



CITY OF OREM

STATE OF UTAH



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

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CITY OF OREM

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

Prepared by:
City of Orem, Administrative Services Department
Richard B. Manning, Administrative Services Director
Brandon C. Nelson, CPA, Accounting Division Manager

City of Orem, Utah
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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INTRODUCTORY SECTION



CITY OF OREM
OFFICE OF THE CITY MANAGER

December 9, 2008

To: Mayor and City Council

Subject: Comprehensive Annual Financial Report

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

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

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

The City concluded the year ended June 30, 2008, in sound financial condition. The following is an overview of the City's financial condition.

Operating Revenues

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

Revenues for the water, water reclamation and storm water funds have provided a reasonable level of revenue in each of these areas to support both the operational and capital needs for these three critical services.

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

Expenditures

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

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

- New streetlights have been constructed throughout the entire community and streetlights are being installed in all the city parks.

- A new 20 million gallon water tank was completed and put into use in a joint venture between the City of Orem and the Central Utah Water Conservancy District.
- Construction was completed on numerous voter-approved street projects.
- Fire Station #1 was remodeled to provide improved seismic construction and to provide improved living quarters in the 30 year-old facility.
- The 30 year-old portion of the Library was remodeled to improve the seismic systems, heating and air conditioning, lighting and overall appearance of the facility.
- Traffic signals were added at seven intersections.
- A new Cemetery building was completed. The Cemetery lawn sprinkling system is being improved.
- Remodeling of Fire Station #2 is nearly complete.

Additional Capital Funding is Needed:

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

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

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

If you have questions regarding the Comprehensive Annual Financial Report, please feel free to discuss them with Richard Manning, Brandon Nelson or me.

Yours truly,



Jim Reams
City Manager



CITY OF OREM
DEPARTMENT OF ADMINISTRATIVE SERVICES

December 9, 2008

Jim Reams
City Manager

City of Orem, Utah

The State of Utah requires that all local governments publish, within six months of the close of each year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This Comprehensive Annual Financial Report (CAFR) of the City of Orem, Utah for the fiscal year ended June 30, 2008, is hereby submitted to you, in accordance with these requirements.

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

Wisan, Smith, Racker & Prescott, LLP, a firm of licensed certified public accountants, have audited the City of Orem's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Orem for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Orem's financial statements for the fiscal year ended June 30, 2008, are fairly

presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Economic Condition and Outlook

The City of Orem is located in north central Utah and is currently the sixth largest city in the state with a 2000 census population of 84,324 and an estimated current population of 93,090. Utah Valley University (UVU) is a major employer in the City with student enrollment in excess of 23,000. UVU became a university on July 1, 2008. With the change comes the addition of masters programs, a new state of the art library/digital learning center and the increased benefits that a university brings to any city.

The City has been involved in active economic development over the past two decades attracting stable industries and organizations. This economic development activity has directly led to the creation of approximately 7,000 non-retail jobs and thousands of retail jobs. The University Mall is the anchor to the largest retail area between Salt Lake County and Clark County, Nevada. The Mall has been revitalized through a major remodeling project which attracted several large national retailers like Costco, Nordstrom's and Macy's. The City, like the rest of the country is in the midst of economic uncertainty brought on by the housing/credit crisis and has experienced a marked decline in sales tax revenues. However, the City is cautiously optimistic that the Federal government's economic stimulus packages will result in a turn-around of the economy.

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

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

Major Initiatives

For the Year

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

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

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

For the Future

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

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

Cash Management

The City follows the requirements of the Utah Money Management Act (MM Act) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a *qualified depository*. The MM Act defines *qualified depository* as "any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council." The MM Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Allowable investments may consist of time certificates of deposit, repurchase agreements, commercial paper which is rated P-1 by Moodys Investor Services or A-1 by Standard and Poors Inc., banker's acceptances, obligations of the United States Treasury and various other obligations of state and local governments. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. The provisions of this act

substantially protect the City from loss of investment principal; therefore, the City's investments are not collateralized and are not required to be collateralized by state law. The City has never lost any invested funds.

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

Risk Management

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

Other Information

Internal Audits

In 2005, the City Manager and Executive Staff contracted with Peterson, Allred and Jackson, CPAs for internal audit services on a quarterly basis. It was believed that improvements to the City's financial processes and procedures could be more readily identified by a third-party. These internal audits have continued into calendar year 2008. The internal auditors have focused on particular procedures within the City. Over the past three years they have focused on cash handling, fixed asset verification, credit card usage, liability accounts procedures, and travel authorizations processing. These audits have helped City staff to improve processes in each of the above mentioned areas.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twentieth year that the City has

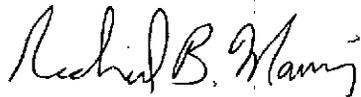
received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report must satisfy both generally accepted accounting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

