

**CITY OF OREM**  
**STATE OF UTAH**



**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2006**

# CITY OF OREM

STATE OF UTAH

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

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

**City of Orem, Utah**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2006**

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# **INTRODUCTORY SECTION**



**CITY OF OREM**  
OFFICE OF THE CITY MANAGER

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December 7, 2006

**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 eighteenth Comprehensive Annual Financial Report.

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

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

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

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

In relation to part three above, the City has implemented GASB Statement 44, *Economic Condition Reporting: The Statistical Section*. GASB 44 replaces the 15 statistical tables that were required to be presented as part of a comprehensive annual financial report. Rather than simply making a list of required tables, GASB 44 establishes five broad categories of information that should be presented and outlines the objectives of each category. The categories are as follows:

1. Financial trends
2. Revenue capacity
3. Debt capacity
4. Demographic and economic information
5. Operating information

The City concluded the year ended June 30, 2006, in sound financial condition. The following is an overview of the City's financial condition.

#### Operating Revenues

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

In November 2005, voters approved a 1/10 of 1% sales tax hike dedicated to the arts and recreation. This will last for 8 years and is estimated to generate \$16,000,000. The City Council is establishing a process for determining how these funds will be used for the greatest benefit in the community.

#### Capital Expenditures

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

- A new Public Works facility will be completed by the end of December 2006. Funding for the facility was provided by selling the existing Public Works Facility and from current budgets. No bonding was involved in the purchase of the new site or in the construction of the facilities.
- A new municipal golf course has been built and paid for without any debt. Construction of the clubhouse is expected next spring. The course is being operated through a private contract.
- 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 is under construction in a joint venture between the City of Orem and the Central Utah Water Conservancy District.
- Several major storm sewer lines and two regional detention basins were constructed this year. These improvements provided a major portion of the physical facilities for Phase I of the Orem Storm Water Master Facilities Plan.
- A major renovation and expansion of the Orem Fitness Center was completed in September 2006 and was funded almost entirely by a private donor.
- Missing sections of sidewalks are being replaced along all the roads within 1/3 mile of each public school.
- Construction is underway on various voter-approved street projects.
- Fire Station #1 is being remodeled to provide improved seismic construction and to provide improved living quarters in the 30 year-old facility. This remodeling is expected to be completed by the end of December 2006.

- The 30 year-old portion of the Library is being remodeled to improve the seismic systems, heating and air conditioning, lighting and overall appearance of the facility. It is expected to be completed by the end of December 2006.

Additional Capital Needs:

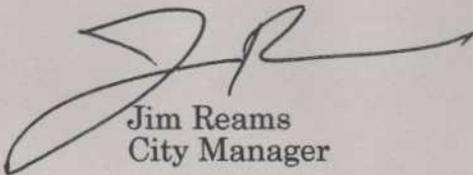
- Funding to remodel Fire Station #2 similar to the remodeling being done at Fire Station #1.
- Funding for improvements to the Cemetery building and its lawn sprinkling systems.
- Funding to construct a new fire station to serve the growing population west of Interstate 15.
- Funding to remodel the City Center and to provide office space for the City Attorney's offices. This will complete renovation of existing City facilities housing City services well into the future.
- Funding for additional intersection signals and upgrading existing intersections with double left turn lanes.
- Funding for street lights in the portions of the City previously served by special lighting districts and in the City parks.

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

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

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

Yours truly,



Jim Reams  
City Manager

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CITY OF OREM

DEPARTMENT OF ADMINISTRATIVE SERVICES

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December 7, 2006

Jim Reams  
City Manager

City of Orem, Utah

State law requires that all local governments publish, within six months of the close of each year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This Comprehensive Annual Financial Report (CAFR) of the City of Orem, Utah for the fiscal year ended June 30, 2006, 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.

This year's comprehensive annual financial report reflects the implementation of GASB Statement 44, *Economic Condition Reporting: The Statistical Section*. The statistical section is designed to present 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.

Osborne, Robbins & Buhler PLLC, a firm of licensed certified public accountants, has audited the City of Orem's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Orem for the fiscal year ended June 30, 2006, 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, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The comprehensive annual financial report is presented in three sections:

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

### **Economic Condition and Outlook**

The City of Orem is located in north central Utah and is currently the fifth largest city in the state with a 2000 census population of 84,324 and an estimated current population of 91,649. The City has been involved in active economic development over the past two decades attracting stable industries and organizations. This economic development activity has directly led to the creation of approximately 7,000 non-retail jobs and thousands of retail jobs. The University Mall is the anchor to the largest retail area between Salt Lake County and Clark County, Nevada. The Mall has been revitalized through a major remodeling project, thus bringing several large national retailers like Costco and Nordstrom. Utah Valley State College (UVSC) is a major employer in the City of Orem with enrollment in excess of 24,000 students. Currently, the City is enjoying an economic upswing over the past two years with a marked decrease in unemployment and a significant increase in sales tax collections.

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

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

## Major Initiatives

### For the Year

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

- Completion or significant progress on city-wide road crack sealing projects and other voter-approved road projects,
- Completion or significant progress on missing sidewalk sections along all roads within 1/3 mile of each public school,
- The installation of street lights in many city parks,
- Significant progress on the construction of a new 20 million gallon water tank through a joint venture with the Central Utah Water Conservancy District,
- Significant progress on remodeling projects at the Orem Fitness Center, Fire Station #1, and the 30 year-old portion of the Library. All of these projects should be completed by the end of calendar year 2006, and,
- Major progress is being made on the construction of the new Public Works facility. The expected move-in date is sometime in December 2006.

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

### For the Future

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

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

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

## Cash Management

The City follows the requirements of the Utah Money Management Act (MM Act) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a *qualified depository*. The MM Act defines *qualified depository* as "any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by

the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council." The MM Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Allowable investments may consist of time certificates of deposit, repurchase agreements, commercial paper which is rated P-1 by Moodys Investor Services or A-1 by Standard and Poors Inc., banker's acceptances, obligations of the United States Treasury and various other obligations of state and local governments. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. The provisions of this act substantially protect the City from loss of investment principal; therefore, the City's investments are not collateralized and are not required to be collateralized by state law. The City has never lost any invested funds.

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

### **Risk Management**

The City provides for its general liability risks through a joint protection agreement with the Utah Risk Management Mutual Association (URMMA). URMMA provides for the City's lawful liabilities resulting from bodily injury, property damage, personal injury and/or public official's errors and omissions limited to \$6,000,000 per occurrence. The City maintains a Self-insurance Fund to account for and finance its uninsured risks of loss. Under this program, the Self-insurance Fund provides coverage for up to a maximum of \$400,000 for each worker's compensation claim, \$15,000 for general liability, and \$10,000 for property damage. Additional coverage for forgery, embezzlement and other potential internal losses is provided by commercial policies and is renewed annually. The City maintains a risk management section, which identifies areas of potential risk and provides training in risk avoidance and solutions to current risk concerns.

### **Other Information**

#### Internal Audits

In 2005, the City Manager and Executive Staff contracted with Peterson, Allred and Jackson, CPAs for internal audit services on a quarterly basis. It was believed that improvements to the City's financial processes and procedures could be more readily identified by a third-party. These internal audits have continued through calendar year 2006.

### Awards

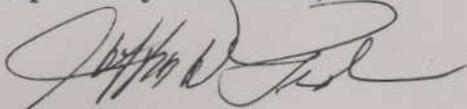
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the eighteenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### Acknowledgments

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

Respectfully submitted,



Jeffrey W Pedersen  
Administrative Services Director

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# CITY OF OREM

## LISTING OF OFFICIALS ORGANIZED BY CLASSIFICATIONS

### Chief Executive Officer

City Manager ..... Jim Reams

### Executive Staff

Assistant City Manager ..... Richard B. Manning

Director of Administrative Services ..... Jeffrey W. Pedersen

Director of Development Services ..... Stanford Sainsbury

Director of Legal Services ..... Paul B. Johnson

Director of Library Services ..... Louise G. Wallace

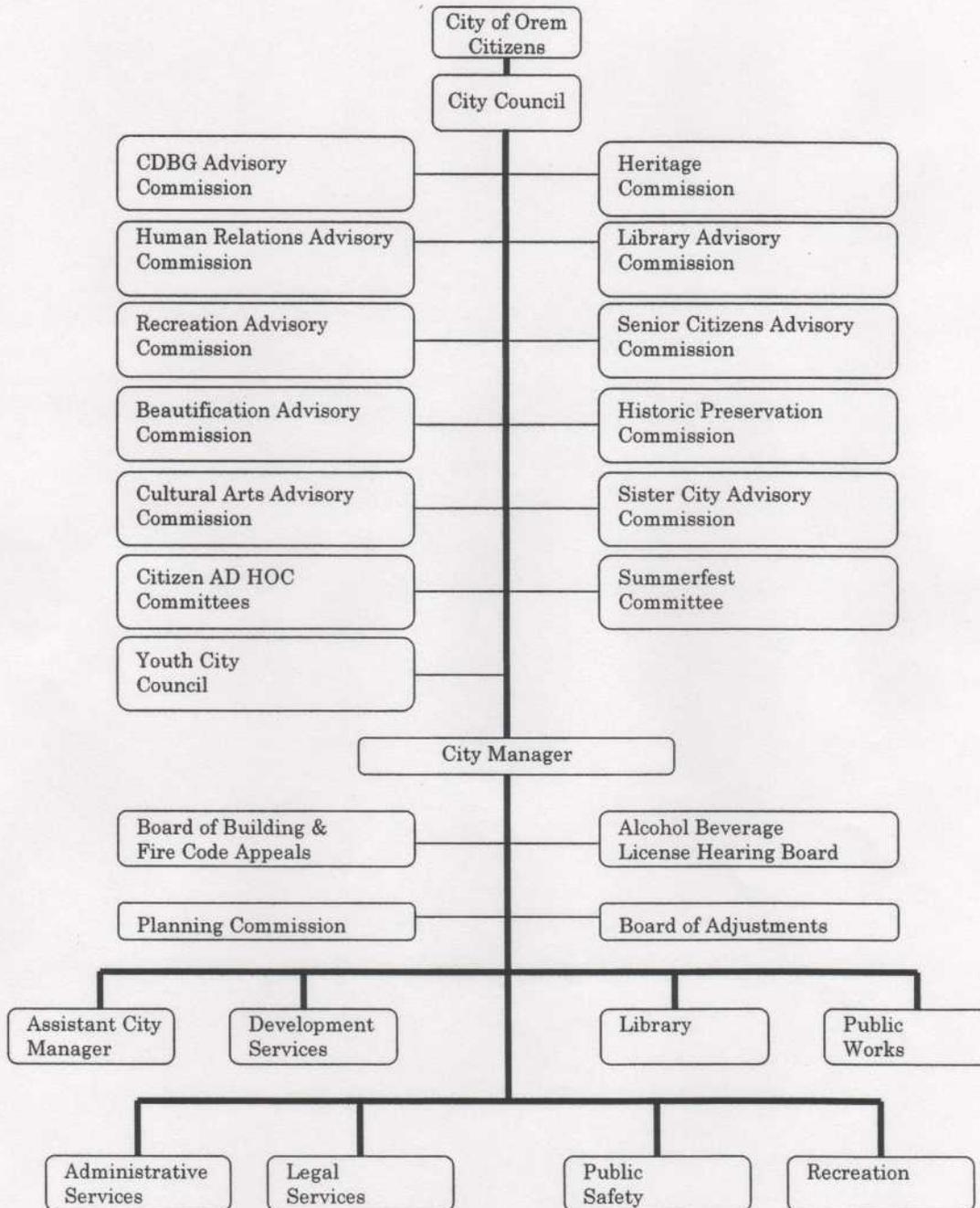
Director of Public Safety ..... Michael J. Larsen

Director of Public Works ..... Bruce W. Chesnut

Director of Recreational Services ..... Karl R. Hirst

# CITY OF OREM, UTAH

## ORGANIZATIONAL CHART



Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Orem  
Utah

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



*Carla E. Fudge*

President

*Jeffrey R. Emery*

Executive Director



Each year the City selects a department to highlight its efforts and accomplishments. In 2006, the City Manager's Department has been selected.

## City Manager's Department

The department is charged with the day-to-day oversight of all City operations. The department consists of the City Manager's Office, the Human Resource Division, Risk Management Division, Emergency Management Division, Neighborhoods in Action Office, Community and Neighborhood Services Division and the Recorder's Office.

### **City Manager's Office**

The Council/Manager form of government was adopted by voters over 20 years ago. The City Manager's office is responsible for the day-to-day oversight of all City operations and for carrying out the policies established by the City Council. Duties also include overall financial management, contract administration and property management.

**Emergency Management**

The Emergency Management Division is charged with helping the City to be prepared for any and all emergencies and act as the Management Analyst for the City Manager's Office. Management duties also includes individual citizen preparation. The City sponsors Community Emergency Response Team (CERT) training each year, training approximately 80 new participants. The City also sponsors the Block Captain program aimed at providing a quick damage and casualty assessment in the event of a disaster.



### **Community and Neighborhood Services**

The Community and Neighborhood Services Division oversees the Community Development Block Grant Program, (CDBG) offering low to moderate income level families and individuals assistance in programs ranging from learning to read to emergency repairs on homes. The grants administered by this office have helped the City to install curb, gutter and sidewalk throughout the City, as well as provide for necessary housing assistance to low-income families. The CNS Division is also responsible for working with 14 public agencies in several social programs throughout the City.





### *Neighborhoods in Action*

The Neighborhoods in Action Office (NIA) is charged with assisting each neighborhood in becoming organized and to address their individual needs one neighborhood-to-another. This type of program has been beneficial in other parts of the country to bring unity and cohesiveness to neighborhoods. Each year the NIA sponsors neighborhood cleanups and meetings to address individual neighborhood needs, as well as organizing town meetings.



### *Human Resources*

The Human Resources (HR) Division oversees the hiring of all City employees. In FY 06 they processed thousands of job applications. This division oversees the employees compensation and benefit packages, as well as maintaining all employee records. In addition, the HR Division provides counsel regarding discipline matters and assistance involving employee benefits.



### *Risk Management*

The Risk Management Division manages the City's insurance coverage as well as ensuring claims filed against the City are resolved in a fair and equitable manner. The Division also manages the City's self-funded worker compensation fund.



### *Recorders*

The Records Office is charged with keeping the City's records. They keep minutes of official meetings and respond to records requests. During FY 06 they manage the municipal election. The Records Office also prepares the agendas for council meetings. This office has focused on imaging all records for efficient storage.



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# **FINANCIAL SECTION**

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

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

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah as of June 30, 2006, and the respective changes in financial position, the budgetary comparison for the general fund, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 19 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 of Orem, Utah basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Osborne Robbins & Buhler PLLC*

December 6, 2006

City of Orem  
Management's Discussion and Analysis  
June 30, 2006

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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceeded its liabilities by \$189,792,717 (net assets). Of this amount, \$37,084,673 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets consist of \$150,340,228 in capital assets net of related debt and \$39,452,489 in other net assets.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,208,831. Of this amount, \$24,838,905 (88.05%) is available for spending at the government's discretion (unreserved fund balance) with the balance of \$3,369,926 reserved for capital projects and debt service.
- The City's total long-term liabilities increased by \$4,206,813 (6.31%) during the current fiscal year. This increase was primarily due to the issuance of general obligation bonds issued in March of 2006 for \$5,515,000 to be used for the rehabilitation and/or reconstruction of existing roads and the construction of new roads.
- As of the end of the current fiscal year, the City's enterprise funds reported an increase in net assets of \$2,780,049 compared to the prior year's increase of \$724,364. The increase was due primarily to increased water revenues of \$786,019, water reclamation revenues of \$976,555, and contributions from developers of \$757,370.

### Overview of the Financial Statements

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

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

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

City of Orem  
Management's Discussion and Analysis  
June 30, 2006

- The *statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, redevelopment, highways and public improvements, parks and recreation, and economic and physical development. The business-type activities of the City include culinary water distribution, water reclamation, storm sewer operations, recreation, solid waste disposal, and street lighting.

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

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

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

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

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changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the two capital improvement funds, which are considered major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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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 earlier in the highlights section, assets exceeded liabilities by \$189,792,717 at June 30, 2006.

By far the largest portion of the City's net assets (79.21%) reflects 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 46,900,711	\$ 42,278,954	\$ 21,337,835	\$ 27,939,904	\$ 68,238,546	\$ 70,218,858
Capital assets	147,724,358	139,401,428	56,023,745	44,409,441	203,748,103	183,810,869
Total assets	<u>194,625,069</u>	<u>181,680,382</u>	<u>77,361,580</u>	<u>72,349,345</u>	<u>271,986,649</u>	<u>254,029,727</u>
Long-term debt						
outstanding	50,559,187	46,204,622	20,286,124	20,433,876	70,845,311	66,638,498
Other liabilities	6,866,261	5,516,998	4,482,360	2,102,422	11,348,621	7,619,420
Total liabilities	<u>57,425,448</u>	<u>51,721,620</u>	<u>24,768,484</u>	<u>22,536,298</u>	<u>82,193,932</u>	<u>74,257,918</u>
Net assets:						
Invested in capital assets, net of related debt	106,186,394	102,793,522	44,153,834	42,361,442	150,340,228	145,154,964
Restricted	2,177,533	2,018,812	190,283	1,446,437	2,367,816	3,465,249
Unrestricted	28,835,694	25,146,428	8,248,979	6,005,168	37,084,673	31,151,596
Total net assets	<u>\$ 137,199,621</u>	<u>\$ 129,958,762</u>	<u>\$ 52,593,096</u>	<u>\$ 49,813,047</u>	<u>\$ 189,792,717</u>	<u>\$ 179,771,809</u>

A portion of the City of Orem's net assets (1.25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$37,084,673) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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In comparing the current fiscal year to the prior fiscal year, the government's net assets increased by \$10,020,908 (5.57%), total revenues increased by \$10,960,412 (16.05%) due to increases in every revenue category, and expenses increased by \$5,248,670 (8.20%). 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	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 13,357,439	\$ 12,804,410	\$ 20,484,570	\$ 18,703,567	\$ 33,842,009	\$ 31,507,977
Operating grants and contributions	1,597,103	1,546,029	-	-	1,597,103	1,546,029
Capital grants and contributions	4,168,784	3,178,409	1,763,440	1,123,170	5,932,224	4,301,579
<b>General revenues:</b>						
Property taxes	8,741,450	7,710,867	-	-	8,741,450	7,710,867
Sales taxes	18,008,143	15,373,690	-	-	18,008,143	15,373,690
Other taxes	7,968,847	6,982,040	-	-	7,968,847	6,982,040
Other	2,199,586	530,883	968,197	344,082	3,167,783	874,965
<b>Total revenues</b>	<b>56,041,352</b>	<b>48,126,328</b>	<b>23,216,207</b>	<b>20,170,819</b>	<b>79,257,559</b>	<b>68,297,147</b>
<b>Expenses:</b>						
General government	12,100,627	11,540,773	-	-	12,100,627	11,540,773
Public safety	16,234,941	15,346,389	-	-	16,234,941	15,346,389
Highways and public improvements	6,485,972	7,100,065	-	-	6,485,972	7,100,065
Parks and recreation	6,866,860	6,662,804	-	-	6,866,860	6,662,804
Economic and physical development	3,430,829	853,787	-	-	3,430,829	853,787
Redevelopment	846,213	542,663	-	-	846,213	542,663
Interest on long-term debt	2,083,152	1,882,277	-	-	2,083,152	1,882,277
Water	-	-	7,503,542	6,804,176	7,503,542	6,804,176
Water reclamation	-	-	5,975,572	5,826,744	5,975,572	5,826,744
Storm sewer	-	-	1,814,312	1,539,806	1,814,312	1,539,806
Recreation	-	-	1,989,045	2,047,026	1,989,045	2,047,026
Solid waste	-	-	2,774,492	2,708,103	2,774,492	2,708,103
Street lighting	-	-	1,131,094	1,133,368	1,131,094	1,133,368
<b>Total expenses</b>	<b>48,048,594</b>	<b>43,928,758</b>	<b>21,188,057</b>	<b>20,059,223</b>	<b>69,236,651</b>	<b>63,987,981</b>
Increase (decrease) in net assets before transfers	7,992,758	4,197,570	2,028,150	111,596	10,020,908	4,309,166
Transfers In (Out)	(751,899)	(612,768)	751,899	612,768	-	-
Increase in net assets	7,240,859	3,584,802	2,780,049	724,364	10,020,908	4,309,166
Net assets, beginning	129,958,762	126,373,960	49,813,047	49,088,683	179,771,809	175,462,643
Net assets, ending	<b>\$ 137,199,621</b>	<b>\$ 129,958,762</b>	<b>\$ 52,593,096</b>	<b>\$ 49,813,047</b>	<b>\$ 189,792,717</b>	<b>\$ 179,771,809</b>

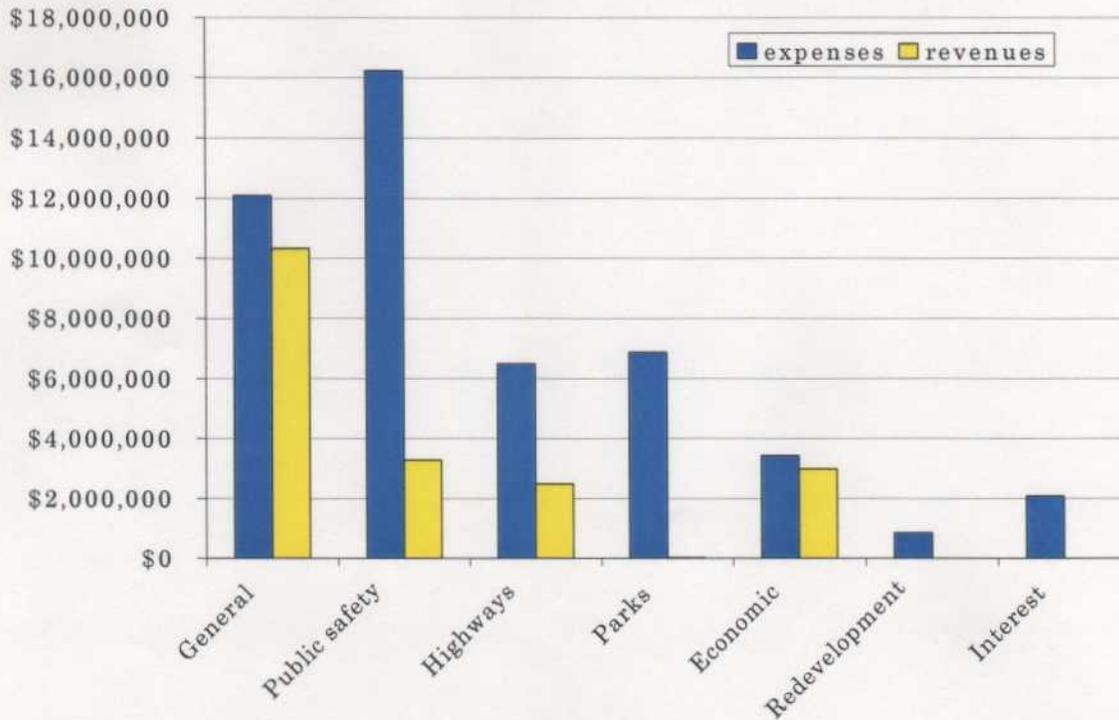
**Governmental activities.** Governmental activities increased the City of Orem's net assets by \$7,240,859 which represents 72.26% of the total growth of net assets of the City of Orem. The increase in net assets is primarily due to a 20.66% increase in general revenues offset by a 9.38% increase in total expenses. Key elements are as follows:

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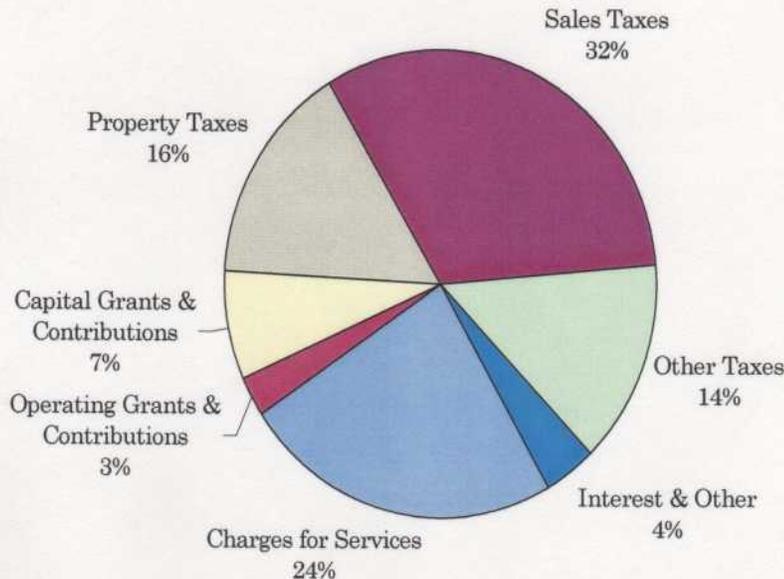
- Total revenues increased by \$7,915,024 (16.45%).
- Program revenues increased by \$1,594,478. This increase is primarily due to increases in capital grants and contributions (31.16%).
- General revenues increased by \$6,320,546 (20.66%). This increase is mostly the result of growth in collections of property, sales, and franchise taxes.
- Total expenses increased by \$4,119,836 (9.38%). This increase is primarily due to increases in expenses for economic and physical development (301.84%), public safety (5.79%), and general government (4.85%). The increase in economic and physical development is due primarily to the City's involvement with the Midtown Village project which is a mixed-use commercial and residential project and the HUD Section 108 loan program.

