834,659 |
| Supplies and Maintenance | 1,706,079 | 1,673,860 | 645,748 | 603,480 |
| Administrative Fee | 1,051,781 | 1,004,280 | 788,950 | 770,625 |
| Utilities | 588,783 | 514,877 | 451,799 | 458,212 |
| Contract Services | 637,086 | 680,921 | 712,946 | 696,470 |
| Equipment Lease and Rentals | 34,016 | 33,883 | 3,484 | 5,186 |
| Insurance | 108,814 | 97,021 | 61,742 | 55,230 |
| Charges in Lieu of Property Tax | 95,000 | 92,500 | 95,000 | 92,500 |
| Depreciation Expense | 1,468,682 | 933,039 | 1,061,720 | 1,258,685 |
| Miscellaneous | 138,372 | 68,859 | 67,851 | 56,286 |
| Total Operating Expenses | <u>7,784,865</u> | <u>6,843,510</u> | <u>5,926,090</u> | <u>5,831,333</u> |
| Operating Income (Loss) | <u>1,546,233</u> | <u>816,972</u> | <u>147,701</u> | <u>323,168</u> |
| NONOPERATING REVENUES | | | | |
| AND EXPENSES | | | | |
| Interest Revenue | 240,178 | 457,699 | 60,037 | 55,318 |
| Gain (Loss) on Sale of Capital Assets | - | 3,262 | 131,104 | 3,738 |
| Donations / Grants | 866,900 | - | - | - |
| Deferred Charges | (15,059) | (13,540) | - | - |
| Interest Expense | (588,312) | (493,093) | (56,520) | (62,943) |
| Total Nonoperating Revenues | <u>503,707</u> | <u>(45,672)</u> | <u>134,621</u> | <u>(3,887)</u> |
| Income (Loss) before Transfers and Contributions | 2,049,940 | 771,300 | 282,322 | 319,281 |
| Contributions from Developers | 8,000 | 1,066,880 | 48,000 | 1,497,200 |
| Contributions Expense | - | (59,487) | - | (1,505) |
| Transfers In | 104,371 | 97,139 | - | - |
| Transfers Out | (16,650) | (71,559) | (92,046) | (139,723) |
| Change in Net Assets | 2,145,661 | 1,804,273 | 238,276 | 1,675,253 |
| Total Net Assets - Beginning | <u>26,067,599</u> | <u>24,263,326</u> | <u>17,837,288</u> | <u>16,162,035</u> |
| Total Net Assets - Ending | <u>\$ 28,213,260</u> | <u>\$ 26,067,599</u> | <u>\$ 18,075,564</u> | <u>\$ 17,837,288</u> |

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

| Enterprise Funds | | | | | Governmental |
|-------------------------------|-----------------------------|-------------------------------------|-----------------------------------|----------------------|--|
| Storm Sewer Fund Current Year | Storm Sewer Fund Prior Year | Other Enterprise Funds Current Year | Other Enterprise Funds Prior Year | Total Current Year | Activities Internal Service Funds Current Year |
| \$ 2,548,853 | \$ 2,523,425 | \$ 5,237,414 | \$ 5,029,285 | \$ 21,991,261 | \$ 2,349,930 |
| 229 | - | 1,927 | 475 | 1,202,051 | - |
| <u>2,549,082</u> | <u>2,523,425</u> | <u>5,239,341</u> | <u>5,029,760</u> | <u>23,193,312</u> | <u>2,349,930</u> |
| 634,456 | 467,956 | 1,191,257 | 1,112,966 | 5,818,815 | 763,616 |
| 175,993 | 163,467 | 206,754 | 274,858 | 2,734,574 | 1,890,716 |
| 303,240 | 296,769 | 333,674 | 318,278 | 2,477,645 | - |
| 5,645 | 2,334 | 558,158 | 498,173 | 1,604,385 | - |
| 151,233 | 150,321 | 2,709,950 | 2,678,826 | 4,211,215 | - |
| 11,450 | 11,585 | 709,097 | 705,159 | 758,047 | - |
| 27,001 | 24,074 | - | 23,593 | 197,557 | - |
| - | - | - | - | 190,000 | - |
| 418,468 | 328,592 | 113,752 | 60,022 | 3,062,622 | 16,664 |
| 34,338 | 29,149 | 53,957 | 17,731 | 294,518 | - |
| <u>1,761,824</u> | <u>1,474,247</u> | <u>5,876,599</u> | <u>5,689,606</u> | <u>21,349,378</u> | <u>2,670,996</u> |
| <u>787,258</u> | <u>1,049,178</u> | <u>(637,258)</u> | <u>(659,846)</u> | <u>1,843,934</u> | <u>(321,066)</u> |
| 89,283 | 128,801 | 54,372 | 57,983 | 443,870 | - |
| - | (9,146) | - | - | 131,104 | - |
| - | 248,000 | - | - | 866,900 | - |
| (5,289) | (5,289) | - | - | (20,348) | - |
| <u>(237,168)</u> | <u>(246,211)</u> | <u>-</u> | <u>-</u> | <u>(882,000)</u> | <u>(485)</u> |
| <u>(153,174)</u> | <u>116,155</u> | <u>54,372</u> | <u>57,983</u> | <u>539,526</u> | <u>(485)</u> |
| 634,084 | 1,165,333 | (582,886) | (601,863) | 2,383,460 | (321,551) |
| 3,600 | 113,800 | - | - | 59,600 | - |
| - | (435,764) | - | - | - | - |
| 48,824 | - | 1,084,968 | 855,177 | 1,238,163 | - |
| <u>(62,550)</u> | <u>(61,216)</u> | <u>(30,811)</u> | <u>(29,591)</u> | <u>(202,057)</u> | <u>(645,825)</u> |
| 623,958 | 782,153 | 471,271 | 223,723 | 3,479,166 | (967,376) |
| 10,454,854 | 9,672,701 | 2,718,757 | 2,495,034 | 57,078,498 | 2,046,629 |
| <u>\$ 11,078,812</u> | <u>\$ 10,454,854</u> | <u>\$ 3,190,028</u> | <u>\$ 2,718,757</u> | <u>\$ 60,557,664</u> | <u>\$ 1,079,253</u> |

City of Orem
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2008

| | <u>Business type</u> | | |
|--|----------------------|---------------------|---------------------|
| | <u>Water</u> | <u>Water</u> | <u>Water</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Reclamation</u> |
| | <u>Current Year</u> | <u>Prior Year</u> | <u>Fund</u> |
| | | | <u>Current Year</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from Customers and Users | \$ 8,522,976 | \$ 7,480,217 | \$ 5,682,018 |
| Receipts from Interfund Services Provided | 808,122 | 261,593 | 391,773 |
| Payments to Suppliers | (4,190,685) | (3,718,235) | (1,933,984) |
| Payments to Employees | (1,939,789) | (1,735,225) | (2,023,408) |
| Payments for Interfund Services Used | (1,051,781) | (1,004,280) | (788,950) |
| Net Cash Provided (Used) by Operating Activities | <u>2,148,843</u> | <u>1,284,070</u> | <u>1,327,449</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Donations / Grants | 866,900 | - | - |
| Transfers In | 104,371 | 97,139 | - |
| Transfers Out | (16,650) | (71,559) | (92,046) |
| Net Cash Provided (Used) by Noncapital Activities | <u>954,621</u> | <u>25,580</u> | <u>(92,046)</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | | |
| Acquisition of Capital Assets | (4,863,871) | (7,453,913) | (635,534) |
| Proceeds from Bonds Issued | 7,300,000 | 1,190,000 | - |
| Proceeds from Sales of Capital Assets | - | - | 131,104 |
| Principal paid on Outstanding Debt | (522,953) | (501,708) | (187,000) |
| Interest paid on Outstanding Debt | (538,671) | (517,968) | (59,247) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>1,374,505</u> | <u>(7,283,589)</u> | <u>(750,677)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Interest Revenue | 240,178 | 457,699 | 60,037 |
| Net Cash Provided (Used) by Investing Activities | <u>240,178</u> | <u>457,699</u> | <u>60,037</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,718,147 | (5,516,240) | 544,763 |
| Cash and Cash Equivalents - Beginning of Year | 5,553,234 | 11,069,474 | 1,667,772 |
| Cash and Cash Equivalents - End of Year | <u>\$ 10,271,381</u> | <u>\$ 5,553,234</u> | <u>\$ 2,212,535</u> |
| Reconciliation of Operating Income (Loss) to Net Cash | | | |
| Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ 1,546,233 | \$ 816,972 | \$ 147,701 |
| Adjustments to Reconcile Operating Income to Net Cash Provided | | | |
| (Used) by Operating Activities: | | | |
| Depreciation Expense | \$ 1,468,682 | \$ 933,039 | \$ 1,061,720 |
| (Increase) Decrease in Receivables | (54,679) | (66,098) | 27,731 |
| (Increase) Decrease in Inventory | - | - | - |
| (Increase) Decrease in Prepaids | - | - | - |
| Increase (Decrease) in Accounts Payable | (863,982) | (422,095) | 53,257 |
| Increase (Decrease) in Customer Deposits | 88 | 2,953 | - |
| Increase (Decrease) in Accrued Liabilities | 24,639 | 2,506 | 23,598 |
| Increase (Decrease) in Unearned/Deferred Revenue | 11,399 | 7,748 | - |
| Increase (Decrease) in Accrued Vacation and Sick Leave | 16,463 | 9,045 | 13,442 |
| Total Adjustments | <u>602,610</u> | <u>467,098</u> | <u>1,179,748</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 2,148,843</u> | <u>\$ 1,284,070</u> | <u>\$ 1,327,449</u> |
| Noncash Investing, Capital, and Financing Activities: | | | |
| Contributions of Capital Assets from Developers | \$ 8,000 | \$ 1,066,880 | \$ 48,000 |
| Contributions of Capital Assets to Governmental Funds | - | (59,487) | - |

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 |
|-----------------------------------|-------------------------------|-----------------------------|-------------------------------------|-----------------------------------|--------------------|--|
| \$ 5,678,134 | \$ 2,548,853 | \$ 2,523,425 | \$ 5,237,414 | \$ 5,029,285 | \$ 21,991,261 | \$ - |
| 476,367 | 229 | - | 1,927 | 475 | 1,202,051 | 2,349,930 |
| (2,120,312) | (1,252,041) | (328,667) | (4,175,245) | (4,087,174) | (11,551,955) | (1,472,622) |
| (1,834,370) | (629,404) | (461,288) | (1,191,812) | (1,136,063) | (5,784,413) | (760,927) |
| (770,625) | (303,240) | (296,769) | (333,674) | (318,278) | (2,477,645) | - |
| 1,429,194 | 364,397 | 1,436,701 | (461,390) | (511,755) | 3,379,299 | 116,381 |
| - | - | 248,000 | - | - | 866,900 | - |
| - | 48,824 | - | 1,084,968 | 855,177 | 1,238,163 | - |
| (139,723) | (62,550) | (61,216) | (30,811) | (29,591) | (202,057) | (645,825) |
| (139,723) | (13,726) | 186,784 | 1,054,157 | 825,586 | 1,903,006 | (645,825) |
| (1,294,928) | (622,653) | (3,558,870) | (318,987) | (412,005) | (6,441,045) | (13,000) |
| - | - | - | - | - | 7,300,000 | - |
| 2,233 | - | 113,801 | - | - | 131,104 | - |
| (181,000) | (202,669) | (191,288) | - | - | (912,622) | (6,208) |
| (65,582) | (253,084) | (260,181) | - | - | (851,002) | (564) |
| (1,539,277) | (1,078,406) | (3,896,538) | (318,987) | (412,005) | (773,565) | (19,772) |
| 55,318 | 89,283 | 128,801 | 54,372 | 57,983 | 443,870 | - |
| 55,318 | 89,283 | 128,801 | 54,372 | 57,983 | 443,870 | - |
| (194,488) | (638,452) | (2,144,252) | 328,152 | (40,191) | 4,952,610 | (549,216) |
| 1,862,260 | 3,426,648 | 5,570,900 | 1,306,096 | 1,346,287 | 11,953,750 | 2,126,187 |
| \$ 1,667,772 | \$ 2,788,196 | \$ 3,426,648 | \$ 1,634,248 | \$ 1,306,096 | \$ 16,906,360 | \$ 1,576,971 |
| \$ 323,168 | \$ 787,258 | \$ 1,049,178 | \$ (637,258) | \$ (659,846) | 1,843,934 | \$ (321,066) |
| \$ 1,258,685 | \$ 418,468 | \$ 328,592 | \$ 113,752 | \$ 60,022 | 3,062,622 | \$ 16,664 |
| (89,638) | 20,106 | (11,352) | 13,291 | (10,461) | 6,449 | - |
| - | - | - | - | - | - | (80,842) |
| - | - | - | - | - | - | - |
| (69,454) | (875,754) | 61,766 | 72,478 | (8,317) | (1,614,001) | 45,491 |
| - | - | - | - | - | 88 | - |
| 6,144 | 9,267 | 1,849 | 1,428 | 85,273 | 58,932 | 453,445 |
| - | - | - | (24,526) | 44,671 | (13,127) | - |
| 289 | 5,052 | 6,668 | (555) | (23,097) | 34,402 | 2,689 |
| 1,106,026 | (422,861) | 387,523 | 175,868 | 148,091 | 1,535,365 | 437,447 |
| \$ 1,429,194 | \$ 364,397 | \$ 1,436,701 | \$ (461,390) | \$ (511,755) | \$ 3,379,299 | \$ 116,381 |
| \$ 1,497,200 | \$ 3,600 | \$ 113,800 | \$ - | \$ - | \$ 59,600 | \$ - |
| (1,505) | - | (435,764) | - | - | - | - |

City of Orem
Notes to the Financial Statements
June 30, 2008

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.

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) present 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 within its governmental funds.

- 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, 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 Fund. Separate financial statements are not issued for the MBA.
- The Orem Foundation Trust is a nonprofit charitable foundation. The Internal Revenue Service (IRS) granted permission for the City to form and operate as an approved IRS section 501(c)3 charitable foundation.

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

A. Reporting Entity (continued)

This enables donors broader charitable donation capabilities as donations will be fully tax deductible. Although it is a legally separate entity from the City, the Orem Foundation Trust is reported as if it were part of the primary government because of the City's ability to impose its will upon its operations. It is included in these financial statements as the Orem Foundation Trust Special Revenue Fund. Separate financial statements are not issued for this entity.

The component unit discussed below is included as part of the City's reporting entity as a *blended* component unit within its proprietary funds.

- The Special Service Lighting District of the City of Orem (SSLD) was established to purchase, install, and maintain street lights, poles, and fixtures within the City. The SSLD is to collect fees to pay for the street lighting system and the electricity to operate it. The SSLD is governed by a board of directors composed of the Mayor and members of the City Council. Although it is a legally separate entity from the City, the SSLD 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 SSLD. The SSLD is included in these financial statements as the Street Lighting Fund. Separate financial statements are not issued for the SSLD.

The component unit discussed below is included as part of the City's reporting entity as a *discretely presented* component unit.

- The Commission for Economic Development in Orem (CEDO) was 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 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 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

City of Orem
Notes to the Financial Statements
June 30, 2008

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

B. Government-wide and fund financial statements (continued)

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.

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

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.

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

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

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,

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

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

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

The City reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds) as well as the use of resources for the improvement, rehabilitation, or construction of new roads.

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:

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

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has, generally, been eliminated from the government-wide financial statements. Exceptions to this are payments to the General Fund by various enterprise funds for providing administrative and billing services. 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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 types of investments (in compliance with the State of Utah's Money Management Act):

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

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

1. Cash and cash equivalents (continued)

- Time certificates of deposit with federally insured depositories.
- Investment in the Utah Public Treasurer's Investment Fund (PTIF).
- 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 Utah Public Treasurer's Investment Fund (PTIF) and the Zions Bank Liquid Asset Management Fund (LAM) both operate in accordance with state laws and regulations. The reported value of these funds is not materially different than the fair value of each Fund's shares.

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

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, 2008 do not represent a material amount and, therefore, have not been accrued as revenues and receivables.

3. Inventories and prepaid items

Inventories of materials and supplies in the Purchasing/Warehousing internal service fund consist principally of materials used to repair the transmission, distribution, collection and treatment systems of the City's proprietary type services. These inventories 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.

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

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

4. Capital assets

The City's capital assets, which includes property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

| 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 compensatory time-off 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 compensatory time-off is recorded as an expense and a liability of those funds as the benefits accrue to the employees.

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

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

5. Compensated absences (continued)

The government-wide financial statements reflect the entire amount of vested and/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.

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.

City of Orem
Notes to the Financial Statements
June 30, 2008

1. Summary of significant accounting policies (continued)

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

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.

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 these assets are reported as expenditures in governmental funds. However, the statement of net assets includes these capital assets among the assets of the City as a whole.

| | | |
|--------------------------|-----------|--------------------|
| Cost of Capital Assets | \$ | 233,322,432 |
| Accumulated Depreciation | | (70,475,700) |
| Total difference | <u>\$</u> | <u>162,846,732</u> |

City of Orem
Notes to the Financial Statements
June 30, 2008

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 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.

Long-term liability balances at June 30, 2008 were as follows:

| | |
|--|---------------|
| General Obligation Bonds | \$ 19,960,000 |
| Sales Tax Revenue Bonds | 9,985,000 |
| Municipal Building Authority Bonds | 7,343,000 |
| Special Improvement District Bonds | 2,675,000 |
| Notes Payable | 7,476,274 |
| Capital Leases | 140,400 |
| Less: Internal Service Funds - Current Portion | (6,551) |
| Bond Premiums Deferred | 442,561 |
| Bond Loss on Defeasance Deferred - Refunding | (383,406) |
| Bond Issuance Costs Deferred - Refunding | (312,450) |
| Compensated Absences | 1,736,792 |
| Less: Internal Service Funds - Current Portion | (60,281) |
| Total Difference | \$ 48,996,339 |

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, 2008

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 Sales Tax Revenue Refunding Bonds | \$ (5,720,000) |
| Issuance of Interim Warrants | (1,400,593) |
| Capital Lease Financing | (90,783) |
| Subtotal | (7,211,376) |
| Principal payments: | |
| Payment to Escrow Agent for Sales Tax Revenue | |
| Bonds Debt Refunding | 5,515,000 |
| Municipal Building Authority Bonds | 1,080,000 |
| General Obligation Bonds | 1,065,000 |
| Sales Tax Revenue Bonds | 530,000 |
| Special Improvement District Bonds | 265,000 |
| Notes Payable | 320,950 |
| Capital Leases | 68,361 |
| Subtotal | 8,844,311 |
| 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> | \$ 1,632,935 |

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, 2008

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, 2008

4. Detailed notes for all funds

A. Deposits and investments

The City's deposits and investment activities 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, 2008, \$5,345,867 of the City's bank balance of \$5,908,675 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at June 30, 2008 is \$2,540,903.

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, 2008

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, 2008 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 | \$ 36,477,573 | \$ 36,477,573 | \$ - | \$ - | \$ - |
| Zions Bank Liquid Asset Management Fund | 5,043,107 | 5,043,107 | - | - | - |
| Corporate Notes | 2,000,000 | 1,500,000 | 500,000 | - | - |
| U.S. Treasuries | 1,414,534 | 1,414,534 | - | - | - |
| Total Debt Securities | \$ 44,935,214 | \$ 44,435,214 | \$ 500,000 | \$ - | \$ - |

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, 2008

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, 2008 are presented below:

| Rated Debt Investments | Fair Value | Quality Ratings | | | |
|---|----------------------|---------------------|-------------|-------------|----------------------|
| | | AAA | AA | A | Unrated |
| <u>Debt Securities</u> | | | | | |
| Utah Public Treasurer's Investment Fund | \$ 36,477,573 | \$ - | \$ - | \$ - | \$ 36,477,573 |
| Zions Bank Liquid Asset Management Fund | 5,043,107 | 5,043,107 | - | - | - |
| Corporate Notes | 2,000,000 | 2,000,000 | - | - | - |
| U.S. Treasuries | 1,414,534 | - | - | - | 1,414,534 |
| Total Debt Securities | <u>\$ 44,935,214</u> | <u>\$ 7,043,107</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,892,107</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, 2008 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to custodial credit risk. The investments in the Zions Bank Liquid Asset Management Fund and the corporate notes do have custodial credit risk exposure. Of the \$7,043,107 invested, \$2,200,894 of the related securities are uninsured, unregistered and held by the City's investment firm which is also the underlying issuer for these particular securities.

Additional information regarding the Utah Public Treasurer's Investment Fund and Zions Bank Liquid Asset Management Fund is available in footnote 4.B. of these notes to the financial statements.

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.

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

A. Deposits and investments (continued)

Concentration of Credit Risk – Investments (continued)

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, 2008 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to concentration of credit risk.

Amounts invested directly in Zions Bank securities either as corporate notes or as securities within the Liquid Asset Management Fund total \$2,200,894 (5.06%) which falls within the acceptable percentage range for a single issuer.