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

Acknowledgments

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

Respectfully submitted,



Richard B. Manning
Administrative Services Director

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CITY OF OREM

LISTING OF OFFICIALS ORGANIZED BY CLASSIFICATIONS

Chief Executive Officer

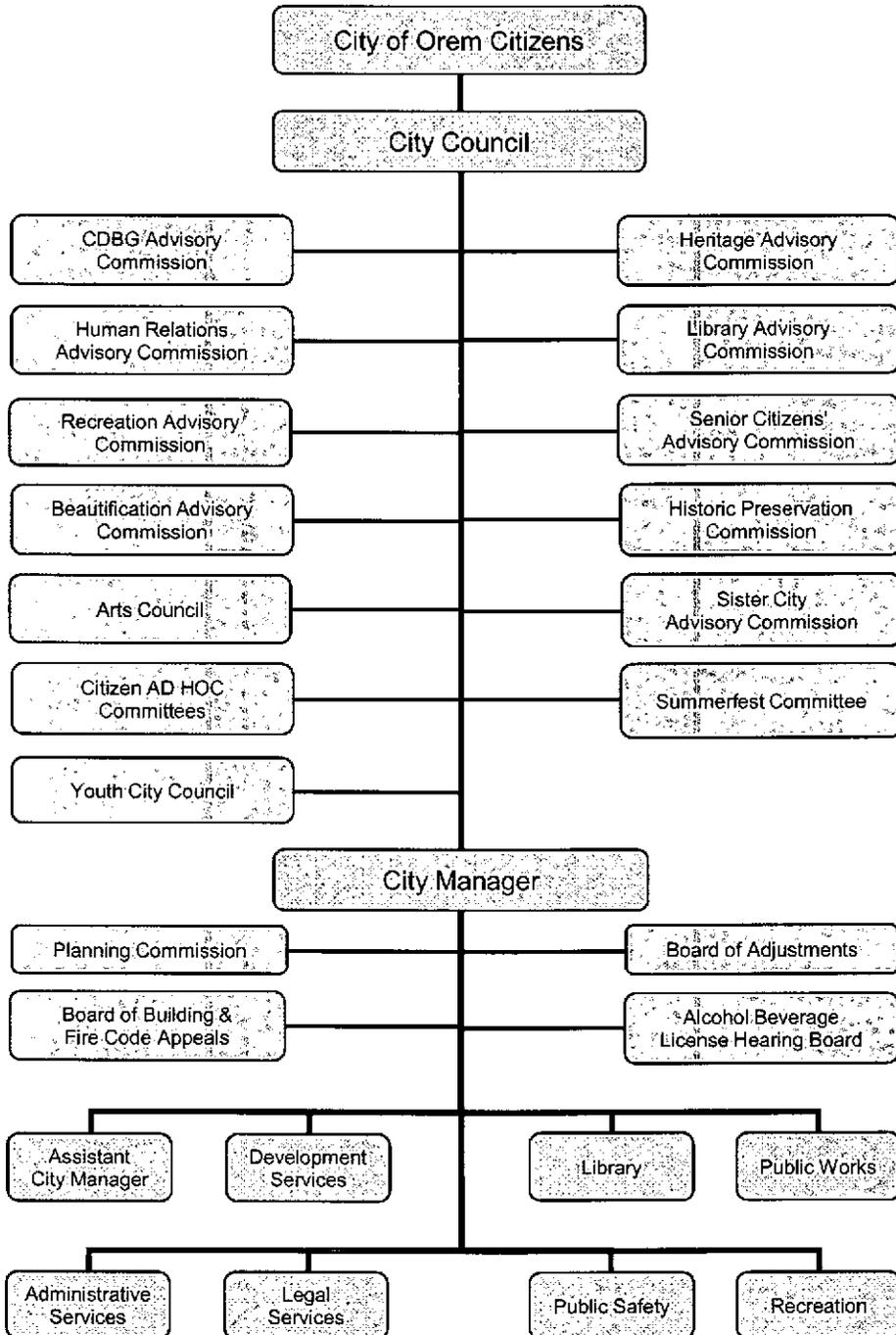
City Manager Jim Reams

Executive Staff

Assistant City Manager Jeffrey W. Pedersen
Director of Administrative Services Richard B. Manning
Director of Development Services Stanford Sainsbury
Director of Legal Services Paul B. Johnson
Director of Library Services Louise G. Wallace
Director of Public Safety Michael J. Larsen
Director of Public Works Bruce W. Chesnut
Director of Recreational Services Karl R. Hirst

CITY OF OREM, UTAH

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orem
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

City of Orem

Development Services Department 2008: Department Focus

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

Development Services

- Building Safety
- Engineering
- Planning

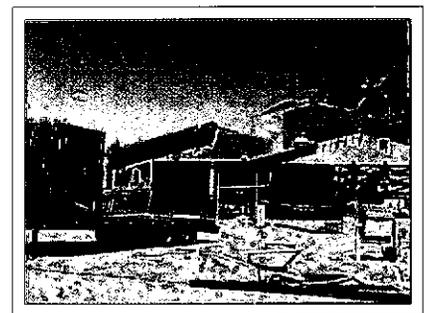
Development Services Department 2008

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

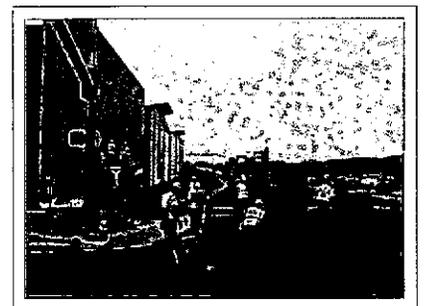
This year, the department has been involved in numerous projects starting from the design stages to the initial plan review and through the final stages of construction.