The following graphs display the governmental activities reflected in the above tables. Note that the graph below does not include general revenues of \$36,918,026 because these revenues are not specific to a particular department.

**Expenses and Program Revenues - Governmental Activities**  
**For Year Ending June 30, 2006**



**Revenues by Source - Governmental Activities  
For Fiscal Year Ending June 30, 2006**



**Business-type activities.** Business-type activities increased the City's net assets by \$2,780,049 which represents 27.74% of the total growth in net assets of the City of Orem. As of the end of the current fiscal year, all of the City's business-type funds reported positive net assets. Key elements of this increase are as follows:

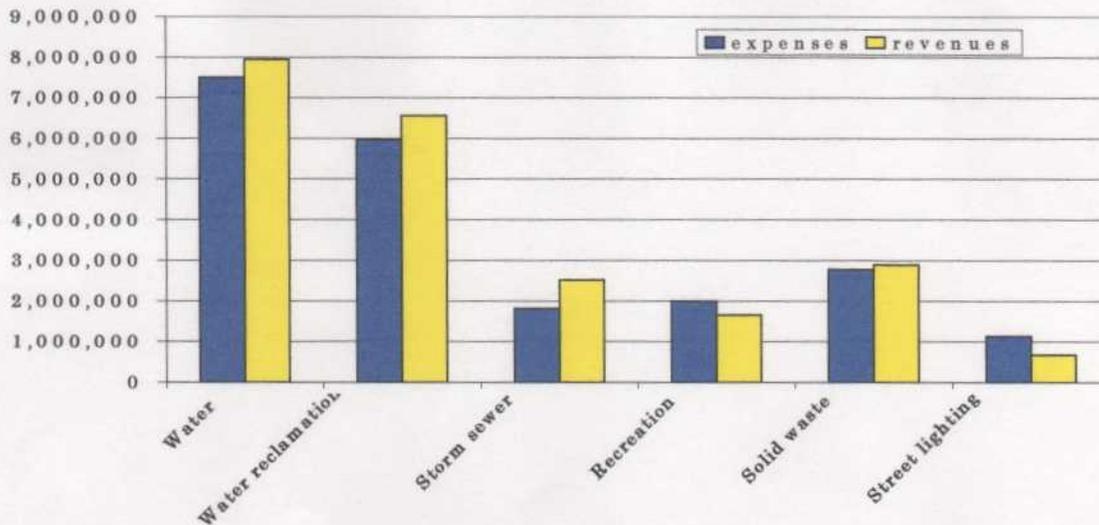
- Business-type funds reported increased revenues over the prior year of \$3,045,388 (15.10%). Total revenues increased or decreased as follows:
  - Water fund increased by 12.75%.
  - Water reclamation fund increased by 20.24%.
  - Storm sewer fund increased by 1.62%.
  - Recreation fund decreased by 6.39%.
  - Solid waste fund increased by 1.66%.
  - Street lighting fund increased by 6.94%.

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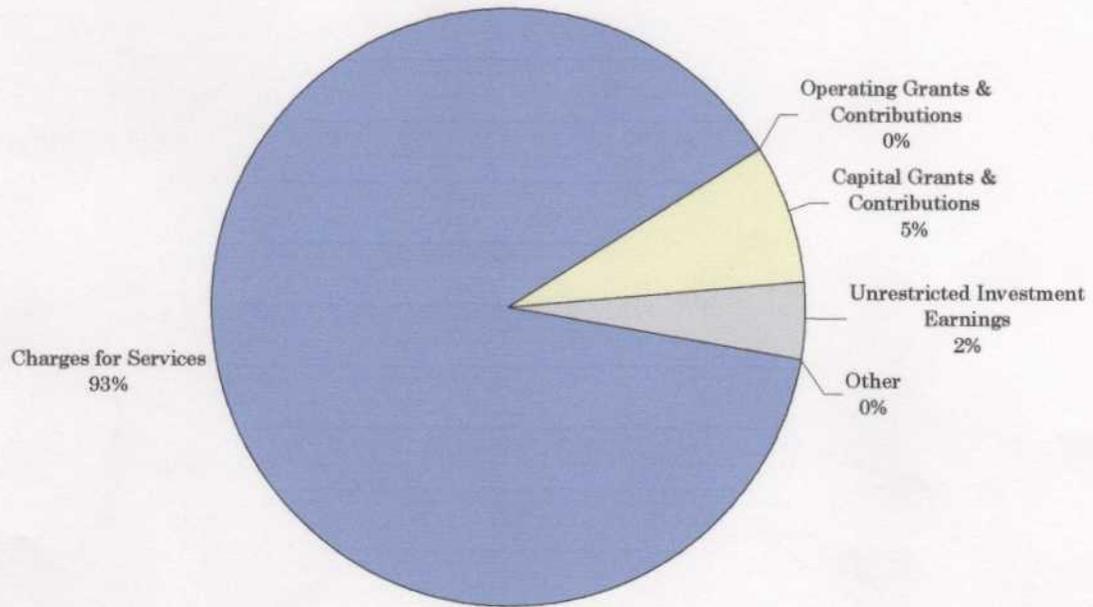
- Business-type funds reported total increases in expenses from the prior year of 5.63%. Approximately half of this increase is due to the water and water reclamation funds. Both funds had increases in maintenance expenditures (9.60% combined). The water fund also had an increase of 9.65% in personnel costs. This increase was primarily due to filling a division manager position that had been left vacant since the former division manager was promoted to department head. The position was left vacant due to funding issues related to the poor economy at the time. Due to workload and an improved economy, it was felt that funding was available and this position should be filled.

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

**Expenses and Program Revenues - Business-type  
 Activities  
 For Fiscal Year Ending June 30, 2006**



**Revenues by Source - Business-type Activities  
For Fiscal Year Ending June 30, 2006**



**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.

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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,208,831. Of this total amount, \$24,838,905 (88.05%) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining fund balance of \$3,369,926 is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service or for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,140,485 while total fund balance reached \$7,493,191. 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 16.08% (prior year was 18.28%) of total general fund expenditures, while total fund balance represents 19.62% (prior year was 20.48%) of that same amount.

The capital projects fund has a total fund balance of \$7,012,302, 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 \$285,233 represents a decrease of 3.91%.

The road bonds capital projects fund has a total fund balance of \$9,713,980, all of which is designated for the payment of road improvement projects. Although the fund received \$5,515,000 in the current fiscal year from the issuance of general obligation bonds being issued for road improvement projects, expenditures from last year's bond issuance offset most of this increase.

*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 \$3,394,161. Total net assets increased by \$1,277,613 (5.56%) during the current fiscal year. Operating revenues increased by \$786,019 (12.75%). Water revenues increased as water conservation efforts by the citizens of Orem tended to decrease as improved water availability projections affected perceptions and subsequently, usage returned to historical levels. Operating expenses increased by \$370,189 (5.59%) in comparison with the prior year. Expenses associated with maintenance of the water system and personnel costs represent the majority of the increase in expenses from the prior year.

Unrestricted net assets of the water reclamation fund at the end of the year amounted to \$2,025,292. Total net assets increased by \$512,448 (3.27%) during the current fiscal year. Operating revenues increased by \$976,555 (20.24%) because water consumption is up from the previous year. The water reclamation fund computes the amount to bill the user based upon the amount of water the user consumes. Therefore, revenues for the water reclamation fund will follow that of the water fund. In response to the

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revenue decreases sustained in prior years and in order to maintain current services, the City Council enacted a rate increase for fiscal year 2006. Operating expenses increased by \$154,822 (2.69%) in comparison with the prior year. Expenses associated with maintenance of the sewer system and personnel costs are the majority of the increase in expenses from the prior year.

Unrestricted net assets of the storm sewer fund at the end of the year amounted to \$2,424,477. Total net assets increased by \$679,773 (7.56%) during the current fiscal year. Operating revenues increased by \$40,106 (1.62%). Operating expenses increased by \$102,877 (7.06%) in comparison with the prior year. Expenses associated with maintenance of the storm sewer system are the majority of the increase in expenses from the prior year.

### **General Fund Budgetary Highlights**

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total (including transfers) of \$40,960,763 to a final budget of \$48,284,806, an increase of \$7,324,043. These increases to the budget can be briefly summarized as follows:

- An increase of \$135,336 in general government activities, primarily in the executive department related to health care expenditures.
- An increase of \$840,812 in the police and fire departments due to various public safety grants received during the year.
- An increase of \$602,507 for highways and public improvements. The City had a need to fund various miscellaneous projects.
- An increase of \$360,388 for parks and recreation.
- An increase of \$4,150,000 in transfers out to provide for critical current and future capital improvement needs such as various road improvement projects.

### **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, 2006, amounts to \$203,748,103 (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 \$464,980.
- Work on the new Public Works building, public library remodel, and fire station #1 remodel added approximately \$4,265,000 to construction in process.

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- The missing sidewalks project added approximately \$1,950,000 to construction in process.
- Various road projects completed or added to construction in process were approximately \$3,800,000.
- Work on a new 20 million gallon water tank added \$3,432,000 to construction in process for the year.
- Work on two new detention ponds/parks totaled approximately \$1,050,000.
- Remodel work on the Orem Fitness Center added approximately \$675,000 to construction in process.
- Various water, sewer, and storm sewer line improvements totaled approximately \$3,650,000.

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

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 58,711,795	\$ 58,702,000	\$ 891,439	\$ 891,439	\$ 59,603,234	\$ 59,593,439
Buildings and systems	10,498,645	10,634,388	2,987,304	3,020,161	13,485,949	13,654,549
Improvements other than buildings	16,044,627	13,676,641	1,156,949	1,418,363	17,201,576	15,095,004
Machinery and equipment	4,979,981	5,059,061	1,484,267	1,621,538	6,464,248	6,680,599
Infrastructure	47,722,862	48,067,567	37,774,051	35,611,816	85,496,913	83,679,383
Construction in progress	9,766,448	3,261,771	11,729,735	1,846,125	21,496,183	5,107,896
<b>Total net assets</b>	<b>\$ 147,724,358</b>	<b>\$ 139,401,428</b>	<b>\$ 56,023,745</b>	<b>\$ 44,409,442</b>	<b>\$ 203,748,103</b>	<b>\$ 183,810,870</b>

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

**Long-term debt.** At the end on the current year, the City had total bonded debt outstanding of \$64,483,757. Of this amount, \$21,995,000 comprises debt backed by the full faith and credit of the government and \$42,488,757 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	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 21,995,000	\$ 17,225,000	-	-	\$ 21,995,000	\$ 17,225,000
Revenue bonds	23,175,000	26,612,000	\$ 19,313,757	\$ 19,488,000	42,488,757	46,100,000
<b>Total bonds</b>	<b>\$ 45,170,000</b>	<b>\$ 43,837,000</b>	<b>\$ 19,313,757</b>	<b>\$ 19,488,000</b>	<b>\$ 64,483,757</b>	<b>\$ 63,325,000</b>

The City's total bonded debt increased by \$1,158,757 (1.83%) during the current fiscal year. During the year, \$5,515,000 in General Obligation Road Improvement Bonds were issued.

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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 \$197,608,390, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allow for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer, or electrical projects is \$395,216,780, which again significantly exceeds the outstanding business-type activity debt.

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

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Orem at June 30, 2006 was 3.1%. This compares with a Utah County (of which Orem is the second largest city) unemployment rate of 3.1%, a state unemployment rate of 3.3% and a national rate of 4.6%. This compares with previous year's rates of 4.7%, 4.7%, 4.9%, and 5.0% respectively. (Source: U.S. Bureau of Labor Statistics).
- The General Fund budget for the fiscal year ending June 30, 2007 reflects a decrease of 5.57% in revenues, excluding appropriations of surplus, compared to the final fiscal year ending June 30, 2006. This decrease in revenues is due primarily to decreases in grants and special assessments. Budgeted expenditures increased by 5.25% over the final fiscal year ending June 30, 2006 expenditures.
- Economic trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2007 fiscal year.

### **Request For Information**

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

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City of Orem  
Statement of Net Assets  
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	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit CEDO
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 16,166,100	\$ 8,195,449	\$ 24,361,549	\$ 242,979
Receivables (Net of Allowance for Uncollectibles)	81,950	1,499,719	1,581,669	-
Property Taxes Receivable	4,200,000	-	4,200,000	-
Other Taxes Receivable	4,680,291	-	4,680,291	-
Special Assessments Receivable	4,985,589	-	4,985,589	-
Internal Balances	320,918	(320,918)	-	-
Inventory	371,038	-	371,038	-
Notes Receivable	604,052	-	604,052	815,883
Prepaid Expenses	35,564	-	35,564	-
Deferred Charges	628,307	310,113	938,420	-
Restricted Assets:				
Cash and Cash Equivalents:				
Debt Service	551,720	-	551,720	-
Capital Improvement Projects	13,882,373	11,653,472	25,535,845	-
Intergovernmental Receivable	392,809	-	392,809	-
Capital Assets:				
Non-depreciable Capital Assets	68,478,243	12,621,174	81,099,417	15,000
Depreciable Capital Assets (net)	79,246,115	43,402,571	122,648,686	118,390
Total Assets	<u>194,625,069</u>	<u>77,361,580</u>	<u>271,986,649</u>	<u>1,192,252</u>
<b>LIABILITIES</b>				
Accounts Payable	1,287,782	3,519,710	4,807,492	-
Customer Deposits	2,162,201	7,961	2,170,162	-
Accrued Liabilities	1,689,273	196,189	1,885,462	5,118
Unearned Revenue	1,046,504	371,574	1,418,078	815,883
Accrued Interest Payable	404,870	386,926	791,796	-
Liabilities Payable from Restricted Assets	275,631	-	275,631	-
Noncurrent Liabilities:				
Due within One Year	4,287,147	968,538	5,255,685	-
Due in more than One Year	46,272,040	19,317,586	65,589,626	-
Total Liabilities	<u>57,425,448</u>	<u>24,768,484</u>	<u>82,193,932</u>	<u>821,001</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of				
Related Debt	106,186,394	44,153,834	150,340,228	133,390
Restricted for:				
Debt Service	550,866	-	550,866	-
Construction	1,591,103	190,283	1,781,386	-
Other Purposes	35,564	-	35,564	-
Unrestricted	28,835,694	8,248,979	37,084,673	237,861
Total Net Assets	<u>\$ 137,199,621</u>	<u>\$ 52,593,096</u>	<u>\$ 189,792,717</u>	<u>\$ 371,251</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, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 12,100,627	\$ 10,282,461	\$ 57,133	\$ -
Public Safety	16,234,941	2,765,785	493,400	27,818
Highways and Public Improvements	6,485,972	-	-	2,490,783
Parks and Recreation	6,866,860	19,717	-	-
Economic and Physical Development	3,430,829	289,476	1,046,570	1,650,183
Redevelopment	846,212	-	-	-
Interest on Long-term Debt	2,083,152	-	-	-
Total Governmental Activities	48,048,594	13,357,439	1,597,103	4,168,784
Business-type Activities:				
Water	7,503,542	6,952,156	-	995,440
Water Reclamation	5,975,572	5,800,558	-	768,000
Storm Sewer	1,814,312	2,510,331	-	-
Recreation	1,989,045	1,648,619	-	-
Solid Waste	2,774,492	2,900,873	-	-
Street Lighting	1,131,094	672,033	-	-
Total Business-type Activities	21,188,057	20,484,570	-	1,763,440
Total Primary Government	\$ 69,236,651	\$ 33,842,009	\$ 1,597,103	\$ 5,932,224
<b>Component Unit:</b>				
CEDO	\$ 188,465	-	\$ 155,000	-
Total Component Unit	\$ 188,465	-	\$ 155,000	-

General Revenues:  
Property Taxes  
Sales Taxes  
Franchise Taxes  
Vehicle Taxes  
Other Taxes  
Grants and Contributions not restricted to specific programs  
Unrestricted Investment Earnings  
Gain (Loss) on Sale of Capital Assets  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Total Net Assets - Beginning  
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
\$ (1,761,033)	\$ -	\$ (1,761,033)	\$ -
(12,947,938)	-	(12,947,938)	-
(3,995,189)	-	(3,995,189)	-
(6,847,143)	-	(6,847,143)	-
(444,600)	-	(444,600)	-
(846,212)	-	(846,212)	-
(2,083,152)	-	(2,083,152)	-
<u>(28,925,268)</u>	<u>-</u>	<u>(28,925,268)</u>	<u>-</u>
-	444,054	444,054	-
-	592,986	592,986	-
-	696,019	696,019	-
-	(340,426)	(340,426)	-
-	126,381	126,381	-
-	(459,061)	(459,061)	-
-	1,059,953	1,059,953	-
<u>\$ (28,925,268)</u>	<u>\$ 1,059,953</u>	<u>\$ (27,865,315)</u>	<u>-</u>
-	-	-	\$ (33,465)
-	-	-	\$ (33,465)
8,741,450	-	8,741,450	-
18,008,143	-	18,008,143	-
6,888,934	-	6,888,934	-
831,359	-	831,359	-
248,554	-	248,554	-
-	-	-	44,363
1,424,846	968,197	2,393,043	5,085
774,740	-	774,740	-
(751,899)	751,899	-	-
<u>36,166,127</u>	<u>1,720,096</u>	<u>37,886,223</u>	<u>49,448</u>
7,240,859	2,780,049	10,020,908	15,983
129,958,762	49,813,047	179,771,809	355,268
<u>\$ 137,199,621</u>	<u>\$ 52,593,096</u>	<u>\$ 189,792,717</u>	<u>\$ 371,251</u>

City of Orem  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Capital Projects	Road Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 4,902,023	\$ 7,077,052	\$ 1,749	\$ 2,083,425	\$ 14,064,249
Receivables (Net of Allowance for Uncollectibles)	81,950	-	-	-	81,950
Property Taxes Receivable	4,200,000	-	-	-	4,200,000
Other Taxes Receivable	4,322,336	-	-	357,955	4,680,291
Special Assessments Receivable	4,985,589	-	-	-	4,985,589
Due from Other Funds	1,402,373	-	-	-	1,402,373
Intergovernmental Receivable	-	369,705	23,104	-	392,809
Notes Receivable	-	-	-	604,052	604,052
Prepays	30,351	-	-	-	30,351
Restricted Cash and Cash Equivalents:					
Debt Service	-	-	-	551,720	551,720
Capital Improvement Projects	1,080,924	-	11,328,996	1,472,453	13,882,373
<b>Total Assets</b>	<b>\$ 21,005,546</b>	<b>\$ 7,446,757</b>	<b>\$ 11,353,849</b>	<b>\$ 5,069,605</b>	<b>\$ 44,875,757</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Current Liabilities:					
Accounts Payable	232,939	434,455	565,367	11,416	1,244,177
Customer Deposits	2,162,201	-	-	-	2,162,201
Accrued Liabilities	1,655,997	-	-	15,374	1,671,371
Due to Other Funds	-	-	1,074,502	6,953	1,081,455
Deferred Revenue	9,185,587	-	-	1,046,504	10,232,091
Liabilities Payable from Restricted Assets	275,631	-	-	-	275,631
<b>Total Liabilities</b>	<b>13,512,355</b>	<b>434,455</b>	<b>1,639,869</b>	<b>1,080,247</b>	<b>16,666,926</b>