Additional information regarding the Utah Public Treasurer's Investment Fund and Zions Bank Liquid Asset Management Fund is available in footnote 4.B. of these notes to the financial statements.

B. External investment pools

Public Treasurer's Investment Fund (PTIF)

The City invests in this external investment pool which is administered by the Treasurer of the State of Utah. State agencies, municipalities, counties, and local governments within the state 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.

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

B. External investment pools (continued)

Public Treasurer's Investment Fund (PTIF) (continued)

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, 2008) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2008, the City had \$36,477,573 invested in the PTIF which had a fair value of \$36,366,389 for an unrealized loss of \$111,184. 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.

The table below shows statistical information about the investment pool:

| Investment Type | Investment Percentage |
|---|--------------------------|
| Corporate Bonds and Notes | 90.23 % |
| Money Market Accounts and Certificates of Deposit | 7.39 % |
| U.S. Government Securities | 2.38 % |
| Total | 100.00 % |

Zions Bank Liquid Asset Management Fund (LAM)

The City invests in this external investment pool which is administered by the Investment Management and Capital Markets Division of Zions Bancorporation. The required minimum balance is \$5,000,000. There are no minimum/maximum transaction requirements.

The LAM is not registered with the SEC as an investment company. The LAM is a registered investment advisor and is certified by the Utah Money Management Council. The Utah Money Management 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.

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

B. External investment pools (continued)

Zions Bank Liquid Asset Management Fund (LAM) (continued)

Deposits in the LAM are not insured or otherwise guaranteed by Zions Bank. The LAM issues statements on a monthly basis. It operates and reports on an amortized cost basis. The LAM balance is the City's investment plus income and gains less losses and administration fees.

As of June 30, 2008, the City had \$5,043,107 invested in the LAM which had a fair value of \$5,039,076 for an unrealized loss of \$4,031. 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.

The table below shows statistical information about the investment pool:

| Investment Type | Investment Percentage |
|---|--------------------------|
| Corporate Bonds and Notes | 81.76 % |
| U.S. Government Securities | 9.95 % |
| Money Market Accounts and Certificates of Deposit | 8.29 % |
| 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, 2008, as summarized below, has been shown in the government-wide statement of net assets as follows:

| | |
|------------------------------|------------|
| Housing rehabilitation loans | \$ 408,440 |
| Total | \$ 408,440 |

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

E. Receivables

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

| | Receivable | Allowance for Uncollectibles | Net Total Receivables |
|---------------------------|----------------------|---------------------------------|--------------------------|
| General: | | | |
| Property Taxes | \$ 4,341,572 | \$ - | \$ 4,341,572 |
| Other Taxes | 4,672,109 | - | 4,672,109 |
| Special Assessments | 8,634,128 | - | 8,634,128 |
| Accounts | 78,406 | (862) | 77,544 |
| Due from Other Funds | 400,004 | - | 400,004 |
| Subtotal - General | <u>18,126,219</u> | <u>(862)</u> | <u>18,125,357</u> |
| Capital Projects: | | | |
| Intergovernmental | 586,150 | - | 586,150 |
| Water: | | | |
| Accounts | 719,717 | (7,437) | 712,280 |
| Water Reclamation: | | | |
| Accounts | 484,158 | (5,018) | 479,140 |
| Storm Sewer: | | | |
| Accounts | 169,061 | (2,194) | 166,867 |
| Nonmajor Funds: | | | |
| Other Taxes | 305,987 | - | 305,987 |
| Accounts | 316,168 | (3,636) | 312,532 |
| Notes Receivable | 408,440 | - | 408,440 |
| Subtotal - Nonmajor | <u>1,030,595</u> | <u>(3,636)</u> | <u>1,026,959</u> |
| Totals | <u>\$ 21,115,900</u> | <u>\$ (19,147)</u> | <u>\$ 21,096,753</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:

| | Unavailable | Unearned |
|---|---------------------|---------------------|
| Property tax receivable (general fund) | \$ - | \$ 4,341,572 |
| Donations and other funds to be used for specific programs (general fund) | - | 883,704 |
| Grant money used in revolving loan programs (special revenue fund) | - | 727,211 |
| Special assessments not yet due (general fund) | 8,634,128 | 608,993 |
| Total deferred/unearned revenue for governmental funds | <u>\$ 8,634,128</u> | <u>\$ 6,561,480</u> |

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

F. Capital assets

Governmental activities capital asset activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 58,784,875 | \$ 222,345 | \$ - | \$ 59,007,220 |
| Construction in progress | 4,344,751 | 3,881,074 | (6,089,997) | 2,135,828 |
| Total capital assets, not being depreciated: | <u>63,129,626</u> | <u>4,103,419</u> | <u>(6,089,997)</u> | <u>61,143,048</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and systems | 27,058,468 | 144,053 | (59,731) | 27,142,790 |
| Improvements other than buildings | 26,920,397 | 182,798 | - | 27,103,195 |
| Machinery and equipment | 14,083,193 | 1,726,940 | (177,718) | 15,632,415 |
| Infrastructure | 93,332,952 | 8,968,032 | - | 102,300,984 |
| Total capital assets, being depreciated: | <u>161,395,010</u> | <u>11,021,823</u> | <u>(237,449)</u> | <u>172,179,384</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and systems | (9,465,278) | (960,925) | 59,731 | (10,366,472) |
| Improvements other than buildings | (9,072,925) | (1,186,756) | - | (10,259,681) |
| Machinery and equipment | (9,170,071) | (1,284,872) | 160,181 | (10,294,762) |
| Infrastructure | (36,940,063) | (2,614,722) | - | (39,554,785) |
| Total accumulated depreciation | <u>(64,648,337)</u> | <u>(6,047,275)</u> | <u>219,912</u> | <u>(70,475,700)</u> |
| Total capital assets, being depreciated, net | <u>96,746,673</u> | <u>4,974,548</u> | <u>(17,537)</u> | <u>101,703,684</u> |
| Governmental activities capital assets, net | <u>\$ 159,876,299</u> | <u>\$ 9,077,967</u> | <u>\$ (6,107,534)</u> | <u>\$ 162,846,732</u> |

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

Business-type activities capital asset activity for the year ended June 30, 2008 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 | 16,630,827 | - | (14,272,630) | 2,358,197 |
| Total capital assets, not being depreciated: | 17,522,266 | - | (14,272,630) | 3,249,636 |
| Capital assets, being depreciated: | | | | |
| Buildings and systems | 9,693,486 | - | - | 9,693,486 |
| Improvements other than buildings | 2,576,284 | 9,063,779 | - | 11,640,063 |
| Machinery and equipment | 5,811,874 | 563,281 | (124,355) | 6,250,800 |
| Infrastructure | 87,949,968 | 11,146,215 | - | 99,096,183 |
| Total capital assets, being depreciated: | 106,031,612 | 20,773,275 | (124,355) | 126,680,532 |
| Less accumulated depreciation for: | | | | |
| Buildings and systems | (5,907,132) | (22,635) | - | (5,929,767) |
| Improvements other than buildings | (1,058,315) | (478,666) | - | (1,536,981) |
| Machinery and equipment | (4,208,000) | (338,202) | 124,355 | (4,421,847) |
| Infrastructure | (44,154,364) | (2,223,119) | - | (46,377,483) |
| Total accumulated depreciation | (55,327,811) | (3,062,622) | 124,355 | (58,266,078) |
| Total capital assets, being depreciated, net | 50,703,801 | 17,710,653 | - | 68,414,454 |
| Business-type activities capital assets, net | \$ 68,226,067 | \$ 17,710,653 | \$ (14,272,630) | \$ 71,664,090 |

City of Orem
Notes to the Financial Statements
June 30, 2008

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 | \$ 196,240 |
| Public Safety | 1,124,611 |
| Highway and Streets | 3,207,773 |
| Parks, Recreation and Arts | 1,403,166 |
| Redevelopment | 15,581 |
| Economic and Physical Development | 83,240 |
| Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets | 16,664 |
| Total Depreciation Expense - Governmental Activities | \$ 6,047,275 |
| Business-type Activities: | |
| Water | \$ 1,468,682 |
| Water Reclamation | 1,061,720 |
| Storm Sewer | 418,468 |
| Recreation | 89,771 |
| Street Lighting | 23,981 |
| Total Depreciation Expense - Business-type Activities | \$ 3,062,622 |

Construction commitments

The City has active construction projects as of June 30, 2008. 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 | \$ 1,347,595 | \$ 4,118,174 |
| Street Construction and Improvements | 2,471,521 | 2,263,993 |
| Public Facility Construction & Improvements | 307,247 | 877,789 |
| Water Reclamation Improvements | 98,370 | 441,793 |
| Storm Sewer Improvements | - | 94,484 |
| Park and Recreation Improvements | 183,350 | 27,788 |
| Total | \$ 4,408,083 | \$ 7,824,021 |

City of Orem
Notes to the Financial Statements
June 30, 2008

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, 2008, 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 | (89,168) | (8,458) | - | (97,626) |
| Improvements other than buildings | - | - | - | - |
| Machinery and equipment | - | - | - | - |
| Total accumulated depreciation | (89,168) | (8,458) | - | (97,626) |
| Total capital assets, being depreciated, net | 109,932 | (8,458) | - | 101,474 |
| CEDO capital assets, net | \$ 124,932 | \$ (8,458) | \$ - | \$ 116,474 |

G. Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2008 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, 2008

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 | Nonmajor Enterprise Funds | 400,004 |
| Total | | <u>\$ 400,004</u> |

The outstanding balances between funds are primarily due to the time lag between the dates that (1) interfund good and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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, 2008 are as follows:

| | In | Out |
|-----------------------------|--------------|--------------|
| Major Funds: | | |
| General | \$ 1,493,254 | \$ 4,011,107 |
| Capital Projects Fund | 310,000 | 1,611,114 |
| Water Fund | 104,371 | 16,650 |
| Water Reclamation Fund | - | 92,046 |
| Storm Sewer Fund | 48,824 | 62,550 |
| Nonmajor Governmental Funds | 4,859,229 | 1,430,543 |
| Nonmajor Enterprise Funds | 1,084,968 | 30,811 |
| Internal Service Funds | - | 645,825 |
| | \$ 7,900,646 | \$ 7,900,646 |

City of Orem
Notes to the Financial Statements
June 30, 2008

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, 2008, the City paid premiums of approximately \$244,000 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, 2008, the City paid solid waste tipping fees of approximately \$953,000 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, 2008, the City paid \$78,482 to UTOPIA to pay for interest and fees associated with the current bond outstanding as well as costs associated with the refinancing of these bonds. 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, 2008, the City paid participation fees of approximately \$94,000 to NUVAS.

City of Orem
Notes to the Financial Statements
June 30, 2008

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, 2008:

| Year ending June 30, | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| 2009 | \$ 89,715 | \$ 20,315 |
| 2010 | 36,458 | 1,563 |
| 2011 | 19,509 | - |
| 2012 | - | - |
| Thereafter | - | - |
| Total minimum lease payments | 145,682 | 21,878 |
| Less: Amount representing interest | (5,283) | (667) |
| Present value of net minimum lease payments | \$ 140,399 | \$ 21,211 |

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

| | Governmental Activities | Business-type Activities |
|--------------------------|----------------------------|-----------------------------|
| Cost of equipment | \$ 294,270 | \$ 52,829 |
| Accumulated Depreciation | (37,166) | (17,802) |
| Difference | \$ 257,104 | \$ 35,027 |

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.

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

General obligation bonds (continued)

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

General obligation bonds currently outstanding at June 30, 2008 are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|----------------------------------|-----------------------|----------------------|
| Governmental activities: | | |
| 1998 Road Construction | 5.25% to 5.40% | \$ 3,125,000 |
| 2004 Road Construction-Refunding | 3.00% to 4.00% | 3,580,000 |
| 2005 Road Construction | 3.50% to 5.00% | 8,100,000 |
| 2006 Road Construction | 3.63% to 5.00% | 5,155,000 |
| Total | | <u>\$ 19,960,000</u> |

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

| <u>Year Ended June 30,</u> | <u>Governmental Activities</u> | | <u>Totals</u> |
|--------------------------------|--------------------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2009 | \$ 1,095,000 | \$ 834,274 | \$ 1,929,274 |
| 2010 | 1,150,000 | 793,054 | 1,943,054 |
| 2011 | 1,200,000 | 749,039 | 1,949,039 |
| 2012 | 1,245,000 | 701,722 | 1,946,722 |
| 2013 | 1,305,000 | 650,072 | 1,955,072 |
| 2014-2018 | 6,930,000 | 2,370,528 | 9,300,528 |
| 2019-2023 | 4,895,000 | 1,075,709 | 5,970,709 |
| 2024-2027 | 2,140,000 | 108,250 | 2,248,250 |
| Totals | <u>\$ 19,960,000</u> | <u>\$ 7,282,648</u> | <u>\$ 27,242,648</u> |

Revenue bonds

The City has the following revenue bonds outstanding at June 30, 2008:

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

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Water Quality Revenue Bonds (continued)

Water Reclamation Plant. The terms of the bond contract require principal and interest payable annually on February 1 of each year commencing February 1, 1995 through February 2015. Payments on the bonds are paid from sewer charges to customers. 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, 2008

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 systems. 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. The City issued an additional \$1,710,000 in the current fiscal year. As of June 30, 2008, the City had issued \$2,950,000 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 systems. 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, 2008

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Refunding Sales Tax Revenue Bonds – Series 2007

In October of 2007, the City issued sales tax revenue refunding bonds of \$5,720,000 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 April 15, 2009 with interest payable semi-annually on April 15 and October 15 through April 2023. The interest rate varies between 3.80% and 5.00%.

Water and Storm Sewer Revenue Bonds – Series 2008

In March of 2008, the City issued revenue bonds of \$5,590,000 through private placement for completion of improvements to the city's water and storm sewer systems. The terms of the bond contract require principal payable annually commencing July 15, 2009 with interest payable semi-annually on January 15 and July 15 through July 2028. The interest rate varies between 3.25% and 5.25%.

Current year advance refunding

In 2008, the City issued \$5,720,000 of sales tax revenue refunding bonds. The funds were placed in a trust for the purpose of generating resources to pay the remaining outstanding principal balance at April 15, 2015 of the Series 2002 sales tax revenue bonds. The amount to be paid at April 15, 2015 is \$5,515,000. As a result, this amount of Series 2002 sales tax 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 \$235,946. 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 15 1/2 years by \$205,550 and resulted in an economic gain of \$151,404.

Prior year advance refunding

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

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Prior year advance refunding (continued)

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, 2008 are as follows:

| Purpose | Interest Rates | Amount |
|---------------------------|----------------|----------------------|
| Governmental Activities: | | |
| Recreation Projects | 3.00%-5.50% | \$ 9,985,000 |
| Bond Refunding | 2.50%-4.50% | 5,453,000 |
| Property Improvement | 5.00% | 2,675,000 |
| Street Lighting | 4.45%-5.50% | 1,890,000 |
| Business-type Activities: | | |
| Water and Storm Sewer | 1.48%-5.25% | 24,543,000 |
| Wastewater Treatment | 3.50% | 1,505,757 |
| Total | | <u>\$ 46,051,757</u> |

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

| Year Ended June 30, | Governmental Activities | | Business-type Activities | | Totals |
|------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2009 | \$ 1,981,000 | \$ 884,097 | \$ 928,000 | \$ 1,060,148 | \$ 4,853,245 |
| 2010 | 2,077,000 | 798,744 | 1,016,000 | 1,074,215 | 4,965,959 |
| 2011 | 1,883,000 | 706,161 | 1,060,000 | 1,040,965 | 4,690,126 |
| 2012 | 1,574,000 | 619,245 | 1,105,000 | 1,004,447 | 4,302,692 |
| 2013 | 1,671,000 | 537,286 | 1,139,000 | 964,662 | 4,311,948 |
| 2014-2018 | 9,202,000 | 1,493,876 | 5,559,757 | 4,193,014 | 20,448,647 |
| 2019-2023 | 1,615,000 | 173,893 | 6,318,000 | 2,951,364 | 11,058,257 |
| 2024-2028 | - | - | 7,383,000 | 1,327,786 | 8,710,786 |
| 2029-2029 | - | - | 1,540,000 | 40,425 | 1,580,425 |
| Totals | <u>\$ 20,003,000</u> | <u>\$ 5,213,302</u> | <u>\$ 26,048,757</u> | <u>\$ 13,657,026</u> | <u>\$ 64,922,085</u> |

City of Orem
Notes to the Financial Statements
June 30, 2008

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Notes payable

Notes payable currently outstanding at June 30, 2008 are as follows:

| Purpose | Interest Rates | Amount |
|--|----------------|---------------------|
| Governmental Activities: | | |
| Interim Warrant - Parking Garage | Variable | \$ 3,251,386 |
| Interim Warrant - Building | Variable | 2,627,959 |
| HUD Section 108 Loan - Economic Development | Variable | 1,234,930 |
| Land Purchase - Park | 6.00% | 300,332 |
| Land Purchase - Fire Station | 5.50% | 61,667 |
| Total | | <u>\$ 7,476,274</u> |

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

| Year Ended June 30, | Governmental Activities | | Totals |
|------------------------|-------------------------|---------------------|---------------------|
| | Principal | Interest | |
| 2009 | \$ 6,002,042 | \$ 339,242 | \$ 6,341,284 |
| 2010 | 67,019 | 79,072 | 146,091 |
| 2011 | 68,068 | 75,397 | 143,465 |
| 2012 | 69,182 | 71,658 | 140,840 |
| 2013 | 70,365 | 67,850 | 138,215 |
| 2014-2018 | 427,288 | 275,737 | 703,025 |
| 2019-2023 | 482,380 | 147,513 | 629,893 |
| 2024-2027 | 289,930 | 30,713 | 320,643 |
| Totals | <u>\$ 7,476,274</u> | <u>\$ 1,087,182</u> | <u>\$ 8,563,456</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, 2008 are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2008

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 | \$ 21,025,000 | \$ - | \$ (1,065,000) | \$ 19,960,000 | \$ 1,095,000 |
| Revenue bonds | 21,673,000 | 5,720,000 | (7,390,000) | 20,003,000 | 1,981,000 |
| Plus issuance premiums | 297,476 | 169,576 | (24,490) | 442,562 | 27,682 |
| Less deferred amounts: | | | | | |
| On refunding | (429,826) | (375,386) | 109,355 | (695,857) | (116,418) |
| Total bonds payable | 42,565,650 | 5,514,190 | (8,370,135) | 39,709,705 | 2,987,264 |
| Notes payable | 6,396,631 | 1,400,593 | (320,950) | 7,476,274 | 6,002,042 |
| Capital leases | 124,186 | 90,783 | (74,569) | 140,400 | 85,719 |
| Compensated absences | 1,506,362 | 396,130 | (165,700) | 1,736,792 | 1,610,298 |
| Governmental activities | | | | | |
| Long-term liabilities | <u>\$ 50,592,829</u> | <u>\$ 7,401,696</u> | <u>\$ (8,931,354)</u> | <u>\$ 49,063,171</u> | <u>\$ 10,685,323</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | \$ 19,642,757 | \$ 7,300,000 | \$ (894,000) | \$ 26,048,757 | \$ 928,000 |
| Plus issuance premiums | 686,540 | 79,918 | (39,024) | 727,434 | 41,808 |
| Total bonds payable | 20,329,297 | 7,379,918 | (933,024) | 26,776,191 | 969,808 |
| Capital leases | 39,834 | - | (18,624) | 21,210 | 19,654 |
| Compensated absences | 188,025 | 75,210 | (40,808) | 222,427 | 209,860 |
| Business-type activities | | | | | |
| Long-term liabilities | <u>\$ 20,557,156</u> | <u>\$ 7,455,128</u> | <u>\$ (992,456)</u> | <u>\$ 27,019,828</u> | <u>\$ 1,199,322</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, 2008. The General Fund has typically been used in prior years to liquidate this liability for governmental funds.