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

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



2008 Remodel of Fire Station #2



800 East Reconstruction Project

Building Safety

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



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

Building Safety Division

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

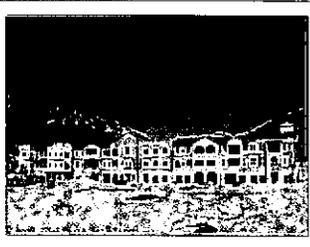
This division issues permits, approves residential and commercial plans, and performs progress inspections for all new construction, additions, remodeling, fences, retaining walls, swimming pools, etc.

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

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



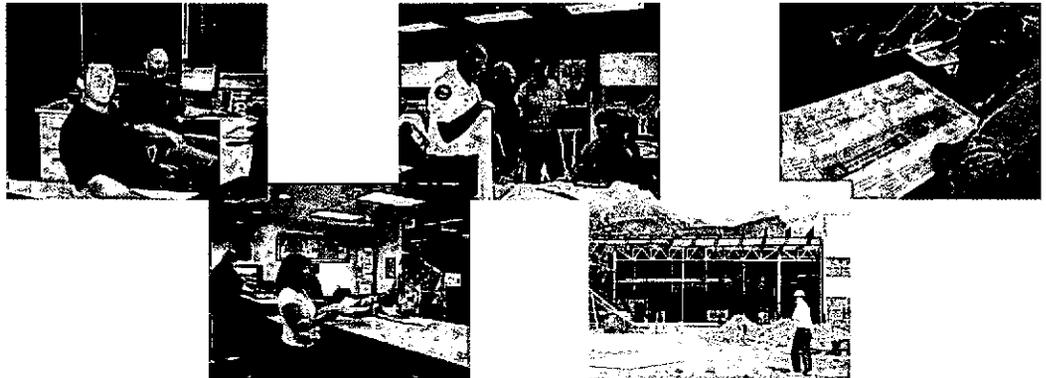
Telos: 870 West Center Street



Northgate Condominiums
837 North 900 West

Building Safety 2008 Highlights

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



Engineering Division

Engineering Division

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

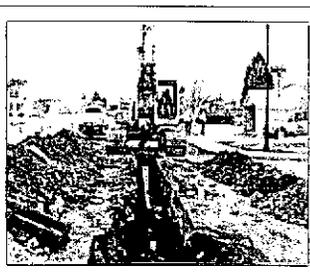
The Engineering Division is comprised of four sections under the management of the City Engineer: Construction Management, Design, Private Development, and Transportation. The Division has 5 professional engineers, 4 professional land surveyors, 3 associate engineers and 2 planners.

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

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

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

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



800 East Water Line
and Road Overlay

Engineering 2008 Highlights

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



800 East Water Line and Overlay

Planning Division

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

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

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

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

Planning 2008 Highlights

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

Planning Division

- ◆ Residential
- ◆ Commercial
- ◆ Development Tracking



Development Review Committee



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 17 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wisam Smith Ranken & Prescott, LLP

Salt Lake City, Utah
December 4, 2008

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

As management of the City of Orem, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

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

Overview of the Financial Statements

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

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

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- The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar

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information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

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Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As mentioned in the highlights section, assets exceeded liabilities by \$209,953,522 at June 30, 2008.

By far the largest portion of the City's net assets (80.48%) is its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets) less any outstanding debt related to the acquisition of those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Orem's Net Assets

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

A portion of the City of Orem's net assets (2.24%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$36,273,116) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Street Lighting Fund was the only fund reporting a deficit in unrestricted net assets (\$380,471). This deficit was created by timing differences between debt service payments on leases and the implementation of fees assessed to property owners and will eventually be eliminated when the debt is retired.

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

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

In comparing the current fiscal year to the prior fiscal year, the government's net assets, net of the prior period adjustment, increased by \$7,434,586 (3.67%), total revenues decreased by \$4,436,828 (4.89%) due in large part to decreases in federal and state capital grants, and expenses increased by \$6,030,466 (8.16%). The following is a summary of the changes in net assets:

City of Orem's Changes in Net Assets

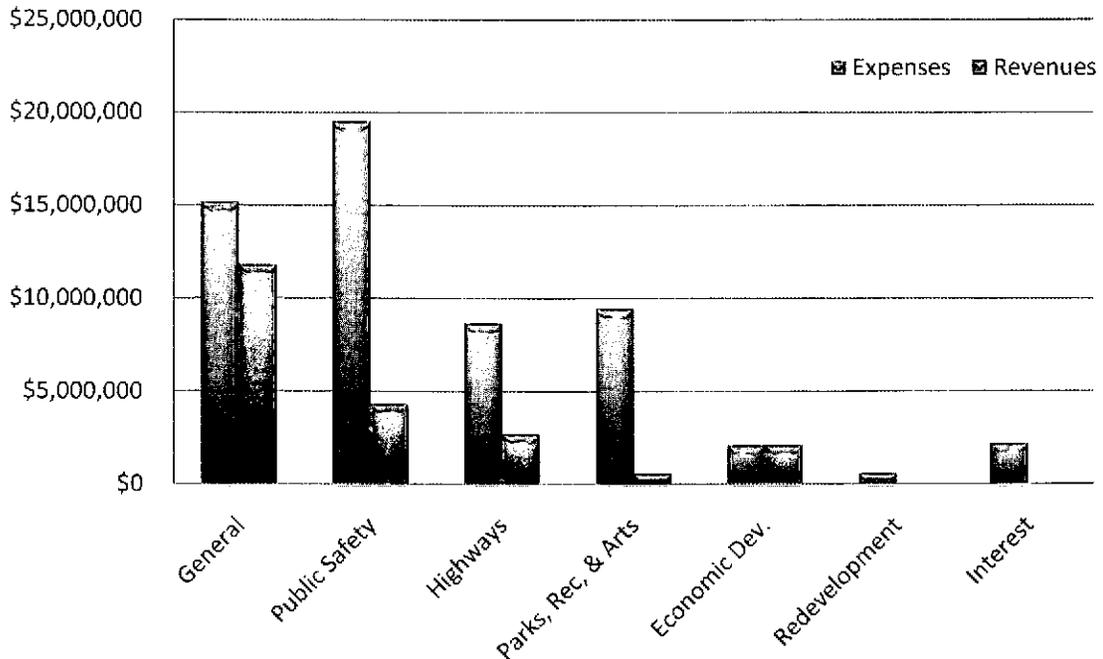
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 15,858,973	\$ 14,785,255	\$ 23,193,312	\$ 21,449,496	\$ 39,052,285	\$ 36,234,751
Operating Grants and Contributions	1,438,884	852,452	-	248,000	1,438,884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

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

The following graph displays the governmental activities reflected in the table "City of Orem's Changes in Net Assets". Note that the graph below does not include general revenues of \$40,240,321 because these revenues are not specific to a particular department.

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



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

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

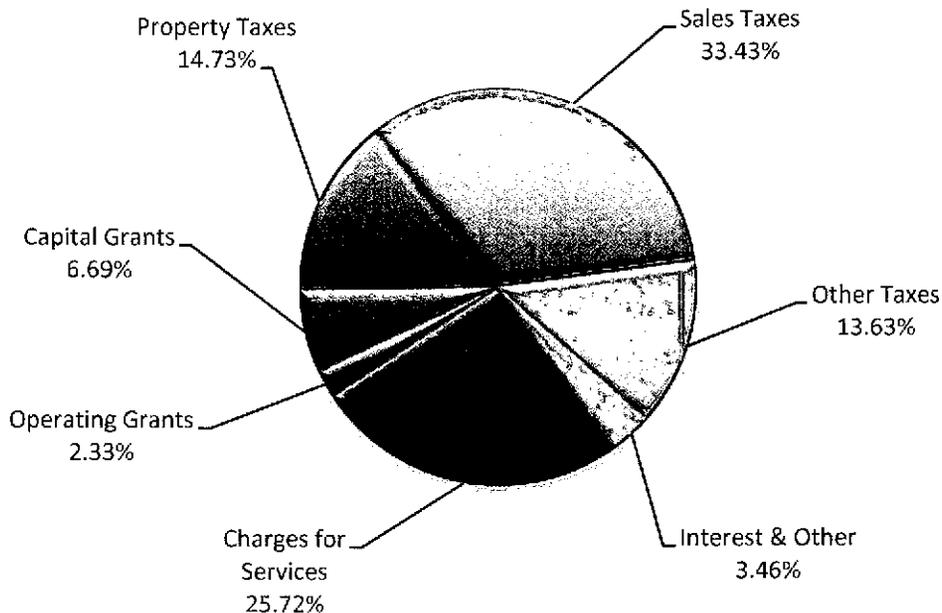
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\$475,714 (4.98%) and sales tax revenues decreased by \$713,399 (3.34%).