	General	Capital Projects	Road Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Reserved for:					
Class "C" Road	1,322,355	-	-	-	1,322,355
Debt Service and Capital Improvements	-	-	-	2,017,220	2,017,220
Prepays	30,351	-	-	-	30,351
Unreserved, reported in:					
General Fund	6,140,485	-	-	-	6,140,485
Capital Projects Funds	-	7,012,302	9,713,980	-	16,726,282
Debt Service Funds	-	-	-	604,104	604,104
Special Revenue Funds	-	-	-	1,368,034	1,368,034
Total Fund Balances	<u>7,493,191</u>	<u>7,012,302</u>	<u>9,713,980</u>	<u>3,989,358</u>	<u>28,208,831</u>
Total Liabilities and Fund Balances	<u>\$ 21,005,546</u>	<u>\$ 7,446,757</u>	<u>\$ 11,353,849</u>	<u>\$ 5,069,605</u>	

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

Capital assets used in governmental funds are not financial resources.	147,724,358
Other long-term assets are not available to pay for current-period expenditures.	628,307
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	9,185,587
Internal service funds are used by management to charge the cost of fleet management, warehousing and self-insurance costs. The current assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	2,365,678
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period.	(50,508,490)
Interest payable on long-term obligations does not require current financial resources and is not reported in the governmental funds.	(404,650)
Net assets of governmental activities	<u>\$ 137,199,621</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, 2006

	General	Capital Projects	Road Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes and Special Assessments	\$ 30,182,901	\$ -	\$ -	\$ 4,852,813	\$ 35,035,714
Licenses and Permits	1,880,567	-	-	-	1,880,567
Intergovernmental	3,063,610	-	-	1,046,570	4,110,180
Charges for Services	3,576,073	-	-	289,476	3,865,549
Fines and Forfeitures	534,071	-	-	-	534,071
Charges for Services - Other Funds	3,681,670	-	-	-	3,681,670
Interest Income	777,125	-	388,549	104,712	1,270,386
Miscellaneous Revenue	1,437,814	895,404	-	2,279	2,335,497
Total Revenues	<u>45,133,831</u>	<u>895,404</u>	<u>388,549</u>	<u>6,295,850</u>	<u>52,713,634</u>
<b>EXPENDITURES</b>					
Current:					
General Government	10,133,159	-	-	-	10,133,159
Public Safety	15,534,673	-	-	-	15,534,673
Highways and Public Improvements	4,223,289	-	-	-	4,223,289
Parks, Recreation and Arts	5,284,814	-	-	9,596	5,294,410
Economic and Physical Development	71,753	1,578,430	-	1,704,201	3,354,384
Redevelopment	-	-	-	594,165	594,165
Debt Service:					
Principal Retirement	1,235,000	-	-	3,084,780	4,319,780
Interest and Fiscal Charges	-	-	-	2,120,090	2,120,090
Bond Issuance Costs	-	-	106,684	-	106,684
Capital Lease Payments - Principal	112,590	-	-	-	112,590
Capital Lease Payments - Interest	18,327	-	-	-	18,327
Capital Outlay	1,575,332	5,355,826	5,263,396	777,425	12,971,979
Total Expenditures	<u>38,188,937</u>	<u>6,934,256</u>	<u>5,370,080</u>	<u>8,290,257</u>	<u>58,783,530</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6,944,894</u>	<u>(6,038,852)</u>	<u>(4,981,531)</u>	<u>(1,994,407)</u>	<u>(6,069,896)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Bonds	-	-	5,515,000	-	5,515,000
Issuance of Notes Payable	71,753	1,578,430	-	1,319,930	2,970,113
Bond Issuance Premium	-	-	138,450	-	138,450
Transfers In	1,418,249	4,483,906	-	3,115,915	9,018,070
Transfers Out	<u>(8,247,314)</u>	<u>(308,717)</u>	<u>-</u>	<u>(1,213,113)</u>	<u>(9,769,144)</u>
Total Other Financing Sources and Uses	<u>(6,757,312)</u>	<u>5,753,619</u>	<u>5,653,450</u>	<u>3,222,732</u>	<u>7,872,489</u>
Net Change in Fund Balances	187,582	(285,233)	671,919	1,228,325	1,802,593
Fund Balance - Beginning	7,305,609	7,297,535	9,042,061	2,761,033	26,406,238
Fund Balance - Ending	<u>\$ 7,493,191</u>	<u>\$ 7,012,302</u>	<u>\$ 9,713,980</u>	<u>\$ 3,989,358</u>	<u>\$ 28,208,831</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, 2006**

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

Net Change in Fund Balances - Total Governmental Funds	\$	1,802,593
<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	\$	12,971,979
Depreciation Expense	(4,815,835)	8,156,144
<hr style="width: 100%;"/>		
<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	\$	(8,670,990)
Principal Payments recorded as a reduction of the long-term liability	4,432,370	(4,238,620)
<hr style="width: 100%;"/>		
<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	\$	106,684
Bond Issuance Costs Capitalized - Refundings		-
Bond (Premiums) Discounts	(138,450)	
Amortization of Bond Issuance Costs	(33,302)	
Amortization of Bond Issuance Costs - Refundings	(15,524)	
Amortization of Bond Premiums (Discounts)	12,029	(68,564)
<hr style="width: 100%;"/>		
<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	\$	(3,294)
Interest Expense	43,457	40,163
<hr style="width: 100%;"/>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,458,134
<p>Internal service funds are used by management to charge the costs of fleet management and self-insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		91,009
Change in Net Assets of Governmental Activities	\$	<u>7,240,859</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Special Assessments	\$ 26,785,000	\$ 28,035,000	\$ 30,182,901	\$ 2,147,901
Licenses and Permits	1,260,200	1,660,200	1,880,567	220,367
Intergovernmental	2,696,426	2,914,090	3,063,610	149,520
Charges for Services	3,218,448	3,379,963	3,576,073	196,110
Fines and Forfeitures	522,000	522,000	534,071	12,071
Charges for Services - Other Funds	3,681,670	3,681,670	3,681,670	-
Interest Revenues	356,676	356,676	777,125	420,449
Miscellaneous Revenues	1,080,442	1,164,687	1,437,814	273,127
Total Revenues	39,600,862	41,714,286	45,133,831	3,419,545
<b>EXPENDITURES</b>				
General Government:				
Legislative	232,745	228,759	224,238	4,521
Executive	3,532,966	3,394,747	3,188,065	206,682
Personnel Administration	354,855	364,632	343,205	21,427
Administrative Services	2,894,740	3,027,802	2,632,694	395,108
Development Services	2,740,234	2,863,006	2,807,964	55,042
Other - Unclassified	1,289,650	1,301,580	1,260,388	41,192
Total General Government	11,045,190	11,180,526	10,456,554	723,972
Public Safety:				
Administration	779,062	880,090	744,158	135,932
Police	10,312,488	11,064,025	10,378,665	685,360
Fire	5,169,697	5,157,944	4,961,877	196,067
Total Public Safety	16,261,247	17,102,059	16,084,700	1,017,359
Highways and Public Improvements:				
Administration	1,106,537	1,160,910	1,119,501	41,409
Engineering	4,189,409	4,737,543	3,692,022	1,045,521
Total Highways and Public Improvements	5,295,946	5,898,453	4,811,523	1,086,930
Parks and Recreation	5,474,769	5,835,157	5,398,490	436,667
Economic and Physical Development	71,753	71,753	71,753	-
Debt Service:				
Principal Retirement	-	1,235,000	1,235,000	-
Capital Lease Payments - Principal	112,590	112,590	112,590	-
Capital Lease Payments - Interest	18,327	18,327	18,327	-
Total Debt Service	130,917	1,365,917	1,365,917	-
Total Expenditures	38,279,822	41,453,865	38,188,937	3,264,928
Excess of Revenues over Expenditures	1,321,040	260,421	6,944,894	6,684,473
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	71,753	71,753	71,753	-
Transfers In	1,418,249	1,418,249	1,418,249	-
Transfers Out	(4,099,190)	(8,249,190)	(8,247,314)	1,876
Total Other Financing Sources and Uses	(2,609,188)	(6,759,188)	(6,757,312)	1,876
Net Change in Fund Balance	(1,288,148)	(6,498,767)	187,582	6,686,349
Fund Balance - Beginning	7,305,609	7,305,609	7,305,609	-
Fund Balance - Ending	\$ 6,017,461	\$ 806,842	\$ 7,493,191	\$ 6,686,349

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

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City of Orem  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	Water Fund		Business-type Water Reclamation Fund	
	Current Year	Prior Year	Current Year	Prior Year
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,254,430	\$ 2,806,098	\$ 1,862,260	\$ 2,183,626
Accounts Receivable (Net of Allowance for Doubtful Accounts)	591,503	330,611	417,233	320,125
Inventories	-	-	-	-
Prepays	-	-	-	-
Restricted Cash:				
Capital Improvement Projects	8,815,044	12,033,885	-	-
Total Current Assets	11,660,977	15,170,594	2,279,493	2,503,751
Noncurrent Assets:				
Deferred Charges	208,958	222,499	-	-
Capital Assets:				
Land	-	-	557,654	557,654
Buildings and Systems	1,028,498	1,028,498	3,382,378	3,382,378
Improvements other than Buildings	204,273	204,273	568,858	568,858
Machinery and Equipment	2,096,911	2,054,036	4,137,980	3,946,187
Infrastructure	38,238,604	36,645,172	34,326,717	32,239,839
Construction in Progress	7,344,565	977,729	148,864	488,023
Less Accumulated Depreciation	(21,703,950)	(20,459,428)	(27,111,951)	(25,621,423)
Total Capital Assets (Net of Accumulated Depreciation)	27,208,901	20,450,280	16,010,500	15,561,516
Total Noncurrent Assets	27,417,859	20,672,779	16,010,500	15,561,516
Total Assets	39,078,836	35,843,373	18,289,993	18,065,267
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	2,291,032	412,999	125,122	250,783
Customer Deposits	7,961	8,334	-	-
Accrued Liabilities	47,176	66,225	59,475	41,013
Due to Other Funds	-	-	-	-
Accrued Vacation and Sick Leave	66,559	59,779	38,000	41,498
Unearned Revenue	41,060	10,413	-	-
Accrued Interest Payable	241,019	174,014	27,329	29,867
Bond Premium - Deferred Revenue	25,182	25,182	-	-
Capital Leases Payable - Current Portion	7,680	-	-	-
Bonds Payable - Current Portion	368,500	-	181,000	174,000
Total Current Liabilities	3,096,169	756,946	430,926	537,161
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	3,503	8,168	4,275	4,519
Bond Premium - Deferred Revenue (net)	456,414	481,596	-	-
Capital Leases Payable - Long-term Portion	16,974	-	-	-
Bonds Payable - Long-term Portion	11,242,450	11,610,950	1,692,757	1,874,000
Total Noncurrent Liabilities	11,719,341	12,100,714	1,697,032	1,878,519
Total Liabilities	14,815,510	12,857,660	2,127,958	2,415,680
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	20,869,165	20,450,280	14,136,743	13,513,516
Restricted for Capital Improvements	-	422,935	-	-
Unrestricted	3,394,161	2,112,498	2,025,292	2,136,071
Total Net Assets	\$ 24,263,326	\$ 22,985,713	\$ 16,162,035	\$ 15,649,587

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

Activities - Enterprise Funds					Governmental
Storm Sewer	Storm Sewer	Other	Other	Total	Activities
Fund	Fund	Enterprise	Enterprise		Internal
Current Year	Prior Year	Funds	Funds	Current Year	Service Funds
		Current Year	Prior Year		Current Year
\$ 2,922,755	\$ 2,112,074	\$ 1,156,004	\$ 991,368	\$ 8,195,449	\$ 2,101,851
175,621	162,865	315,362	276,211	1,499,719	-
-	-	-	-	-	371,038
-	-	-	-	-	5,213
2,648,145	5,980,594	190,283	871,958	11,653,472	-
5,746,521	8,255,533	1,661,649	2,139,537	21,348,640	2,478,102
101,155	106,444	-	-	310,113	-
293,963	293,963	39,822	39,822	891,439	-
42,553	42,553	4,121,630	4,121,630	8,575,059	14,321
816,867	816,867	624,911	546,011	2,214,909	39,283
970,822	942,646	266,483	270,385	7,472,196	285,093
6,979,584	6,126,629	588,872	548,490	80,133,777	-
3,517,038	347,000	719,268	33,373	11,729,735	150,000
(1,716,185)	(1,366,544)	(4,461,284)	(4,365,179)	(54,993,370)	(302,223)
10,904,642	7,203,114	1,899,702	1,194,532	56,023,745	186,474
11,005,797	7,309,558	1,899,702	1,194,532	56,333,858	186,474
16,752,318	15,565,091	3,561,351	3,334,069	77,682,498	2,664,576
826,280	371,456	277,276	252,973	3,519,710	43,605
-	-	-	-	7,961	-
14,383	11,286	75,155	61,379	196,189	17,902
-	-	320,918	458,454	320,918	-
19,312	18,187	59,332	47,950	183,203	45,211
-	-	330,514	325,971	371,574	-
118,578	85,709	-	-	386,926	220
12,696	12,696	-	-	37,878	-
8,777	-	-	-	16,457	5,486
181,500	-	-	-	731,000	-
1,181,526	499,334	1,063,195	1,146,727	5,771,816	112,424
1,017	957	3,122	2,523	11,917	96,760
230,125	242,822	-	-	686,539	-
19,399	-	-	-	36,373	12,124
5,647,550	5,829,050	-	-	18,582,757	-
5,898,091	6,072,829	3,122	2,523	19,317,586	108,884
7,079,617	6,572,163	1,066,317	1,149,250	25,089,402	221,308
7,248,224	7,203,114	1,899,702	1,194,532	44,153,834	168,864
-	151,544	190,283	871,958	190,283	-
2,424,477	1,638,270	405,049	118,329	8,248,979	2,274,404
\$ 9,672,701	\$ 8,992,928	\$ 2,495,034	\$ 2,184,819	\$ 52,593,096	\$ 2,443,268

City of Orem  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For The Year Ended June 30, 2006

	Business-type Activities -			
	Water Fund	Water Fund	Water Reclamation Fund	Water Reclamation Fund
	Current Year	Prior Year	Current Year	Prior Year
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 6,637,503	\$ 6,006,421	\$ 5,341,595	\$ 4,481,980
Other Revenues	314,653	159,716	458,963	342,023
Total Revenues	<u>6,952,156</u>	<u>6,166,137</u>	<u>5,800,558</u>	<u>4,824,003</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,601,466	1,460,530	1,742,364	1,716,877
Supplies and Maintenance	1,804,559	1,661,029	579,579	514,319
Administrative Fee	873,965	819,450	736,830	728,260
Utilities	461,206	427,561	454,539	433,416
Contract Services	676,768	717,507	718,029	719,769
Equipment Lease and Rentals	18,769	4,031	1,419	4,203
Insurance	74,701	81,701	42,386	47,797
Charges in Lieu of Property Tax	90,000	89,000	90,000	89,000
Bad Debt	85,756	117,888	-	-
Depreciation	1,244,523	1,229,637	1,490,528	1,487,439
Miscellaneous	62,101	15,291	50,761	10,533
Total Operating Expenses	<u>6,993,814</u>	<u>6,623,625</u>	<u>5,906,435</u>	<u>5,751,613</u>
Operating Income (Loss)	<u>(41,658)</u>	<u>(457,488)</u>	<u>(105,877)</u>	<u>(927,610)</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Interest Revenue	817,139	199,380	44,407	41,844
Gain on Sales of Capital Assets	-	-	-	31,500
Donations / Grants	-	117,100	-	-
Deferred Charges	(13,540)	(14,931)	-	-
Interest Expense	(496,188)	(165,620)	(69,137)	(75,131)
Total Nonoperating Revenues	<u>307,411</u>	<u>135,929</u>	<u>(24,730)</u>	<u>(1,787)</u>
Income (Loss) before Transfers and Contributions	265,753	(321,559)	(130,607)	(929,397)
Contributions from Developers	995,440	639,660	768,000	365,760
Transfers In	85,170	106,501	-	59,372
Transfers Out	(68,750)	(66,625)	(124,945)	(106,650)
Change in Net Assets	<u>1,277,613</u>	<u>357,977</u>	<u>512,448</u>	<u>(610,915)</u>
Total Net Assets - Beginning	<u>22,985,713</u>	<u>22,627,736</u>	<u>15,649,587</u>	<u>16,260,502</u>
Total Net Assets - Ending	<u>\$ 24,263,326</u>	<u>\$ 22,985,713</u>	<u>\$ 16,162,035</u>	<u>\$ 15,649,587</u>

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

Enterprise Funds					Governmental
Storm Sewer	Storm Sewer	Other	Other	Total	Activities
Fund	Fund	Enterprise	Enterprise		Internal
Current Year	Prior Year	Funds	Funds	Current Year	Service Funds
		Current Year	Prior Year		Current Year
\$ 2,504,281	\$ 2,476,588	\$ 5,219,502	\$ 5,242,718	\$ 19,702,881	\$ 1,925,834
6,050	(6,363)	2,023	484	781,689	-
<u>2,510,331</u>	<u>2,470,225</u>	<u>5,221,525</u>	<u>5,243,202</u>	<u>20,484,570</u>	<u>1,925,834</u>
452,425	444,149	1,438,406	1,416,728	5,234,661	625,947
264,943	171,610	203,796	232,856	2,852,877	1,237,569
272,569	273,559	320,444	319,691	2,203,808	-
1,105	1,285	475,510	385,661	1,392,360	-
161,106	193,822	2,586,257	2,532,832	4,142,160	-
11,450	7,146	725,935	722,635	757,573	-
18,536	17,405	18,165	17,057	153,788	-
-	-	-	-	180,000	-
-	-	-	-	85,756	-
349,641	327,510	100,006	213,059	3,184,698	5,022
27,668	20,080	26,112	47,978	166,642	-
<u>1,559,443</u>	<u>1,456,566</u>	<u>5,894,631</u>	<u>5,888,497</u>	<u>20,354,323</u>	<u>1,868,538</u>
<u>950,888</u>	<u>1,013,659</u>	<u>(673,106)</u>	<u>(645,295)</u>	<u>130,247</u>	<u>57,296</u>
42,587	35,157	64,064	36,201	968,197	34,759
-	-	-	-	-	-
-	-	-	-	-	-
(5,289)	(1,763)	-	-	(18,829)	-
(249,580)	(81,477)	-	-	(814,905)	(221)
<u>(212,282)</u>	<u>(48,083)</u>	<u>64,064</u>	<u>36,201</u>	<u>134,463</u>	<u>34,538</u>
738,606	965,576	(609,042)	(609,094)	264,710	91,834
-	650	-	-	1,763,440	-
-	52,662	947,710	942,017	1,032,880	-
(58,833)	(57,384)	(28,453)	(317,125)	(280,981)	(825)
<u>679,773</u>	<u>961,504</u>	<u>310,215</u>	<u>15,798</u>	<u>2,780,049</u>	<u>91,009</u>
<u>8,992,928</u>	<u>8,031,424</u>	<u>2,184,819</u>	<u>2,169,021</u>	<u>49,813,047</u>	<u>2,352,259</u>
<u>\$ 9,672,701</u>	<u>\$ 8,992,928</u>	<u>\$ 2,495,034</u>	<u>\$ 2,184,819</u>	<u>\$ 52,593,096</u>	<u>\$ 2,443,268</u>

**City of Orem**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2006**

	Business-type		
	Water Fund Current Year	Water Fund Prior Year	Water Reclamation Fund Current Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers and Users	\$ 6,637,503	\$ 6,006,421	\$ 5,341,595
Receipts from Interfund Services Provided	314,653	159,716	458,963
Payments to Suppliers	(1,645,494)	(2,761,418)	(2,141,020)
Payments to Employees	(1,599,351)	(1,458,346)	(1,746,106)
Payments for Interfund Services Used	(873,965)	(819,450)	(736,830)
Net Cash Provided (Used) by Operating Activities	<u>2,833,346</u>	<u>1,126,923</u>	<u>1,176,602</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Donations / Grants	-	117,100	-
Transfers In	85,170	106,501	-
Transfers Out	(68,750)	(66,625)	(124,945)
Net Cash Provided (Used) by Noncapital Activities	<u>16,420</u>	<u>156,976</u>	<u>(124,945)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(6,983,049)	(928,476)	(1,171,512)
Proceeds from Bonds Issued	-	12,126,122	-
Deferred Charges	-	(237,430)	-
Proceeds from Sales of Capital Assets	-	-	-
Principal paid on Outstanding Debt	-	-	(174,243)
Interest paid on Outstanding Debt	(454,365)	-	(71,675)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,437,414)</u>	<u>10,960,216</u>	<u>(1,417,430)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest Income	817,139	199,380	44,407
Net Cash Provided (Used) by Investing Activities	<u>817,139</u>	<u>199,380</u>	<u>44,407</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,770,509)	12,443,495	(321,366)
Cash and Cash Equivalents - Beginning of Year	14,839,983	2,396,488	2,183,626
Cash and Cash Equivalents - End of Year	<u>\$ 11,069,474</u>	<u>\$ 14,839,983</u>	<u>\$ 1,862,260</u>
<b>Reconciliation of Operating Income to Net Cash</b>			
<b>Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (41,658)	\$ (457,488)	\$ (105,877)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided</b>			
<b>(Used) by Operating Activities:</b>			
Depreciation Expense	\$ 1,244,523	\$ 1,229,637	\$ 1,490,528
(Increase) Decrease in Receivables	(260,892)	107,408	(97,108)
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	1,878,033	210,053	(125,661)
Increase (Decrease) in Customer Deposits	(373)	(559)	-
Increase (Decrease) in Accrued Liabilities	(19,049)	25,275	18,462
Increase (Decrease) in Unearned/Deferred Revenue	30,647	10,413	-
Increase (Decrease) in Accrued Vacation and Sick Leave	2,115	2,184	(3,742)
Total Adjustments	<u>2,875,004</u>	<u>1,584,411</u>	<u>1,282,479</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,833,346</u>	<u>\$ 1,126,923</u>	<u>\$ 1,176,602</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Contributions of Capital Assets from Developers	\$ 995,440	\$ 639,660	\$ 768,000