Of total compensated absences, \$42,718 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, 2008

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 up to \$400,000 for each worker's compensation claim. Third party insurance provides coverage for claims between \$400,000 and \$1,000,000. The Self-insurance Fund would provide coverage for the portion of any individual claim that exceeded \$1,000,000. The Self-insurance fund also provides coverage up to \$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, 2007 and 2008 is as follows:

| Year ended June 30, | 2007 | 2008 |
|---|-------------|-------------------|
| Claim liability, beginning of year | \$ - | \$ - |
| Claims incurred during the year | 264,060 | 164,898 |
| Changes in estimates of claims of prior periods | - | 179,742 |
| Payments on claims during the year | (264,060) | (164,898) |
| Other | - | - |
| Claim liability, end of year | <u>\$ -</u> | <u>\$ 179,742</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

City of Orem
Notes to the Financial Statements
June 30, 2008

5. Other information (continued)

B. Contingent Liabilities (continued)

be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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

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. In June 2008, UTOPIA issued \$185,000,000 in new revenue bonds to pay and cancel the 2004 revenue bonds, pay and cancel other related debt, pay outstanding unfunded construction commitments, provide two years of capitalized interest and LOC payments, provide approximately \$10,000,000 in operational and construction funds, and to pay the costs of issuing the 2008 bonds. The 2008 revenue bonds have principal payments due quarterly commencing on September 1, 2010 through June 1, 2040 and interest payments due monthly commencing on July 1, 2008 through June 1, 2040. Net revenues from the communication network will reimburse a 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, prior to the refinance, was 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 (the trustee already held \$128,177 from an initial deposit made in 2004) as its pledge amount for Fiscal Year 2008. The City's yearly liability limit will increase by 18.05% or \$395,385 to a new liability limit of \$2,585,089 for Fiscal Year 2009 due to the terms of the refinancing with an annual increase not to exceed 2%. It is expected that interest earnings on the City's original pledged amount will cover the increase in the liability limit. The current estimated cost to construct the fiber optic network in all member cities is estimated to total approximately \$410,000,000.

City of Orem
Notes to the Financial Statements
June 30, 2008

5. Other information (continued)

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, or any political subdivision thereof is not 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, 2008, there are three series of Industrial Revenue Bonds issued and outstanding. The aggregate principal amount payable could not be determined; however, their original issue amounts totaled \$9.715 million, comprising of the following issues:

| Organization | Maturity | Original Issue Principal Amount |
|----------------------------------|---------------|------------------------------------|
| 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 | | \$ 9,715,000 |

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.

City of Orem
Notes to the Financial Statements
June 30, 2008

5. **Other information (continued)**

D. Employee retirement systems and pension plans (continued)

Plan description (continued)

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 7.61% of their annual covered salary.

In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.62% 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 9.30% 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, 2008, 2007 and 2006, were equal to the required contributions for each year. The contribution amounts are as follows:

| | Fiscal Year Ending June 30, | | |
|---|-----------------------------|---------------------|---------------------|
| | 2008 | 2007 | 2006 |
| Local governmental contributory retirement system | \$ 281,396 | \$ 283,723 | \$ 261,904 |
| Governmental noncontributory retirement system | 1,331,067 | 1,267,954 | 1,081,775 |
| Public safety contributory retirement system | 156,692 | 188,757 | 176,002 |
| Public safety noncontributory retirement system | 1,038,168 | 1,017,742 | 771,696 |
| Firefighters retirement system | 297,238 | 270,149 | 221,553 |
| Total Contributions | \$ 3,104,561 | \$ 3,028,325 | \$ 2,512,930 |

City of Orem
Notes to the Financial Statements
June 30, 2008

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

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, 2008 was \$25,205,367. The City's expense for this plan for the year ended June 30, 2008 was approximately \$1,383,000 or 5.13% 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.

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, 2008 was \$25,205,367. The City's expense for this plan for the year ended June 30, 2008 was approximately \$1,054,000 or 4.18% of the total participants' salary. The contribution rates were determined by the City Council and the contributions were remitted on a timely basis.

City of Orem
Notes to the Financial Statements
June 30, 2008

5. Other information (continued)

E. Segment information for enterprise funds

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

F. Redevelopment agency of the City of Orem

For the year ended June 30, 2008, 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: Orem Tek Development | \$ 429,381 |
| Orem 85-02: Timpanogos Technological Center | 398,392 |
| Orem 85-03A: University Parkway Development | 498,610 |
| Orem 85-03B: University Parkway Development | 597,956 |
| Orem 85-04: Economic Zone in Central Orem | 224,900 |
| Orem 87-10: Boyer Project on Center and State Street | 254,584 |
| Orem 90-08: 800 North and State Street Economic Zone | 172,726 |
| Total | \$ 2,576,549 |
| Outstanding Loans to Finance RDA Projects | \$ - |

During the year ending June 30, 2008, the RDA expended monies in the categories below as follows:

| | |
|----------------------|--------------|
| Economic Development | \$ 1,463,207 |
| Interest | - |
| Total | \$ 1,463,207 |

City of Orem
Notes to the Financial Statements
June 30, 2008

5. Other information (continued)

G. Prior period adjustment

Government-wide total net assets, Governmental Funds total fund balances,
and Governmental Non-Major Funds total fund balances

Upon further evaluation of three funds formerly considered to be fiduciary type funds, the City has concluded, using the criteria from GASB 14 and 39, that the Senior Citizens' and Friends of the Library funds should be recategorized and reported as special revenue funds and that the Orem Foundation Trust should also be recategorized as a blended component unit and reported as a special revenue fund. GASB 14 and 39 require a primary government that is "financially accountable or can significantly influence the programs, projects, activities, or level of services performed or provided by the other organization" or that the other organization is "closely related or financially integrated" to be included within the primary government's financial statements. The total effect of this prior period adjustment increases total net assets and total fund balances by \$975,661.

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 sales tax and franchise tax revenues.

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.

Road Bonds – Capital Projects Fund – This fund is used to account for the improvement, rehabilitation, or construction of new roads throughout 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.

Combining Financial Statements Nonmajor Governmental Funds

Community Development & Rehabilitation Fund – This fund is used 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.

Friends of the Library Fund – This fund is used to account for the financial transactions of the Friends of the Orem Public Library, a volunteer group which supports the Library's collections, services, and programs. The group may also help with other various community oriented programs as it sees a need. One of the largest programs funded by this group is the Timpanogos Storytelling Festival.

Orem Foundation Trust Fund – This fund is used to account for the financial transactions of the Orem Foundation Trust, an approved IRS Section 501(c)3 charitable organization. All funds received by the trust are used to support and enhance services and programs provided by the City.

Senior Citizens Fund – This fund is used to account for the financial transactions of those activities related to the Senior Citizen Friendship Center and its senior citizen patrons.

City of Orem
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

| | Debt Service Funds | | | Capital Projects Funds | |
|---|---------------------|---|---------------------|--------------------------------------|-------------|
| | Debt Service | Municipal Building Authority - Debt Service | Total | Road Bonds Capital Projects | Total |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 655,990 | \$ 5,717 | \$ 661,707 | \$ - | \$ - |
| Taxes Receivable | - | - | - | - | - |
| Notes Receivable | - | - | - | - | - |
| Restricted Cash and Cash Equivalents: | | | | | |
| Debt Service | 2,747,178 | 240 | 2,747,418 | - | - |
| Capital Improvement Projects | - | - | - | - | - |
| Total Assets | 3,403,168 | 5,957 | 3,409,125 | - | - |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | - | - | - | - | - |
| Accrued Liabilities | - | - | - | - | - |
| Deferred Revenues | - | - | - | - | - |
| Total Liabilities | - | - | - | - | - |
| Fund Balances: | | | | | |
| Restricted for Debt Service and Capital Improvements | 2,747,178 | 240 | 2,747,418 | - | - |
| Unreserved | 655,990 | 5,717 | 661,707 | - | - |
| Total Fund Balances | 3,403,168 | 5,957 | 3,409,125 | - | - |
| Total Liabilities and Fund Balances | \$ 3,403,168 | \$ 5,957 | \$ 3,409,125 | \$ - | \$ - |

¹ Includes the Friends of the Library Fund, Orem Foundation Trust Fund, and Senior Citizens Fund.
A summary of these funds can be found on the next page.

Special Revenue Funds

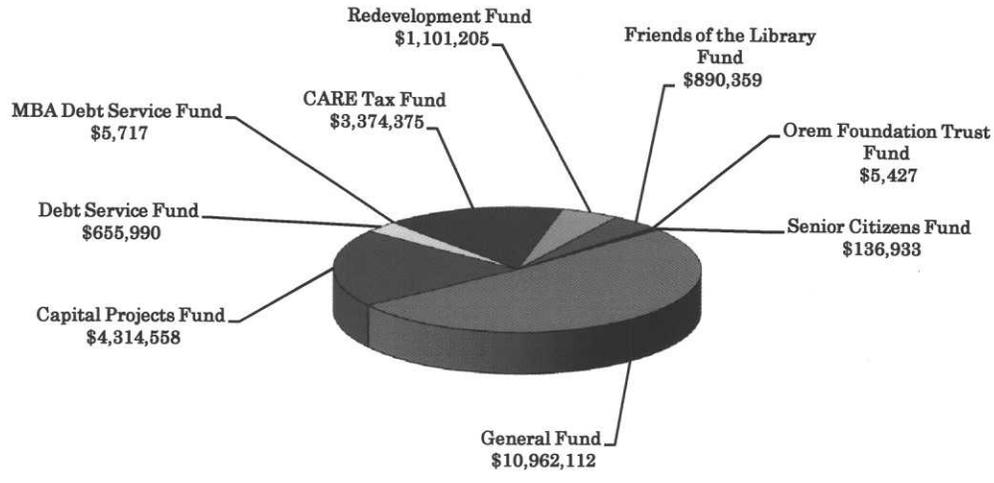
| <u>CARE Tax Fund</u> | <u>Redevelopment Fund</u> | <u>Community Development & Rehabilitation Fund</u> | <u>Other Special Revenue Funds ¹</u> | <u>Total</u> | <u>Total Nonmajor Governmental Funds</u> |
|--------------------------|-------------------------------|--|---|---------------------|--|
| \$ 3,068,543 | \$ 1,101,205 | \$ 349,616 | \$ 1,036,758 | \$ 5,556,122 | \$ 6,217,829 |
| 305,987 | - | - | - | 305,987 | 305,987 |
| - | - | 408,440 | - | 408,440 | 408,440 |
| - | - | 560 | - | 560 | 2,747,978 |
| - | - | 295,665 | - | 295,665 | 295,665 |
| <u>3,374,530</u> | <u>1,101,205</u> | <u>1,054,281</u> | <u>1,036,758</u> | <u>6,566,774</u> | <u>9,975,899</u> |
| 155 | - | 27,159 | 4,039 | 31,353 | 31,353 |
| - | - | 3,685 | - | 3,685 | 3,685 |
| - | - | 727,211 | - | 727,211 | 727,211 |
| <u>155</u> | <u>-</u> | <u>758,055</u> | <u>4,039</u> | <u>762,249</u> | <u>762,249</u> |
| - | - | 296,226 | - | 296,226 | 3,043,644 |
| <u>3,374,375</u> | <u>1,101,205</u> | <u>-</u> | <u>1,032,719</u> | <u>5,508,299</u> | <u>6,170,006</u> |
| <u>3,374,375</u> | <u>1,101,205</u> | <u>296,226</u> | <u>1,032,719</u> | <u>5,804,525</u> | <u>9,213,650</u> |
| <u>\$ 3,374,530</u> | <u>\$ 1,101,205</u> | <u>\$ 1,054,281</u> | <u>\$ 1,036,758</u> | <u>\$ 6,566,774</u> | <u>\$ 9,975,899</u> |

City of Orem
Combining Balance Sheet
Nonmajor Governmental Funds - Other Special Revenue Funds
June 30, 2008

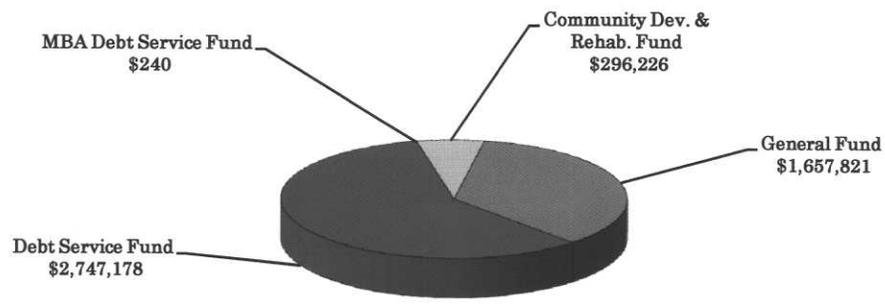
| | <u>Other Special Revenue Funds</u> | | | Total Other Special Revenue Funds |
|---|--------------------------------------|-------------------------------------|----------------------------|---|
| | Friends of the Library Fund | Orem Foundation Trust Fund | Senior Citizens Fund | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 892,724 | \$ 5,427 | \$ 138,607 | \$ 1,036,758 |
| Total Assets | <u>892,724</u> | <u>5,427</u> | <u>138,607</u> | <u>1,036,758</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | 2,365 | - | 1,674 | 4,039 |
| Accrued Liabilities | - | - | - | - |
| Total Liabilities | <u>2,365</u> | <u>-</u> | <u>1,674</u> | <u>4,039</u> |
| Fund Balances: | | | | |
| Restricted for Debt Service and Capital Improvements | - | - | - | - |
| Unreserved | 890,359 | 5,427 | 136,933 | 1,032,719 |
| Total Fund Balances | <u>890,359</u> | <u>5,427</u> | <u>136,933</u> | <u>1,032,719</u> |
| Total Liabilities and Fund Balances | <u>\$ 892,724</u> | <u>\$ 5,427</u> | <u>\$ 138,607</u> | <u>\$ 1,036,758</u> |

City of Orem
 Governmental Funds
 Fund Balance
 For The Year Ended June 30, 2008

GOVERNMENTAL FUNDS - UNRESERVED FUND BALANCE



GOVERNMENTAL FUNDS - RESERVED/RESTRICTED FUND BALANCE



City of Orem
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2008

| | Debt Service Funds | | | Capital Projects Funds | |
|---|--------------------|---|------------------|-----------------------------|--------------------|
| | Debt Service | Municipal Building Authority Debt Service | Total | Road Bonds Capital Projects | Total |
| REVENUES | | | | | |
| Property Taxes | \$ 1,938,762 | \$ - | \$ 1,938,762 | \$ - | \$ - |
| Sales Taxes | - | - | - | - | - |
| Special Assessments | 412,000 | - | 412,000 | - | - |
| Intergovernmental | - | - | - | - | - |
| Charges for Services | - | - | - | - | - |
| Interest Income | 102,590 | 149 | 102,739 | 44,934 | 44,934 |
| Miscellaneous Revenues | - | - | - | - | - |
| Total Revenues | 2,453,352 | 149 | 2,453,501 | 44,934 | 44,934 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Economic and Physical Development | - | - | - | - | - |
| Redevelopment | - | - | - | - | - |
| Parks, Recreation and Arts | - | - | - | - | - |
| Debt Service: | | | | | |
| Principal Retirement | 1,976,315 | 1,080,000 | 3,056,315 | - | - |
| Interest and Fiscal Charges | 1,616,182 | 351,455 | 1,967,637 | - | - |
| Bond Issuance Costs | 139,440 | - | 139,440 | - | - |
| Capital Outlay | - | - | - | 1,956,758 | 1,956,758 |
| Total Expenditures | 3,731,937 | 1,431,455 | 5,163,392 | 1,956,758 | 1,956,758 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (1,278,585) | (1,431,306) | (2,709,891) | (1,911,824) | (1,911,824) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of Bonds | 5,720,000 | - | 5,720,000 | - | - |
| Payment to Bond Refunding Agent | (5,750,946) | - | (5,750,946) | - | - |
| Bond Issuance Premium | 169,576 | - | 169,576 | - | - |
| Transfers In | 3,349,912 | 1,431,397 | 4,781,309 | - | - |
| Transfers Out | - | - | - | - | - |
| Total Other Financing Sources and (Uses) | 3,488,542 | 1,431,397 | 4,919,939 | - | - |
| Net Change in Fund Balances | 2,209,957 | 91 | 2,210,048 | (1,911,824) | (1,911,824) |
| Fund Balances - Beginning, As Previously Reported | 1,193,211 | 5,866 | 1,199,077 | 1,911,824 | 1,911,824 |
| Prior Period Adjustment | - | - | - | - | - |
| Fund Balances - Beginning, As Restated | 1,193,211 | 5,866 | 1,199,077 | 1,911,824 | 1,911,824 |
| Fund Balances - Ending | \$ 3,403,168 | \$ 5,957 | \$ 3,409,125 | \$ - | \$ - |

¹ Includes the Friends of the Library Fund, Orem Foundation Trust Fund, and Senior Citizens Fund.
A summary of these funds can be found on the next page.

Special Revenue Funds

| CARE Tax Fund | Redevelopment Fund | Community Development & Rehabilitation Fund | Other Special Revenue Funds ¹ | Total | Total Nonmajor Governmental Funds |
|---------------------|-----------------------|--|---|---------------------|--|
| \$ - | \$ 2,576,549 | \$ - | \$ - | \$ 2,576,549 | \$ 4,515,311 |
| 1,932,202 | - | - | - | 1,932,202 | 1,932,202 |
| - | - | - | - | - | 412,000 |
| - | - | 556,846 | - | 556,846 | 556,846 |
| - | - | 277,113 | 177,707 | 454,820 | 454,820 |
| 94,601 | - | 20,389 | 42,819 | 157,809 | 305,482 |
| - | - | 2,785 | 104,076 | 106,861 | 106,861 |
| <u>2,026,803</u> | <u>2,576,549</u> | <u>857,133</u> | <u>324,602</u> | <u>5,785,087</u> | <u>8,283,522</u> |
| - | - | 598,082 | - | 598,082 | 598,082 |
| - | 577,702 | - | - | 577,702 | 577,702 |
| 1,049,214 | - | - | 267,044 | 1,316,258 | 1,316,258 |
| - | - | 45,000 | - | 45,000 | 3,101,315 |
| - | - | 39,814 | - | 39,814 | 2,007,451 |
| - | - | - | - | - | 139,440 |
| 222,345 | 885,505 | 87,768 | - | 1,195,618 | 3,152,376 |
| <u>1,271,559</u> | <u>1,463,207</u> | <u>770,664</u> | <u>267,044</u> | <u>3,772,474</u> | <u>10,892,624</u> |
| 755,244 | 1,113,342 | 86,469 | 57,558 | 2,012,613 | (2,609,102) |
| - | - | - | - | - | 5,720,000 |
| - | - | - | - | - | (5,750,946) |
| - | - | - | - | - | 169,576 |
| - | - | 42,120 | 35,800 | 77,920 | 4,859,229 |
| (14,130) | (1,260,000) | (120,113) | (36,300) | (1,430,543) | (1,430,543) |
| <u>(14,130)</u> | <u>(1,260,000)</u> | <u>(77,993)</u> | <u>(500)</u> | <u>(1,352,623)</u> | <u>3,567,316</u> |
| 741,114 | (146,658) | 8,476 | 57,058 | 659,990 | 958,214 |
| 2,633,261 | 1,247,863 | 287,750 | - | 4,168,874 | 7,279,775 |
| - | - | - | 975,661 | 975,661 | 975,661 |
| 2,633,261 | 1,247,863 | 287,750 | 975,661 | 5,144,535 | 8,255,436 |
| <u>\$ 3,374,375</u> | <u>\$ 1,101,205</u> | <u>\$ 296,226</u> | <u>\$ 1,032,719</u> | <u>\$ 5,804,525</u> | <u>\$ 9,213,650</u> |

City of Orem
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Other Special Revenue Funds
For The Year Ended June 30, 2008

| | Other Special Revenue Funds | | | Total Other Special Revenue Funds |
|--|--------------------------------------|-------------------------------------|----------------------------|---|
| | Friends of the Library Fund | Orem Foundation Trust Fund | Senior Citizens Fund | |
| REVENUES | | | | |
| Charges for Services | \$ 150,750 | \$ - | \$ 26,957 | \$ 177,707 |
| Interest Income | 37,274 | - | 5,545 | 42,819 |
| Miscellaneous Revenues | 81,110 | 6,004 | 16,962 | 104,076 |
| Total Revenues | <u>269,134</u> | <u>6,004</u> | <u>49,464</u> | <u>324,602</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Parks, Recreation and Arts | 233,842 | - | 33,202 | 267,044 |
| Total Expenditures | <u>233,842</u> | <u>-</u> | <u>33,202</u> | <u>267,044</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>35,292</u> | <u>6,004</u> | <u>16,262</u> | <u>57,558</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 35,800 | - | - | 35,800 |
| Transfers Out | - | (36,300) | - | (36,300) |
| Total Other Financing Sources and (Uses) | <u>35,800</u> | <u>(36,300)</u> | <u>-</u> | <u>(500)</u> |
| Net Change in Fund Balances | <u>71,092</u> | <u>(30,296)</u> | <u>16,262</u> | <u>57,058</u> |
| Fund Balances - Beginning, As Previously Reported | - | - | - | - |
| Prior Period Adjustment | 819,267 | 35,723 | 120,671 | 975,661 |
| Fund Balances - Beginning, As Restated | <u>819,267</u> | <u>35,723</u> | <u>120,671</u> | <u>975,661</u> |
| Fund Balances - Ending | <u>\$ 890,359</u> | <u>\$ 5,427</u> | <u>\$ 136,933</u> | <u>\$ 1,032,719</u> |