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

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

**Revenues by Source - Governmental Activities
For Fiscal Year Ending June 30, 2008**

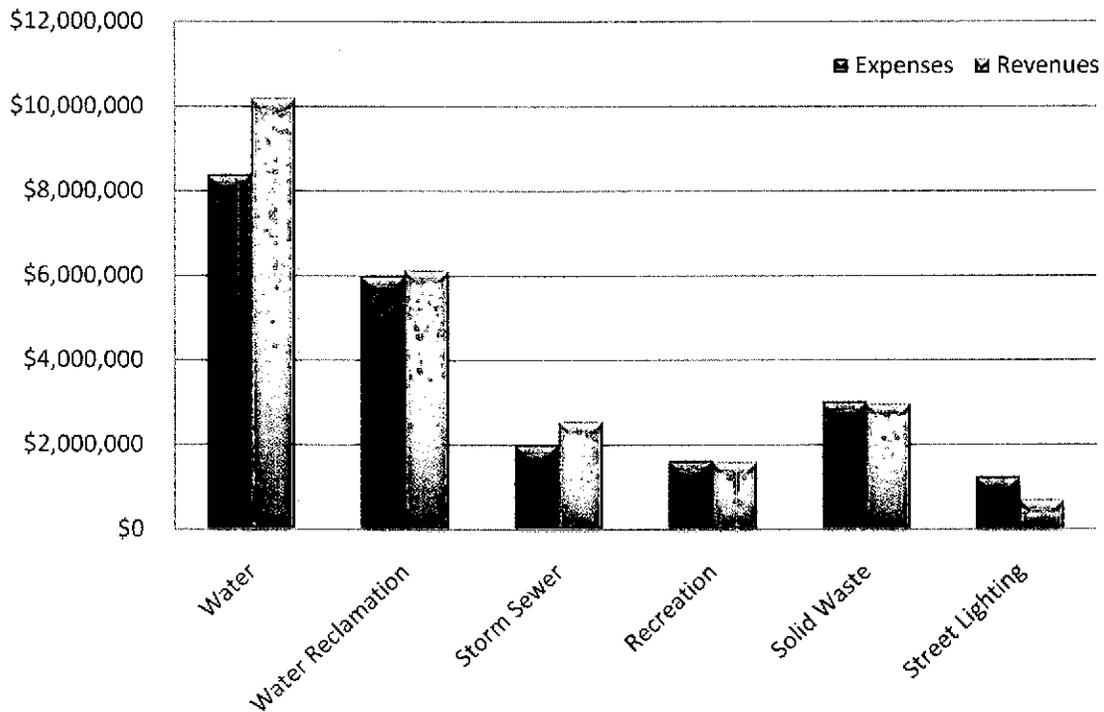


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Business-type activities. Business-type activities increased the City's net assets by \$3,479,166 which represents 46.80% of the total growth in net assets of the City of Orem. Although the City increased its net assets in the current fiscal year,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

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

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

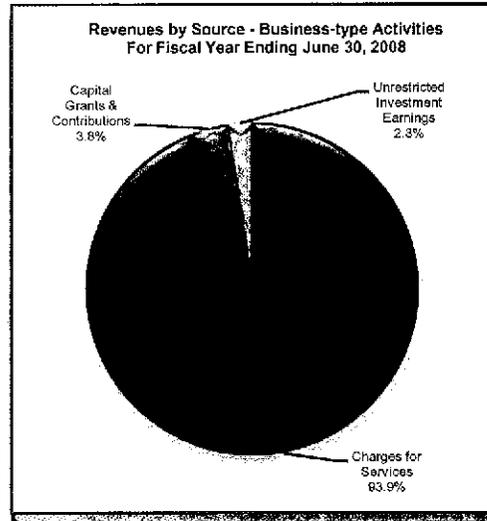


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Key elements affecting the change in business-type activities net assets are as follows:

- Business-type activities reported decreased total revenues over the prior year of \$378,245 (1.51%). Total revenues increased or decreased as follows:

- Water fund total operating revenues increased by \$1,670,616 or 21.81%, due primarily to an average increase in the per meter base rate of approximately 12% and an increase to the per gallon used assessment of 10%. However, contributions from developers decreased by \$1,058,880 or 99.25% which reflects the downward trend in residential and commercial construction.



- Water Reclamation fund contributions from developers decreased by \$1,449,200 or 96.79%, due primarily to the construction downturn that was previously mentioned.
- Recreation fund operating revenues increased by \$136,436 or 9.39%, primarily due to an increase in fitness center annual passes.

- Business-type activities reported an increase in total operating expenses from the prior year of \$1,510,626 or 7.28%. The increase is primarily due to an increase in water fund depreciation expense of \$535,643 or 57.41% which was due to several large capital projects being completed early in the year and overall personnel costs that increased by \$658,964 or 12.77% due to annual salary increases and an increase in health benefit costs of approximately 8%.

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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,148,141. Of this total amount, \$21,446,676 (82.02%) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining fund balance of \$4,701,465 is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service or a variety of other restricted purposes.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, *unreserved fund balance* of the general fund was \$10,962,112 while total fund balance reached \$12,619,933. As a measure of the general fund's liquidity, it may be useful to compare both *unreserved fund balance* and total fund balance to total fund expenditures. *Unreserved fund balance* represents 24.87% (prior year was 22.63%) of total general fund expenditures, while total fund balance represents 28.63% (prior year was 26.99%) of that same amount.

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

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

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

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

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

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

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

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General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total (including net transfers) of \$47,199,312 to a final budget of \$49,689,028, an increase of \$2,489,716. The increases to the General Fund budget are briefly summarized as follows:

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

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

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

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

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$234,510,822 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment (including vehicles), infrastructure, and construction in progress.