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
\$ 4,481,980	\$ 2,504,281	\$ 2,476,588	\$ 5,219,502	\$ 5,242,718	\$ 19,702,881	\$ -
342,023	6,050	(6,363)	2,023	484	781,689	1,925,834
(2,008,872)	(39,643)	(51,102)	(4,169,840)	(3,709,607)	(7,995,997)	(1,221,918)
(1,722,992)	(451,240)	(442,307)	(1,426,425)	(1,427,028)	(5,223,122)	(672,852)
(728,260)	(272,569)	(273,559)	(320,444)	(319,691)	(2,203,808)	-
363,879	1,746,879	1,703,257	(695,184)	(213,124)	5,061,643	31,064
-	-	-	-	-	-	-
59,372	-	52,662	947,710	942,017	1,032,880	-
(106,650)	(58,833)	(57,384)	(28,453)	(317,125)	(280,981)	(825)
(47,278)	(58,833)	(4,722)	919,257	624,892	751,899	(825)
(509,996)	(4,022,994)	(934,729)	(805,176)	(156,288)	(12,982,731)	(154,199)
-	-	6,088,801	-	-	-	-
-	-	(108,207)	-	-	-	-
31,500	-	-	-	-	-	-
(169,000)	-	-	-	-	(174,243)	-
(77,595)	(229,407)	-	-	-	(755,447)	-
(725,091)	(4,252,401)	5,045,865	(805,176)	(156,288)	(13,912,421)	(154,199)
41,844	42,587	35,157	64,064	36,201	968,197	34,759
41,844	42,587	35,157	64,064	36,201	968,197	34,759
(366,646)	(2,521,768)	6,779,557	(517,039)	291,681	(7,130,682)	(89,201)
2,550,272	8,092,668	1,313,111	1,863,326	1,571,645	26,979,603	2,191,052
\$ 2,183,626	\$ 5,570,900	\$ 8,092,668	\$ 1,346,287	\$ 1,863,326	\$ 19,848,921	\$ 2,101,851
(927,610)	950,888	1,013,659	(673,106)	(645,295)	130,247	57,296
\$ 1,487,439	\$ 349,641	\$ 327,510	\$ 100,006	\$ 213,059	3,184,698	\$ 5,022
16,152	(12,756)	(6,180)	(39,151)	(4,532)	(409,907)	-
-	-	-	-	-	-	(10,757)
209,209	454,824	367,258	24,303	(41,397)	2,231,499	29,092
-	-	-	-	-	(373)	-
(1,376)	3,097	(832)	(123,760)	104,102	(121,250)	2,529
(413,820)	-	-	4,543	171,239	35,190	-
(6,115)	1,185	1,842	11,981	(10,300)	11,539	(46,905)
1,291,489	795,991	689,598	(22,078)	432,171	4,931,396	(21,019)
\$ 363,879	\$ 1,746,879	\$ 1,703,257	\$ (695,184)	\$ (213,124)	\$ 5,061,643	\$ 36,277
\$ 365,760	\$ -	\$ 650	\$ -	\$ -	\$ 1,763,440	

City of Orem  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 Private Purpose Trusts  
 June 30, 2006

	Trust Fund Total
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 917,777
Total Assets	917,777
<b>LIABILITIES</b>	
Accounts Payable	6,887
Total Liabilities	6,887
<b>NET ASSETS</b>	
Held in Trust for Private Organizations	910,890
Total Net Assets	\$ 910,890

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

**City of Orem**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Private Purpose Trusts**  
**For The Year Ended June 30, 2006**

	Trust Fund Total
<b>ADDITIONS</b>	
Miscellaneous:	
Donations	\$ 215,972
Other	79,556
Total Additions	295,528
<b>DEDUCTIONS</b>	
Library Development	190,237
Senior Citizens	56,010
Total Deductions	246,247
Change in Net Assets	49,281
Net Assets - Beginning	861,609
Net Assets - Ending	\$ 910,890

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

**City of Orem**  
**Notes to the Financial Statements**  
**June 30, 2006**

**1. Summary of significant accounting policies**

**A. Reporting Entity**

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

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

The City of Orem was incorporated in 1919 and covers approximately 18.25 square miles. The City operates under a Council-Manager form of government. As required by GAAP, the City and its component units (entities for which the City is considered to be financially accountable) presents this Comprehensive Annual Financial Report. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component units discussed below are included as part of the City's reporting entity as blended component units.

The Redevelopment Agency of the City of Orem (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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

**A. Reporting Entity (continued)**

City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The MBA is included in these financial statements as the Municipal Building Authority Debt Service and Capital Projects Funds. Separate financial statements are not issued for the MBA.

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

**B. Government-wide and fund financial statements**

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

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

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

The City reports the following major governmental funds:

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

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

The *Road Bonds Capital Projects Fund* is used to account for the improvement, rehabilitation, or construction of new roads throughout the City.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *Water Reclamation Fund* accounts for the operation and maintenance of the City's sewer operations.

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

Additionally, the City reports the following fund types:

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

*Fiduciary Funds* are maintained for the activities of the following:

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

Each of these fiduciary funds are separate legal organizations, they approve and modify their own budgets without oversight from the City, they have their own governing board and appoint its members, and financial decisions are made by the governing body without approval from the City.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

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

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

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

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in the following (in compliance with the State of Utah's Money Management Act):

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

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

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

1. Cash and cash equivalents (continued)

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

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water, Water Reclamation, and Solid Waste funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2006 do not represent a material amount and, therefore, have not been accrued.

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

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

4. *Capital assets (continued)*

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

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

5. *Compensated absences*

For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. 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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

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

6. Long-term obligations (continued)

premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Restricted assets

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

8. Fund equity reserves

Fund balance

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

Restricted net assets

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

9. Contributions from developers

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

1. Summary of significant accounting policies (continued)

E. Estimates and assumptions

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

2. Reconciliation of government-wide and fund financial statements

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

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

Capital related items

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

Cost of Capital Assets	\$	214,387,315
Accumulated Depreciation		(66,662,957)
Total difference	\$	<u>147,724,358</u>

Long-term debt transactions

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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

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

Long-term liability balances at June 30, 2006 were as follows:

General obligation bonds	\$ 21,995,000
Sales tax revenue bonds	10,810,000
Municipal building authority bonds	9,170,000
Special improvement district bonds	3,195,000
Notes payable	3,597,449
Capital leases	243,896
Less: Internal Service Funds - Current Portion	(5,486)
Bond premiums deferred	314,218
Bond issuance costs deferred - refunding	(161,714)
Compensated absences	1,395,338
Less: Internal Service Funds - Current Portion	(45,211)
Total difference	<u>\$ 50,508,490</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balance - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One of these differences is explained here in greater detail.

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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

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

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (5,515,000)
Issuance of interim warrants	(1,650,183)
Section 108 HUD loan	(1,319,930)
Capital lease financing	(185,877)
Subtotal	<u>(8,670,990)</u>
Principal payments:	
Special improvement district bonds	1,540,000
Municipal building authority bonds	970,000
General obligation bonds	745,000
Sales tax revenue bonds	475,000
Excise tax revenue bonds	452,000
Notes payable	137,780
Capital leases	112,590
Subtotal	<u>4,432,370</u>
Net adjustment to increase <i>net changes in fund balance</i> - total governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (4,238,620)</u>

3. Stewardship, compliance and accountability

A. Budgetary Information

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

Between May 1<sup>st</sup> and June 22<sup>nd</sup>, the City Council reviews and adjusts the proposed budget. On or before June 22<sup>nd</sup>, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17<sup>th</sup>, 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, 2006

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 Debt Service Funds and Capital Projects Funds were legally adopted by the City and are prepared on the modified-accrual method of accounting. Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

Tax revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and delinquent after November 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup>.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds

A. Deposits and investments

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

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. As of June 30, 2006, \$2,115,801 of the City's bank balance of \$2,295,506 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at June 30, 2006 is \$1,417,228.

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, 2006

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, 2006 are presented below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$ 48,205,966	\$ 48,205,966	\$ -	\$ -	\$ -
U.S. Treasuries	825,920	825,920	-	-	-
Total Debt Securities	<u>\$ 49,031,886</u>	<u>\$ 49,031,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2006

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, 2006 are presented below:

Rated Debt Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
<u>Debt Securities</u>					
Utah Public Treasurer's					
Investment Fund	\$ 48,205,966	\$ -	\$ -	\$ -	\$ 48,205,966
U.S. Treasuries	825,920	-	-	-	825,920
Total Debt Securities	<u>\$ 49,031,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,031,886</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, 2006 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available in Note B. The investment in U.S. Treasuries represent amounts held in various bond trust funds.

Concentration of Credit Risk – Investments

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

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

Most of the City's investments at June 30, 2006 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available in Note B. The investment in U.S. Treasuries represent amounts held in various bond trust funds and represent 1.68% of total investments.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

B. External investment pool

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

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

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

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

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2006) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2006, the City had \$48,205,966 invested in the PTIF which had a fair value of \$48,190,540 for an unrealized loss of \$15,426. Due to the insignificance of this amount in relation to the funds affected by the unrealized loss, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

B. External investment pool (continued)

The table below shows statistical information about the investment pool:

Investment Type	Investment Percentage
Corporate bonds and notes	65.46%
Money market accounts and certificates of deposit	4.82%
U.S. government securities	29.72%
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, 2006, as summarized below, has been shown in the government-wide statement of net assets as follows:

Housing rehabilitation loans	\$ 604,052
Total	\$ 604,052

E. Receivables

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

E. Receivables (continued)

	<u>Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Total Receivables</u>
<b>General:</b>			
Property Taxes	\$ 4,200,000	\$ -	\$ 4,200,000
Other Taxes	4,322,336	-	4,322,336
Special Assessments	4,985,589	-	4,985,589
Accounts	81,950	-	81,950
Due from Other Funds	<u>1,402,373</u>	<u>-</u>	<u>1,402,373</u>
Subtotal - General	<u>14,992,248</u>	<u>-</u>	<u>14,992,248</u>
<b>Capital Projects:</b>			
Intergovernmental	369,705	-	369,705
<b>Road Bonds Capital Projects:</b>			
Intergovernmental	23,104	-	23,104
<b>Water:</b>			
Accounts	729,921	(138,418)	591,503
<b>Water Reclamation:</b>			
Accounts	417,233	-	417,233
<b>Storm Sewer:</b>			
Accounts	175,621	-	175,621
<b>Nonmajor Funds:</b>			
Other Taxes	357,955	-	357,955
Accounts	315,362	-	315,362
Notes Receivable	<u>604,052</u>	<u>-</u>	<u>604,052</u>
Subtotal - Nonmajor	<u>1,277,369</u>	<u>-</u>	<u>1,277,369</u>
<b>Totals</b>	<u>\$ 17,985,201</u>	<u>\$ (138,418)</u>	<u>\$ 17,846,783</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Property tax receivable (general fund)	\$ 4,200,000	\$ -
Grant money used in revolving loan programs (special revenue fund)	-	1,046,504
Special assessments not yet due (general fund)	<u>4,985,587</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 9,185,587</u>	<u>\$ 1,046,504</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

F. Capital assets

Governmental activities capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 58,702,000	\$ 9,795	\$ -	\$ 58,711,795
Construction in progress	3,261,771	11,520,810	(5,016,133)	9,766,448
Total capital assets, not being depreciated:	<u>61,963,771</u>	<u>11,530,605</u>	<u>(5,016,133)</u>	<u>68,478,243</u>
Capital assets, being depreciated:				
Buildings and systems	19,326,143	504,429	-	19,830,572
Improvements other than buildings	20,043,962	3,311,595	(2,306)	23,353,251
Machinery and equipment	19,551,435	1,108,455	(312,309)	20,347,581
Infrastructure	80,675,559	1,702,109	-	82,377,668
Total capital assets, being depreciated:	<u>139,597,099</u>	<u>6,626,588</u>	<u>(314,615)</u>	<u>145,909,072</u>
Less accumulated depreciation for:				
Buildings and systems	(8,691,755)	(640,172)	-	(9,331,927)
Improvements other than buildings	(6,367,321)	(943,185)	1,882	(7,308,624)
Machinery and equipment	(14,492,374)	(1,185,664)	310,438	(15,367,600)
Infrastructure	(32,607,992)	(2,046,814)	-	(34,654,806)
Total accumulated depreciation	<u>(62,159,442)</u>	<u>(4,815,835)</u>	<u>312,320</u>	<u>(66,662,957)</u>
Total capital assets, being depreciated, net	<u>77,437,657</u>	<u>1,810,753</u>	<u>(2,295)</u>	<u>79,246,115</u>
Governmental activities capital assets, net	<u>\$ 139,401,428</u>	<u>\$ 13,341,358</u>	<u>\$ (5,018,428)</u>	<u>\$ 147,724,358</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

Business-type activities capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 891,439	\$ -	\$ -	\$ 891,439
Construction in progress	1,846,125	10,222,769	(339,159)	11,729,735
Total capital assets, not being depreciated:	<u>2,737,564</u>	<u>10,222,769</u>	<u>(339,159)</u>	<u>12,621,174</u>
Capital assets, being depreciated:				
Buildings and systems	8,575,059	-	-	8,575,059
Improvements other than buildings	2,136,009	78,900	-	2,214,909
Machinery and equipment	7,213,254	262,844	(3,902)	7,472,196
Infrastructure	75,560,130	4,573,647	-	80,133,777
Total capital assets, being depreciated:	<u>93,484,452</u>	<u>4,915,391</u>	<u>(3,902)</u>	<u>98,395,941</u>
Less accumulated depreciation for:				
Buildings and systems	(5,554,898)	(202,708)	-	(5,757,606)
Improvements other than buildings	(888,511)	(170,467)	-	(1,058,978)
Machinery and equipment	(5,591,716)	(400,115)	3,902	(5,987,929)
Infrastructure	(39,777,449)	(2,411,408)	-	(42,188,857)
Total accumulated depreciation	<u>(51,812,574)</u>	<u>(3,184,698)</u>	<u>3,902</u>	<u>(54,993,370)</u>
Total capital assets, being depreciated, net	<u>41,671,878</u>	<u>1,730,693</u>	<u>-</u>	<u>43,402,571</u>
Business-type activities capital assets, net	<u>\$ 44,409,442</u>	<u>\$ 11,953,462</u>	<u>\$ (339,159)</u>	<u>\$ 56,023,745</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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	\$	139,462
Public Safety		734,515
Highway and Streets		2,273,288
Parks and Recreation		1,569,950
Redevelopment		17,153
Economic and Physical Development		76,445
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets		5,022
Total Depreciation Expense - Governmental Activities	\$	<u>4,815,835</u>
Business-type Activities:		
Water	\$	1,244,523
Water Reclamation		1,490,528
Storm Sewer		349,641
Recreation		81,563
Solid Waste		2,203
Street Lighting		16,240
Total Depreciation Expense - Business-type Activities	\$	<u>3,184,698</u>

Construction commitments

The City has active construction projects as of June 30, 2006. 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>
Park and recreation construction	\$ 3,863,909	\$ 199,612
Street construction and improvements	5,180,548	3,717,474
Public facility construction & improvements	4,014,848	5,408,660
Water systems improvements	6,268,227	8,018,549
Water reclamation improvements	27,636	498,327
Storm sewer improvements	2,843,228	1,623,629
Total	<u>\$ 22,198,396</u>	<u>\$ 19,466,251</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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, 2006, 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	(72,252)	(8,458)	-	(80,710)
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Total accumulated depreciation	(72,252)	(8,458)	-	(80,710)
Total capital assets, being depreciated, net	126,848	(8,458)	-	118,390
CEDO capital assets, net	\$ 141,848	\$ (8,458)	\$ -	\$ 133,390

G. Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2006 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, 2006

4. Detailed notes for all funds (continued)

G. Interfund receivable, payables and transfers (continued)

Due to/from other funds (continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road Bond - Capital Projects Fund	\$ 1,074,502
General	Nonmajor Governmental Funds	6,953
General	Nonmajor Enterprise Funds	320,918
Total		<u>\$ 1,402,373</u>

Interfund Transfers

Transfers between funds occur primarily to finance programs accounted for in one fund with resources collected in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2006 are as follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General	\$ 1,418,249	\$ 8,247,314
Capital projects fund	4,483,906	308,717
Water fund	85,170	68,750
Water reclamation fund	-	124,945
Storm sewer fund	-	58,833
Nonmajor governmental funds	3,115,915	1,213,113
Nonmajor enterprise funds	947,710	28,453
Internal service funds	-	825
	<u>\$ 10,050,950</u>	<u>\$ 10,050,950</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

H. Jointly governed organizations

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

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, 2006, the City paid premiums of approximately \$228,000 to URMMA.

Utah County Solid Waste Special Service District (UCSWSSD) - The City disposes of its solid waste through an agreement with UCSWSSD, which operated a solid waste transfer station. During the year ended June 30, 2006, the City paid solid waste tipping fees of approximately \$960,000 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, 2006, the City paid no fees to UTOPIA. See footnote 5.B. (Other information, contingent liabilities) for additional information.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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, 2006:

Year ending June 30,	Governmental Activities	Business-type Activities
2007	\$ 133,224	\$ 18,752
2008	68,282	18,752
2009	57,531	18,752
2010	4,793	1,563
Thereafter	-	-
Total minimum lease payments	<u>263,830</u>	<u>57,819</u>
Less: Amount representing interest	(19,934)	(4,990)
Present value of net minimum lease payments	<u>\$ 243,896</u>	<u>\$ 52,829</u>

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

	Governmental Activities	Business-type Activities
Cost of equipment	\$ 635,207	\$ 52,829
Accumulated Depreciation	(385,136)	(1,887)
Difference	<u>\$ 250,071</u>	<u>\$ 50,942</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

J. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. All general obligation bonds issued are for governmental activities. The original amount of general obligation bonds issued in prior years was \$18,150,000. During 2006, general obligation bonds totaling \$5,515,000 were issued.

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

General obligation bonds currently outstanding at June 30, 2006 are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
1997 Road Construction	5.25% to 5.40%	\$ 275,000
1998 Road Construction	5.25% to 5.40%	3,535,000
2004 Road Construction-Refunding	3.00% to 4.00%	3,940,000
2005 Road Construction	3.50% to 5.00%	8,730,000
2006 Road Construction	3.63% to 5.00%	5,515,000
Total		<u>\$ 21,995,000</u>

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

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 970,000	\$ 965,626	\$ 1,935,626
2008	1,065,000	873,408	1,938,408
2009	1,095,000	834,274	1,929,274
2010	1,150,000	793,053	1,943,053
2011	1,200,000	749,039	1,949,039
2012-2016	6,805,000	2,958,173	9,763,173
2017-2021	5,640,000	1,532,212	7,172,212
2022-2026	4,070,000	415,897	4,485,897
Totals	<u>\$ 21,995,000</u>	<u>\$ 9,121,682</u>	<u>\$ 31,116,682</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Prior year advance refundings

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

Revenue bonds

The City has the following revenue bonds outstanding at June 30, 2006:

Water Quality Revenue Bonds

In April of 1994, the City entered into an agreement to issue revenue bonds through the Utah State Department of Water Quality of up to \$3,500,000. As of June 30, 1997, the City had issued \$3,100,000 of such bonds. During the fiscal year ended June 30, 1998 the City issued the remaining \$400,000. The proceeds of the bonds were used to construct facilities at the Water Reclamation Plant. The terms of the bond contract require principal and interest payable annually on February 1 of each year commencing February 1, 1995 through February 2015. Payments on the bonds are paid from sewer charges to customers. 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 March 2018. The interest rate varies between 4.45% and 5.5%.

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

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%.

Sales Tax Revenue Bonds – Series 2002

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

Water and Storm Sewer Revenue Bonds – Series 2005 A

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Water and Storm Sewer Revenue Bonds – Series 2005 B

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

Revenue bonds currently outstanding at June 30, 2006 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Water and storm sewer	1.48%-5.25%	\$ 17,440,000
Recreation projects	3.00%-5.50%	10,810,000
Street lighting	4.45%-5.50%	6,230,000
Property improvement	5.00%	3,195,000
Bond refunding	2.50%-4.50%	2,940,000
Wastewater treatment	3.50%	1,873,757
Total		<u>\$ 42,488,757</u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 2,541,000	\$ 1,954,513	\$ 4,495,513
2008	2,607,000	1,854,421	4,461,421
2009	2,719,000	1,748,173	4,467,173
2010	2,835,000	1,636,935	4,471,935
2011	2,672,000	1,517,591	4,189,591
2012-2016	13,279,757	5,814,307	19,094,064
2017-2021	9,360,000	2,731,530	12,091,530
2022-2026	6,475,000	814,780	7,289,780
Totals	<u>\$ 42,488,757</u>	<u>\$ 18,072,250</u>	<u>\$ 60,561,007</u>

City of Orem  
Notes to the Financial Statements  
June 30, 2006

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Notes payable

Notes payable currently outstanding at June 30, 2006 are as follows:

<u>Purpose:</u>	<u>Interest Rates</u>	<u>Amount</u>
Land purchase - fire station	5.50%	\$ 175,523
Land purchase - park	6.00%	329,657
Land purchase - golf course	10.00%	122,156
Interim warrant - parking garage	Variable	1,650,183
HUD Section 108 loan - economic development	Variable	<u>1,319,930</u>
Total		<u><u>\$ 3,597,449</u></u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 189,022	\$ 104,887	\$ 293,909
2008	1,811,498	241,214	2,052,712
2009	122,696	83,452	206,148
2010	67,018	76,446	143,464
2011	68,068	72,772	140,840
2012-2016	378,493	304,494	682,987
2017-2021	505,721	181,351	687,072
2022-2026	454,933	50,401	505,334
Totals	<u><u>\$ 3,597,449</u></u>	<u><u>\$ 1,115,017</u></u>	<u><u>\$ 4,712,466</u></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, 2006 are as follows:

City of Orem  
Notes to the Financial Statements  
June 30, 2006

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
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 17,225,000	\$ 5,515,000	\$ (745,000)	\$ 21,995,000	\$ 970,000
Revenue bonds	26,612,000	-	(3,437,000)	23,175,000	1,760,000
Plus deferred amounts:					
For issuance premiums	187,797	138,450	(12,029)	314,218	16,742
Less deferred amounts:					
On refunding	(177,238)	-	15,524	(161,714)	(15,524)
Total bonds payable	43,847,559	5,653,450	(4,178,505)	45,322,504	2,731,218
Notes payable	765,119	2,970,113	(137,783)	3,597,449	189,022
Capital leases	152,999	203,487	(112,590)	243,896	120,864
Compensated absences	1,438,945	66,216	(109,823)	1,395,338	1,246,043
Governmental activities					
Long-term liabilities	\$ 46,204,622	\$ 8,893,266	\$ (4,538,701)	\$ 50,559,187	\$ 4,287,147
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 19,488,000	\$ -	\$ (174,243)	\$ 19,313,757	\$ 731,000
Plus deferred amounts:					
For issuance premiums	762,296	-	(37,878)	724,418	37,878
Total bonds payable	20,250,296	-	(212,121)	20,038,175	768,878
Capital leases	-	52,829	-	52,829	16,457
Compensated absences	183,580	16,966	(5,426)	195,120	183,203
Business-type activities					
Long-term liabilities	\$ 20,433,876	\$ 69,795	\$ (217,547)	\$ 20,286,124	\$ 968,538

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, 2006.