**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, 2008

| | 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 | \$ 1,221,583 | \$ 831,908 | \$ 412,665 | \$ 474,188 |
| Accounts Receivable (Net of Allowance for Doubtful Accounts) | - | - | 260,080 | 270,396 |
| Restricted Cash and Cash Equivalents: | | | | |
| Capital Improvement Projects | - | - | - | - |
| Total Current Assets | <u>1,221,583</u> | <u>831,908</u> | <u>672,745</u> | <u>744,584</u> |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Land | 39,822 | 39,822 | - | - |
| Buildings and Systems | 4,121,630 | 4,121,630 | - | - |
| Improvements other than Buildings | 1,499,210 | 1,499,210 | - | - |
| Machinery and Equipment | 47,458 | 47,458 | - | - |
| Infrastructure | - | - | - | - |
| Construction in Progress | 183,351 | - | - | - |
| Less Accumulated Depreciation | (4,352,870) | (4,263,099) | - | - |
| Total Capital Assets (Net of Accumulated Depreciation) | <u>1,538,601</u> | <u>1,445,021</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>2,760,184</u> | <u>2,276,929</u> | <u>672,745</u> | <u>744,584</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 94,362 | 19,956 | 230,390 | 227,057 |
| Accrued Liabilities | 76,413 | 68,266 | - | - |
| Accrued Vacation and Sick Leave | 27,478 | 28,706 | - | - |
| Due to Other Funds | - | - | - | - |
| Deferred Revenue | 350,659 | 375,185 | - | - |
| Total Current Liabilities | <u>548,912</u> | <u>492,113</u> | <u>230,390</u> | <u>227,057</u> |
| Noncurrent Liabilities: | | | | |
| Accrued Vacation and Sick Leave | 1,447 | 1,511 | - | - |
| Total Noncurrent Liabilities | <u>1,447</u> | <u>1,511</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>550,359</u> | <u>493,624</u> | <u>230,390</u> | <u>227,057</u> |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 1,538,601 | 1,445,021 | - | - |
| Restricted for Capital Improvements | - | - | - | - |
| Unrestricted | <u>671,224</u> | <u>338,284</u> | <u>442,355</u> | <u>517,527</u> |
| Total Net Assets | <u>\$ 2,209,825</u> | <u>\$ 1,783,305</u> | <u>\$ 442,355</u> | <u>\$ 517,527</u> |

| Street Lighting Fund Current Year | Street Lighting Fund Prior Year | Total Nonmajor Proprietary Funds Current Year | Total Nonmajor Proprietary Funds Prior Year |
|---|---------------------------------------|---|---|
| \$ - | \$ - | \$ 1,634,248 | \$ 1,306,096 |
| 52,452 | 55,427 | 312,532 | 325,823 |
| - | - | - | - |
| <u>52,452</u> | <u>55,427</u> | <u>1,946,780</u> | <u>1,631,919</u> |
| - | - | 39,822 | 39,822 |
| - | - | 4,121,630 | 4,121,630 |
| - | - | 1,499,210 | 1,499,210 |
| 94,609 | 94,609 | 142,067 | 142,067 |
| 902,953 | 767,317 | 902,953 | 767,317 |
| - | - | 183,351 | - |
| (79,243) | (55,262) | (4,432,113) | (4,318,361) |
| <u>918,319</u> | <u>806,664</u> | <u>2,456,920</u> | <u>2,251,685</u> |
| <u>970,771</u> | <u>862,091</u> | <u>4,403,700</u> | <u>3,883,604</u> |
| 16,685 | 21,946 | 341,437 | 268,959 |
| 6,357 | 2,809 | 82,770 | 71,075 |
| 9,384 | 8,683 | 36,862 | 37,389 |
| 400,004 | 410,271 | 400,004 | 410,271 |
| - | - | 350,659 | 375,185 |
| <u>432,430</u> | <u>443,709</u> | <u>1,211,732</u> | <u>1,162,879</u> |
| 493 | 457 | 1,940 | 1,968 |
| 493 | 457 | 1,940 | 1,968 |
| <u>432,923</u> | <u>444,166</u> | <u>1,213,672</u> | <u>1,164,847</u> |
| 918,319 | 806,664 | 2,456,920 | 2,251,685 |
| (380,471) | (388,739) | 733,108 | 467,072 |
| <u>\$ 537,848</u> | <u>\$ 417,925</u> | <u>\$ 3,190,028</u> | <u>\$ 2,718,757</u> |

City of Orem
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For The Year Ended June 30, 2008

| | Recreation Fund Current Year | Recreation Fund Prior Year | Solid Waste Fund Current Year | Solid Waste Fund Prior Year |
|---|------------------------------------|----------------------------------|-------------------------------------|-----------------------------------|
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 1,588,694 | \$ 1,451,983 | \$ 2,961,104 | \$ 2,893,052 |
| Other Revenues | 200 | 475 | - | - |
| Total Operating Revenues | <u>1,588,894</u> | <u>1,452,458</u> | <u>2,961,104</u> | <u>2,893,052</u> |
| OPERATING EXPENSES | | | | |
| Personnel Services | 1,077,448 | 1,009,965 | - | - |
| Supplies and Maintenance | 173,364 | 205,046 | 25,428 | 49,344 |
| Administrative Fee | - | 3,295 | 333,674 | 314,983 |
| Utilities | 244,202 | 261,682 | - | - |
| Contract Services | 11,028 | 12,077 | 2,627,474 | 2,590,791 |
| Equipment Lease and Rentals | - | - | - | - |
| Insurance | - | 23,593 | - | - |
| Depreciation | 89,771 | 36,122 | - | - |
| Miscellaneous | 21,774 | 15,688 | 28,131 | 200 |
| Total Operating Expenses | <u>1,617,587</u> | <u>1,567,468</u> | <u>3,014,707</u> | <u>2,955,318</u> |
| Operating Income (Loss) | <u>(28,693)</u> | <u>(115,010)</u> | <u>(53,603)</u> | <u>(62,266)</u> |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| Interest Revenue | 41,070 | 39,807 | 8,342 | 16,545 |
| Total Nonoperating Revenues | <u>41,070</u> | <u>39,807</u> | <u>8,342</u> | <u>16,545</u> |
| Income (Loss) before Transfers | <u>12,377</u> | <u>(75,203)</u> | <u>(45,261)</u> | <u>(45,721)</u> |
| Transfers In | 414,968 | 215,177 | - | - |
| Transfers Out | (825) | (825) | (29,911) | (28,691) |
| Change in Net Assets | 426,520 | 139,149 | (75,172) | (74,412) |
| Total Net Assets - Beginning | <u>1,783,305</u> | <u>1,644,156</u> | <u>517,527</u> | <u>591,939</u> |
| Total Net Assets - Ending | <u>\$ 2,209,825</u> | <u>\$ 1,783,305</u> | <u>\$ 442,355</u> | <u>\$ 517,527</u> |

| Street Lighting Fund Current Year | Street Lighting Fund Prior Year | Total Nonmajor Proprietary Funds Current Year | Total Nonmajor Proprietary Funds Prior Year |
|---|---------------------------------------|---|---|
| \$ 687,616 | \$ 684,250 | \$ 5,237,414 | \$ 5,029,285 |
| 1,727 | - | 1,927 | 475 |
| <u>689,343</u> | <u>684,250</u> | <u>5,239,341</u> | <u>5,029,760</u> |
| 113,809 | 103,001 | 1,191,257 | 1,112,966 |
| 7,962 | 20,468 | 206,754 | 274,858 |
| - | - | 333,674 | 318,278 |
| 313,956 | 236,491 | 558,158 | 498,173 |
| 71,448 | 75,958 | 2,709,950 | 2,678,826 |
| 709,097 | 705,159 | 709,097 | 705,159 |
| - | - | - | 23,593 |
| 23,981 | 23,900 | 113,752 | 60,022 |
| 4,052 | 1,843 | 53,957 | 17,731 |
| <u>1,244,305</u> | <u>1,166,820</u> | <u>5,876,599</u> | <u>5,689,606</u> |
| <u>(554,962)</u> | <u>(482,570)</u> | <u>(637,258)</u> | <u>(659,846)</u> |
| 4,960 | 1,631 | 54,372 | 57,983 |
| <u>4,960</u> | <u>1,631</u> | <u>54,372</u> | <u>57,983</u> |
| <u>(550,002)</u> | <u>(480,939)</u> | <u>(582,886)</u> | <u>(601,863)</u> |
| 670,000 | 640,000 | 1,084,968 | 855,177 |
| (75) | (75) | (30,811) | (29,591) |
| 119,923 | 158,986 | 471,271 | 223,723 |
| 417,925 | 258,939 | 2,718,757 | 2,495,034 |
| <u>\$ 537,848</u> | <u>\$ 417,925</u> | <u>\$ 3,190,028</u> | <u>\$ 2,718,757</u> |

City of Orem
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended June 30, 2008

| | 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 | \$ 1,588,694 | \$ 1,451,983 | \$ 2,961,104 | \$ 2,893,052 |
| Receipts from Interfund Services Provided | 200 | 475 | - | - |
| Payments to Suppliers | (392,341) | (475,976) | (2,667,384) | (2,644,139) |
| Payments to Employees | (1,078,740) | (1,034,290) | - | - |
| Payments for Interfund Services Used | - | (3,295) | (333,674) | (314,983) |
| Net Cash Provided (Used) by Operating Activities | <u>117,813</u> | <u>(61,103)</u> | <u>(39,954)</u> | <u>(66,070)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers In | 414,968 | 215,177 | - | - |
| Transfers Out | (825) | (825) | (29,911) | (28,691) |
| Net Cash Provided (Used) by Noncapital Activities | <u>414,143</u> | <u>214,352</u> | <u>(29,911)</u> | <u>(28,691)</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of Capital Assets | (183,351) | (155,031) | - | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(183,351)</u> | <u>(155,031)</u> | <u>-</u> | <u>-</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Interest Revenue | 41,070 | 39,807 | 8,342 | 16,545 |
| Net Cash Provided (Used) by Investing Activities | <u>41,070</u> | <u>39,807</u> | <u>8,342</u> | <u>16,545</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 389,675 | 38,025 | (61,523) | (78,216) |
| Cash and Cash Equivalents - Beginning of Year | 831,908 | 793,883 | 474,188 | 552,404 |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,221,583</u> | <u>\$ 831,908</u> | <u>\$ 412,665</u> | <u>\$ 474,188</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Income (Loss) | \$ (28,693) | \$ (115,010) | \$ (53,603) | \$ (62,266) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | \$ 89,771 | \$ 36,122 | \$ - | \$ - |
| (Increase) Decrease in Receivables | - | - | 10,316 | (8,203) |
| Increase (Decrease) in Accounts Payable | 74,406 | 769 | 3,333 | 4,399 |
| Increase (Decrease) in Accrued Liabilities | 8,147 | (3,330) | - | - |
| Increase (Decrease) in Deferred Revenue | (24,526) | 44,671 | - | - |
| Increase (Decrease) in Accrued Vacation and Sick Leave | (1,292) | (24,325) | - | - |
| Total Adjustments | <u>146,506</u> | <u>53,907</u> | <u>13,649</u> | <u>(3,804)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 117,813</u> | <u>\$ (61,103)</u> | <u>\$ (39,954)</u> | <u>\$ (66,070)</u> |

| Street Lighting Fund Current Year | Street Lighting Fund Prior Year | Total Nonmajor Proprietary Funds Current Year | Total Nonmajor Proprietary Funds Prior Year |
|---|---------------------------------------|---|---|
| \$ 687,616 | \$ 684,250 | \$ 5,237,414 | \$ 5,029,285 |
| 1,727 | - | 1,927 | 475 |
| (1,115,520) | (967,059) | (4,175,245) | (4,087,174) |
| (113,072) | (101,773) | (1,191,812) | (1,136,063) |
| - | - | (333,674) | (318,278) |
| (539,249) | (384,582) | (461,390) | (511,755) |
| 670,000 | 640,000 | 1,084,968 | 855,177 |
| (75) | (75) | (30,811) | (29,591) |
| 669,925 | 639,925 | 1,054,157 | 825,586 |
| (135,636) | (256,974) | (318,987) | (412,005) |
| (135,636) | (256,974) | (318,987) | (412,005) |
| 4,960 | 1,631 | 54,372 | 57,983 |
| 4,960 | 1,631 | 54,372 | 57,983 |
| - | - | 328,152 | (40,191) |
| - | - | 1,306,096 | 1,346,287 |
| \$ - | \$ - | \$ 1,634,248 | \$ 1,306,096 |
| \$ (554,962) | \$ (482,570) | (637,258) | (659,846) |
| \$ 23,981 | \$ 23,900 | 113,752 | 60,022 |
| 2,975 | (2,258) | 13,291 | (10,461) |
| (5,261) | (13,485) | 72,478 | (8,317) |
| (6,719) | 88,603 | 1,428 | 85,273 |
| - | - | (24,526) | 44,671 |
| 737 | 1,228 | (555) | (23,097) |
| 15,713 | 97,988 | 175,868 | 148,091 |
| \$ (539,249) | \$ (384,582) | \$ (461,390) | \$ (511,755) |

**GOVERNMENTAL FUNDS
SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

**DEBT SERVICE FUNDS
DEBT SERVICE FUND
MBA DEBT SERVICE FUND**

**CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS FUND
ROAD BONDS CAPITAL PROJECTS FUND**

**SPECIAL REVENUE FUNDS
CARE TAX FUND
REDEVELOPMENT FUND
COMMUNITY DEVELOPMENT & REHABILITATION FUND
FRIENDS OF THE LIBRARY FUND
OREM FOUNDATION TRUST FUND
SENIOR CITIZENS 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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 1,942,909 | \$ 1,942,909 | \$ 1,938,762 | \$ (4,147) |
| Special Assessments | 412,000 | 412,000 | 412,000 | - |
| Interest Revenues | - | - | 102,590 | 102,590 |
| Total Revenues | 2,354,909 | 2,354,909 | 2,453,352 | 98,443 |
| EXPENDITURES | | | | |
| Debt Service: | | | | |
| Principal Retirement | 2,020,330 | 2,020,330 | 1,976,315 | 44,015 |
| Interest and Fiscal Charges | 3,748,081 | 3,748,081 | 1,616,182 | 2,131,899 |
| Bond Issuance Costs | - | 139,440 | 139,440 | - |
| Total Expenditures | 5,768,411 | 5,907,851 | 3,731,937 | 2,175,914 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (3,413,502) | (3,552,942) | (1,278,585) | 2,274,357 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of Bonds | - | 5,720,000 | 5,720,000 | - |
| Payment to Bond Refunding Agent | - | (5,750,946) | (5,750,946) | - |
| Bond Issuance Premium | - | 170,386 | 169,576 | (810) |
| Transfers In | 3,413,502 | 3,413,502 | 3,349,912 | (63,590) |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | 3,413,502 | 3,552,942 | 3,488,542 | (64,400) |
| Net Change in Fund Balance | - | - | 2,209,957 | 2,209,957 |
| Fund Balance - Beginning | 1,193,211 | 1,193,211 | 1,193,211 | - |
| Fund Balance - Ending | \$ 1,193,211 | \$ 1,193,211 | \$ 3,403,168 | \$ 2,209,957 |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest Revenues | \$ - | \$ - | \$ 149 | 149 |
| Total Revenues | - | - | 149 | 149 |
| EXPENDITURES | | | | |
| Debt Service: | | | | |
| Principal Retirement | 1,080,000 | 1,080,000 | 1,080,000 | - |
| Interest and Fiscal Charges | 352,297 | 352,297 | 351,455 | 842 |
| Total Expenditures | 1,432,297 | 1,432,297 | 1,431,455 | 842 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (1,432,297) | (1,432,297) | (1,431,306) | 991 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 1,432,297 | 1,432,297 | 1,431,397 | (900) |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | 1,432,297 | 1,432,297 | 1,431,397 | (900) |
| Net Change in Fund Balance | - | - | 91 | 91 |
| Fund Balance - Beginning | 5,866 | 5,866 | 5,866 | - |
| Fund Balance - Ending | \$ 5,866 | \$ 5,866 | \$ 5,957 | \$ 91 |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 87,600 | \$ 12,600 | \$ (75,000) |
| Miscellaneous Revenues | 288,177 | 688,177 | 757,681 | 69,504 |
| Total Revenues | 288,177 | 775,777 | 770,281 | (5,496) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Capital Outlay | 257,862 | 7,589,364 | 3,593,517 | 3,995,847 |
| Economic and Physical Development | - | 4,108,222 | 1,400,593 | 2,707,629 |
| Total Expenditures | 257,862 | 11,697,586 | 4,994,110 | 6,703,476 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 30,315 | (10,921,809) | (4,223,829) | 6,697,980 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of Notes Payable | - | 4,108,222 | 1,400,593 | (2,707,629) |
| Transfers In | 1,476,528 | 8,470,430 | 310,000 | (8,160,430) |
| Transfers Out | (1,506,843) | (1,656,843) | (1,611,114) | 45,729 |
| Total Other Financing Sources (Uses) | (30,315) | 10,921,809 | 99,479 | (10,822,330) |
| Net Change in Fund Balance | - | - | (4,124,350) | (4,124,350) |
| Fund Balance - Beginning | 8,438,908 | 8,438,908 | 8,438,908 | - |
| Fund Balance - Ending | \$ 8,438,908 | \$ 8,438,908 | \$ 4,314,558 | \$ (4,124,350) |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest Revenues | \$ - | \$ 70,000 | \$ 44,934 | \$ (25,066) |
| Total Revenues | - | 70,000 | 44,934 | (25,066) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Capital Outlay | - | 1,956,758 | 1,956,758 | - |
| Total Expenditures | - | 1,956,758 | 1,956,758 | - |
| Excess (Deficiency) of Revenues over (under) Expenditures | - | (1,886,758) | (1,911,824) | (25,066) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balance | - | (1,886,758) | (1,911,824) | (25,066) |
| Fund Balance - Beginning | 1,911,824 | 1,911,824 | 1,911,824 | - |
| Fund Balance - Ending | \$ 1,911,824 | \$ 25,066 | \$ - | \$ (25,066) |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Sales Taxes | \$ 1,800,000 | \$ 1,800,000 | \$ 1,932,202 | \$ 132,202 |
| Interest Revenues | 5,000 | 5,000 | 94,601 | 89,601 |
| Total Revenues | 1,805,000 | 1,805,000 | 2,026,803 | 221,803 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Arts and Recreation Development | 1,790,870 | 3,718,525 | 1,049,214 | 2,669,311 |
| Capital Outlay | - | 222,345 | 222,345 | - |
| Total Expenditures | 1,790,870 | 3,940,870 | 1,271,559 | 2,669,311 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 14,130 | (2,135,870) | 755,244 | 2,891,114 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | (14,130) | (14,130) | (14,130) | - |
| Total Other Financing Sources (Uses) | (14,130) | (14,130) | (14,130) | - |
| Net Change in Fund Balance | - | (2,150,000) | 741,114 | 2,891,114 |
| Fund Balance - Beginning | 2,633,261 | 2,633,261 | 2,633,261 | - |
| Fund Balance - Ending | \$ 2,633,261 | \$ 483,261 | \$ 3,374,375 | \$ 2,891,114 |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 2,652,000 | \$ 2,576,549 | \$ 2,576,549 | \$ - |
| Total Revenues | 2,652,000 | 2,576,549 | 2,576,549 | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Redevelopment | 1,392,000 | 2,548,118 | 1,463,207 | 1,084,911 |
| Total Expenditures | 1,392,000 | 2,548,118 | 1,463,207 | 1,084,911 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 1,260,000 | 28,431 | 1,113,342 | 1,084,911 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | (1,260,000) | (1,260,000) | (1,260,000) | - |
| Total Other Financing Sources (Uses) | (1,260,000) | (1,260,000) | (1,260,000) | - |
| Net Change in Fund Balance | - | (1,231,569) | (146,658) | 1,084,911 |
| Fund Balance - Beginning | 1,247,863 | 1,247,863 | 1,247,863 | - |
| Fund Balance - Ending | \$ 1,247,863 | \$ 16,294 | \$ 1,101,205 | \$ 1,084,911 |

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, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 626,001 | \$ 626,001 | \$ 556,846 | \$ (69,155) |
| Charges for Services | 52,940 | 52,940 | 277,113 | 224,173 |
| Interest Revenues | - | - | 20,389 | 20,389 |
| Miscellaneous Revenues | - | - | 2,785 | 2,785 |
| Total Revenues | 678,941 | 678,941 | 857,133 | 178,192 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic and Physical Development | 495,948 | 673,076 | 685,850 | (12,774) |
| Debt Service: | | | | |
| Principal Retirement | 45,000 | 45,000 | 45,000 | - |
| Interest and Fiscal Charges | 60,000 | 60,000 | 39,814 | 20,186 |
| Total Expenditures | 600,948 | 778,076 | 770,664 | 7,412 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 77,993 | (99,135) | 86,469 | 185,604 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 42,120 | 42,120 | 42,120 | - |
| Transfers Out | (120,113) | (120,113) | (120,113) | - |
| Total Other Financing Sources (Uses) | (77,993) | (77,993) | (77,993) | - |
| Net Change in Fund Balance | - | (177,128) | 8,476 | 185,604 |
| Fund Balance - Beginning | 287,750 | 287,750 | 287,750 | - |
| Fund Balance - Ending | \$ 287,750 | \$ 110,622 | \$ 296,226 | \$ 185,604 |