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

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

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

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 59,007,221	\$ 58,784,875	\$ 891,439	\$ 891,439	\$ 59,898,660	\$ 59,676,314
Buildings and Systems	16,776,318	17,593,190	3,783,719	3,956,205	20,540,037	21,549,395
Improvements other than Buildings	16,843,514	17,847,472	10,103,082	1,518,987	26,946,596	19,366,459
Machinery and Equipment	5,337,653	4,913,122	1,828,953	1,603,875	7,166,606	6,516,997
Infrastructure	62,746,198	56,392,889	52,718,700	43,624,734	115,464,898	100,017,623
Construction in Progress	2,135,828	4,344,751	2,358,197	16,630,827	4,494,025	20,975,578
Total Capital Assets	\$ 182,846,732	\$ 159,876,299	\$ 71,664,090	\$ 68,226,067	\$ 234,510,822	\$ 228,102,366

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

Long-term debt. At the end on the current year, the City had total bonded debt outstanding of \$66,011,757. Of this amount, \$19,960,000 comprises debt backed by the full faith and credit of the government and \$46,051,757 is debt that is secured solely by specific revenue sources (i.e., revenue bonds).

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 19,960,000	\$ 21,025,000	-	-	\$ 19,960,000	\$ 21,025,000
Revenue Bonds	20,003,000	21,673,000	\$ 26,048,757	\$ 19,642,757	46,051,757	41,315,757
Total Bonds	\$ 39,963,000	\$ 42,698,000	\$ 26,048,757	\$ 19,642,757	\$ 66,011,757	\$ 62,340,757

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

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$269,165,352, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allow for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these

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

water, sewer, or electrical projects is \$538,330,704, which again significantly exceeds the outstanding business-type activity debt.

Additional information on the City's long-term debt can be found in the footnotes to this financial report on pages 73-80.

Economic Factors and Next Year's Budgets and Rates

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

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

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

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

Request For Information

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

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City of Orem
Statement of Net Assets
June 30, 2008

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

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

City of Orem
Statement of Activities
For The Year Ended June 30, 2008

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

General Revenues:
Sales Taxes
Property Taxes
Franchise Taxes
Vehicle Taxes
Other Taxes
Grants and Contributions not restricted to specific programs
Unrestricted Investment Earnings
Gain (Loss) on Sale of Capital Assets
Transfers In (Out)
Total General Revenues and Transfers
Change in Total Net Assets
Total Net Assets - Beginning, As Previously Reported
Prior Period Adjustment
Total Net Assets - Beginning, As Restated
Total Net Assets - Ending

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

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

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

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

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

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

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

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

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

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

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

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

Net Change in Fund Balances - Total Governmental Funds		\$ (1,318,285)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Asset Purchases Capitalized	\$ 9,022,245	
Depreciation Expense	<u>(6,030,611)</u>	2,991,634
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Issuance of Long-term Debt recorded as a long-term liability	\$ (7,211,376)	
Principal Payments recorded as a reduction of the long-term liability	<u>8,844,311</u>	1,632,935
<p>Governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Bond Issuance Costs Capitalized - Refundings	\$ 139,440	
Bond (Premiums) Discounts	66,370	
Amortization of Bond Issuance Costs	(47,593)	
Amortization of Bond Issuance Costs - Refundings	(26,915)	
Amortization of Bond Premiums (Discounts)	<u>(57,948)</u>	73,353
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated Absences	\$ (227,743)	
Interest Expense	<u>(145,817)</u>	(373,560)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		941,058
<p>Internal service funds are used by management to charge the costs of fleet management, purchasing/warehousing and self-insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>(967,376)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 2,979,759</u></u>

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

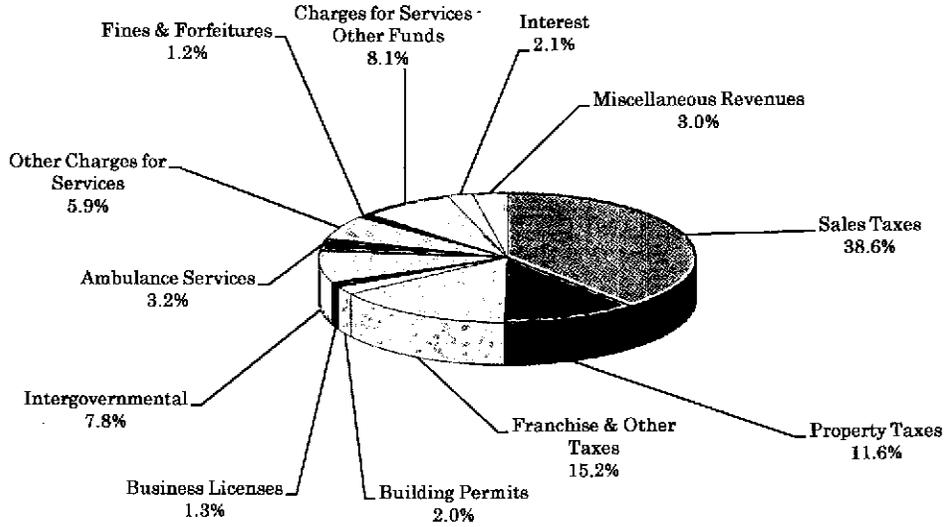
City of Orem
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2008