Of total compensated absences, \$94,954 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, 2006

5. Other information

A. Risk Management

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

All Funds of the City participate in the program and make payments to the Self-insurance Fund based on estimates of the amounts needed to pay prior and current year claims. Estimates of incurred but not reported claims, which are reported but not settled do not represent a material amount and, therefore, have not been accrued at year end. The activity in worker's compensation claims (all retained risk) for the years ended June 30, 2005 and 2006 is as follows:

Year ended June 30,	2005	2006
Claim liability, beginning of year	\$ -	\$ -
Claims incurred during the year	246,426	134,401
Changes in estimates of claims of prior periods	-	-
Payments on claims during the year	(246,426)	(134,401)
Other	-	-
Claim liability, end of year	<u>\$ -</u>	<u>\$ -</u>

B. Contingent Liabilities

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

5. Other information (continued)

B. Contingent Liabilities (continued)

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

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

C. Conduit debt obligations

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

As of June 30, 2006, there are four series of Industrial Revenue Bonds issued and outstanding. The aggregate principal amount payable could not be determined; however, their original issue amounts totaled \$10.315 million, comprising of the following issues:

City of Orem  
Notes to the Financial Statements  
June 30, 2006

5. Other information (continued)

C. Conduit debt obligations (continued)

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

D. Employee retirement systems and pension plans

Plan description

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

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

Funding policy

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Funding policy (continued)

In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Contributory Retirement System division members are required to contribute 10.50% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 12.47% of their annual covered salary. In the Public Safety Noncontributory Retirement System the City is required to contribute 22.32% of their annual covered salary. In the Firefighters Retirement System plan members are required to contribute 7.83% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is 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, 2006, 2005 and 2004, were equal to the required contributions for each year. The contribution amounts are as follows:

	Fiscal Year Ending June 30,		
	2006	2005	2004
Local governmental contributory retirement system	\$ 261,904	\$ 274,841	\$ 282,179
Governmental noncontributory retirement system	1,081,775	1,021,455	831,492
Public safety contributory retirement system	176,002	159,223	148,099
Public safety noncontributory retirement system	771,696	652,462	602,200
Firefighters retirement system	221,553	200,672	206,658

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, 2006 was \$22,230,156. The City's expense for this plan for the year ended June 30, 2006 was approximately \$1,242,000 or 5.6% of the total participants' salary.

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

401(k) defined contribution plan (continued)

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

457 deferred compensation plan

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

All elected officials and permanent employees may also elect to participate in the City's deferred compensation plan and all temporary employees are required to participate in a deferred compensation plan. Under this plan, participants defer a percentage of their compensation up to 7.5% for executive management personnel and up to 5.5% for all other employees (except for the City Manager, whose participation in the plan is determined through negotiation with the City Council, and employees required to pay Medicare insurance premiums) for employees hired prior to March 1986. For those hired after March 1986 the percentage is 6.0% and 4.0% respectively. The City matches the amount deferred by the participants, not to exceed the legal limit. The payroll covered by the deferred compensation plan for the year ended June 30, 2006 was \$22,230,156. The City's expense for this plan for the year ended June 30, 2006 was approximately \$973,000 or 4.4% of the total participants' salary. The contribution rates were determined by the City Council and the contributions were remitted on a timely basis.

E. Segment information for enterprise funds

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

City of Orem  
Notes to the Financial Statements  
June 30, 2006

5. Other information (continued)

F. Redevelopment agency of the City of Orem

For the year ended June 30, 2006, the following activity occurred in the City's Redevelopment Agency:

Tax Increment Collected From Other Taxing Agencies For The Project Area	Total
Orem 85-01: Timpanogos Technological Center	\$ 377,075
Orem 85-02: 1300 South development	391,582
Orem 85-03A: University Parkway development	447,940
Orem 85-03B: University Parkway development	635,211
Orem 85-04: Economic zone in central Orem	157,449
Orem 87-10: Boyer project on Center and State Street	246,120
Orem 90-08: 800 North and State Street economic zone	169,416
Total	\$ 2,424,793
Outstanding loans to finance RDA projects	\$ -

During the year ending June 30, 2006, the RDA expended monies in the categories below as follows:

Economic Development	\$ 829,059
Interest	-
Total	\$ 829,059

## Combining Financial Statements Nonmajor Governmental Funds

### Debt Service Funds

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

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

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

### Capital Projects Funds

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

Municipal Building Authority – Capital Projects Fund – to account for the purchase of property and future park property by the Municipal Building Authority of the City of Orem Corporation for lease to the City.

### Special Revenue Funds

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

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

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

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

City of Orem  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Debt Service Funds			Capital Projects Funds	
	Debt Service	Municipal Building Authority - Debt Service	Total	Municipal Building Authority - Capital Projects	Total
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 604,104	\$ -	\$ 604,104	\$ -	\$ -
Taxes Receivable	-	-	-	-	-
Intergovernmental Receivable	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Restricted Cash and Cash Equivalents:					
Debt Service	550,622	538	551,160	-	-
Capital Improvement Projects	-	-	-	1,197,606	1,197,606
<b>Total Assets</b>	<b>1,154,726</b>	<b>538</b>	<b>1,155,264</b>	<b>1,197,606</b>	<b>1,197,606</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-
Due to Other Funds	-	294	294	6,659	6,659
Deferred Revenues	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>294</b>	<b>294</b>	<b>6,659</b>	<b>6,659</b>
<b>FUND BALANCES</b>					
Restricted for Debt Service and Capital Improvements					
Unreserved	604,104	-	604,104	-	-
<b>Total Fund Balances</b>	<b>1,154,726</b>	<b>244</b>	<b>1,154,970</b>	<b>1,190,947</b>	<b>1,190,947</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,154,726</b>	<b>\$ 538</b>	<b>\$ 1,155,264</b>	<b>\$ 1,197,606</b>	<b>\$ 1,197,606</b>

Special Revenue Funds

<u>CARE Tax Fund</u>	<u>Redevelopment Fund</u>	<u>Community Development &amp; Rehabilitation Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 139,978	\$ 879,697	\$ 459,646	\$ 1,479,321	\$ 2,083,425
357,955	-	-	357,955	357,955
-	-	-	-	-
-	-	604,052	604,052	604,052
-	-	-	-	-
-	-	560	560	551,720
-	-	274,847	274,847	1,472,453
<u>497,933</u>	<u>879,697</u>	<u>1,339,105</u>	<u>2,716,735</u>	<u>5,069,605</u>
9,596	-	1,820	11,416	11,416
-	-	15,374	15,374	15,374
-	-	-	-	6,953
-	-	1,046,504	1,046,504	1,046,504
<u>9,596</u>	<u>-</u>	<u>1,063,698</u>	<u>1,073,294</u>	<u>1,080,247</u>
-	-	275,407	275,407	2,017,220
488,337	879,697	-	1,368,034	1,972,138
<u>488,337</u>	<u>879,697</u>	<u>275,407</u>	<u>1,643,441</u>	<u>3,989,358</u>
<u>\$ 497,933</u>	<u>\$ 879,697</u>	<u>\$ 1,339,105</u>	<u>\$ 2,716,735</u>	<u>\$ 5,069,605</u>

City of Orem  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For The Year Ended June 30, 2006

	Debt Service Funds			Capital Projects Funds	
	Debt Service	Municipal Building Authority - Debt Service	Total	Municipal Building Authority - Capital Projects	Total
<b>REVENUES</b>					
Property Taxes	\$ 1,512,813	\$ -	\$ 1,512,813	\$ -	\$ -
Sales Taxes	-	-	-	-	-
Special Assessments	417,274	-	417,274	-	-
Intergovernmental	-	-	-	-	-
Program Income	-	-	-	-	-
Interest Income	30,498	244	30,742	47,804	47,804
Miscellaneous Revenues	-	-	-	-	-
Total Revenues	1,960,585	244	1,960,829	47,804	47,804
<b>EXPENDITURES</b>					
Current:					
Economic and Physical Development	-	-	-	-	-
Redevelopment	-	-	-	-	-
Arts and Recreation	-	-	-	-	-
Debt Service:					
Principal Retirement	2,114,780	970,000	3,084,780	-	-
Interest and Fiscal Charges	1,602,977	474,384	2,077,361	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	3,717,757	1,444,384	5,162,141	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	(1,757,172)	(1,444,140)	(3,201,312)	47,804	47,804
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Notes Payable	-	-	-	-	-
Transfers In	1,671,531	1,444,384	3,115,915	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources and (Uses)	1,671,531	1,444,384	3,115,915	-	-
Net Change in Fund Balances	(85,641)	244	(85,397)	47,804	47,804
Fund Balances - Beginning	1,240,367	-	1,240,367	1,143,143	1,143,143
Fund Balances - Ending	\$ 1,154,726	\$ 244	\$ 1,154,970	\$ 1,190,947	\$ 1,190,947

Special Revenue Funds

CARE Tax Fund	Redevelopment Fund	Community Development & Rehabilitation Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ 2,424,793	\$ -	\$ 2,424,793	\$ 3,937,606
497,933	-	-	497,933	497,933
-	-	-	-	417,274
-	-	1,046,570	1,046,570	1,046,570
-	-	289,476	289,476	289,476
-	-	26,166	26,166	104,712
-	-	2,279	2,279	2,279
<u>497,933</u>	<u>2,424,793</u>	<u>1,364,491</u>	<u>4,287,217</u>	<u>6,295,850</u>
-	-	1,704,201	1,704,201	1,704,201
-	594,165	-	594,165	594,165
9,596	-	-	9,596	9,596
-	-	-	-	3,084,780
-	-	42,729	42,729	2,120,090
-	234,894	542,531	777,425	777,425
<u>9,596</u>	<u>829,059</u>	<u>2,289,461</u>	<u>3,128,116</u>	<u>8,290,257</u>
<u>488,337</u>	<u>1,595,734</u>	<u>(924,970)</u>	<u>1,159,101</u>	<u>(1,994,407)</u>
-	-	1,319,930	1,319,930	1,319,930
-	-	-	-	3,115,915
-	(1,093,000)	(120,113)	(1,213,113)	(1,213,113)
-	(1,093,000)	1,199,817	106,817	3,222,732
488,337	502,734	274,847	1,265,918	1,228,325
-	376,963	560	377,523	2,761,033
<u>\$ 488,337</u>	<u>\$ 879,697</u>	<u>\$ 275,407</u>	<u>\$ 1,643,441</u>	<u>\$ 3,989,358</u>

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**Combining Financial Statements  
Nonmajor Proprietary Funds**

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

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

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

City of Orem  
Combining Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2006

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 603,600	\$ 526,952	\$ 552,404	\$ 464,416
Accounts Receivable (Net of Allowance for Doubtful Accounts)	-	-	262,193	229,411
Restricted Cash and Cash Equivalents:				
Capital Improvement Projects	190,283	871,958	-	-
Total Current Assets	<u>793,883</u>	<u>1,398,910</u>	<u>814,597</u>	<u>693,827</u>
Capital Assets:				
Land	39,822	39,822	-	-
Buildings and Systems	4,121,630	4,121,630	-	-
Improvements other than Buildings	624,911	546,011	-	-
Machinery and Equipment	214,715	215,053	35,688	35,688
Infrastructure	-	-	-	-
Construction in Progress	719,268	33,373	-	-
Less Accumulated Depreciation	(4,394,234)	(4,313,008)	(35,688)	(33,485)
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,326,112</u>	<u>642,881</u>	<u>-</u>	<u>2,203</u>
Total Assets	<u>2,119,995</u>	<u>2,041,791</u>	<u>814,597</u>	<u>696,030</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	19,187	23,776	222,658	214,467
Accrued Liabilities	71,596	58,656	-	-
Accrued Vacation and Sick Leave	51,815	41,997	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue	330,514	325,971	-	-
Total Current Liabilities	<u>473,112</u>	<u>450,400</u>	<u>222,658</u>	<u>214,467</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	2,727	2,210	-	-
Total Noncurrent Liabilities	<u>2,727</u>	<u>2,210</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>475,839</u>	<u>452,610</u>	<u>222,658</u>	<u>214,467</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	1,326,112	642,881	-	2,203
Restricted for Capital Improvements	190,283	871,958	-	-
Unrestricted	127,761	74,342	591,939	479,360
Total Net Assets	<u>\$ 1,644,156</u>	<u>\$ 1,589,181</u>	<u>\$ 591,939</u>	<u>\$ 481,563</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ -	\$ -	\$ 1,156,004	\$ 991,368
53,169	46,800	315,362	276,211
-	-	190,283	871,958
<u>53,169</u>	<u>46,800</u>	<u>1,661,649</u>	<u>2,139,537</u>
-	-	39,822	39,822
-	-	4,121,630	4,121,630
-	-	624,911	546,011
16,080	19,644	266,483	270,385
588,872	548,490	588,872	548,490
-	-	719,268	33,373
<u>(31,362)</u>	<u>(18,686)</u>	<u>(4,461,284)</u>	<u>(4,365,179)</u>
573,590	549,448	1,899,702	1,194,532
<u>626,759</u>	<u>596,248</u>	<u>3,561,351</u>	<u>3,334,069</u>
35,431	14,730	277,276	252,973
3,559	2,723	75,155	61,379
7,517	5,953	59,332	47,950
320,918	458,454	320,918	458,454
-	-	330,514	325,971
<u>367,425</u>	<u>481,860</u>	<u>1,063,195</u>	<u>1,146,727</u>
395	313	3,122	2,523
395	313	3,122	2,523
<u>367,820</u>	<u>482,173</u>	<u>1,066,317</u>	<u>1,149,250</u>
573,590	549,448	1,899,702	1,194,532
-	-	190,283	871,958
<u>(314,651)</u>	<u>(435,373)</u>	<u>405,049</u>	<u>118,329</u>
\$ <u>258,939</u>	\$ <u>114,075</u>	\$ <u>2,495,034</u>	\$ <u>2,184,819</u>

City of Orem  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Nonmajor Proprietary Funds  
For The Year Ended June 30, 2006

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,647,093	\$ 1,760,683	\$ 2,900,376	\$ 2,853,586
Other Revenues	1,526	484	497	-
Total Revenues	<u>1,648,619</u>	<u>1,761,167</u>	<u>2,900,873</u>	<u>2,853,586</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,342,583	1,314,953	-	-
Supplies and Maintenance	184,898	213,108	11,569	11,186
Administrative Fee	3,159	3,542	317,285	316,149
Utilities	263,236	207,174	-	-
Contract Services	71,659	59,978	2,443,235	2,380,623
Equipment Lease and Rentals	-	-	-	-
Insurance	18,165	17,057	-	-
Depreciation	81,563	197,937	2,203	-
Miscellaneous	23,782	33,277	200	145
Total Operating Expenses	<u>1,989,045</u>	<u>2,047,026</u>	<u>2,774,492</u>	<u>2,708,103</u>
Operating Income (Loss)	<u>(340,426)</u>	<u>(285,859)</u>	<u>126,381</u>	<u>145,483</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Interest Revenue	52,516	28,674	11,548	7,527
Donations / Grants	-	-	-	-
Total Nonoperating Revenues	<u>52,516</u>	<u>28,674</u>	<u>11,548</u>	<u>7,527</u>
Income (Loss) before Transfers	<u>(287,910)</u>	<u>(257,185)</u>	<u>137,929</u>	<u>153,010</u>
Transfers In	343,710	353,592	-	38,425
Transfers Out	<u>(825)</u>	<u>(70,825)</u>	<u>(27,553)</u>	<u>(246,225)</u>
Change in Net Assets	54,975	25,582	110,376	(54,790)
Total Net Assets - Beginning	<u>1,589,181</u>	<u>1,563,599</u>	<u>481,563</u>	<u>536,353</u>
Total Net Assets - Ending	<u>\$ 1,644,156</u>	<u>\$ 1,589,181</u>	<u>\$ 591,939</u>	<u>\$ 481,563</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 672,033	\$ 628,449	\$ 5,219,502	\$ 5,242,718
-	-	2,023	484
<u>672,033</u>	<u>628,449</u>	<u>5,221,525</u>	<u>5,243,202</u>
95,823	101,775	1,438,406	1,416,728
7,329	8,562	203,796	232,856
-	-	320,444	319,691
212,274	178,487	475,510	385,661
71,363	92,231	2,586,257	2,532,832
725,935	722,635	725,935	722,635
-	-	18,165	17,057
16,240	15,122	100,006	213,059
2,130	14,556	26,112	47,978
<u>1,131,094</u>	<u>1,133,368</u>	<u>5,894,631</u>	<u>5,888,497</u>
<u>(459,061)</u>	<u>(504,919)</u>	<u>(673,106)</u>	<u>(645,295)</u>
-	-	64,064	36,201
-	-	-	-
-	-	64,064	36,201
<u>(459,061)</u>	<u>(504,919)</u>	<u>(609,042)</u>	<u>(609,094)</u>
604,000	550,000	947,710	942,017
(75)	(75)	(28,453)	(317,125)
144,864	45,006	310,215	15,798
114,075	69,069	2,184,819	2,169,021
<u>\$ 258,939</u>	<u>\$ 114,075</u>	<u>\$ 2,495,034</u>	<u>\$ 2,184,819</u>

City of Orem  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For The Year Ended June 30, 2006

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year	Solid Waste Fund Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 1,647,093	\$ 1,760,683	\$ 2,900,376	\$ 2,853,586
Receipts from Interfund Services Provided	1,526	484	497	-
Payments to Suppliers	(548,846)	(371,128)	(2,479,595)	(2,382,620)
Payments to Employees	(1,332,248)	(1,327,427)	-	-
Payments for Interfund Services Used	(3,159)	(3,542)	(317,285)	(316,149)
Net Cash Provided (Used) by Operating Activities	<u>(235,634)</u>	<u>59,070</u>	<u>103,993</u>	<u>154,817</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Donations	-	-	-	-
Transfers In	343,710	353,592	-	38,425
Transfers Out	(825)	(70,825)	(27,553)	(246,225)
Net Cash Provided (Used) by Noncapital Activities	<u>342,885</u>	<u>282,767</u>	<u>(27,553)</u>	<u>(207,800)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(764,794)	(33,374)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(764,794)</u>	<u>(33,374)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest Income	52,516	28,674	11,548	7,527
Net Cash Provided (Used) by Investing Activities	<u>52,516</u>	<u>28,674</u>	<u>11,548</u>	<u>7,527</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(605,027)	337,137	87,988	(45,456)
Cash and Cash Equivalents - Beginning of Year	1,398,910	1,061,773	464,416	509,872
Cash and Cash Equivalents - End of Year	<u>\$ 793,883</u>	<u>\$ 1,398,910</u>	<u>\$ 552,404</u>	<u>\$ 464,416</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (340,426)	\$ (285,859)	\$ 126,381	\$ 145,483
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	\$ 81,563	\$ 197,937	\$ 2,203	\$ -
(Increase) Decrease in Receivables	-	3	(32,782)	1,773
Increase (Decrease) in Accounts Payable	(4,589)	(63,667)	8,191	7,561
Increase (Decrease) in Accrued Liabilities	12,940	51,841	-	-
Increase (Decrease) in Deferred Revenue	4,543	171,289	-	-
Increase (Decrease) in Accrued Vacation and Sick Leave	10,335	(12,474)	-	-
Total Adjustments	<u>104,792</u>	<u>344,929</u>	<u>(22,388)</u>	<u>9,334</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (235,634)</u>	<u>\$ 59,070</u>	<u>\$ 103,993</u>	<u>\$ 154,817</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 672,033	\$ 628,449	\$ 5,219,502	\$ 5,242,718
-	-	2,023	484
(1,141,399)	(955,859)	(4,169,840)	(3,709,607)
(94,177)	(99,601)	(1,426,425)	(1,427,028)
-	-	(320,444)	(319,691)
(563,543)	(427,011)	(695,184)	(213,124)
-	-	-	-
604,000	550,000	947,710	942,017
(75)	(75)	(28,453)	(317,125)
603,925	549,925	919,257	624,892
(40,382)	(122,914)	(805,176)	(156,288)
(40,382)	(122,914)	(805,176)	(156,288)
-	-	64,064	36,201
-	-	64,064	36,201
-	-	(517,039)	291,681
-	-	1,863,326	1,571,645
\$ -	\$ -	\$ 1,346,287	\$ 1,863,326
\$ (459,061)	\$ (504,919)	(673,106)	(645,295)
\$ 16,240	\$ 15,122	100,006	213,059
(6,369)	(6,308)	(39,151)	(4,532)
20,701	14,709	24,303	(41,397)
(136,700)	52,261	(123,760)	104,102
-	(50)	4,543	171,239
1,646	2,174	11,981	(10,300)
(104,482)	77,908	(22,078)	432,171
\$ (563,543)	\$ (427,011)	\$ (695,184)	\$ (213,124)

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

**DEBT SERVICE FUND  
MBA DEBT SERVICE FUND  
CAPITAL PROJECTS FUND  
MBA CAPITAL IMPROVEMENT PROJECTS FUND  
ROAD BONDS CAPITAL PROJECTS FUND  
CARE TAX FUND  
REDEVELOPMENT FUND  
COMMUNITY DEVELOPMENT & REHABILITATION FUND**