City of Orem
 Friends of the Library - Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For The Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$ - | \$ 157,000 | \$ 150,750 | \$ (6,250) |
| Interest Revenues | - | 37,000 | 37,274 | 274 |
| Miscellaneous Revenues | - | - | 81,110 | 81,110 |
| Total Revenues | - | 194,000 | 269,134 | 75,134 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Library Programs | - | 229,800 | 233,842 | (4,042) |
| Total Expenditures | - | 229,800 | 233,842 | (4,042) |
| Excess (Deficiency) of Revenues over (under) Expenditures | - | (35,800) | 35,292 | 71,092 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 35,800 | 35,800 | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 35,800 | 35,800 | - |
| Net Change in Fund Balance | - | - | 71,092 | 71,092 |
| Fund Balance - Beginning, As Previously Reported | - | - | - | - |
| Prior Period Adjustment | 819,267 | 819,267 | 819,267 | - |
| Fund Balance - Beginning, As Restated | 819,267 | 819,267 | 819,267 | - |
| Fund Balance - Ending | \$ 819,267 | \$ 819,267 | \$ 890,359 | \$ 71,092 |

City of Orem
Orem Foundation Trust - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|----------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest Revenues | \$ - | \$ - | \$ 1,204 | \$ 1,204 |
| Miscellaneous Revenues | - | 1,800 | 4,800 | 3,000 |
| Total Revenues | - | 1,800 | 6,004 | 4,204 |
| EXPENDITURES | | | | |
| Current: | | | | |
| City Programs | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues over (under) Expenditures | - | 1,800 | 6,004 | 4,204 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | (36,300) | (36,300) | - |
| Total Other Financing Sources (Uses) | - | (36,300) | (36,300) | - |
| Net Change in Fund Balance | - | (34,500) | (30,296) | 4,204 |
| Fund Balance - Beginning, As Previously Reported | - | - | - | - |
| Prior Period Adjustment | 35,723 | 35,723 | 35,723 | - |
| Fund Balance - Beginning, As Restated | 35,723 | 35,723 | 35,723 | - |
| Fund Balance - Ending | \$ 35,723 | \$ 1,223 | \$ 5,427 | \$ 4,204 |

City of Orem
Senior Citizens - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$ - | \$ 24,750 | \$ 26,957 | \$ 2,207 |
| Interest Revenues | - | 6,000 | 5,545 | (455) |
| Miscellaneous Revenues | - | 19,250 | 16,962 | (2,288) |
| Total Revenues | - | 50,000 | 49,464 | (536) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Dances | - | 20,009 | 11,394 | 8,615 |
| Tours | - | 36,392 | 11,255 | 25,137 |
| Miscellaneous Expenditures | - | 58,036 | 10,553 | 47,483 |
| Total Expenditures | - | 114,437 | 33,202 | 81,235 |
| Excess (Deficiency) of Revenues over (under) Expenditures | - | (64,437) | 16,262 | 80,699 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balance | - | (64,437) | 16,262 | 80,699 |
| Fund Balance - Beginning, As Previously Reported | - | - | - | - |
| Prior Period Adjustment | 120,671 | 120,671 | 120,671 | - |
| Fund Balance - Beginning, As Restated | 120,671 | 120,671 | 120,671 | - |
| Fund Balance - Ending | \$ 120,671 | \$ 56,234 | \$ 136,933 | \$ 80,699 |

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. 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). 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. See footnote 5.A. for additional information regarding this fund.

City of Orem
Internal Service Funds
Combining Statement of Net Assets
June 30, 2008

| | Fleet Maintenance | Purchasing / Warehousing | Self- Insurance | Total |
|---|----------------------|-----------------------------|--------------------|---------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 74,358 | \$ 29,518 | \$ 1,473,095 | \$ 1,576,971 |
| Inventories | - | 371,006 | - | 371,006 |
| Prepays | - | - | - | - |
| Restricted Cash and Cash Equivalents: | | | | |
| Cash - Capital Improvement Projects | - | - | - | - |
| Total Current Assets | 74,358 | 400,524 | 1,473,095 | 1,947,977 |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Buildings | - | 150,000 | - | 150,000 |
| Improvements other than Buildings | - | 17,195 | - | 17,195 |
| Machinery and Equipment | 163,879 | 37,466 | 17,876 | 219,221 |
| Construction in Progress | - | - | - | - |
| Less Accumulated Depreciation | (118,954) | (59,474) | (6,268) | (184,696) |
| Total Capital Assets (Net of Accumulated Depreciation) | 44,925 | 145,187 | 11,608 | 201,720 |
| Total Assets | 119,283 | 545,711 | 1,484,703 | 2,149,697 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 3,030 | 2,045 | 60,864 | 65,939 |
| Accrued Liabilities | 16,793 | 9,260 | 866,409 | 892,462 |
| Accrued Vacation and Sick Leave | 35,944 | 16,088 | 8,249 | 60,281 |
| Accrued Interest Payable | 29 | - | - | 29 |
| Capital Lease Payable - Current Portion | 6,551 | - | - | 6,551 |
| Total Current Liabilities | 62,347 | 27,393 | 935,522 | 1,025,262 |
| Noncurrent Liabilities: | | | | |
| Accrued Vacation and Sick Leave | 2,044 | 847 | 41,772 | 44,663 |
| Capital Lease Payable - Long-term Portion | 519 | - | - | 519 |
| Total Noncurrent Liabilities | 2,563 | 847 | 41,772 | 45,182 |
| Total Liabilities | 64,910 | 28,240 | 977,294 | 1,070,444 |
| NET ASSETS | | | | |
| Invested in Capital Assets | 37,855 | 145,187 | 11,608 | 194,650 |
| Restricted for Capital Improvements | - | - | - | - |
| Unrestricted | 16,518 | 372,284 | 495,801 | 884,603 |
| Total Net Assets | \$ 54,373 | \$ 517,471 | \$ 507,409 | \$ 1,079,253 |

City of Orem
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For The Year Ended June 30, 2008

| | Fleet Maintenance | Purchasing / Warehousing | Self- Insurance | Total |
|--|----------------------|-----------------------------|--------------------|---------------------|
| OPERATING REVENUES: | | | | |
| Charges for Services to Other Funds | \$ 618,311 | \$ 332,809 | \$ 1,398,810 | \$ 2,349,930 |
| Other Revenues | - | - | - | - |
| Total Operating Revenues | <u>618,311</u> | <u>332,809</u> | <u>1,398,810</u> | <u>2,349,930</u> |
| OPERATING EXPENSES: | | | | |
| Personnel Services | 452,604 | 225,786 | 85,226 | 763,616 |
| Supplies, Maintenance and Claims | 192,957 | 98,855 | 1,598,904 | 1,890,716 |
| Depreciation Expense | 7,625 | 6,825 | 2,214 | 16,664 |
| Total Operating Expenses | <u>653,186</u> | <u>331,466</u> | <u>1,686,344</u> | <u>2,670,996</u> |
| Operating Income (Loss) | <u>(34,875)</u> | <u>1,343</u> | <u>(287,534)</u> | <u>(321,066)</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Gain (Loss) on Sales of Fixed Assets | - | - | - | - |
| Interest Expense and Fiscal Charges | (485) | - | - | (485) |
| Total Nonoperating Revenues (Expenses) | <u>(485)</u> | <u>-</u> | <u>-</u> | <u>(485)</u> |
| Income (Loss) before Operating | | | | |
| Transfers | (35,360) | 1,343 | (287,534) | (321,551) |
| Transfers In | - | - | - | - |
| Transfers Out | (450) | (300) | (645,075) | (645,825) |
| Change in Net Assets | <u>(35,810)</u> | <u>1,043</u> | <u>(932,609)</u> | <u>(967,376)</u> |
| Total Net Assets - Beginning | 90,183 | 516,428 | 1,440,018 | 2,046,629 |
| Total Net Assets - Ending | <u>\$ 54,373</u> | <u>\$ 517,471</u> | <u>\$ 507,409</u> | <u>\$ 1,079,253</u> |

City of Orem
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2008

| | Fleet Maintenance | Purchasing / Warehousing | Self- Insurance | Total |
|---|----------------------|-----------------------------|--------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers and Users | \$ 618,311 | \$ 332,809 | \$ 1,398,810 | \$ 2,349,930 |
| Payments to Suppliers | (184,754) | (177,470) | (1,110,398) | (1,472,622) |
| Payments to Employees | (445,910) | (225,115) | (89,902) | (760,927) |
| Net Cash Provided (Used) by Operating Activities | (12,353) | (69,776) | 198,510 | 116,381 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | (450) | (300) | (645,075) | (645,825) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (450) | (300) | (645,075) | (645,825) |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of Capital Assets | (13,000) | - | - | (13,000) |
| Principal paid on Outstanding Debt | (6,208) | - | - | (6,208) |
| Interest paid on Outstanding Debt | (564) | - | - | (564) |
| Net Cash Provided (Used) in Capital Financing Activities | (19,772) | - | - | (19,772) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Interest Revenue | - | - | - | - |
| Net Cash Provided (Used) by Investing Activities | - | - | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (32,575) | (70,076) | (446,565) | (549,216) |
| Cash and Cash Equivalents - Beginning of Year | 106,933 | 99,594 | 1,919,660 | 2,126,187 |
| Cash and Cash Equivalents - End of Year | \$ 74,358 | \$ 29,518 | \$ 1,473,095 | \$ 1,576,971 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Income (Loss) | \$ (34,875) | \$ 1,343 | \$ (287,534) | \$ (321,066) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | 7,625 | 6,825 | 2,214 | 16,664 |
| (Increase) Decrease in Accounts Receivable | - | - | - | - |
| (Increase) Decrease in Inventory | - | (80,842) | - | (80,842) |
| (Increase) Decrease in Prepays | - | - | - | - |
| Increase (Decrease) in Accounts Payable | 1,776 | (739) | 44,454 | 45,491 |
| Increase (Decrease) in Accrued Liabilities | 6,427 | 2,966 | 444,052 | 453,445 |
| Increase (Decrease) in Accrued Vacation and Sick Leave | 6,694 | 671 | (4,676) | 2,689 |
| Total Adjustments | 22,522 | (71,119) | 486,044 | 437,447 |
| Net Cash Provided (Used) by Operating Activities | \$ (12,353) | \$ (69,776) | \$ 198,510 | \$ 116,381 |

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



**New
Fire Engine
#33**



New Ambulance



Water Tank

City of Orem
Capital Assets Used in The Operations of Governmental Funds
Comparative Schedules By Source¹
June 30, 2008 and 2007

| | 2008 | 2007 |
|--|----------------|----------------|
| Governmental Funds Capital Assets: | | |
| Land | \$ 59,007,221 | \$ 58,784,875 |
| Buildings | 26,992,790 | 26,908,468 |
| Improvements other than Buildings | 27,085,999 | 26,903,203 |
| Machinery and Equipment | 15,413,194 | 13,876,972 |
| Infrastructure | 102,300,984 | 93,332,952 |
| Construction in Progress | 2,135,828 | 4,344,751 |
| Total Governmental Funds Capital Assets | \$ 232,936,016 | \$ 224,151,221 |
| Investments in Governmental Funds Capital Assets by Source: | | |
| General Fund | \$ 203,855,396 | \$ 165,211,067 |
| Capital Projects Fund | 17,353,993 | 48,132,170 |
| Federal Grants | 221,518 | 221,518 |
| State Road Funds | 7,077,779 | 7,132,410 |
| Redevelopment | 1,855,415 | 969,909 |
| Community Development | 2,571,915 | 2,484,147 |
| Total Governmental Funds Capital Assets | \$ 232,936,016 | \$ 224,151,221 |

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, 2008

| 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 | 1,580,222 | 3,663,269 | 1,536,958 |
| Engineering | - | - | - |
| Redevelopment | - | - | 85,080 |
| Community Development | - | 8,105 | 1,475,818 |
| Total General Government | <u>1,580,222</u> | <u>3,673,449</u> | <u>3,184,144</u> |
| Public Safety: | | | |
| Administration | - | 5,377,906 | 9,407 |
| Police Protection | - | - | 38,285 |
| Fire Protection | 190,596 | 1,461,832 | 748,256 |
| Emergency Services | - | 1,580 | - |
| Total Public Safety | <u>190,596</u> | <u>6,841,318</u> | <u>795,948</u> |
| Highways and Streets: | | | |
| Administration & Engineering | 33,550 | 7,739,582 | 19,224 |
| Maintenance | - | - | - |
| Street System | 51,049,920 | 411,392 | 2,484,636 |
| Street Lighting | - | - | 1,421,854 |
| Total Highways and Streets | <u>51,083,470</u> | <u>8,150,974</u> | <u>3,925,714</u> |
| Parks and Recreation | 5,930,588 | 3,860,824 | 18,021,668 |
| Library | <u>222,345</u> | <u>4,466,225</u> | <u>1,158,525</u> |
| Total Governmental Funds Capital Assets | <u>\$ 59,007,221</u> | <u>\$ 26,992,790</u> | <u>\$ 27,085,999</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.

| Machinery and Equipment | Construction in Progress | | | Total |
|-------------------------------|--------------------------------|---------------------|-----------|--------------------|
| | Infrastructure | | | |
| \$ - | \$ - | \$ - | \$ - | |
| 16,127 | - | - | - | 46,816 |
| 8,483 | - | - | - | 8,483 |
| 947,555 | - | 240,808 | - | 1,235,937 |
| 17,592 | - | - | - | 27,692 |
| 194,862 | - | - | - | 194,862 |
| 121,466 | 291,428 | - | - | 7,193,343 |
| 405,342 | - | - | - | 405,342 |
| 7,800 | 1,707,457 | 55,077 | - | 1,855,414 |
| 11,992 | 988,231 | 87,768 | - | 2,571,914 |
| <u>1,731,219</u> | <u>2,987,116</u> | <u>383,653</u> | - | <u>13,539,803</u> |
| 1,011,323 | - | - | - | 6,398,636 |
| 3,738,714 | - | - | - | 3,776,999 |
| 3,703,533 | - | - | - | 6,104,217 |
| 52,585 | - | - | - | 54,165 |
| <u>8,506,155</u> | - | - | - | <u>16,334,017</u> |
| 313,044 | - | - | - | 8,105,400 |
| - | - | - | - | - |
| 2,853,626 | 97,611,885 | 1,747,676 | - | 156,159,135 |
| - | 1,136,156 | - | - | 2,558,010 |
| <u>3,166,670</u> | <u>98,748,041</u> | <u>1,747,676</u> | - | <u>166,822,545</u> |
| 1,844,743 | 565,827 | - | - | 30,223,650 |
| 164,407 | - | 4,498 | - | 6,016,000 |
| <u>\$ 15,413,194</u> | <u>\$ 102,300,985</u> | <u>\$ 2,135,827</u> | <u>\$</u> | <u>232,936,016</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, 2008

| Function and Activity | Governmental Funds Capital Assets June 30, 2007 | Additions | Deductions | Governmental Funds Capital Assets June 30, 2008 |
|--|--|----------------------|------------------------|--|
| General government: | | | | |
| Legislative | \$ - | \$ - | \$ - | \$ - |
| Executive | 46,816 | - | - | 46,816 |
| Personnel Administration | 8,483 | - | - | 8,483 |
| Administrative Services | 838,729 | 397,208 | - | 1,235,937 |
| Legal | 27,692 | - | - | 27,692 |
| Development Services | 187,467 | 7,395 | - | 194,862 |
| General Government | 5,773,634 | 1,479,439 | (59,731) | 7,193,342 |
| Engineering | 326,491 | 78,851 | - | 405,342 |
| Redevelopment | 969,909 | 885,505 | - | 1,855,414 |
| Community Development | 2,484,147 | 87,768 | - | 2,571,915 |
| Total General Government | <u>10,663,368</u> | <u>2,936,166</u> | <u>(59,731)</u> | <u>13,539,803</u> |
| Public Safety: | | | | |
| Administration | 6,373,524 | 25,112 | - | 6,398,636 |
| Police Protection | 3,441,945 | 356,365 | (21,311) | 3,776,999 |
| Fire Protection | 4,781,926 | 1,322,291 | - | 6,104,217 |
| Emergency Services | 37,905 | 16,260 | - | 54,165 |
| Total Public Safety | <u>14,635,300</u> | <u>1,720,028</u> | <u>(21,311)</u> | <u>16,334,017</u> |
| Highways and Streets: | | | | |
| Administration & Engineering | 135,727 | 7,969,673 | - | 8,105,400 |
| Maintenance | - | - | - | - |
| Street System | 169,285,699 | 6,369,406 | (19,495,968) | 156,159,137 |
| Street Lighting | 2,558,009 | - | - | 2,558,009 |
| Total Highways and Streets | <u>171,979,435</u> | <u>14,339,079</u> | <u>(19,495,968)</u> | <u>166,822,546</u> |
| Parks and Recreation | 22,093,691 | 8,129,959 | - | 30,223,650 |
| Library | 4,779,427 | 1,236,573 | - | 6,016,000 |
| Total Governmental Funds Capital Assets | <u>\$ 224,151,221</u> | <u>\$ 28,361,805</u> | <u>\$ (19,577,010)</u> | <u>\$ 232,936,016</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 | 127 |
| 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 | 134 |
| 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 | 146 |
| 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 | 158 |
| 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 | 164 |
| 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 Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 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 | \$ 117,130,313 |
| Restricted | 1,594,319 | 1,197,534 | 2,828,490 | 2,018,812 | 2,177,533 | 4,388,201 | 4,701,465 |
| Unrestricted | 33,786,050 | 21,413,234 | 21,269,937 | 25,146,428 | 28,835,694 | 26,880,967 | 27,564,080 |
| Total Governmental Activities Net Assets | 120,496,549 | 121,502,016 | 126,373,960 | 129,958,762 | 137,199,621 | 145,440,438 | 149,395,858 |
| 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 | 51,848,628 |
| 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 | 8,709,036 |
| Total Business-type Activities Net Assets | 47,127,023 | 47,812,074 | 49,088,683 | 49,813,047 | 52,593,096 | 57,078,498 | 60,557,664 |
| 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 | 168,978,941 |
| Restricted | 1,594,319 | 1,197,534 | 3,678,068 | 3,465,249 | 2,367,816 | 4,388,201 | 4,701,465 |
| Unrestricted | 42,532,185 | 29,371,550 | 27,594,515 | 31,151,596 | 37,084,673 | 31,136,091 | 36,273,116 |
| Total Primary Government Net Assets | \$ 167,623,572 | \$ 169,314,090 | \$ 175,462,643 | \$ 179,771,809 | \$ 189,792,717 | \$ 202,518,936 | \$ 209,953,522 |