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

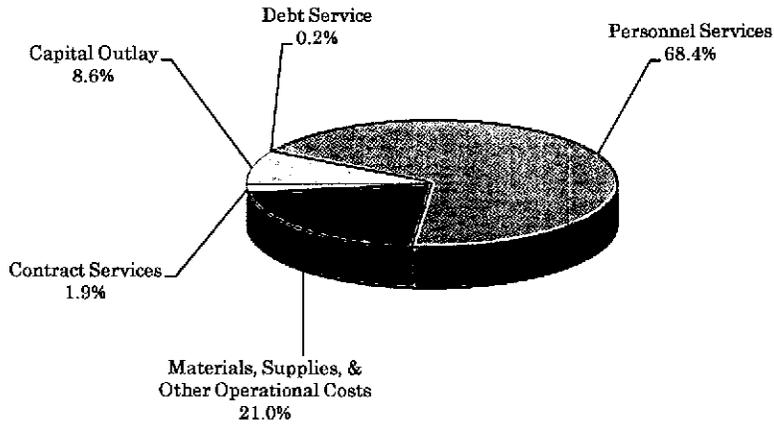
The notes to the financial statements are an integral part of this statement

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

GENERAL FUND - REVENUES



GENERAL FUND - EXPENDITURES



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

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

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

Activities - Enterprise Funds					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
\$ 2,788,196	\$ 2,938,310	\$ 1,634,248	\$ 1,306,096	\$ 10,651,855	\$ 1,576,971
166,867	186,973	312,532	325,823	1,670,819	.
.	371,006
.
.	488,338	.	.	6,254,605	.
2,955,063	3,613,621	1,946,780	1,631,919	18,577,179	1,947,977
90,576	95,865	.	.	376,822	.
293,963	293,963	39,822	39,822	891,439	.
468,845	468,845	4,121,630	4,121,630	9,693,486	150,000
357,034	346,825	1,499,210	1,499,210	11,640,063	17,195
1,061,823	1,039,971	142,067	142,067	6,250,800	219,221
13,846,542	10,169,323	902,953	767,317	99,096,183	.
224,865	3,307,892	183,351	.	2,358,197	.
(2,355,279)	(1,936,811)	(4,432,113)	(4,318,361)	(58,266,078)	(184,696)
13,897,793	13,690,008	2,456,920	2,251,685	71,664,090	201,720
13,988,369	13,785,873	2,456,920	2,251,685	72,040,912	201,720
16,943,432	17,399,494	4,403,700	3,883,604	90,618,091	2,149,697
12,292	888,046	341,437	268,959	1,467,609	65,939
.	.	.	.	11,002	.
25,499	16,232	82,770	71,075	271,807	892,462
.	.	400,004	410,271	400,004	.
30,447	25,647	36,862	37,389	209,860	60,281
.	.	350,659	375,185	410,866	.
114,084	117,302	.	.	479,311	29
12,696	12,697	.	.	41,808	.
10,482	10,719	.	.	19,654	6,551
201,117	192,737	.	.	928,000	.
406,617	1,263,380	1,211,732	1,162,879	4,239,921	1,025,262
1,602	1,350	1,940	1,968	12,567	44,663
204,733	217,428	.	.	685,626	.
830	10,526	.	.	1,556	519
5,250,838	5,451,956	.	.	25,120,757	.
5,458,003	5,681,260	1,940	1,968	25,820,506	45,182
5,864,620	6,944,640	1,213,672	1,164,847	30,060,427	1,070,444
8,434,526	8,670,698	2,456,920	2,251,685	51,848,628	194,650
2,644,286	1,784,156	733,108	467,072	8,709,036	884,603
\$ 11,078,812	\$ 10,454,854	\$ 3,190,028	\$ 2,718,757	\$ 60,557,664	\$ 1,079,253