City of Orem  
Debt Service - Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,509,314	\$ 1,509,314	\$ 1,512,813	\$ 3,499
Special Assessments	411,750	411,750	417,274	5,524
Interest Revenues	-	-	30,498	30,498
Miscellaneous Revenues	124,402	124,402	-	(124,402)
Total Revenues	2,045,466	2,045,466	1,960,585	(84,881)
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	2,114,780	2,114,780	2,114,780	-
Interest and Fiscal Charges	1,602,919	1,602,919	1,602,977	(58)
Capital Lease Payments - Principal	-	-	-	-
Capital Lease Payments - Interest	-	-	-	-
Total Expenditures	3,717,699	3,717,699	3,717,757	(58)
Excess (Deficiency) of Revenues over (under) Expenditures	(1,672,233)	(1,672,233)	(1,757,172)	(84,939)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,672,233	1,672,233	1,671,531	(702)
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	1,672,233	1,672,233	1,671,531	(702)
Net Change in Fund Balance	-	-	(85,641)	(85,641)
Fund Balance - Beginning	1,240,367	1,240,367	1,240,367	-
Fund Balance - Ending	\$ 1,240,367	\$ 1,240,367	\$ 1,154,726	\$ (85,641)

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenues	\$ -	\$ -	\$ 244	244
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	-	244	244
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	970,000	970,000	970,000	-
Interest and Fiscal Charges	475,630	475,630	474,384	1,246
Total Expenditures	1,445,630	1,445,630	1,444,384	1,246
Excess (Deficiency) of Revenues over (under) Expenditures	(1,445,630)	(1,445,630)	(1,444,140)	1,490
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,445,630	1,445,630	1,444,384	(1,246)
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	1,445,630	1,445,630	1,444,384	(1,246)
Net Change in Fund Balance	-	-	244	244
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 244	\$ 244

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenues	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenues	180,000	2,981,330	895,404	(2,085,926)
Total Revenues	<u>180,000</u>	<u>2,981,330</u>	<u>895,404</u>	<u>(2,085,926)</u>
<b>EXPENDITURES</b>				
Current:				
Capital Outlay	255,117	14,315,699	5,355,826	8,959,873
Economic and Physical Development	-	1,578,430	1,578,430	-
Total Expenditures	<u>255,117</u>	<u>15,894,129</u>	<u>6,934,256</u>	<u>8,959,873</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(75,117)</u>	<u>(12,912,799)</u>	<u>(6,038,852)</u>	<u>6,873,947</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	1,578,430	1,578,430	-
Transfers In	383,906	4,483,906	4,483,906	-
Transfers Out	(308,789)	(308,789)	(308,717)	72
Total Other Financing Sources and (Uses)	<u>75,117</u>	<u>5,753,547</u>	<u>5,753,619</u>	<u>72</u>
Net Change in Fund Balance	-	(7,159,252)	(285,233)	6,874,019
Fund Balance - Beginning	7,297,535	7,297,535	7,297,535	-
Fund Balance - Ending	<u>\$ 7,297,535</u>	<u>\$ 138,283</u>	<u>\$ 7,012,302</u>	<u>\$ 6,874,019</u>

City of Orem  
Municipal Building Authority - Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenues	\$ -	\$ 21,617	\$ 47,804	\$ 26,187
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	21,617	47,804	26,187
<b>EXPENDITURES</b>				
Current:				
Capital Outlay	-	1,164,760	-	1,164,760
Total Expenditures	-	1,164,760	-	1,164,760
Excess (Deficiency) of Revenues over (under) Expenditures	-	(1,143,143)	47,804	1,190,947
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-
Net Change in Fund Balance	-	(1,143,143)	47,804	1,190,947
Fund Balance - Beginning	1,143,143	1,143,143	1,143,143	-
Fund Balance - Ending	\$ 1,143,143	\$ -	\$ 1,190,947	\$ 1,190,947

City of Orem  
Road Bonds - Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Revenues	\$ -	\$ 108,433	\$ 388,549	\$ 280,116
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	108,433	388,549	280,116
<b>EXPENDITURES</b>				
Current:				
Debt Service:				
Bond Issuance Costs	-	108,433	106,684	1,749
Capital Outlay	-	14,638,454	5,263,396	9,375,058
Total Expenditures	-	14,746,887	5,370,080	9,376,807
Excess (Deficiency) of Revenues over (under) Expenditures	-	(14,638,454)	(4,981,531)	9,656,923
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	-	5,515,000	5,515,000	-
Bond Issuance Premium	-	138,450	138,450	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	-	5,653,450	5,653,450	-
Net Change in Fund Balance	-	(8,985,004)	671,919	9,656,923
Fund Balance - Beginning	9,042,061	9,042,061	9,042,061	-
Fund Balance - Ending	\$ 9,042,061	\$ 57,057	\$ 9,713,980	\$ 9,656,923

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales Taxes	\$ -	\$ 400,000	\$ 497,933	\$ 97,933
Interest Revenues	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	400,000	497,933	97,933
<b>EXPENDITURES</b>				
Current:				
Arts and Recreation Development	-	400,000	9,596	390,404
Total Expenditures	-	400,000	9,596	390,404
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	488,337	488,337
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	488,337	488,337
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 488,337	\$ 488,337

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 2,663,000	\$ 2,424,793	\$ 2,424,793	\$ -
Miscellaneous Revenues	-	-	-	-
Total Revenues	2,663,000	2,424,793	2,424,793	-
<b>EXPENDITURES</b>				
Current:				
Redevelopment	1,570,000	907,581	829,059	78,522
Debt Service	-	-	-	-
Total Expenditures	1,570,000	907,581	829,059	78,522
Excess (Deficiency) of Revenues over (under) Expenditures	1,093,000	1,517,212	1,595,734	78,522
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(1,093,000)	(1,093,000)	(1,093,000)	-
Total Other Financing Sources and (Uses)	(1,093,000)	(1,093,000)	(1,093,000)	-
Net Change in Fund Balance	-	424,212	502,734	78,522
Fund Balance - Beginning	376,963	376,963	376,963	-
Fund Balance - Ending	\$ 376,963	\$ 801,175	\$ 879,697	\$ 78,522

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 730,248	\$ 1,139,929	\$ 1,046,570	\$ (93,359)
Program Income	-	-	289,476	289,476
Interest Revenues	-	16,500	26,166	9,666
Miscellaneous Revenues	-	-	2,279	2,279
Total Revenues	730,248	1,156,429	1,364,491	208,062
<b>EXPENDITURES</b>				
Current:				
Economic and Physical Development	1,930,135	2,309,141	2,246,732	62,409
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	47,175	42,729	4,446
Total Expenditures	1,930,135	2,356,316	2,289,461	66,855
Excess (Deficiency) of Revenues over (under) Expenditures	(1,199,887)	(1,199,887)	(924,970)	274,917
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Notes Payable	1,320,000	1,320,000	1,319,930	(70)
Transfers In	-	-	-	-
Transfers Out	(120,113)	(120,113)	(120,113)	-
Total Other Financing Sources and (Uses)	1,199,887	1,199,887	1,199,817	(70)
Net Change in Fund Balance	-	-	274,847	274,847
Fund Balance - Beginning	560	560	560	-
Fund Balance - Ending	\$ 560	\$ 560	\$ 275,407	\$ (70)

## Internal Service Funds

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

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

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

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

City of Orem  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2006

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 159,684	\$ 46,021	\$ 1,896,146	\$ 2,101,851
Inventories	-	371,038	-	371,038
Prepays	-	-	5,213	5,213
Total Current Assets	<u>159,684</u>	<u>417,059</u>	<u>1,901,359</u>	<u>2,478,102</u>
Noncurrent Assets:				
Capital Assets:				
Buildings	14,321	-	-	14,321
Improvements other than Buildings	16,799	17,195	5,289	39,283
Machinery and Equipment	216,271	54,580	14,242	285,093
Construction in Progress	-	150,000	-	150,000
Less Accumulated Depreciation	(216,278)	(67,699)	(18,246)	(302,223)
Total Capital Assets (Net of Accumulated Depreciation)	<u>31,113</u>	<u>154,076</u>	<u>1,285</u>	<u>186,474</u>
Total Assets	<u>190,797</u>	<u>571,135</u>	<u>1,902,644</u>	<u>2,664,576</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	1,386	6,511	35,708	43,605
Accrued Liabilities	9,789	6,073	2,040	17,902
Accrued Vacation and Sick Leave	26,155	12,656	6,400	45,211
Accrued Interest Payable	220	-	-	220
Capital Lease Payable - Current Portion	5,486	-	-	5,486
Total Current Liabilities	<u>43,036</u>	<u>25,240</u>	<u>44,148</u>	<u>112,424</u>
Noncurrent Liabilities:				
Accrued Vacation and Sick Leave	4,739	666	91,355	96,760
Capital Lease Payable - Long-term Portion	12,124	-	-	12,124
Total Noncurrent Liabilities	<u>16,863</u>	<u>666</u>	<u>91,355</u>	<u>108,884</u>
Total Liabilities	<u>59,899</u>	<u>25,906</u>	<u>135,503</u>	<u>221,308</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	13,503	154,076	1,285	168,864
Unrestricted	117,395	391,153	1,765,856	2,274,404
Total Net Assets	<u>\$ 130,898</u>	<u>\$ 545,229</u>	<u>\$ 1,767,141</u>	<u>\$ 2,443,268</u>

City of Orem  
Internal Service Funds  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
For The Year Ended June 30, 2006

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
<b>OPERATING REVENUES:</b>				
Charges for Services to Other Funds	\$ 567,274	\$ 304,620	\$ 1,053,940	\$ 1,925,834
Other Revenues	-	-	-	-
Total Operating Revenues	<u>567,274</u>	<u>304,620</u>	<u>1,053,940</u>	<u>1,925,834</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	388,836	201,558	35,553	625,947
Supplies, Maintenance and Claims	175,570	87,591	974,408	1,237,569
Depreciation	2,397	1,809	816	5,022
Total Operating Expenses	<u>566,803</u>	<u>290,958</u>	<u>1,010,777</u>	<u>1,868,538</u>
Operating Income (Loss)	<u>471</u>	<u>13,662</u>	<u>43,163</u>	<u>57,296</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest Revenues	-	-	34,759	34,759
Interest Expense and Fiscal Charges	(221)	-	-	(221)
Total Nonoperating Revenues (Expenses)	<u>(221)</u>	<u>-</u>	<u>34,759</u>	<u>34,538</u>
Income (Loss) before Operating				
Transfers	250	13,662	77,922	91,834
Transfers In	-	-	-	-
Transfers Out	(450)	(300)	(75)	(825)
Change in Net Assets	<u>(200)</u>	<u>13,362</u>	<u>77,847</u>	<u>91,009</u>
Total Net Assets - Beginning	131,098	531,867	1,689,294	2,352,259
Total Net Assets - Ending	<u>\$ 130,898</u>	<u>\$ 545,229</u>	<u>\$ 1,767,141</u>	<u>\$ 2,443,268</u>

**City of Orem**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For The Year Ended June 30, 2006**

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 567,274	\$ 304,620	\$ 1,053,940	\$ 1,925,834
Payments to Suppliers	(173,545)	(97,948)	(950,425)	(1,221,918)
Payments to Employees	(384,926)	(200,320)	(87,606)	(672,852)
Net Cash Provided (Used) by Operating Activities	8,803	6,352	15,909	31,064
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers In	-	-	-	-
Transfers Out	(450)	(300)	(75)	(825)
Net Cash Provided (Used) by Noncapital Financing Activities	(450)	(300)	(75)	(825)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition of Capital Assets	350	(154,549)	-	(154,199)
Net Cash Provided (Used) in Capital Financing Activities	350	(154,549)	-	(154,199)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest Income	-	-	34,759	34,759
Net Cash Provided (Used) by Investing Activities	-	-	34,759	34,759
Net Increase (Decrease) in Cash and Cash Equivalents	8,703	(148,497)	50,593	(89,201)
Cash and Cash Equivalents - Beginning of Year	150,981	194,518	1,845,553	2,191,052
Cash and Cash Equivalents - End of Year	\$ 159,684	\$ 46,021	\$ 1,896,146	\$ 2,101,851
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 471	\$ 13,662	\$ 43,163	\$ 57,296
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	2,397	1,809	816	5,022
(Increase) Decrease in Accounts Receivable	-	-	-	-
(Increase) Decrease in Inventory	-	(10,757)	-	(10,757)
(Increase) Decrease in Prepays	-	-	(5,213)	(5,213)
Increase (Decrease) in Accounts Payable	625	(514)	28,981	29,092
Increase (Decrease) in Accrued Liabilities	1,400	914	215	2,529
Increase (Decrease) in Accrued Vacation and Sick Leave	3,910	1,238	(52,053)	(46,905)
Total Adjustments	8,332	(7,310)	(27,254)	(26,232)
Net Cash Provided (Used) by Operating Activities	\$ 8,803	\$ 6,352	\$ 15,909	\$ 31,064

## FIDUCIARY FUNDS

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

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

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

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

City of Orem  
Fiduciary Funds  
Private Purpose Trusts  
Combining Statement of Fiduciary Net Assets  
June 30, 2006

	New Friends Of The Library Fund	Orem Foundation Trust Fund	Senior Citizens' Fund	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 809,320	\$ 4,003	\$ 104,454	\$ 917,777
Total Assets	<u>809,320</u>	<u>4,003</u>	<u>104,454</u>	<u>917,777</u>
<b>LIABILITIES</b>				
Accounts Payable	6,682	-	205	6,887
Total Liabilities	<u>6,682</u>	<u>-</u>	<u>205</u>	<u>6,887</u>
<b>NET ASSETS</b>				
Held in Trust for Private Organizations	802,638	4,003	104,249	910,890
Total Net Assets	<u>\$ 802,638</u>	<u>\$ 4,003</u>	<u>\$ 104,249</u>	<u>\$ 910,890</u>

City of Orem  
Fiduciary Funds  
Private Purpose Trusts  
Combining Statement of Changes in Fiduciary Net Assets  
For The Year Ended June 30, 2006

	New Friends Of The Library Fund	Orem Foundation Trust Fund	Senior Citizens' Fund	Total
<b>ADDITIONS</b>				
Miscellaneous:				
Donations	\$ 202,878	\$ 3,500	\$ 9,594	\$ 215,972
Other	32,473	413	46,670	79,556
Total Additions	<u>235,351</u>	<u>3,913</u>	<u>56,264</u>	<u>295,528</u>
<b>DEDUCTIONS</b>				
Library Development	190,237	-	-	190,237
Senior Citizens	-	-	56,010	56,010
Total Deductions	<u>190,237</u>	<u>-</u>	<u>56,010</u>	<u>246,247</u>
Change in Net Assets	45,114	3,913	254	49,281
Net Assets - Beginning	757,524	90	103,995	861,609
Net Assets - Ending	<u>\$ 802,638</u>	<u>\$ 4,003</u>	<u>\$ 104,249</u>	<u>\$ 910,890</u>

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

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City of Orem  
 Capital Assets Used in The Operations of Governmental Funds  
 Comparative Schedules By Source<sup>1</sup>  
 June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Governmental Funds Capital Assets:</b>		
Land	\$ 58,711,795	\$ 58,702,000
Buildings	19,816,251	19,311,822
Improvements other than Buildings	23,313,968	20,004,678
Machinery and Equipment	20,062,488	19,285,425
Infrastructure	82,377,668	80,675,559
Construction in Progress	9,616,448	3,261,770
Total Governmental Funds Capital Assets	<u>\$ 213,898,618</u>	<u>\$ 201,241,254</u>
<b>Investments in Governmental Funds Capital Assets by Source:</b>		
General Fund	\$ 139,966,722	\$ 139,276,012
Capital Projects Fund	62,091,556	51,566,004
Federal Grants	228,526	228,526
State Road Funds	7,915,133	7,250,269
Redevelopment	575,377	340,483
Community Development	3,121,304	2,579,960
Total Governmental Funds Capital Assets	<u>\$ 213,898,618</u>	<u>\$ 201,241,254</u>

<sup>1</sup>This 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 Activity<sup>1</sup>  
 June 30, 2006

Function and Activity	Land	Buildings	Improvements Other Than Buildings
<b>General government:</b>			
Legislative	\$ -	\$ -	\$ -
Executive	-	-	30,689
Personnel Administration	-	-	-
Administrative Services	-	8,253	96,388
Legal	-	-	15,828
Development Services	-	-	-
General Government	327,393	4,025,443	856,932
Engineering	-	-	-
Redevelopment	-	-	250,653
Community Development	-	8,105	2,023,293
Total General Government	<u>327,393</u>	<u>4,041,801</u>	<u>3,273,783</u>
<b>Public Safety:</b>			
Administration	117,642	70,753	-
Police Protection	-	-	-
Fire Protection	7,000	95,386	-
Emergency Services	-	1,580	-
Total Public Safety	<u>124,642</u>	<u>167,719</u>	<u>-</u>
<b>Highways and Streets:</b>			
Engineering	33,550	38,150	-
Maintenance	-	-	-
Street System	52,018,937	462,657	2,283,406
Street Lighting	-	-	192,441
Total Highways and Streets	<u>52,052,487</u>	<u>500,807</u>	<u>2,475,847</u>
<b>Parks and Recreation</b>	6,207,273	15,010,145	17,558,743
<b>Library</b>	-	95,779	5,595
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 58,711,795</u>	<u>\$ 19,816,251</u>	<u>\$ 23,313,968</u>

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

Machinery and Equipment	Infrastructure	Construction in Progress	Total
\$ 34,845	\$ -	\$ -	\$ 34,845
96,950	-	-	127,639
19,470	-	-	19,470
1,961,254	-	185,877	2,251,772
71,176	-	-	87,004
276,139	-	-	276,139
874,295	-	-	6,084,063
114,701	-	-	114,701
-	222,580	102,144	575,377
101,674	445,701	542,531	3,121,304
<u>3,550,504</u>	<u>668,281</u>	<u>830,552</u>	<u>12,692,314</u>
1,374,745	-	-	1,563,140
3,784,212	-	-	3,784,212
3,917,944	-	-	4,020,330
56,898	-	-	58,478
<u>9,133,799</u>	<u>-</u>	<u>-</u>	<u>9,426,160</u>
165,682	-	-	237,382
5,638	-	-	5,638
3,255,782	80,526,889	8,785,896	147,333,567
-	1,136,155	-	1,328,596
<u>3,427,102</u>	<u>81,663,044</u>	<u>8,785,896</u>	<u>148,905,183</u>
3,275,986	46,343	-	42,098,490
675,097	-	-	776,471
<u>\$ 20,062,488</u>	<u>\$ 82,377,668</u>	<u>\$ 9,616,448</u>	<u>\$ 213,898,618</u>

City of Orem  
 Capital Assets Used in The Operations of Governmental Funds  
 Schedule of Changes By Function and Activity<sup>1</sup>  
 For The Year Ended June 30, 2006

Function and Activity	Governmental Funds Capital Assets June 30, 2005	Additions	Deductions	Governmental Funds Capital Assets June 30, 2006
<b>General government:</b>				
Legislative	\$ 34,845	\$ -	\$ -	\$ 34,845
Executive	132,245	-	(4,607)	127,638
Personnel Administration	19,470	-	-	19,470
Administrative Services	2,040,874	212,705	(1,806)	2,251,773
Legal	79,259	10,590	(2,845)	87,004
Development Services	244,180	37,229	(5,270)	276,139
General Government	6,084,063	-	-	6,084,063
Engineering	51,830	62,870	-	114,700
Redevelopment	340,483	234,894	-	575,377
Community Development	2,579,961	542,531	(1,187)	3,121,305
Total General Government	<u>11,607,210</u>	<u>1,100,819</u>	<u>(15,715)</u>	<u>12,692,314</u>
<b>Public Safety:</b>				
Administration	1,563,139	-	-	1,563,139
Police Protection	3,623,079	403,024	(241,891)	3,784,212
Fire Protection	3,892,338	130,215	(2,223)	4,020,330
Emergency Services	45,092	16,788	(3,402)	58,478
Total Public Safety	<u>9,123,648</u>	<u>550,027</u>	<u>(247,516)</u>	<u>9,426,159</u>
<b>Highways and Streets:</b>				
Engineering	238,645	-	(1,263)	237,382
Maintenance	7,429	-	(1,791)	5,638
Street System	136,109,715	11,224,540	(687)	147,333,568
Street Lighting	1,328,596	-	-	1,328,596
Total Highways and Streets	<u>137,684,385</u>	<u>11,224,540</u>	<u>(3,741)</u>	<u>148,905,184</u>
<b>Parks and Recreation</b>	42,062,937	81,598	(46,045)	42,098,490
<b>Library</b>	763,074	14,995	(1,598)	776,471
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 201,241,254</u>	<u>\$ 12,971,979</u>	<u>\$ (314,615)</u>	<u>\$ 213,898,618</u>

<sup>1</sup>This 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**

# 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>
<b>Financial Trends</b>	<b>125</b>
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>132</b>
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
<b>Debt Capacity and Other Debt Information</b>	<b>144</b>
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.	
<b>Demographic and Economic Information</b>	<b>158</b>
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.	
<b>Operating and Other Information</b>	<b>164</b>
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 Five Fiscal Years  
(Accrual Basis of Accounting)  
(Unaudited)

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

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

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

(Continued on next page)

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

(Continued from prior page)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Net (Expense) Revenue</b>					
Governmental Activities	\$ (29,377,970)	\$ (24,801,707)	\$ (20,309,263)	\$ (26,399,910)	\$ (28,925,267)
Business-type Activities	(230,143)	146,363	(16,739)	(232,486)	1,059,953
<b>Total Primary Government Net (Expense) Revenue</b>	<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>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes:					
Sales Taxes	15,163,063	13,708,023	14,092,331	15,373,690	18,008,143
Property Taxes	6,310,153	6,577,989	7,168,114	7,710,867	8,741,450
Franchise Taxes	4,728,185	4,500,648	4,819,932	5,970,311	6,888,934
Vehicle and Other Taxes	1,183,472	976,352	1,015,120	1,011,729	1,079,912
Unrestricted Investment Earnings	747,178	479,461	292,972	452,157	1,424,846
Gain (Loss) on Sale of Capital Assets	161,069	27,731	28,579	78,726	774,740
Transfers	(1,680,254)	(463,030)	(1,225,304)	(612,768)	(751,899)
<b>Total Governmental Activities</b>	<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>
Business-type Activities:					
Unrestricted Investment Earnings	188,859	113,546	68,044	312,582	968,197
Gain (Loss) on Sale of Capital Assets	(33,401)	(37,888)	-	31,500	-
Transfers	1,680,254	463,030	1,225,304	612,768	751,899
<b>Total Business-type Activities</b>	<u>1,835,712</u>	<u>538,688</u>	<u>1,293,348</u>	<u>956,850</u>	<u>1,720,096</u>
<b>Total Primary Government</b>	<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>
<b>Change in Net Assets</b>					
Governmental Activities	(2,765,104)	1,005,467	5,882,481	3,584,802	7,240,859
Business-type Activities	1,605,569	685,051	1,276,609	724,364	2,780,049
<b>Total Primary Government</b>	<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>