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 Seven Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 11,604,586 | \$ 11,496,617 | \$ 12,109,241 | \$ 11,540,773 | \$ 12,100,627 | \$ 14,331,656 | \$ 15,187,762 |
| Public Safety | 13,764,037 | 14,134,188 | 14,598,906 | 15,346,389 | 16,234,941 | 17,855,927 | 19,491,191 |
| Highways and Public Improvements | 9,791,936 | 5,545,048 | 5,731,034 | 7,100,065 | 6,485,972 | 6,574,954 | 8,646,549 |
| Parks, Recreation and Arts | 5,502,044 | 6,028,910 | 6,333,042 | 6,662,804 | 6,866,860 | 7,904,959 | 9,416,719 |
| Economic and Physical Development | 1,088,450 | 920,185 | 883,877 | 853,787 | 3,430,829 | 3,009,244 | 2,096,573 |
| Redevelopment | 782,929 | 683,317 | 1,053,395 | 542,663 | 846,212 | 1,189,544 | 593,283 |
| Interest on Long-term Debt | 1,942,912 | 1,547,707 | 2,038,946 | 1,882,277 | 2,083,152 | 2,263,478 | 2,217,525 |
| Total Governmental Activities Expenses | 44,476,894 | 40,355,972 | 42,748,441 | 43,928,758 | 48,048,593 | 53,129,762 | 57,649,602 |
| Business-type Activities: | | | | | | | |
| Water | 6,155,957 | 6,289,895 | 6,442,662 | 6,804,176 | 7,503,542 | 7,431,471 | 8,388,236 |
| Water Reclamation | 5,567,836 | 5,767,224 | 5,865,945 | 5,826,744 | 5,975,572 | 5,894,276 | 5,982,610 |
| Storm Sewer | 1,070,843 | 1,187,091 | 1,268,541 | 1,539,806 | 1,814,312 | 1,725,747 | 2,004,281 |
| Recreation | 1,617,454 | 1,900,263 | 2,203,195 | 2,047,026 | 1,989,045 | 1,567,468 | 1,617,587 |
| Solid Waste | 2,402,180 | 2,557,169 | 2,652,512 | 2,708,103 | 2,774,492 | 2,955,318 | 3,014,707 |
| Street Lighting | 704,035 | 824,071 | 910,969 | 1,133,368 | 1,131,094 | 1,166,820 | 1,244,305 |
| Total Business-type Activities Expenses | 17,518,305 | 18,525,713 | 19,343,824 | 20,059,223 | 21,188,057 | 20,741,100 | 22,251,726 |
| Total Primary Government Expenses | 61,995,199 | 58,881,685 | 62,092,265 | 63,987,981 | 69,236,650 | 73,870,862 | 79,901,328 |
| 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 | 11,697,008 |
| Public Safety | 2,151,540 | 2,404,674 | 2,404,343 | 2,779,134 | 2,765,785 | 3,156,406 | 3,339,720 |
| Parks, Recreation and Arts | 8,450 | 6,960 | 8,910 | 12,559 | 19,717 | 301,383 | 545,132 |
| Economic and Physical Development | 415,587 | 459,023 | 308,367 | 286,904 | 289,476 | 273,279 | 277,113 |
| Operating Grants and Contributions | 1,799,227 | 1,535,732 | 1,407,736 | 1,546,029 | 1,597,103 | 852,452 | 1,438,884 |
| Capital Grants and Contributions | 2,619,879 | 2,649,670 | 8,309,689 | 3,178,409 | 4,168,784 | 5,800,844 | 4,127,289 |
| Total Governmental Activities Program Revenues | 15,098,924 | 15,554,265 | 22,439,178 | 17,528,848 | 19,123,326 | 21,438,551 | 21,425,146 |
| 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 | 9,331,098 |
| Water Reclamation | 5,270,158 | 5,117,669 | 4,968,507 | 4,824,003 | 5,800,558 | 6,154,501 | 6,073,791 |
| Storm Sewer | 2,149,608 | 2,153,728 | 2,402,202 | 2,470,225 | 2,510,331 | 2,523,425 | 2,549,082 |
| Recreation | 1,047,647 | 1,197,535 | 1,600,892 | 1,761,167 | 1,648,619 | 1,452,458 | 1,588,894 |
| Solid Waste | 2,557,893 | 2,626,672 | 2,755,344 | 2,853,586 | 2,900,873 | 2,893,052 | 2,961,104 |
| Street Lighting | 89,027 | 305,136 | 468,672 | 628,449 | 672,033 | 684,250 | 689,343 |
| 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 | 926,500 |
| Total Business-type Activities Program Revenues | 17,288,162 | 18,672,076 | 19,327,085 | 19,826,737 | 22,248,010 | 24,375,376 | 24,119,812 |
| Total Primary Government Program Revenues | 32,387,086 | 34,226,341 | 41,766,263 | 37,355,585 | 41,371,336 | 45,813,927 | 45,544,958 |
| Net (Expense) Revenue | | | | | | | |
| Governmental Activities | (29,377,970) | (24,801,707) | (20,309,263) | (26,399,910) | (28,925,267) | (31,691,211) | (36,224,456) |
| Business-type Activities | (230,143) | 146,363 | (16,739) | (232,486) | 1,059,953 | 3,634,276 | 1,868,086 |
| Total Primary Government Net (Expense) Revenue | \$ (29,608,113) | \$ (24,655,344) | \$ (20,326,002) | \$ (26,632,396) | \$ (27,865,314) | \$ (28,056,935) | \$ (34,356,370) |

(Continued on next page)

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

(Continued from prior page)

| | Fiscal Year | | | | | | |
|---|-----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Net (Expense) Revenue | | | | | | | |
| Governmental Activities | \$ (29,377,970) | \$ (24,801,707) | \$ (20,309,263) | \$ (26,399,910) | \$ (28,925,267) | \$ (31,691,211) | \$ (36,224,456) |
| Business-type Activities | (230,143) | 146,363 | (16,739) | (232,486) | 1,059,953 | 3,634,276 | 1,868,086 |
| 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> | <u>(34,356,370)</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 | 20,616,891 |
| Property Taxes | 6,310,153 | 6,577,989 | 7,168,114 | 7,710,867 | 8,741,450 | 9,558,706 | 9,082,992 |
| Franchise Taxes | 4,728,185 | 4,500,648 | 4,819,932 | 5,970,311 | 6,888,934 | 6,804,907 | 7,291,044 |
| Vehicle and Other Taxes | 1,183,472 | 976,352 | 1,015,120 | 1,011,729 | 1,079,912 | 1,288,386 | 1,114,817 |
| Unrestricted Investment Earnings | 747,178 | 479,461 | 292,972 | 452,157 | 1,424,846 | 1,735,589 | 1,468,514 |
| Gain (Loss) on Sale of Capital Assets | 161,069 | 27,731 | 28,579 | 78,726 | 774,740 | 3,567,621 | 666,063 |
| Transfers | (1,680,254) | (463,030) | (1,225,304) | (612,768) | (751,899) | (153,471) | (1,036,106) |
| 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> | <u>39,204,215</u> |
| Business-type Activities: | | | | | | | |
| Unrestricted Investment Earnings | 188,859 | 113,546 | 68,044 | 312,582 | 968,197 | 699,801 | 443,870 |
| Gain (Loss) on Sale of Capital Assets | (33,401) | (37,888) | - | 31,500 | - | (2,146) | 131,104 |
| Transfers | 1,680,254 | 463,030 | 1,225,304 | 612,768 | 751,899 | 153,471 | 1,036,106 |
| 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> | <u>1,611,080</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> | <u>40,815,295</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 | 2,979,759 |
| Business-type Activities | 1,605,569 | 685,051 | 1,276,609 | 724,364 | 2,780,049 | 4,485,402 | 3,479,166 |
| 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> | <u>\$ 6,458,925</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 | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 1999 | 2000 | 2001 | 2002 |
| General Fund | | | | |
| Reserved | \$ 1,324,508 | \$ 1,084,193 | \$ 2,894,448 | \$ 2,555,380 |
| Unreserved | 4,616,617 | 5,166,024 | 9,638,997 | 6,789,541 |
| Total General Fund | <u>5,941,125</u> | <u>6,250,217</u> | <u>12,533,445</u> | <u>9,344,921</u> |
| | | | | |
| All Other Governmental Funds | | | | |
| Reserved | 1,324,272 | 1,323,098 | 1,632,187 | 1,162,055 |
| Unreserved, reported in: | | | | |
| Capital Projects Funds | 10,389,923 | 6,044,463 | 10,231,022 | 19,740,782 |
| Debt Service Funds | - | - | - | - |
| Special Revenue Funds | - | - | - | 560 |
| Total All Other Governmental Funds | <u>11,714,195</u> | <u>7,367,561</u> | <u>11,863,209</u> | <u>20,903,397</u> |
| | | | | |
| Total Governmental Funds | | | | |
| Reserved | 2,648,780 | 2,407,291 | 4,526,635 | 3,717,435 |
| Unreserved | 15,006,540 | 11,210,487 | 19,870,019 | 26,530,883 |
| Total Governmental Funds | <u>\$ 17,655,320</u> | <u>\$ 13,617,778</u> | <u>\$ 24,396,654</u> | <u>\$ 30,248,318</u> |

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 2,273,488 | \$ 718,380 | \$ 784,544 | \$ 1,352,706 | \$ 1,740,749 | \$ 1,657,821 |
| 7,057,860 | 9,347,408 | 6,521,065 | 6,140,485 | 9,031,333 | 10,962,112 |
| 9,331,348 | 10,065,788 | 7,305,609 | 7,493,191 | 10,772,082 | 12,619,933 |
| 1,197,534 | 2,110,110 | 2,384,070 | 2,017,220 | 2,002,452 | 3,043,644 |
| 6,492,956 | 3,117,098 | 16,339,596 | 16,726,282 | 9,184,205 | 4,314,558 |
| - | 168,139 | - | 604,104 | 650,902 | 661,707 |
| 63,943 | - | 376,963 | 1,368,034 | 3,881,124 | 5,508,299 |
| 7,754,433 | 5,395,347 | 19,100,629 | 20,715,640 | 15,718,683 | 13,528,208 |
| 3,471,022 | 2,828,490 | 3,168,614 | 3,369,926 | 3,743,201 | 4,701,465 |
| 13,614,759 | 12,632,645 | 23,237,624 | 24,838,905 | 22,747,564 | 21,446,676 |
| \$ 17,085,781 | \$ 15,461,135 | \$ 26,406,238 | \$ 28,208,831 | \$ 26,490,765 | \$ 26,148,141 |

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

| | Fiscal Year | | | | |
|---|---------------------|-----------------------|---------------------|---------------------|------------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| Revenues | | | | | |
| Taxes and Special Assessments | \$ 22,871,996 | \$ 24,019,314 | \$ 25,416,573 | \$ 27,441,124 | \$ 25,773,431 |
| Licenses and Permits | 1,089,699 | 1,134,303 | 1,094,650 | 1,044,082 | 1,004,672 |
| Intergovernmental | 2,257,067 | 3,364,968 | 3,700,938 | 4,377,717 | 4,153,970 |
| Charges for Services | 2,005,916 | 2,061,741 | 2,385,067 | 2,919,220 | 3,197,288 |
| Fines and Forfeitures | 382,080 | 334,501 | 388,011 | 454,335 | 547,988 |
| Charges for Services - Other Funds | 2,858,178 | 2,894,777 | 3,103,181 | 3,248,931 | 3,546,614 |
| Interest Income | 488,746 | 456,258 | 621,111 | 779,468 | 545,589 |
| Miscellaneous Revenue | 2,004,203 | 1,707,884 | 1,957,838 | 1,478,109 | 1,330,019 |
| Total Revenues | 33,957,885 | 35,973,746 | 38,667,369 | 41,742,986 | 40,099,571 |
| Expenditures | | | | | |
| General Government | 8,798,905 | 7,485,512 | 7,486,112 | 9,796,957 | 9,528,847 |
| Public Safety | 11,243,922 | 12,597,305 | 12,854,036 | 13,786,791 | 14,187,339 |
| Highways and Public Improvements | 4,298,774 | 5,120,196 | 4,113,586 | 4,282,923 | 3,648,773 |
| Parks, Recreation and Arts | 3,643,758 | 3,781,425 | 4,197,894 | 4,449,966 | 5,027,240 |
| Economic and Physical Development | 1,217,382 | 758,565 | 1,123,414 | 1,545,673 | 1,016,568 |
| Redevelopment | 698,086 | 612,874 | 786,807 | 714,309 | 677,067 |
| Debt Service: | | | | | |
| Principal Retirement | 785,000 | 905,000 | 1,721,000 | 4,455,399 | 2,249,000 |
| Interest and Fiscal Charges | 676,200 | 681,247 | 1,271,827 | 1,339,460 | 1,846,933 |
| Capital Lease Payments - Principal | 432,408 | 428,414 | 503,974 | 3,252,624 | 214,900 |
| Capital Lease Payments - Interest | 50,729 | 54,578 | 62,926 | 264,928 | 26,557 |
| Capital Outlay | 7,755,211 | 10,614,462 | 6,207,120 | 11,515,674 | 14,202,752 |
| Total Expenditures | 39,600,375 | 43,039,578 | 40,328,696 | 55,404,704 | 52,625,976 |
| Excess of Revenues over | | | | | |
| (under) Expenditures | (5,642,490) | (7,065,832) | (1,661,327) | (13,661,718) | (12,526,405) |
| 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 | - | 350,000 | 23,160 | 233,038 | - |
| Transfers In | 8,923,779 | 3,975,675 | 17,233,789 | 10,269,881 | 5,666,551 |
| Transfers Out | (6,499,061) | (6,733,713) | (16,560,677) | (11,949,040) | (6,107,542) |
| Total Other Financing Sources (Uses) | 7,074,718 | 2,034,962 | 8,459,759 | 19,721,509 | (440,991) |
| Net Change in Fund Balances | \$ 1,432,228 | \$ (5,030,870) | \$ 6,798,432 | \$ 6,059,791 | \$ (12,967,396) |
| Debt Service as a percentage | | | | | |
| of Noncapital Expenditures | 5.4% | 5.8% | 10.6% | 20.2% | 11.7% |

| Fiscal Year | | | | |
|----------------|---------------|---------------|----------------|----------------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 27,093,824 | \$ 29,845,163 | \$ 35,035,714 | \$ 39,405,860 | \$ 38,517,744 |
| 1,295,544 | 1,366,925 | 1,880,567 | 1,647,862 | 1,596,935 |
| 4,804,640 | 4,536,148 | 4,110,180 | 3,656,271 | 4,325,215 |
| 3,544,661 | 3,663,844 | 3,865,549 | 4,509,999 | 4,832,559 |
| 454,749 | 566,175 | 534,071 | 607,152 | 580,510 |
| 3,701,855 | 3,654,299 | 3,681,670 | 3,821,727 | 3,921,154 |
| 350,831 | 477,456 | 1,270,386 | 1,619,097 | 1,321,190 |
| 1,643,953 | 3,464,193 | 2,335,497 | 5,416,232 | 2,311,797 |
| 42,890,057 | 47,574,203 | 52,713,634 | 60,684,200 | 57,407,104 |
| 9,777,288 | 9,942,870 | 10,133,159 | 11,243,791 | 11,620,136 |
| 15,121,260 | 16,293,215 | 15,534,673 | 16,593,911 | 17,851,249 |
| 4,850,849 | 4,208,802 | 4,223,289 | 4,062,508 | 4,107,184 |
| 5,064,150 | 5,130,601 | 5,294,410 | 5,974,738 | 7,807,327 |
| 944,119 | 1,102,607 | 3,354,384 | 3,500,924 | 1,998,675 |
| 857,550 | 530,618 | 594,165 | 620,031 | 577,702 |
| 2,566,957 | 3,047,454 | 4,319,780 | 2,967,022 | 3,260,950 |
| 2,043,617 | 1,873,517 | 2,226,774 | 2,191,810 | 2,146,891 |
| 127,123 | 80,627 | 112,590 | 115,378 | 68,361 |
| 15,026 | 10,845 | 18,327 | 11,815 | 5,824 |
| 4,735,354 | 1,764,864 | 12,971,979 | 17,514,340 | 10,520,814 |
| 46,103,293 | 43,986,020 | 58,783,530 | 64,796,268 | 59,965,113 |
| (3,213,236) | 3,588,183 | (6,069,896) | (4,112,068) | (2,558,009) |
| 1,300,000 | 12,960,000 | 8,485,113 | 6,814,204 | 7,120,593 |
| - | 189,409 | 138,450 | - | 169,576 |
| - | (3,790,000) | - | (3,770,800) | (5,750,946) |
| - | 58,560 | - | - | 90,783 |
| 6,899,378 | 11,582,120 | 9,018,070 | 7,873,388 | 6,648,353 |
| (7,839,846) | (13,643,169) | (9,769,144) | (8,522,790) | (7,038,634) |
| 359,532 | 7,356,920 | 7,872,489 | 2,394,002 | 1,239,725 |
| \$ (2,853,704) | \$ 10,945,103 | \$ 1,802,593 | \$ (1,718,066) | \$ (1,318,284) |

| | | | | |
|-------|-------|-------|-------|-------|
| 12.3% | 12.3% | 14.6% | 11.4% | 10.8% |
|-------|-------|-------|-------|-------|

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

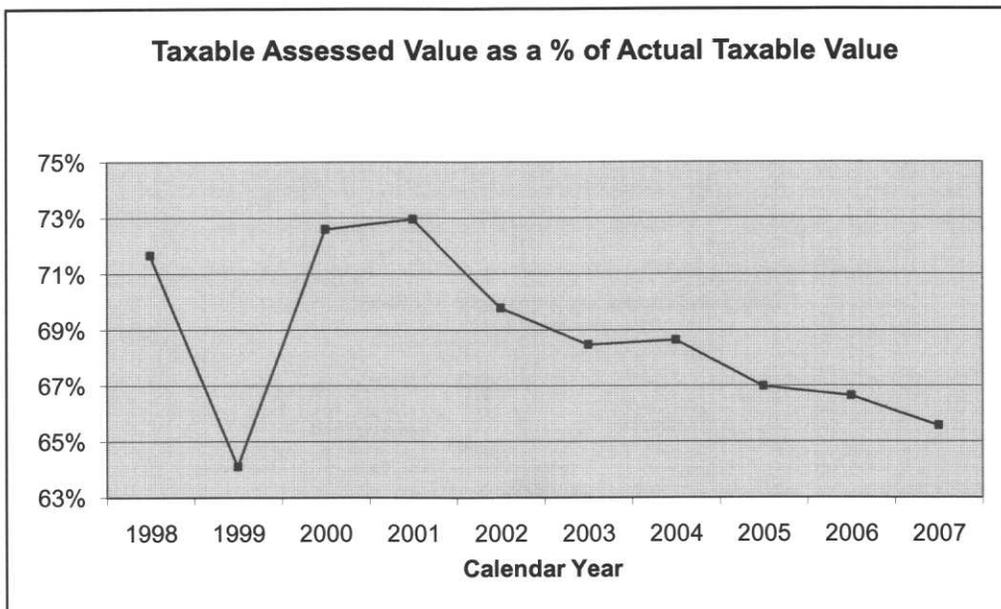
| Calendar Year ¹ | Taxable Value | | | | |
|----------------------------|------------------------------|----------------------------|----------------------------------|-----------------------|--------------------------|
| | Primary Residential Property | Other Residential Property | Commercial & Industrial Property | Agricultural Property | Unimproved Real Property |
| 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 |
| 2007 | 2,826,766,252 | 3,979,753 | 1,274,663,047 | 507,506 | 21,832,436 |

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 |
|-------------------|----------------------|------------------------------|-----------------------|--------------------------------|--|
| \$ 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% |
| 253,305,890 | 32,014,012 | 4,413,068,896 | 0.001670 | 6,729,133,809 | 65.58% |



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

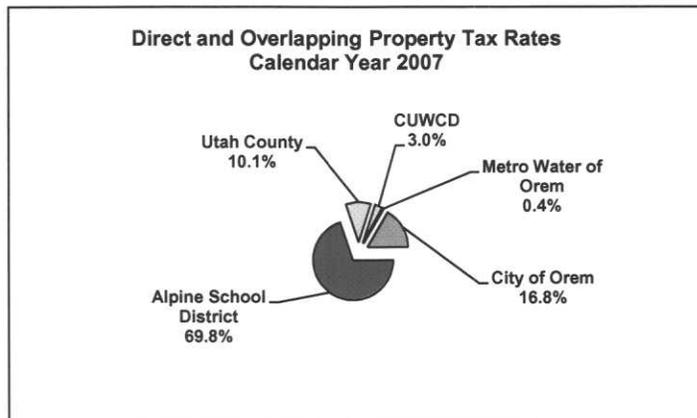
| Calendar Year ² | City of Orem Direct Rates | | | Overlapping Rates ¹ | | | | Total |
|----------------------------|---------------------------|-------------------|-------------------|--------------------------------|-------------|---|-------------------------------------|-------------|
| | General Fund | Debt Service Fund | Total Direct Rate | Alpine School District | Utah County | Central Utah Water Conservancy District | Metropolitan Water District of Orem | |
| 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 |
| 2007 | 0.001154 | 0.000516 | 0.001670 | 0.006937 | 0.001000 | 0.000302 | 0.000035 | 0.009944 |

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 2008 | | | Calendar Year 1999 | | |
|--------------------------------|---|-------------|---|---|-------------|---|
| | Taxable Assessed Value¹ | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value¹ | Rank | Percentage of Total Taxable Assessed Value |
| University Mall | \$ 88,632,000 | 1 | 2.01% | \$ 15,690,466 | 3 | 0.58% |
| TCU Properties | 37,523,100 | 2 | 0.85% | ---- | | ---- |
| Timpanogas Regional Medical | 21,140,000 | 3 | 0.48% | 40,216,943 | 2 | 1.50% |
| GGP UC LLC | 17,723,800 | 4 | 0.40% | ---- | | ---- |
| Parkway Crossing Phase One LLC | 16,295,050 | 5 | 0.37% | ---- | | ---- |
| Retail Trust III (Walmart) | 15,465,900 | 6 | 0.35% | 6,820,295 | 10 | 0.25% |
| Dayton Hudson Corporation | 14,366,000 | 7 | 0.33% | 10,228,757 | 6 | 0.38% |
| University Festival LC | 12,055,000 | 8 | 0.27% | ---- | | ---- |
| Canyon River Partnership | 12,863,800 | 9 | 0.29% | ---- | | ---- |
| Dickson Properties LC | 11,595,200 | 10 | 0.26% | 7,616,013 | 8 | 0.28% |
| Novell, Inc. | ---- | | ---- | 41,825,621 | 1 | 1.56% |
| Price Development | ---- | | ---- | 12,647,170 | 4 | 0.47% |
| Wilmington Trust (Fred Meyer) | ---- | | ---- | 10,531,040 | 5 | 0.39% |
| ZCMI (Macy's) | ---- | | ---- | 9,228,478 | 7 | 0.34% |
| Carillon Square | ---- | | ---- | 7,072,000 | 9 | 0.26% |
| Total | \$ 247,659,850 | | 5.61% | \$ 161,876,783 | | 6.02% |

Notes: Electric, telephone and natural gas utilities are centrally assessed by the State Tax Commission. These assessed amounts were not available in 1999 and therefore, Qwest Corporation (\$22,743,274), Pacificorp (\$34,049,650), and Questar Gas (\$13,533,636) 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 |
|-------------------------------|-------------------|----------------------------|--|----------------------------------|--------------------------|
| 1998 | \$ 4,058,315 | \$ 3,756,370 | 92.56% | \$ 295,694 | \$ 4,052,064 |
| 1999 | 4,178,341 | 3,926,709 | 93.98% | 247,110 | 4,173,819 |
| 2000 | 4,786,855 | 4,419,489 | 92.33% | 349,128 | 4,768,617 |
| 2001 | 4,955,236 | 4,521,008 | 91.24% | 336,802 | 4,857,810 |
| 2002 | 4,975,745 | 4,594,310 | 92.33% | 364,227 | 4,958,537 |
| 2003 | 5,118,892 | 4,688,570 | 91.59% | 375,502 | 5,064,072 |
| 2004 | 5,003,673 | 4,655,802 | 93.05% | 330,018 | 4,985,820 |
| 2005 | 5,418,232 | 4,992,684 | 92.15% | 372,704 | 5,365,388 |
| 2006 | 6,628,909 | 6,136,638 | 92.57% | 373,213 | 6,509,851 |
| 2007 | 6,797,960 | 6,247,920 | 91.91% | 88,554 | 6,336,474 |

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

| Ratio of Total Tax Collections to Total Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Total Tax Levy |
|---|---|--|
| 99.85% | \$ 6,251 | 0.15% |
| 99.89% | 4,522 | 0.11% |
| 99.62% | 18,238 | 0.38% |
| 98.03% | 97,426 | 1.97% |
| 99.65% | 17,208 | 0.35% |
| 98.93% | 54,820 | 1.07% |
| 99.64% | 17,853 | 0.36% |
| 99.02% | 52,844 | 0.98% |
| 98.20% | 119,058 | 1.80% |
| 93.21% | 461,486 | 6.79% |

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

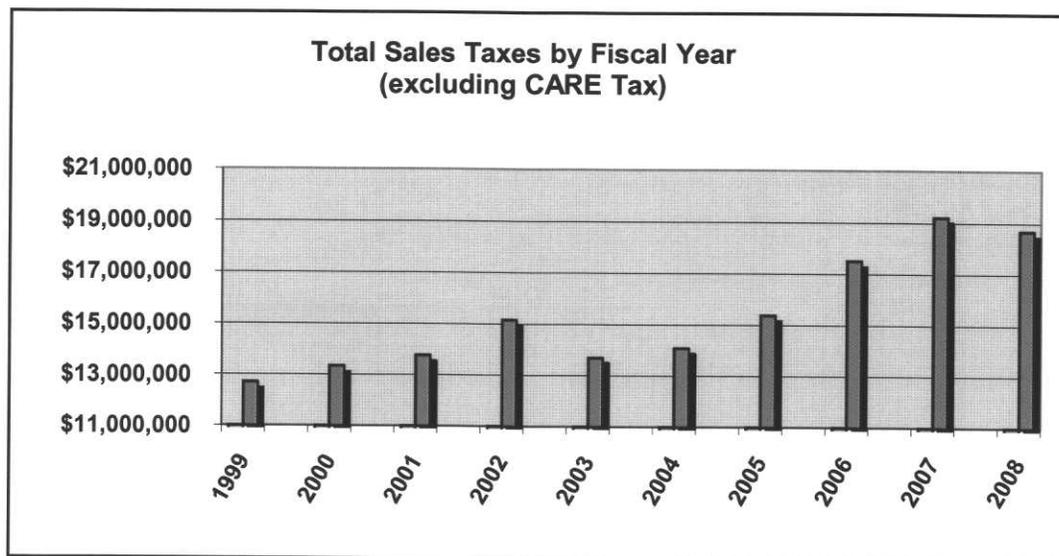
| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 1999 | 2000 | 2001 | 2002 |
| General Merchandise and Groceries | \$ 3,223,651 | \$ 3,601,615 | \$ 3,972,554 | \$ 4,194,426 |
| Building Materials, Hardware, and Tools | 2,110,444 | 2,131,157 | 1,970,028 | 1,769,262 |
| Auto Dealers, Supplies, and Accessories | 1,705,249 | 1,888,238 | 1,734,194 | 1,906,772 |
| Home Furnishings, Appliances, & Electronics | 1,308,723 | 1,363,533 | 1,310,584 | 1,332,570 |
| Eating and Drinking Establishments | 671,573 | 748,552 | 851,118 | 912,860 |
| Clothing, Apparel, and Accessories | 941,629 | 858,399 | 861,022 | 807,319 |
| Professional Equipment and Supplies | 957,547 | 724,914 | 714,277 | 724,009 |
| Arts, Crafts, and Specialty Items | 354,512 | 396,661 | 411,263 | 439,932 |
| Amusement and Recreation | 560,875 | 555,666 | 547,857 | 571,096 |
| All Other Categories | 878,590 | 1,078,706 | 1,405,110 | 2,504,817 |
| Subtotal - City Direct | 12,712,793 | 13,347,441 | 13,778,007 | 15,163,063 |
| City Cultural Arts & Recreation (CARE) | - | - | - | - |
| Total City Direct Sales Taxes | <u>\$ 12,712,793</u> | <u>\$ 13,347,441</u> | <u>\$ 13,778,007</u> | <u>\$ 15,163,063</u> |
| Total City Direct Sales Tax Rate ¹ | 1.00% | 1.00% | 1.00% | 1.00% |
| % Increase (Decrease) from prior year | 5.62% | 4.99% | 3.23% | 10.05% |
| % Increase (Decrease) from prior year, excluding CARE Tax amounts | 5.62% | 4.99% | 3.23% | 10.05% |

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

¹ See sales tax rate breakdown on page 145 for additional information regarding this rate.

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 4,248,061 | \$ 4,371,549 | \$ 4,326,371 | \$ 4,583,315 | \$ 4,449,949 | \$ 4,598,711 |
| 1,809,798 | 1,925,917 | 2,374,234 | 3,113,143 | 3,523,720 | 2,922,582 |
| 1,838,868 | 1,837,823 | 2,062,928 | 2,400,102 | 2,620,381 | 2,603,405 |
| 1,528,310 | 1,769,511 | 1,983,027 | 2,176,207 | 2,085,481 | 1,973,203 |
| 955,788 | 1,038,994 | 1,048,781 | 1,092,668 | 1,057,380 | 1,045,771 |
| 822,242 | 843,961 | 851,206 | 901,081 | 1,332,725 | 1,516,201 |
| 699,054 | 711,657 | 782,075 | 838,456 | 904,339 | 974,911 |
| 441,109 | 494,137 | 560,885 | 574,746 | 588,905 | 454,428 |
| 568,971 | 535,883 | 550,779 | 516,686 | 618,918 | 576,829 |
| 795,822 | 562,899 | 833,404 | 1,313,806 | 2,034,389 | 2,018,648 |
| 13,708,023 | 14,092,331 | 15,373,690 | 17,510,210 | 19,216,187 | 18,684,689 |
| - | - | - | 497,933 | 2,114,103 | 1,932,202 |
| \$ 13,708,023 | \$ 14,092,331 | \$ 15,373,690 | \$ 18,008,143 | \$ 21,330,290 | \$ 20,616,891 |

| | | | | | |
|--------|-------|-------|--------|--------|--------|
| 1.00% | 1.00% | 1.00% | 1.10% | 1.10% | 1.10% |
| -9.60% | 2.80% | 9.09% | 17.14% | 18.45% | -3.34% |
| -9.60% | 2.80% | 9.09% | 13.90% | 9.74% | -2.77% |



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

| | Fiscal Year 2008 | | | |
|---|-----------------------------|--------------------------------|------------------------------|--------------------------------|
| | Number of Filers | Percentage of Total | Sales Tax Revenue | Percentage of Total |
| General Merchandise and Groceries | 257 | 9.60% | \$ 4,598,711 | 24.61% |
| Building Materials, Hardware, and Tools | 164 | 6.12% | 2,922,582 | 15.64% |
| Auto Dealers, Supplies, and Accessories | 268 | 10.01% | 2,603,405 | 13.93% |
| Home Furnishings, Appliances, & Electronics | 232 | 8.66% | 1,973,203 | 10.56% |
| Eating and Drinking Establishments | 174 | 6.50% | 1,045,771 | 5.60% |
| Clothing, Apparel, and Accessories | 168 | 6.27% | 1,516,201 | 8.11% |
| Professional Equipment and Supplies | 321 | 11.99% | 974,911 | 5.22% |
| Arts, Crafts, and Specialty Items | 283 | 10.57% | 454,428 | 2.43% |
| Amusement and Recreation | 132 | 4.93% | 576,829 | 3.09% |
| All Other Categories | 679 | 25.35% | 2,018,648 | 10.80% |
| Total | 2,678 | 100.00% | \$ 18,684,689 | 100.00% |

| | Fiscal Year 1999 | | | |
|---|-----------------------------|--------------------------------|------------------------------|--------------------------------|
| | Number of Filers | Percentage of Total | Sales Tax Revenue | Percentage of Total |
| General Merchandise and Groceries | 247 | 10.60% | \$ 3,223,651 | 25.36% |
| Building Materials, Hardware, and Tools | 190 | 8.15% | 2,110,444 | 16.60% |
| Auto Dealers, Supplies, and Accessories | 197 | 8.45% | 1,705,249 | 13.41% |
| Home Furnishings, Appliances, & Electronics | 126 | 5.41% | 1,308,723 | 10.29% |
| Eating and Drinking Establishments | 162 | 6.95% | 671,573 | 5.28% |
| Clothing, Apparel, and Accessories | 114 | 4.89% | 941,629 | 7.41% |
| Professional Equipment and Supplies | 368 | 15.79% | 957,547 | 7.53% |
| Arts, Crafts, and Specialty Items | 180 | 7.73% | 354,512 | 2.79% |
| Amusement and Recreation | 128 | 5.49% | 560,875 | 4.41% |
| All Other Categories | 618 | 26.52% | 878,590 | 6.91% |
| Total | 2,330 | 100.00% | \$ 12,712,793 | 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>Fiscal Year</u> | | |
|------------------------------|---------------------------|-------------|---------------------------|---------------------------|-------------|---------------------------|
| | <u>2008</u> | | | <u>1999</u> | | |
| | <u>Sales</u> | <u>Rank</u> | <u>Percentage</u> | <u>Sales</u> | <u>Rank</u> | <u>Percentage</u> |
| | <u>Taxes ¹</u> | | <u>of Total</u> | <u>Taxes ¹</u> | | <u>of Total</u> |
| | | | <u>Sales</u> | | | <u>Sales</u> |
| | | | <u>Taxes ¹</u> | | | <u>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 | 3 | N/A |
| Mountainland Supply Company | N/A | 5 | N/A | N/A | 6 | N/A |
| Lowe's (Eagle) Hardware | N/A | 6 | N/A | N/A | 5 | N/A |
| Best Buy | N/A | 7 | N/A | ---- | | ---- |
| Macey's, Inc. | N/A | 8 | N/A | N/A | 4 | N/A |
| Ken Garff Honda of Orem | N/A | 9 | N/A | ---- | | ---- |
| Geneva Rock Products | N/A | 10 | N/A | ---- | | ---- |
| Stock Building Supply | ---- | | ---- | N/A | 7 | N/A |
| BMC West | ---- | | ---- | N/A | 8 | N/A |
| Albertsons Food Center | ---- | | ---- | N/A | 9 | N/A |
| Harmon's Food | ---- | | ---- | N/A | 10 | N/A |
| Total | <u>\$ 5,092,060</u> | | <u>24.70%</u> | <u>\$ 2,852,810</u> | | <u>22.44%</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 ³ |
|----------------|-----------------------------|---|------------------------|-----------------------------|--------------------------------------|-------------------------|-------------------------|---|
| | City | City | Total | County | County | State | State | |
| | Direct Rate | Cultural Arts & Rec Rate ¹ | City Direct Rate | County Direct Rate | Mass Transit Rate ² | State Direct Rate | Mass Transit Rate | |
| 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 |
| 2008 | 1.00 | 0.10 | 1.10 | 0.25 | 0.30 | 4.65 | 0.25 | 6.55 |

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.

³ The total sales tax rate for non-prepared food and food ingredients was set at 3.00% statewide (1.00% City Direct Rate, 0.25% County Direct Rate, and 1.75% State Direct Rate) and went into effect on January 1, 2008.

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 |
| 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 |
| 2008 | 19,960,000 | - | 9,985,000 | 7,343,000 | 2,675,000 | 7,476,274 | 140,400 |

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 |
|--|--|---------------------------|---|--|-----------------------|
| \$ 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 |
| 1,505,757 | 24,593,000 | 21,210 | 73,699,641 | 3.63 | 792 |

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 |
|-------------|-------------------------|------------------|-------------------|--|-----------------|--|----------------------------|
| 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 | 229,007 | 8,670,993 | 0.28 | 100 |
| 2004 | 89,326 | 3,206,137,786 | 8,490,000 | 251,119 | 8,238,881 | 0.26 | 92 |
| 2005 | 90,374 | 3,274,746,940 | 17,225,000 | 441,821 | 16,783,179 | 0.51 | 186 |
| 2006 | 91,649 | 3,309,521,510 | 21,995,000 | 604,104 | 21,390,896 | 0.65 | 233 |
| 2007 | 92,212 | 3,519,237,842 | 21,025,000 | 645,663 | 20,379,337 | 0.58 | 221 |
| 2008 | 93,090 | 4,413,068,896 | 19,960,000 | 655,990 | 19,304,010 | 0.44 | 207 |

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, 2008
(Unaudited)

| <u>Jurisdiction</u> | <u>Net General Obligation Debt Outstanding ¹</u> | <u>Percentage Applicable to the Citizens of the City of Orem</u> | <u>Amount Applicable to the Citizens of the City of Orem</u> |
|---|---|--|--|
| Direct Debt: | | | |
| City of Orem | \$ 19,304,010 | 100.0000% | \$ 19,304,010 |
| Overlapping Debt: | | | |
| Alpine School District | 382,210,000 | 28.2767% | 108,076,554 |
| Utah County | 13,390,000 | 17.1414% | 2,295,238 |
| Central Utah Water Conservancy District | 317,382,560 | 3.9246% | 12,456,047 |
| Total Overlapping Debt | <u>712,982,560</u> | | <u>122,827,840</u> |
| Total Direct and Overlapping Debt | <u><u>\$ 732,286,570</u></u> | | <u><u>\$ 142,131,850</u></u> |
| Total Direct and Overlapping Debt Per Capita | | | <u><u>\$ 1,527</u></u> |

¹Applies only to General Obligation Bonds.

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

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 1999 | 2000 | 2001 | 2002 |
| Debt Limit | \$ 156,400,171 | \$ 149,946,074 | \$ 163,628,120 | \$ 180,127,323 |
| Total Net Debt Applicable to Limit | (10,263,551) | (9,989,487) | (9,643,161) | (8,950,942) |
| Legal Debt Margin | <u>\$ 146,136,620</u> | <u>\$ 139,956,587</u> | <u>\$ 153,984,959</u> | <u>\$ 171,176,381</u> |
| Total Net Debt Applicable to Limit as a percentage of debt limit | 6.56% | 6.66% | 5.89% | 4.97% |

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 2008

Assessed Valuations:

| | |
|------------------------|-------------------------|
| Taxable Value | <u>\$ 4,413,068,896</u> |
| Estimated Market Value | <u>\$ 6,729,133,809</u> |

Legal Debt Margin:

Debt Limitation - 4% of Estimated Market Value ¹ \$ 269,165,352

Debt Applicable to Limitation:

Total General Obligation Bonded Debt \$ (19,960,000)

Less:

Assets in Debt Service Funds Available
for payment of Principal ²

655,990

Total Debt Applicable to Limitation (19,304,010)

Legal Debt Margin \$ 249,861,342

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 187,271,869 | \$ 190,815,679 | \$ 194,931,552 | \$ 197,608,390 | \$ 211,408,327 | \$ 269,165,352 |
| (8,670,993) | (8,238,881) | (16,783,179) | (21,390,896) | (20,379,337) | (19,304,010) |
| <u>\$ 178,600,876</u> | <u>\$ 182,576,798</u> | <u>\$ 178,148,373</u> | <u>\$ 176,217,494</u> | <u>\$ 191,028,990</u> | <u>\$ 249,861,342</u> |
| 4.63% | 4.32% | 8.61% | 10.82% | 9.64% | 7.17% |

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

| Lease Revenue Bonds | | | | | Special Assessment Revenue Bonds | | | |
|---------------------|----------------|--------------|------------|----------|----------------------------------|--------------|-----------|----------|
| Fiscal Year | Lease Revenues | Debt Service | | Coverage | Special Assessment Collections | Debt Service | | Coverage |
| | | Principal | Interest | | | Principal | Interest | |
| 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 |
| 2008 | 1,431,397 | 1,080,000 | 345,797 | 1.00 | 415,963 | 265,000 | 147,000 | 1.01 |

| Sales Tax Revenue Bonds | | | | |
|-------------------------|-------------|--------------|----------|----------|
| Fiscal Year | Sales Taxes | Debt Service | | Coverage |
| | | Principal | Interest | |
| 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 |
| 2008 | 20,616,891 | 530,000 | 485,915 | 20.29 |

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

¹ Operating expenses do not include depreciation, interest, or amortization expenses.

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 |
| 11,050,437 | 7,659,539 | 3,390,898 | 707,000 | 762,092 | 2.31 |

Water Reclamation Revenue Bonds

| Utility Service Charges | Less: Operating Expenses ¹ | Net Available Revenue | Debt Service | | Coverage |
|-------------------------------|---|-----------------------------|--------------|------------|----------|
| | | | Principal | Interest | |
| \$ 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 |
| 5,682,018 | 4,864,370 | 817,648 | 187,000 | 59,247 | 3.32 |

City of Orem
Debt Service Schedule of Outstanding Lease Revenue Bonds
June 30, 2008
(Unaudited)

| Fiscal Year Ending June 30 | Series 2000 \$7,985,000 (Street Lights) | | Series 2001 \$5,345,000 (Refunding) | |
|----------------------------------|--|-------------------|--|-------------------|
| | Principal | Interest | Principal | Interest |
| | 2009 | \$ 440,000 | \$ 92,985 | \$ 650,000 |
| 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 | <u>\$ 1,890,000</u> | <u>\$ 240,830</u> | <u>\$ 1,705,000</u> | <u>\$ 125,725</u> |

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 |
| \$ 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>\$ 3,748,000</u> | <u>\$ 1,035,491</u> | <u>\$ 7,343,000</u> | <u>\$ 1,402,046</u> | <u>\$ 8,745,046</u> |

City of Orem
 Long-term Bonded Indebtedness Paid By Governmental and Enterprise Funds
 Schedule of Bonded Indebtedness
 June 30, 2008
 (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 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 Canyon River - Special Improvement District Bonds - Series 2001 | 4.45% - 5.50% | 09/11/00 | 2000-2012 | Various |
| Lease Revenue Refunding Bonds - Series 2001 | 4.49% - 5.50% | 10/02/01 | 2002-2016 | Various |
| Sales Tax Revenue Bonds - Series 2002 | 2.50% - 4.50% | 10/15/01 | 2001-2011 | Various |
| Lease Revenue Refunding Bonds - Series 2007 | 3.00% - 5.50% | 02/01/02 | 2002-2023 | Various |
| Sales Tax Revenue Refunding Bonds - Series 2007 | 3.76% | 01/03/07 | 2007-2018 | Various |
| | 3.80% - 5.00% | 10/17/07 | 2007-2023 | 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 |
| 2008 Water and Storm Sewer Revenue Bonds | 3.25% - 5.25% | 03/13/08 | 2008-2028 | Various |
| Total Revenue Bonds | | | | |
| Total Enterprise Funds | | | | |
| Total Governmental and Enterprise Funds | | | | |

| Original Amount | Principal | | Interest | |
|--------------------|----------------------|-----------------------------------|-----------------------------------|-------------------------------|
| | Balance 06/30/08 | Retired Year Ended 06/30/08 | Expense Year Ended 06/30/08 | Payable In Future Years |
| \$ 4,650,000 | \$ 3,125,000 | \$ 210,000 | \$ 145,490 | \$ 857,948 |
| \$ 3,975,000 | 3,580,000 | 325,000 | 137,519 | 652,310 |
| \$ 8,985,000 | 8,100,000 | 320,000 | 372,783 | 3,680,391 |
| \$ 5,515,000 | 5,155,000 | 210,000 | 217,616 | 2,092,000 |
| | <u>19,960,000</u> | <u>1,065,000</u> | <u>873,408</u> | <u>7,282,649</u> |
| \$ 7,985,000 | 1,890,000 | 420,000 | 112,725 | 240,830 |
| \$ 3,680,000 | 2,675,000 | 265,000 | 147,000 | 635,750 |
| \$ 5,345,000 | 1,705,000 | 630,000 | 91,000 | 125,725 |
| \$ 12,175,000 | 4,265,000 | 6,045,000 | 364,641 | 814,000 |
| \$ 3,826,000 | 3,748,000 | 30,000 | 142,072 | 1,035,491 |
| \$ 5,720,000 | 5,720,000 | - | 121,274 | 2,361,505 |
| | <u>20,003,000</u> | <u>7,390,000</u> | <u>978,712</u> | <u>5,213,301</u> |
| | <u>39,963,000</u> | <u>8,455,000</u> | <u>1,852,120</u> | <u>12,495,950</u> |
| \$ 3,500,000 | 1,505,757 | 187,000 | 59,247 | 218,085 |
| \$ 17,390,000 | 16,265,000 | 575,000 | 752,338 | 8,036,662 |
| \$ 2,950,000 | 2,738,000 | 132,000 | 14,393 | 400,887 |
| \$ 5,590,000 | 5,590,000 | - | - | 5,001,391 |
| | <u>26,098,757</u> | <u>894,000</u> | <u>825,978</u> | <u>13,657,025</u> |
| | <u>26,098,757</u> | <u>894,000</u> | <u>825,978</u> | <u>13,657,025</u> |
| | <u>\$ 66,061,757</u> | <u>\$ 9,349,000</u> | <u>\$ 2,678,098</u> | <u>\$ 26,152,975</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 |
|----------------|-------------------------|--------------------|--|---------------|----------------------|
| 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 | 2,009,483,904 | 21,792 | 26.6 | 2.80 |
| 2008 | 93,090 | 2,030,645,897 | 21,814 | 26.6 | 3.70 |

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

² Personal income data was based upon estimates using federal income tax data.