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			
	1997	1998	1999	2000
<b>General Fund</b>				
Reserved	\$ 1,418,706	\$ 1,418,706	\$ 1,324,508	\$ 1,084,193
Unreserved	7,897,909	7,163,560	4,616,617	5,166,024
<b>Total General Fund</b>	<u>9,316,615</u>	<u>8,582,266</u>	<u>5,941,125</u>	<u>6,250,217</u>
<b>All Other Governmental Funds</b>				
Reserved	1,626,832	1,472,108	1,324,272	1,323,098
Unreserved, reported in:				
Capital Projects Funds	8,018,425	5,781,428	10,389,923	6,044,463
Debt Service Funds	-	-	-	-
Special Revenue Funds	38,988	-	-	-
<b>Total All Other Governmental Funds</b>	<u>9,684,245</u>	<u>7,253,536</u>	<u>11,714,195</u>	<u>7,367,561</u>
<b>Total Governmental Funds</b>				
Reserved	3,045,538	2,890,814	2,648,780	2,407,291
Unreserved	15,955,322	12,944,988	15,006,540	11,210,487
<b>Total Governmental Funds</b>	<u>\$ 19,000,860</u>	<u>\$ 15,835,802</u>	<u>\$ 17,655,320</u>	<u>\$ 13,617,778</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 2,894,448	\$ 2,555,380	\$ 2,273,488	\$ 718,380	\$ 784,544	\$ 1,352,706
9,638,997	6,789,541	7,057,860	9,347,408	6,521,065	6,140,485
12,533,445	9,344,921	9,331,348	10,065,788	7,305,609	7,493,191
1,632,187	1,162,055	1,197,534	2,110,110	2,384,070	2,017,220
10,231,022	19,740,782	6,492,956	3,117,098	16,339,596	16,726,282
-	-	-	168,139	-	604,104
-	560	63,943	-	376,963	1,368,034
11,863,209	20,903,397	7,754,433	5,395,347	19,100,629	20,715,640
4,526,635	3,717,435	3,471,022	2,828,490	3,168,614	3,369,926
19,870,019	26,530,883	13,614,759	12,632,645	23,237,624	24,838,905
\$ 24,396,654	\$ 30,248,318	\$ 17,085,781	\$ 15,461,135	\$ 26,406,238	\$ 28,208,831

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

	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Revenues</b>					
Taxes and Special Assessments	\$ 20,159,472	\$ 22,353,328	\$ 22,871,996	\$ 24,019,314	\$ 25,416,573
Licenses and Permits	1,154,895	1,132,174	1,089,699	1,134,303	1,094,650
Intergovernmental	1,271,345	2,604,426	2,257,067	3,364,968	3,700,938
Charges for Services	1,652,533	1,671,726	2,005,916	2,061,741	2,385,067
Fines and Forfeitures	247,336	282,552	382,080	334,501	388,011
Charges for Services - Other Funds	2,509,026	2,766,703	2,858,178	2,894,777	3,103,181
Miscellaneous Revenue	3,369,232	2,526,025	2,492,949	2,164,142	2,578,949
<b>Total Revenues</b>	<b>30,363,839</b>	<b>33,336,934</b>	<b>33,957,885</b>	<b>35,973,746</b>	<b>38,667,369</b>
<b>Expenditures</b>					
General Government	6,033,926	8,583,367	8,798,905	7,485,512	7,486,112
Public Safety	9,464,030	10,956,238	11,243,922	12,597,305	12,854,036
Highways and Public Improvements	3,689,801	4,474,597	4,298,774	5,120,196	4,113,586
Parks, Recreation and Arts	3,247,263	3,542,455	3,643,758	3,781,425	4,197,894
Economic and Physical Development	847,842	1,319,634	1,217,382	758,565	1,123,414
Redevelopment	902,885	534,270	698,086	612,874	786,807
Debt Service:					
Principal Retirement	902,376	745,000	785,000	905,000	1,721,000
Interest and Fiscal Charges	349,727	594,361	676,200	681,247	1,271,827
Capital Lease Payments - Principal	434,029	737,503	432,408	428,414	503,974
Capital Lease Payments - Interest	53,644	91,152	50,729	54,578	62,926
Capital Outlay	6,539,508	4,829,952	7,755,211	10,614,462	6,207,120
<b>Total Expenditures</b>	<b>32,465,031</b>	<b>36,408,529</b>	<b>39,600,375</b>	<b>43,039,578</b>	<b>40,328,696</b>
<b>Excess of Revenues over</b>					
<b>(under) Expenditures</b>	<b>(2,101,192)</b>	<b>(3,071,595)</b>	<b>(5,642,490)</b>	<b>(7,065,832)</b>	<b>(1,661,327)</b>
<b>Other Financing Sources (Uses)</b>					
Issuance of Bonds & Other Debt	6,027,901	-	4,650,000	4,443,000	7,763,487
Bond Issuance Premium	-	-	-	-	-
Payment to Bond Refunding Agent	-	-	-	-	-
Capital Leases	95,428	260,190	-	350,000	23,160
Transfers In	4,088,549	4,087,987	8,923,779	3,975,675	17,233,789
Transfers Out	(4,509,072)	4,419,067	(6,499,061)	(6,733,713)	(16,560,677)
<b>Total Other Financing Sources (Uses)</b>	<b>5,702,806</b>	<b>8,767,244</b>	<b>7,074,718</b>	<b>2,034,962</b>	<b>8,459,759</b>
<b>Net Change in Fund Balances</b>	<b>\$ 3,601,614</b>	<b>\$ 5,695,649</b>	<b>\$ 1,432,228</b>	<b>\$ (5,030,870)</b>	<b>\$ 6,798,432</b>
<b>Debt Service as a percentage</b>					
<b>of Noncapital Expenditures</b>	<b>5.8%</b>	<b>6.4%</b>	<b>5.4%</b>	<b>5.8%</b>	<b>10.6%</b>

Fiscal Year				
2002	2003	2004	2005	2006
\$ 27,441,124	\$ 25,773,431	\$ 27,093,824	\$ 29,845,163	\$ 35,035,714
1,044,082	1,004,672	1,295,544	1,366,925	1,880,567
4,377,717	4,153,970	4,804,640	4,536,148	4,110,180
2,919,220	3,197,288	3,544,661	3,663,844	3,865,549
454,335	547,988	454,749	566,175	534,071
3,248,931	3,546,614	3,701,855	3,654,299	3,681,670
2,257,577	1,875,608	1,994,784	3,941,649	3,605,883
41,742,986	40,099,571	42,890,057	47,574,203	52,713,634
9,796,957	9,528,847	9,777,288	9,942,870	10,133,159
13,786,791	14,187,339	15,121,260	16,293,215	15,534,673
4,282,923	3,648,773	4,850,849	4,208,802	4,223,289
4,449,966	5,027,240	5,064,150	5,130,601	5,294,410
1,545,673	1,016,568	944,119	1,102,607	3,354,384
714,309	677,067	857,550	530,618	594,165
4,455,399	2,249,000	2,566,957	3,047,454	4,319,780
1,339,460	1,846,933	2,043,617	1,873,517	2,226,774
3,252,624	214,900	127,123	80,627	112,590
264,928	26,557	15,026	10,845	18,327
11,515,674	14,202,752	4,735,354	1,764,864	12,971,979
55,404,704	52,625,976	46,103,293	43,986,020	58,783,530
(13,661,718)	(12,526,405)	(3,213,236)	3,588,183	(6,069,896)
21,167,630	-	1,300,000	12,960,000	8,485,113
-	-	-	189,409	138,450
-	-	-	(3,790,000)	-
233,038	-	-	58,560	-
10,269,881	5,666,551	6,899,378	11,582,120	9,018,070
(11,949,040)	(6,107,542)	(7,839,846)	(13,643,169)	(9,769,144)
19,721,509	(440,991)	359,532	7,356,920	7,872,489
\$ 6,059,791	\$ (12,967,396)	\$ (2,853,704)	\$ 10,945,103	\$ 1,802,593

20.2%      11.7%      12.3%      12.3%      14.6%

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

Fiscal Year	Taxable Value				
	Primary Residential Property	Other Residential Property	Commercial & Industrial Property	Agricultural Property	Unimproved Real Property
1997	\$ 1,312,265,343	\$ 61,401	\$ 518,742,309	\$ 46,665,199	\$ 1,042,100
1998	1,467,428,500	74,869	564,472,379	44,112,056	906,604
1999	1,494,208,145	74,869	598,251,559	39,950,927	802,598
2000	1,518,298,501	74,869	699,553,718	39,501,936	2,029,832
2001	1,674,055,370	80,110	774,700,081	38,178,438	785,900
2002	1,856,564,339	86,092	841,554,729	34,718,238	719,813
2003	1,881,126,204	170,403	1,004,495,783	33,940,732	754,280
2004	1,911,504,645	361,581	1,007,647,856	1,455,150	29,143,864
2005	1,953,411,264	362,106	1,029,051,253	1,198,488	31,784,709
2006	1,992,628,465	434,933	1,017,869,457	903,526	31,998,112

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.

<u>Personal Property</u>	<u>Fee in Lieu Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
\$ 161,791,505	\$ 219,258,381	\$ 2,259,826,238	\$ 0.001594	\$ 3,333,548,119	67.79%
219,354,061	252,768,786	2,549,117,255	0.001864	3,749,801,830	67.98%
236,061,456	318,059,538	2,687,409,092	0.001826	3,910,004,285	68.73%
242,089,476	4,798,030	2,506,346,362	0.001972	3,748,651,847	66.86%
232,924,820	231,060	2,720,955,779	0.001850	4,090,702,990	66.52%
249,759,927	702,322	2,984,105,460	0.001677	4,503,183,085	66.27%
221,551,045	515,589	3,142,554,036	0.001698	4,681,796,714	67.12%
214,696,514	41,328,176	3,206,137,786	0.001796	4,770,391,971	67.21%
217,460,513	41,478,607	3,274,746,940	0.002036	4,873,288,788	67.20%
213,740,087	51,946,930	3,309,521,510	0.002045	4,940,209,745	66.99%

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

Fiscal Year	City of Orem Direct Rates			Overlapping Rates <sup>1</sup>					Total
	General Fund	Debt Service Fund	Total Direct Rate	Alpine School District	Utah County	Central Utah Water Conservancy District	Metropolitan Water District of Orem		
1997	\$ 0.001464	\$ 0.000130	\$ 0.001594	\$ 0.005457	\$ 0.001545	\$ 0.000349	\$ 0.000049	\$ 0.008994	
1998	0.001617	0.000247	0.001864	0.005524	0.001268	0.000397	0.000049	0.009102	
1999	0.001598	0.000228	0.001826	0.006410	0.001682	0.000396	0.000048	0.010362	
2000	0.001621	0.000351	0.001972	0.006884	0.001116	0.000377	0.000044	0.010393	
2001	0.001507	0.000343	0.001850	0.006769	0.001038	0.000369	0.000042	0.010068	
2002	0.001378	0.000299	0.001677	0.006770	0.001411	0.000358	0.000041	0.010257	
2003	0.001395	0.000303	0.001698	0.006953	0.001053	0.000358	0.000041	0.010103	
2004	0.001475	0.000321	0.001796	0.007884	0.001065	0.000353	0.000043	0.011141	
2005	0.001485	0.000551	0.002036	0.008082	0.001040	0.000400	0.000043	0.011601	
2006	0.001404	0.000641	0.002045	0.008119	0.001079	0.000357	0.000043	0.011643	

Source: Statistical Review of Government in Utah - Utah Foundation

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.

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

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

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
University Mall	\$ 71,604,041	1	2.16%	\$ 40,216,605	2	1.58%
Timpanogas Regional Medical	19,000,000	2	0.57%	----		----
GGP UC LLC	15,688,500	3	0.47%	----		----
Parkway Crossing Phase One LLC	14,778,667	4	0.45%	----		----
Retail Trust III (Walmart)	13,675,892	5	0.41%	6,557,976	9	0.26%
Dayton Hudson Corporation	12,600,000	6	0.38%	----		----
Orem Eastpointe LLC	12,220,395	7	0.37%	----		----
Canyon River Partnership	11,675,992	8	0.35%	----		----
Dickson Properties LC	11,510,844	9	0.35%	----		----
Lowes (Eagle) Hardware	9,375,822	10	0.28%	7,344,848	8	0.29%
Corel, USA	----		----	54,828,792	1	2.15%
Price Development	----		----	12,696,127	3	0.50%
Lake Point	----		----	11,667,825	4	0.46%
Individual Taxpayer	----		----	10,427,485	5	0.41%
ZCMI (Meier & Frank)	----		----	8,868,729	6	0.35%
University Square Associates	----		----	8,231,391	7	0.32%
Shopko	----		----	6,400,000	10	0.25%
<b>Total</b>	<b>\$ 192,130,153</b>		<b>5.81%</b>	<b>\$ 167,239,778</b>		<b>6.56%</b>

Notes: Electric, telephone and natural gas utilities are centrally assessed by the State Tax Commission. These assessed amounts were not available in 1996 and therefore, Qwest Corporation (\$23,224,025), Pacificorp (\$22,998,270), and Questar Gas (\$13,355,406) have been excluded from the current year since meaningful comparisons cannot be made.

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

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Calendar Year <sup>1</sup>	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
1996	\$ 3,708,992	\$ 3,593,178	96.88%	\$ 125,979	\$ 3,719,157
1997	3,131,324	3,024,115	96.58%	183,768	3,207,883
1998	4,058,315	3,756,370	92.56%	140,252	3,896,622
1999	4,178,341	3,926,709	93.98%	230,206	4,156,915
2000	4,786,855	4,419,489	92.33%	225,199	4,644,688
2001	4,955,236	4,521,008	91.24%	317,283	4,838,291
2002	4,975,745	4,594,310	92.33%	304,927	4,899,237
2003	5,118,892	4,688,570	91.59%	354,678	5,043,248
2004	5,003,673	4,655,802	93.05%	454,709	5,110,511
2005	5,418,232	4,992,684	92.15%	419,892	5,412,576

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

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

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

	Fiscal Year			
	1997	1998	1999	2000
General Merchandise and Groceries	\$ 2,839,818	\$ 3,053,338	\$ 3,223,651	\$ 3,601,615
Building Materials, Hardware, and Tools	1,939,519	2,043,508	2,110,444	2,131,157
Auto Dealers, Supplies, and Accessories	1,508,222	1,516,780	1,705,249	1,888,238
Home Furnishings, Appliances, & Electronics	1,079,350	1,283,221	1,308,723	1,363,533
Eating and Drinking Establishments	591,085	596,126	671,573	748,552
Clothing, Apparel, and Accessories	1,087,123	1,148,563	941,629	858,399
Professional Equipment and Supplies	969,234	953,526	957,547	724,914
Arts, Crafts, and Specialty Items	379,197	335,115	354,512	396,661
Amusement and Recreation	685,885	624,580	560,875	555,666
All Other Categories	405,134	482,143	878,590	1,078,706
<b>Total Sales Taxes</b>	<b>\$ 11,484,567</b>	<b>\$ 12,036,900</b>	<b>\$ 12,712,793</b>	<b>\$ 13,347,441</b>
Total City Direct Sales Tax Rate	1.00%	1.00%	1.00%	1.00%

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

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 3,972,554	\$ 4,194,426	\$ 4,248,061	\$ 4,371,549	\$ 4,326,371	\$ 4,713,674
1,970,028	1,769,262	1,809,798	1,925,917	2,374,234	3,201,675
1,734,194	1,906,772	1,838,868	1,837,823	2,062,928	2,468,369
1,310,584	1,332,570	1,528,310	1,769,511	1,983,027	2,238,050
851,118	912,860	955,788	1,038,994	1,048,781	1,123,739
861,022	807,319	822,242	843,961	851,206	926,725
714,277	724,009	699,054	711,657	782,075	862,307
411,263	439,932	441,109	494,137	560,885	591,078
547,857	571,096	568,971	535,883	550,779	531,375
1,405,110	2,504,817	795,822	562,899	833,404	1,351,151
<u>\$ 13,778,007</u>	<u>\$ 15,163,063</u>	<u>\$ 13,708,023</u>	<u>\$ 14,092,331</u>	<u>\$ 15,373,690</u>	<u>\$ 18,008,143</u>

1.00%

1.00%

1.00%

1.00%

1.00%

1.10%

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

	Fiscal Year 2006			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	303	10.67%	\$ 4,713,674	26.18%
Building Materials, Hardware, and Tools	227	7.99%	3,201,675	17.78%
Auto Dealers, Supplies, and Accessories	279	9.82%	2,468,369	13.71%
Home Furnishings, Appliances, & Electronics	228	8.03%	2,238,050	12.43%
Eating and Drinking Establishments	205	7.22%	1,123,739	6.24%
Clothing, Apparel, and Accessories	127	4.47%	926,725	5.15%
Professional Equipment and Supplies	394	13.87%	862,307	4.79%
Arts, Crafts, and Specialty Items	236	8.31%	591,078	3.28%
Amusement and Recreation	119	4.19%	531,375	2.95%
All Other Categories	723	25.45%	1,351,151	7.50%
<b>Total</b>	<b>2,841</b>	<b>100.00%</b>	<b>\$ 18,008,143</b>	<b>100.00%</b>

	Fiscal Year 1997			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	204	9.41%	\$ 2,839,818	24.73%
Building Materials, Hardware, and Tools	149	6.87%	1,939,519	16.89%
Auto Dealers, Supplies, and Accessories	240	11.07%	1,508,222	13.13%
Home Furnishings, Appliances, & Electronics	142	6.55%	1,079,350	9.40%
Eating and Drinking Establishments	113	5.21%	591,085	5.15%
Clothing, Apparel, and Accessories	186	8.58%	1,087,123	9.47%
Professional Equipment and Supplies	437	20.16%	969,234	8.44%
Arts, Crafts, and Specialty Items	151	6.96%	379,197	3.30%
Amusement and Recreation	161	7.43%	685,885	5.97%
All Other Categories	385	17.76%	405,134	3.53%
<b>Total</b>	<b>2,168</b>	<b>100.00%</b>	<b>\$ 11,484,567</b>	<b>100.00%</b>

**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)

Taxpayer	2006			1997		
	Sales Taxes <sup>1</sup>	Rank	Percentage of Total Sales Taxes <sup>1</sup>	Sales Taxes <sup>1</sup>	Rank	Percentage of Total Sales Taxes <sup>1</sup>
Costco Wholesale Corporation	N/A	1	N/A	----		----
Wal-Mart Supercenter	N/A	2	N/A	N/A	1	N/A
RC Willey Home Furnishings	N/A	3	N/A	N/A	2	N/A
Target	N/A	4	N/A	----		----
Mountainland Supply Company	N/A	5	N/A	N/A	8	N/A
Geneva Rock Products	N/A	6	N/A	----		----
Lowes (Eagle) Hardware	N/A	7	N/A	N/A	4	N/A
Stock Building Supply	N/A	8	N/A	N/A	9	N/A
BMC West	N/A	9	N/A	----		----
Best Buy	N/A	10	N/A	----		----
Macey's, Inc.	----		----	N/A	3	N/A
Smith's Food & Drug	----		----	N/A	5	N/A
Finlay Fine Jewelry Corporation	----		----	N/A	6	N/A
JC Penney Company, Inc.	----		----	N/A	7	N/A
Mervyn's	----		----	N/A	10	N/A
<b>Total</b>	<b>\$ 4,968,859</b>		<b>27.59%</b>	<b>\$ 2,849,563</b>		<b>24.81%</b>

Source: Utah State Tax Commission.

<sup>1</sup> 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.

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			
	City Direct Rate	City Cultural Arts & Rec Rate <sup>1</sup>	Total City Direct Rate	County Direct Rate	State Direct Rate	State Mass Transit Rate	Total Sales Tax Rate
1997	1.00%	--	1.00%	0.25%	4.75%	0.25%	6.25%
1998	1.00	--	1.00	0.25	4.75	0.25	6.25
1999	1.00	--	1.00	0.25	4.75	0.25	6.25
2000	1.00	--	1.00	0.25	4.75	0.25	6.25
2001	1.00	--	1.00	0.25	4.75	0.25	6.25
2002	1.00	--	1.00	0.25	4.75	0.25	6.25
2003	1.00	--	1.00	0.25	4.75	0.25	6.25
2004	1.00	--	1.00	0.25	4.75	0.25	6.25
2005	1.00	--	1.00	0.25	4.75	0.25	6.25
2006	1.00	0.10	1.10	0.25	4.75	0.25	6.35

Source: Utah State Tax Commission

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

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
1997	\$ 6,000,000	\$ 1,895,000	\$ -	\$ 3,005,000	\$ -	\$ -	\$ 5,021,355
1998	5,820,000	1,465,000	-	2,870,000	-	-	4,532,093
1999	10,290,000	1,005,000	-	2,725,000	-	-	4,059,179
2000	10,015,000	4,963,000	-	2,580,000	-	854,214	3,939,660
2001	9,660,000	3,752,000	-	10,410,000	-	808,836	3,536,675
2002	9,290,000	2,985,000	12,175,000	12,860,000	3,675,000	750,035	517,089
2003	8,900,000	2,181,000	12,010,000	11,975,000	3,670,000	1,010,532	302,189
2004	8,490,000	1,337,000	11,720,000	11,075,000	4,965,000	892,580	175,066
2005	17,225,000	452,000	11,285,000	10,140,000	4,735,000	765,119	152,999
2006	21,995,000	-	10,810,000	9,170,000	3,195,000	3,597,449	243,896

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

Business-type Activities

<u>Water Quality Revenue Bonds</u>	<u>Water &amp; Storm Sewer Revenue Bonds</u>	<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 2,848,000	\$ -	\$ -	\$ 18,769,355	1.62%	\$ 227
3,115,000	-	-	17,802,093	1.44	214
2,978,000	-	-	21,057,179	1.61	251
2,836,000	-	-	25,187,874	1.82	299
2,689,000	-	-	30,856,511	2.13	365
2,537,000	-	-	44,789,124	3.00	535
2,380,000	-	-	42,428,721	2.64	491
2,217,000	-	-	40,871,646	2.36	458
2,048,000	17,440,000	-	64,243,118	3.52	711
1,873,757	17,440,000	52,829	68,377,931	3.57	746

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

Fiscal Year	Population <sup>1</sup>	Taxable Value	Gross Bonded Debt	Debt Service Monies Available <sup>2</sup>	Net Bonded Debt
1997	82,578	\$ 2,259,826,238	\$ 6,000,000	\$ 6,896	\$ 5,993,104
1998	83,241	2,549,117,255	5,820,000	20,120	5,799,880
1999	83,921	2,687,409,092	10,290,000	26,449	10,263,551
2000	84,326	2,506,346,362	10,015,000	25,513	9,989,487
2001	84,500	2,720,955,779	9,660,000	16,839	9,643,161
2002	83,662	2,984,105,460	9,290,000	339,058	8,950,942
2003	86,346	3,142,554,036	8,900,000	339,058	8,560,942
2004	89,326	3,206,137,786	8,490,000	938,255	7,551,745
2005	90,374	3,274,746,940	17,225,000	1,240,367	15,984,633
2006	91,649	3,309,521,510	21,995,000	1,154,726	20,840,274

<sup>1</sup> Population estimates were based upon census data and building activity within the City.

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

Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
0.27%	73
0.23	70
0.38	122
0.40	118
0.35	114
0.30	107
0.28	99
0.24	85
0.49	177
0.63	227

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City of Orem  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2006  
 (Unaudited)

Jurisdiction	Net General Obligation Debt Outstanding <sup>1</sup>	Percentage Applicable to the Citizens of the City of Orem	Amount Applicable to the Citizens of the City of Orem
<b>Direct Debt:</b>			
City of Orem	\$ 20,840,274	100.0000%	\$ 20,840,274
<b>Overlapping Debt:</b>			
Alpine School District	269,840,000	36.4977%	98,485,507
Utah County	17,440,000	20.1035%	3,506,047
Central Utah Water Conservancy District	<u>314,769,820</u>	4.4916%	<u>14,138,316</u>
Total Overlapping Debt	602,049,820		116,129,870
<b>Total Direct and Overlapping Debt</b>	<u><u>\$ 622,890,094</u></u>		<u><u>\$ 136,970,144</u></u>
<b>Total Direct and Overlapping Debt Per Capita</b>			<u><u>\$ 1,495</u></u>

<sup>1</sup>Applies only to General Obligation Bonds.

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

	Fiscal Year			
	1997	1998	1999	2000
Debt Limit	\$ 133,341,925	\$ 151,383,623	\$ 156,400,171	\$ 149,946,074
Total Net Debt Applicable to Limit	(5,993,104)	(5,799,880)	(10,263,551)	(9,989,487)
Legal Debt Margin	<u>\$ 127,348,821</u>	<u>\$ 145,583,743</u>	<u>\$ 146,136,620</u>	<u>\$ 139,956,587</u>
Total Net Debt Applicable to Limit as a percentage of debt limit	4.49%	3.83%	6.56%	6.66%

<sup>1</sup> Debt margin applies only to general obligation bonds.

<sup>2</sup> 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 2006**

**Assessed Valuations:**

Taxable Value	<u>\$ 3,309,521,510</u>
Estimated Market Value	<u>\$ 4,940,209,745</u>

**Legal Debt Margin:**

Debt Limitation - 4% of Estimated Market Value <sup>1</sup> \$ 197,608,390

Debt Applicable to Limitation:

Total General Obligation Bonded Debt \$ (21,995,000)

Less:

Assets in Debt Service Funds Available  
for payment of Principal <sup>2</sup>

1,154,726

Total Debt Applicable to Limitation (20,840,274)

**Legal Debt Margin** \$ 176,768,116

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 163,628,120	\$ 180,127,323	\$ 187,271,869	\$ 190,815,679	\$ 194,931,552	\$ 197,608,390
(9,643,161)	(8,950,942)	(8,670,993)	(7,551,745)	(15,984,633)	(20,840,274)
<u>\$ 153,984,959</u>	<u>\$ 171,176,381</u>	<u>\$ 178,600,876</u>	<u>\$ 183,263,934</u>	<u>\$ 178,946,919</u>	<u>\$ 176,768,116</u>
5.89%	4.97%	4.63%	3.96%	8.20%	10.55%

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

Excise Tax Revenue Bonds					Sales Tax Revenue Bonds			
Fiscal Year	B&C Road Taxes	Debt Service		Coverage	Sales Taxes	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
1997	\$ 1,114,075	\$ 405,000	\$ 108,409	2.17	\$ -	\$ -	\$ -	0.00
1998	2,146,672	430,000	113,654	3.95	-	-	-	0.00
1999	1,718,428	460,000	65,966	3.27	-	-	-	0.00
2000	2,665,646	485,000	31,982	5.16	-	-	-	0.00
2001	1,811,253	691,000	236,371	1.95	-	-	-	0.00
2002	2,397,673	767,000	161,688	2.58	15,163,063	5,000	47,442	289.14
2003	2,571,034	804,000	123,984	2.77	13,708,023	165,000	683,546	16.15
2004	2,739,312	844,000	84,432	2.95	14,092,331	290,000	562,047	16.54
2005	2,131,082	885,000	42,936	2.30	15,373,690	435,000	552,621	15.57
2006	2,485,259	452,000	10,848	5.37	18,008,143	475,000	539,136	17.76

Lease Revenue Bonds					Special Assessment Revenue Bonds			
Fiscal Year	Lease Revenues	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
1997	\$ 330,996	\$ 130,000	\$ 196,086	1.02	\$ 51,427	\$ 36,000	\$ 19,139	0.93
1998	275,999	135,000	150,314	0.97	81,474	38,000	16,806	1.49
1999	289,406	145,000	145,273	1.00	86,874	41,000	14,393	1.57
2000	284,147	145,000	137,423	1.01	77,936	44,000	11,256	1.41
2001	540,891	155,000	323,318	1.13	85,957	47,000	8,165	1.56
2002	1,100,085	545,000	529,222	1.02	66,230	50,000	89,224	0.48
2003	1,439,752	885,000	580,253	0.98	78,767	54,000	183,349	0.33
2004	1,450,286	900,000	544,337	1.00	186,941	5,000	181,583	1.00
2005	1,444,808	935,000	505,090	1.00	1,470,871	230,000	183,250	3.56
2006	1,444,384	970,000	470,630	1.00	417,274	1,540,000	231,152	0.24

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

<sup>1</sup> Operating Expenses exclude depreciation expense.

Water & Storm Sewer Revenue Bonds

Utility Service Charges	Less: Operating Expenses <sup>1</sup>	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ -	\$ -	\$ -	\$ -	\$ -	0.00
-	-	-	-	-	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

Water Reclamation Revenue Bonds

Utility Service Charges	Less: Operating Expenses <sup>1</sup>	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 3,534,204	\$ 3,142,937	\$ 391,267	\$ 128,000	\$ 104,160	1.69
3,920,953	3,504,531	416,422	133,000	107,083	1.73
4,399,131	4,155,237	243,894	137,000	109,025	0.99
4,607,442	3,600,351	1,007,091	142,000	104,230	4.09
5,128,911	3,805,019	1,323,892	147,000	99,260	5.38
4,791,987	3,983,007	808,980	152,000	94,115	3.29
4,648,383	4,134,290	514,093	157,000	88,795	2.09
4,762,198	4,272,036	490,162	163,000	83,300	1.99
4,481,980	4,264,174	217,806	169,000	77,595	0.88
5,341,595	4,415,907	925,688	174,243	71,675	3.76

City of Orem  
Debt Service Schedule of Outstanding Lease Revenue Bonds  
June 30, 2006  
(Unaudited)

Fiscal Year Ending June 30	Series 2000 \$7,985,000 (Street Lights)		Series 2001 \$5,345,000 (Refunding)	
	Principal	Interest	Principal	Interest
	2007	\$ 400,000	\$ 320,642	\$ 605,000
2008	420,000	301,843	630,000	91,000
2009	440,000	282,102	650,000	67,375
2010	460,000	261,203	675,000	42,675
2011	485,000	239,122	380,000	15,675
2012	505,000	214,873	-	-
2013	535,000	189,118	-	-
2014	560,000	161,565	-	-
2015	590,000	131,885	-	-
2016	620,000	100,615	-	-
2017	655,000	66,825	-	-
2018	560,000	30,800	-	-
<b>TOTALS</b>	<u>\$ 6,230,000</u>	<u>\$ 2,300,593</u>	<u>\$ 2,940,000</u>	<u>\$ 329,505</u>

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

<u>Totals</u>		
<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
\$ 1,005,000	\$ 433,422	\$ 1,438,422
1,050,000	392,843	1,442,843
1,090,000	349,477	1,439,477
1,135,000	303,878	1,438,878
865,000	254,797	1,119,797
505,000	214,873	719,873
535,000	189,118	724,118
560,000	161,565	721,565
590,000	131,885	721,885
620,000	100,615	720,615
655,000	66,825	721,825
560,000	30,800	590,800
<u>\$ 9,170,000</u>	<u>\$ 2,630,098</u>	<u>\$ 11,800,098</u>

City of Orem  
 Long-term Bonded Indebtedness Paid By Governmental and Enterprise Funds  
 Schedule of Bonded Indebtedness  
 June 30, 2006  
 (Unaudited)

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Term of Bonds</u>	<u>Annual Terms of Serial Bonds</u>
<b>Governmental Funds:</b>				
General Obligation Bonds:				
Series 1997 Road Bonds	5.00% - 5.40%	05/15/97	1997-2016	Various
Series 1998 Road Bonds	4.05% - 5.25%	08/15/98	1998-2018	Various
Series 2004 Road Bonds - Refunding	3.00% - 4.00%	12/22/04	2004-2016	Various
Series 2005 Road Bonds	3.50% - 5.00%	04/20/05	2005-2024	Various
Series 2006 Road Bonds	3.63% - 5.00%	03/07/06	2006-2024	Various
Total General Obligation Bonds				
Revenue Bonds:				
Excise Tax Revenue Bonds - Series 1999	4.80%	11/24/99	1999-2006	Various
Lease Revenue Bonds - Series 2000	4.45% - 5.50%	09/11/00	2000-2018	Various
Canyon River - Special Improvement District Bonds - Series 2001	4.49% - 5.50%	10/02/01	2002-2016	Various
Refunding Lease Revenue Bonds - Series 2001	2.50% - 4.50%	10/15/01	2001-2011	Various
Sales Tax Revenue Bonds - Series 2002	3.00% - 5.50%	02/01/02	2002-2023	Various
Bunker Business Park - Special Improvement District Bonds - Series 2003	2.85% - 5.65%	07/01/03	2003-2019	Various
Total Revenue Bonds				
Total Governmental Funds				
<b>Enterprise Funds:</b>				
Revenue Bonds:				
Water Quality Revenue Bonds	3.50%	04/12/94	1994-2014	Various
2005A Water and Storm Sewer Revenue Bonds	3.50% - 5.25%	03/17/05	2005-2025	Various
2005B Water and Storm Sewer Revenue Bonds	1.48%	03/17/05	2005-2025	Various
Total Revenue Bonds				
Total Enterprise Funds				
Total Governmental and Enterprise Funds				

Original Amount	Principal		Interest	
	Balance 06/30/06	Retired Year Ended 06/30/06	Expense Year Ended 06/30/06	Payable In Future Years
\$ 6,000,000	\$ 275,000	\$ 265,000	\$ 20,706	\$ 6,875
\$ 4,650,000	3,535,000	190,000	162,095	1,157,488
\$ 3,975,000	3,940,000	35,000	143,969	932,747
\$ 8,985,000	8,730,000	255,000	439,042	4,436,983
\$ 5,515,000	5,515,000	-	-	2,587,589
	<u>21,995,000</u>	<u>745,000</u>	<u>765,812</u>	<u>9,121,682</u>
\$ 4,443,000	-	452,000	10,848	-
\$ 7,985,000	6,230,000	385,000	338,545	2,300,593
\$ 3,680,000	3,195,000	240,000	171,750	942,500
\$ 5,345,000	2,940,000	585,000	132,085	329,505
\$ 12,175,000	10,810,000	475,000	539,136	4,594,958
\$ 1,300,000	-	1,300,000	59,402	-
	<u>23,175,000</u>	<u>3,437,000</u>	<u>1,251,766</u>	<u>8,167,556</u>
	<u>45,170,000</u>	<u>4,182,000</u>	<u>2,017,578</u>	<u>17,289,238</u>
\$ 3,500,000	1,873,757	174,243	71,675	342,930
\$ 17,390,000	17,390,000	-	681,773	9,561,025
\$ 50,000	50,000	-	-	739
	<u>19,313,757</u>	<u>174,243</u>	<u>753,448</u>	<u>9,904,694</u>
	<u>19,313,757</u>	<u>174,243</u>	<u>753,448</u>	<u>9,904,694</u>
	<u>\$ 64,483,757</u>	<u>\$ 4,356,243</u>	<u>\$ 2,771,026</u>	<u>\$ 27,193,932</u>

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

Fiscal Year	Population <sup>1</sup>	Personal Income	Per Capita	Median Age	Unemployment Rate
			Personal Income <sup>2</sup>		
1997	82,578	\$ 1,160,220,900	14,050	23.2	2.70%
1998	83,241	1,232,398,613	14,805	23.5	3.10
1999	83,921	1,309,248,695	15,601	23.7	3.00
2000	84,326	1,385,138,876	16,426	23.9	3.00
2001	84,500	1,446,639,873	17,120	24.3	4.10
2002	83,662	1,492,807,707	17,843	24.8	5.70
2003	86,346	1,605,793,714	18,597	25.2	5.20
2004	89,326	1,731,399,630	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

<sup>1</sup> Population estimates were based upon census data and building activity within the City.

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

City of Orem  
Other Demographic Statistics  
(Unaudited)

Census Population Count

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

Age Distribution of Population <sup>1</sup>

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%

<sup>1</sup> Source: 2000 Census

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

Taxpayer	Fiscal Year 2006			Fiscal Year 1997		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Utah Valley State College	1,156	1	3.22%	2,550	1	6.69%
Alpine School District	1,084	2	3.02%	----		----
Western Wats Center	700	3	1.95%	----		----
Orem City	525	4	1.46%	478	6	1.25%
Wal-Mart	430	5	1.20%	348	8	0.91%
Geneva Rock Products	400	6	1.11%	650	2	1.70%
PGM, Inc.	350	7	0.98%	----		----
Phone Directories Company, LLC	320	8	0.89%	----		----
Mity-Lite, Inc.	315	9	0.88%	----		----
Timpanogas Regional Medical	300	10	0.84%	----		----
Corel, USA	----		----	600	3	1.57%
Man Power	----		----	500	4	1.31%
Target Stores	----		----	500	5	1.31%
Meier & Frank (ZCMI)	----		----	350	7	0.92%
Macey's	----		----	330	9	0.87%
Business Computing Services, Inc.	----		----	329	10	0.86%
<b>Total</b>	<b>5,580</b>		<b>15.55%</b>	<b>6,635</b>		<b>17.39%</b>

Source: Economic Development Corporation of Utah (EDCU)

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

	Fiscal Year			
	1997	1998	1999	2000
General Government	154	126	133	127
Public Safety:				
Police Protection	82	108	110	112
Fire Protection	52	53	53	53
Highways and Public Improvements	1	1	1	0
Parks and Recreation:				
Parks and Recreation	30	31	25	35
Library	53	53	53	56
Cemetary	4	4	4	5
Economic and Physical Development	4	4	3	3
Water	20	20	22	22
Water Reclamation	29	30	31	33
Storm Sewer	7	8	8	8
Recreation	42	36	34	36
Street Lighting	0	0	0	0
Total	478	474	477	490

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					
2001	2002	2003	2004	2005	2006
131	136	145	129	138	130
117	114	114	127	118	134
53	53	53	53	55	56
1	4	1	1	4	5
30	31	32	32	33	31
54	57	57	56	54	54
5	4	5	4	5	5
3	3	3	2	2	2
23	23	23	23	24	23
31	32	32	30	31	29
9	9	9	10	9	9
31	35	40	47	45	45
1	1	4	2	2	2
489	502	518	516	520	525

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

	Fiscal Year				
	1997	1998	1999	2000	2001
General Government:					
Building Permits Issued	1,357	1,396	1,389	1,223	1,192
Public Safety:					
Police Protection:					
Physical Arrests	N/A	N/A	N/A	N/A	N/A
Traffic Stops, Citations, & Warnings	N/A	N/A	N/A	N/A	N/A
Fire Protection:					
Emergency Responses	N/A	N/A	N/A	N/A	N/A
Ambulance Transports	N/A	1,870	2,106	1,958	2,066
Other Public Safety Services:					
Emergency Dispatch Calls	N/A	N/A	N/A	N/A	N/A
Highways and Public Improvements:					
Asphalt Used - Streets (Tons)	N/A	N/A	N/A	N/A	N/A
Concrete Used - Sidewalks (Yards)	N/A	N/A	N/A	N/A	N/A
Parks and Recreation:					
Library - Volumes in Collection (approx.)	190,000	190,000	221,000	243,900	254,235
Cemetery - Internments	185	209	229	221	216
Economic and Physical Development:					
Public Service Organizations Assisted	N/A	N/A	N/A	N/A	N/A
Housing Rehab Loans/Grants Added	N/A	N/A	N/A	N/A	N/A
Major Project Improvements Completed	N/A	N/A	N/A	N/A	N/A
Water:					
Number of Consumers	18,600	18,600	19,000	19,668	19,896
Average Daily Consumption (MGD)	22.0	22.0	22.2	24.1	22.5
Water Reclamation:					
Number of Service Connections	18,575	18,575	18,966	18,966	19,405
Average Daily Treated (MGD)	9.0	9.9	9.8	9.8	9.8
Storm Sewer:					
Number of Sumps	N/A	N/A	N/A	N/A	N/A
New Infrastructure (Feet)	N/A	N/A	N/A	N/A	N/A
Recreation:					
Recreation Programs Participants	N/A	N/A	N/A	20,800	24,000
Solid Waste:					
Annual Waste Tonnage	N/A	N/A	N/A	N/A	N/A
Avg Annual Waste per Household (Tons)	N/A	N/A	N/A	N/A	N/A
Street Lighting:					
Number of Street Lights Added	N/A	N/A	8	0	1,121

Source: Various city departments

Fiscal Year				
2002	2003	2004	2005	2006
1,203	1,396	1,118	1,083	1,149
846	981	791	1,093	1,090
41,361	44,420	37,958	40,780	42,841
1,558	1,558	1,383	1,250	1,169
2,224	2,598	2,549	2,761	3,145
2,802	4,697	4,961	4,935	5,236
5,376	5,417	6,599	4,048	4,500
1,009	972	905	1,089	1,100
260,000	266,720	275,497	280,000	284,573
222	255	247	250	289
14	13	15	14	14
7	13	12	15	8
2	3	4	1	1
19,900	20,142	20,425	20,240	21,228
22.5	22.0	20.6	21.2	23.5
19,425	19,511	20,017	20,107	20,314
9.8	9.7	8.4	8.4	8.5
21	18	24	25	22
N/A	N/A	6,600	4,000	4,500
23,800	22,800	24,000	24,500	24,700
N/A	29,221	29,993	30,209	27,193
N/A	1.69	1.72	1.72	1.51
434	0	1,477	233	230

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

	Fiscal Year				
	1997	1998	1999	2000	2001
General Government:					
Vehicles	127	131	146	148	141
Public Safety:					
Police Protection:					
Stations	1	1	1	1	1
Vehicles	82	84	88	88	94
Fire Protection:					
Stations	3	3	3	3	3
Vehicles	23	27	28	28	28
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	13	14	14	14	15
Parks Acreage	122	127	127	127	131
Playgrounds	12	13	14	14	14
Walking/Jogging Trails (miles)	N/A	N/A	N/A	N/A	N/A
Libraries	1	1	1	1	1
Cemeteries	1	1	1	1	1
Water:					
Water Mains (miles)	308	308	308	308	310
Wells	7	7	7	7	7
Storage Capacity (thousands of gallons)	12,040	12,040	12,040	12,440	12,440
Water Reclamation:					
Sewer Lines (miles)	260	260	260	260	260
Treatment Capacity (MGD)	12.3	12.3	12.3	12.3	12.3
Storm Sewer:					
Storm Sewer Lines (miles)	N/A	N/A	N/A	N/A	N/A
Recreation:					
Fitness Centers	1	1	1	1	1
Pools	1	1	1	1	1
Baseball / Softball Diamonds	12	12	12	12	12
Soccer / Football Fields	5	5	5	5	5
Street Lighting:					
Street Lights	N/A	1,067	1,075	1,075	2,196

Source: Various city departments

Fiscal Year				
2002	2003	2004	2005	2006
152	164	169	177	191
1	1	1	1	1
98	104	105	106	108
3	3	3	3	3
26	25	25	25	23
N/A	N/A	232	233	235
N/A	N/A	25	25	25
18	18	20	20	20
212	212	277	277	277
17	17	18	18	18
N/A	29.5	33.0	33.0	33.0
1	1	1	1	1
1	1	1	1	1
310	345	345	345	345
7	7	8	8	8
12,440	12,440	12,440	12,440	12,440
260	272	272	272	272
12.3	12.3	12.3	12.3	12.3
N/A	64.6	64.6	64.6	64.6
1	1	1	1	1
1	2	2	2	2
18	18	18	18	18
18	18	18	18	18
2,630	2,630	4,107	4,340	4,570

City of Orem  
 Water Impact Fees Report <sup>1</sup>  
 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
1997	\$ 346,480	\$ (38,118)	\$ (308,362)	\$ -
1998	516,589	(56,962)	(459,627)	-
1999	448,279	(49,352)	(398,927)	-
2000	364,584	(29,140)	(335,444)	-
2001	335,145	(18,731)	(316,414)	-
2002	418,708	(47,329)	(371,379)	-
2003	632,175	(69,003)	(563,172)	-
2004	649,883	(72,677)	(577,206)	-
2005	683,798	(71,547)	(612,251)	-
2006	929,602	(104,069)	(825,533)	-

**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.

<sup>1</sup> 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.