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)

| <u>Taxpayer</u> | <u>Fiscal Year</u> <u>2008</u> | | | <u>Fiscal Year</u> <u>1999</u> | | |
|------------------------------|--|-------------|--|--|-------------|--|
| | <u>Number</u> <u>of</u> <u>Employees</u> | <u>Rank</u> | <u>Percentage</u> <u>of</u> <u>Total City</u> <u>Employment</u> | <u>Number</u> <u>of</u> <u>Employees</u> | <u>Rank</u> | <u>Percentage</u> <u>of</u> <u>Total City</u> <u>Employment</u> |
| Utah Valley State College | 1,432 | 1 | 2.89% | 1,426 | 1 | 8.73% |
| Alpine School District | 1,316 | 2 | 2.66% | 950 | 4 | 3.42% |
| Convergys Corporation | 600 | 3 | 1.21% | 1,100 | 2 | 3.96% |
| U.S. Synthetic Corporation | 590 | 4 | 1.19% | ---- | | ---- |
| Timpanogos Regional Hospital | 542 | 5 | 1.09% | ---- | | ---- |
| City of Orem | 541 | 6 | 1.09% | 477 | 9 | 1.72% |
| Wal-Mart | 540 | 7 | 1.09% | ---- | | ---- |
| StoresOnline, Inc. | 478 | 8 | 0.97% | ---- | | ---- |
| Mity-Lite, Inc. | 360 | 9 | 0.73% | ---- | | ---- |
| Costco | 305 | 10 | 0.62% | ---- | | ---- |
| Novell, Inc. | ---- | | ---- | 1,000 | 3 | 3.60% |
| Geneva Rock Products | ---- | | ---- | 750 | 5 | 2.70% |
| SOS Temporary Services | ---- | | ---- | 700 | 6 | 2.52% |
| Manpower Temporary Services | ---- | | ---- | 500 | 7 | 1.80% |
| Macy's (ZCMI) | ---- | | ---- | 483 | 8 | 1.74% |
| Adecco Employment Services | ---- | | ---- | 300 | 10 | 1.08% |
| Total | <u><u>6,704</u></u> | | <u><u>13.54%</u></u> | <u><u>7,686</u></u> | | <u><u>31.27%</u></u> |

Source: Orem City's business licensing database and personal communications with certain governmental entities by Orem City personnel.

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

| | Fiscal Year | | | |
|-----------------------------------|-------------|------------|------------|------------|
| | 1999 | 2000 | 2001 | 2002 |
| General Government | 133 | 127 | 131 | 136 |
| Public Safety: | | | | |
| Police Protection | 110 | 112 | 117 | 114 |
| Fire Protection | 53 | 53 | 53 | 53 |
| Highways and Public Improvements | 1 | 0 | 1 | 4 |
| Parks and Recreation: | | | | |
| Parks and Recreation | 25 | 35 | 30 | 31 |
| Library | 53 | 56 | 54 | 57 |
| Cemetery | 4 | 5 | 5 | 4 |
| Economic and Physical Development | 3 | 3 | 3 | 3 |
| Water | 22 | 22 | 23 | 23 |
| Water Reclamation | 31 | 33 | 31 | 32 |
| Storm Sewer | 8 | 8 | 9 | 9 |
| Recreation | 34 | 36 | 31 | 35 |
| Street Lighting | 0 | 0 | 1 | 1 |
| Total | 477 | 490 | 489 | 502 |

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 | | | | | |
|-------------|------------|------------|------------|------------|------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 145 | 129 | 138 | 130 | 119 | 124 |
| 114 | 127 | 118 | 134 | 137 | 141 |
| 53 | 53 | 55 | 56 | 54 | 59 |
| 1 | 1 | 4 | 5 | 2 | 3 |
| 32 | 32 | 33 | 31 | 34 | 36 |
| 57 | 56 | 54 | 54 | 50 | 53 |
| 5 | 4 | 5 | 5 | 5 | 6 |
| 3 | 2 | 2 | 2 | 1 | 1 |
| 23 | 23 | 24 | 23 | 24 | 26 |
| 32 | 30 | 31 | 29 | 29 | 31 |
| 9 | 10 | 9 | 9 | 8 | 11 |
| 40 | 47 | 45 | 45 | 49 | 48 |
| 4 | 2 | 2 | 2 | 1 | 2 |
| 518 | 516 | 520 | 525 | 513 | 541 |

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

| | Fiscal Year | | | | |
|---|-------------|---------|---------|---------|---------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| General Government: | | | | | |
| Building Permits Issued | 1,389 | 1,223 | 1,192 | 1,203 | 1,396 |
| Public Safety: | | | | | |
| Police Protection: | | | | | |
| Physical Arrests | 8,117 | 5,483 | 9,571 | 8,254 | 9,479 |
| Traffic Citations | N/A | N/A | N/A | 11,621 | 10,807 |
| Traffic Warnings | N/A | N/A | N/A | 7,363 | 10,642 |
| Fire Protection: | | | | | |
| Emergency Responses | N/A | N/A | N/A | 1,558 | 1,558 |
| Ambulance Transports | 2,106 | 1,958 | 2,066 | 2,224 | 2,598 |
| Other Public Safety Services: | | | | | |
| Emergency Dispatch Calls | N/A | N/A | N/A | 2,802 | 4,697 |
| Highways and Public Improvements: | | | | | |
| Asphalt Used - Streets (Tons) | N/A | N/A | N/A | 5,376 | 5,417 |
| Concrete Used - Sidewalks (Yards) | N/A | N/A | N/A | 1,009 | 972 |
| Parks and Recreation: | | | | | |
| Library - Volumes in Collection (approx.) | 221,000 | 243,900 | 254,235 | 260,000 | 266,720 |
| Cemetery - Internments | 229 | 221 | 216 | 222 | 255 |
| Economic and Physical Development: | | | | | |
| Public Service Organizations Assisted | N/A | N/A | N/A | 14 | 13 |
| Housing Rehab Loans/Grants Added | N/A | N/A | N/A | 7 | 13 |
| Major Project Improvements Completed | N/A | N/A | N/A | 2 | 3 |
| Water: | | | | | |
| Number of Consumers | 19,000 | 19,668 | 19,896 | 19,900 | 20,142 |
| Average Daily Consumption (MGD) | 22.2 | 24.1 | 22.5 | 22.5 | 22.0 |
| Water Reclamation: | | | | | |
| Number of Service Connections | 18,966 | 18,966 | 19,405 | 19,425 | 19,511 |
| Average Daily Treated (MGD) | 9.8 | 9.8 | 9.8 | 9.8 | 9.7 |
| Storm Sewer: | | | | | |
| Number of Sumps | N/A | N/A | N/A | 21 | 18 |
| New Infrastructure (Feet) | N/A | N/A | N/A | N/A | N/A |
| Recreation: | | | | | |
| Recreation Programs Participants | N/A | 20,800 | 24,000 | 23,800 | 22,800 |
| Solid Waste: | | | | | |
| Annual Waste Tonnage | N/A | N/A | N/A | N/A | 29,221 |
| Avg Annual Waste per Household (Tons) | N/A | N/A | N/A | N/A | 1.69 |
| Street Lighting: | | | | | |
| Number of Street Lights Added | 8 | 0 | 1,121 | 434 | 0 |

Source: Various city departments

| Fiscal Year | | | | |
|-------------|---------|---------|---------|---------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| 1,118 | 1,083 | 1,149 | 1,166 | 1,242 |
| 8,306 | 8,145 | 8,495 | 6,599 | 6,454 |
| 9,634 | 11,394 | 11,190 | 13,937 | 14,238 |
| 9,484 | 9,464 | 11,169 | 10,350 | 7,406 |
| 1,383 | 1,250 | 1,169 | 2,738 | 2,325 |
| 2,549 | 2,761 | 3,145 | 3,026 | 3,168 |
| 4,961 | 4,935 | 5,236 | 5,448 | 6,260 |
| 6,599 | 4,048 | 4,500 | 4,300 | 4,290 |
| 905 | 1,089 | 1,100 | 1,200 | 1,443 |
| 275,497 | 280,000 | 284,573 | 289,742 | 297,067 |
| 247 | 250 | 289 | 290 | 303 |
| 15 | 14 | 14 | 14 | 13 |
| 12 | 15 | 8 | 7 | 7 |
| 4 | 1 | 1 | 0 | 1 |
| 20,425 | 20,240 | 21,228 | 21,153 | 21,197 |
| 20.6 | 21.2 | 23.5 | 23.7 | 25.0 |
| 20,017 | 20,107 | 20,314 | 20,616 | 20,678 |
| 8.4 | 8.4 | 8.5 | 8.5 | 8.5 |
| 24 | 25 | 22 | 22 | 24 |
| 6,600 | 4,000 | 4,500 | 6,872 | 12,144 |
| 24,000 | 24,500 | 24,700 | 24,750 | 26,035 |
| 29,993 | 30,209 | 27,193 | 26,586 | 26,566 |
| 1.72 | 1.72 | 1.51 | 1.26 | 1.45 |
| 1,477 | 233 | 230 | 171 | 149 |

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

| | Fiscal Year | | | | |
|---|-------------|--------|--------|--------|--------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| General Government: | | | | | |
| Vehicles | 146 | 148 | 141 | 152 | 164 |
| Public Safety: | | | | | |
| Police Protection: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 88 | 88 | 94 | 98 | 104 |
| Fire Protection: | | | | | |
| Stations | 3 | 3 | 3 | 3 | 3 |
| Vehicles | 28 | 28 | 28 | 26 | 25 |
| 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 | 15 | 18 | 18 |
| Parks Acreage | 127 | 127 | 131 | 212 | 212 |
| Playgrounds | 14 | 14 | 14 | 17 | 17 |
| Walking/Jogging Trails (miles) | N/A | N/A | N/A | N/A | 29.5 |
| Libraries | 1 | 1 | 1 | 1 | 1 |
| Cemeteries | 1 | 1 | 1 | 1 | 1 |
| Water: | | | | | |
| Water Mains (miles) | 308 | 308 | 310 | 310 | 345 |
| Wells | 7 | 7 | 7 | 7 | 7 |
| Storage Capacity (thousands of gallons) | 12,040 | 12,440 | 12,440 | 12,440 | 12,440 |
| Water Reclamation: | | | | | |
| Sewer Lines (miles) | 260 | 260 | 260 | 260 | 272 |
| 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 | 64.6 |
| Recreation: | | | | | |
| Fitness Centers | 1 | 1 | 1 | 1 | 1 |
| Pools | 1 | 1 | 1 | 1 | 2 |
| Baseball / Softball Diamonds | 12 | 12 | 12 | 18 | 18 |
| Soccer / Football Fields | 5 | 5 | 5 | 18 | 18 |
| Street Lighting: | | | | | |
| Street Lights | 1,075 | 1,075 | 2,196 | 2,630 | 2,630 |

Source: Various city departments

| Fiscal Year | | | | |
|-------------|--------|--------|--------|--------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| 169 | 177 | 191 | 170 | 176 |
| 1 | 1 | 1 | 1 | 1 |
| 105 | 106 | 108 | 111 | 121 |
| 3 | 3 | 3 | 3 | 3 |
| 25 | 25 | 23 | 24 | 26 |
| 232 | 233 | 235 | 238 | 239 |
| 25 | 25 | 25 | 26 | 26 |
| 20 | 20 | 20 | 20 | 22 |
| 277 | 277 | 277 | 287 | 333 |
| 18 | 18 | 18 | 18 | 18 |
| 33.0 | 33.0 | 33.0 | 33.0 | 35.5 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 345 | 345 | 345 | 345 | 349 |
| 8 | 8 | 8 | 8 | 8 |
| 12,440 | 12,440 | 12,440 | 22,440 | 22,440 |
| 272 | 272 | 272 | 275 | 280 |
| 12.3 | 12.3 | 12.3 | 12.3 | 12.3 |
| 64.6 | 64.6 | 64.6 | 65.9 | 68.2 |
| 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 |
| 18 | 18 | 18 | 18 | 18 |
| 18 | 18 | 18 | 18 | 18 |
| 4,107 | 4,340 | 4,570 | 4,741 | 4,890 |

City of Orem
Water Impact Fees Report¹
 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 |
| 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) | - |
| 2008 | 940,116 | (104,801) | (835,315) | - |

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, UTAH
SINGLE AUDIT AND STATE LEGAL
COMPLIANCE REPORTS

June 30, 2008

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WISAN, SMITH, RACKER & PRESCOTT_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2008. 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 opinion 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 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.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

132 PIERPONT AVENUE, SUITE 250
SALT LAKE CITY, UTAH 84101
FAX (801) 328-2015
(801) 328-2011

MEMBER
UTAH ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

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 other matters that we reported to management of the City in a separate letter dated December 4, 2008.

This report is intended solely for the information and use of management, City Council, the Utah State Auditor's Office 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.

Wison Smith Ruckel & Perrott, LLP

Salt Lake City, Utah
December 4, 2008

WISAN, SMITH, RACKER & PRESCOTT LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2008. 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, 2008.

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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a 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, 2008, and have issued our report thereon dated December 4, 2008. 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, City Council, Utah State Auditor's Office 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.

Wisam Smith Racker & Prescott, LLP

Salt Lake City, Utah

December 4, 2008

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA <u>Number</u> | Pass-Through Grant <u>Number</u> | Federal <u>Expenditure</u> |
|---|----------------------------------|--|-------------------------------|
| Department of Housing and Urban Development | | | |
| Direct Program: | | | |
| Community Development Block Grant | 14.218 | B-05-MC-49-002 | \$ 605,664 |
| Total Department of Housing and Urban Development | | | <u>605,664</u> |
| Department of Commerce | | | |
| Direct Program: | | | |
| Economic Adjustment Assistance | 11.307 | 05-39-02234 | 165,000 |
| Total Department of Commerce | | | <u>165,000</u> |
| National Foundation on the Arts and the Humanities | | | |
| Passed through Arts Midwest: | | | |
| The Big Read | 45.024 | 24189 | 8,000 |
| Passed through Department of Community and Culture: | | | |
| Library Services and Technology Act (LSTA) | 45.310 | LS-00-07-0045-07 | 4,498 |
| Total National Foundation on the Arts and the Humanities | | | <u>12,498</u> |
| Environmental Protection Agency | | | |
| Passed through Department of Environmental Quality: | | | |
| State Tribal Assistance Grant (STAG) | 66.202 | XP-988890-01 | 866,900 |
| Safe Drinking Water State Revolving Fund | 66.468 | FS-998784-04 | 960,000 |
| Total Environmental Protection Agency | | | <u>1,826,900</u> |
| Department of Homeland Security | | | |
| Passed through Department of Public Safety Division of Emergency Services and Homeland Security: | | | |
| Emergency Management Performance Grant (EMPG) | 97.042 | EMPG-2007-DHLS-CTY14 | 9,150 |
| State Domestic Preparedness Equipment Support | 97.004 | DES-2007-LETP-002 | 15,616 |
| State Homeland Security Program (LEPC) | 97.073 | DES-2007-SHSP-002 | 8,094 |
| Total Department of Homeland Security | | | <u>32,860</u> |
| Department of Justice | | | |
| Passed through Commission on Criminal and Juvenal Justice: | | | |
| Justice Assistance Grant (JAG) | 16.579 | 7A05 | 230,555 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2007-DJ-BX-0369 | 15,532 |
| Bulletproof Vest Partnership Grant | 16.607 | 6B06 | 6,428 |
| Violence against Women Act Grant (VAWA) | 16.588 | 07-VAWA-19 | 18,238 |
| Victims of Crime Act Grant (VOCA) | 16.575 | 07-VOCA-35 | 49,975 |
| HIDTA Grant Program | 7.9999 | 17-PRMP595Z | 137,943 |
| HIDTA Grant Program | 7.9999 | 18-PRMP595Z | 34,482 |
| Total Department of Justice | | | <u>493,153</u> |
| Department of Transportation | | | |
| Passed through Utah Department of Transportation: | | | |
| Federal-Aid Highway Program | 20.205 | STP-LC49(94) | 83,739 |
| Total Department of Transportation | | | <u>83,739</u> |
| Total Federal Awards | | | <u>\$ 3,219,814</u> |

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF OREM, UTAH
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year ended June 30, 2008

1. General - The Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Orem, Utah. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting - The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF OREM, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. Internal Control over financial reporting:

No material weaknesses identified.
No significant deficiencies identified that are not considered to be material weaknesses are reported.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. Internal Control over major programs:

No material weaknesses identified.
No significant deficiencies identified that are not considered to be material weaknesses are reported.
5. The auditor's report on compliance with requirements applicable to major federal award programs expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs include:

State Tribal Assistance Grant CFDA number 66.202
Safe Drinking Water Grant CFDA number 66.468
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

WISAN, SMITH, RACKER & PRESCOTT_{LLP}
CERTIFIED PUBLIC ACCOUNTANTS
**REPORT ON COMPLIANCE WITH THE STATE OF UTAH
LEGAL COMPLIANCE GUIDELINES**

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), for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. As a 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; and 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, 2008. 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 subject to testwork as part of the audit of the City's financial statements):

- Emergency Medical Services (Department of Health)
- State Asset Forfeiture (Department of Public Safety)

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

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

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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 an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying management letter. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City 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, 2008.

Wison Smith Parker & Prescott, LLP

Salt Lake City, Utah
December 4, 2008

WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

December 4, 2008

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

In planning and performing our audit of the financial statements of the City of Orem, Utah (the City), for the year ended June 30, 2008, we considered its internal control structure in determining our auditing procedures. We do this for the purpose of expressing our opinion on the financial statements rather than to provide assurance on the internal control structure. Significant deficiencies, material weaknesses and reportable instances of noncompliance, if any, are included in our reports dated December 4, 2008, required by the Government Auditing Standards and State of Utah Legal Compliance Audit Guide.

The following is an issue of noncompliance with the Utah State Code identified during the audit:

Finding

The City has exceeded the maximum general fund balance per Utah Code 10-6-116(2).

Recommendation

In order to comply with the requirements of Utah Code 10-6-116(2), the City should be careful not accumulate more than 18% of the total estimated revenue.

Response From Management

We agree with the Finding. We will budget the required reduction in unrestricted fund balance in the general fund and anticipate reducing fund balance to the appropriate level by June of 2009.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

We appreciate the cooperation and assistance we have received from the City's personnel in connection with the audit.

This report is intended solely for the information and use of the management of the City of Orem, Utah and is not intended to be and should not be used by anyone other than the specified party.

Wisan Smith Racker & Prescott, LLP
Wisan, Smith, Racker & Prescott, LLP

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