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

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

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

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

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

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

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

Activities - Enterprise Funds

Water Reclamation Fund Prior Year	Storm Sewer Fund Current Year	Storm Sewer Fund Prior Year	Other Enterprise Funds Current Year	Other Enterprise Funds Prior Year	Total Current Year	Governmental Activities Internal Service Funds
\$ 5,678,134	\$ 2,548,853	\$ 2,523,425	\$ 5,237,414	\$ 5,029,285	\$ 21,991,261	\$ -
476,367	229	-	1,927	475	1,202,051	2,349,930
(2,120,312)	(1,252,041)	(328,667)	(4,175,245)	(4,087,174)	(11,551,955)	(1,472,622)
(1,834,370)	(629,404)	(461,288)	(1,191,812)	(1,136,063)	(5,784,413)	(760,927)
(770,625)	(303,240)	(296,769)	(333,674)	(318,278)	(2,477,645)	-
<u>1,429,194</u>	<u>364,397</u>	<u>1,436,701</u>	<u>(461,390)</u>	<u>(511,755)</u>	<u>3,379,299</u>	<u>116,381</u>
-	-	248,000	-	-	866,900	-
-	48,824	-	1,084,968	855,177	1,238,163	-
(139,723)	(62,550)	(61,216)	(30,811)	(29,591)	(202,057)	(645,825)
<u>(139,723)</u>	<u>(13,726)</u>	<u>186,784</u>	<u>1,054,157</u>	<u>825,586</u>	<u>1,903,006</u>	<u>(645,825)</u>
(1,294,928)	(622,653)	(3,558,870)	(318,987)	(412,005)	(6,441,045)	(13,000)
-	-	-	-	-	7,300,000	-
2,233	-	113,801	-	-	131,104	-
(181,000)	(202,669)	(191,288)	-	-	(912,622)	(6,208)
(65,582)	(253,084)	(260,181)	-	-	(851,002)	(564)
<u>(1,539,277)</u>	<u>(1,078,406)</u>	<u>(3,896,538)</u>	<u>(318,987)</u>	<u>(412,005)</u>	<u>(773,565)</u>	<u>(19,772)</u>
55,318	89,283	128,801	54,372	57,983	443,870	-
55,318	89,283	128,801	54,372	57,983	443,870	-
(194,188)	(638,452)	(2,144,252)	328,152	(40,191)	4,952,610	(549,216)
1,862,260	3,426,648	5,570,900	1,306,096	1,346,287	11,953,750	2,126,187
<u>\$ 1,667,772</u>	<u>\$ 2,788,196</u>	<u>\$ 3,426,648</u>	<u>\$ 1,634,248</u>	<u>\$ 1,306,096</u>	<u>\$ 16,906,360</u>	<u>\$ 1,576,971</u>
\$ 323,168	\$ 787,258	\$ 1,049,178	\$ (637,258)	\$ (659,846)	1,843,934	\$ (321,066)
\$ 1,258,683	\$ 418,468	\$ 328,592	\$ 113,752	\$ 60,022	3,062,622	\$ 16,664
(89,638)	20,106	(11,352)	13,291	(10,461)	6,449	-
-	-	-	-	-	-	(80,842)
(69,454)	(875,754)	61,766	72,478	(8,317)	(1,614,001)	45,491
-	-	-	-	-	88	-
6,144	9,267	1,849	1,428	85,273	58,932	453,445
-	-	-	(24,526)	44,671	(13,127)	-
289	5,052	6,668	(555)	(23,097)	34,402	2,689
<u>1,106,026</u>	<u>(422,861)</u>	<u>387,523</u>	<u>175,868</u>	<u>148,091</u>	<u>1,535,365</u>	<u>437,447</u>
<u>\$ 1,429,194</u>	<u>\$ 364,397</u>	<u>\$ 1,436,701</u>	<u>\$ (461,390)</u>	<u>\$ (511,755)</u>	<u>\$ 3,379,299</u>	<u>\$ 116,381</u>
\$ 1,497,200	\$ 3,600	\$ 113,800	\$ -	\$ -	\$ 59,600	\$ -
(1,505)	-	(435,764)	-	-	-	-

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

1. Summary of significant accounting policies

A. Reporting Entity

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

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

The component units discussed below are included as part of the City's reporting entity as *blended* component units within its governmental funds.

- The Redevelopment Agency of the City of Orem (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.
- The Municipal Building Authority of the City of Orem (MBA) was established to finance and construct municipal buildings that are then leased to the City. A seven-member board of trustees composed of the Mayor and the City Council governs the MBA. Although it is a legally separate entity from the City, the MBA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the MBA. The MBA is included in these financial statements as the Municipal Building Authority Debt Service Fund. Separate financial statements are not issued for the MBA.
- The Orem Foundation Trust is a nonprofit charitable foundation. The Internal Revenue Service (IRS) granted permission for the City to form and operate as an approved IRS section 501(c)3 charitable foundation.

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

1. Summary of significant accounting policies (continued)

A. Reporting Entity (continued)

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

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

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

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which

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

1. Summary of significant accounting policies (continued)

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

normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

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

debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

- The *Water Fund* accounts for the activities of the City's water production, treatment and distribution operations.
- The *Water Reclamation Fund* accounts for the operation and maintenance of the City's sewer operations.
- The *Storm Sewer Fund* accounts for the operation and maintenance of the City's storm sewer operations.

The City reports the following internal service funds:

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

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

1. Summary of significant accounting policies (continued)

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

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

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

1. Summary of significant accounting policies (continued)

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

1. Cash and cash equivalents (continued)

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

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

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

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from" other funds. In the Water, Water Reclamation, and Solid Waste funds, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2008 do not represent a material amount and, therefore, have not been accrued as revenues and receivables.

3. Inventories and prepaid items

Inventories of materials and supplies in the Purchasing/Warehousing internal service fund consist principally of materials used to repair the transmission, distribution, collection and treatment systems of the City's proprietary type services. These inventories are valued at cost and accounted for on a first-in, first-out basis (FIFO).

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

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

1. Summary of significant accounting policies (continued)

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

4. *Capital assets*

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

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

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

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

5. *Compensated absences*

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

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

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

1. Summary of significant accounting policies (continued)

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

5. Compensated absences (continued)

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

Employees are limited to two years of accumulated vacation leave. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. City employees earn twelve days of sick leave per year.

6. Long-term obligations

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

7. Restricted assets

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

8. Fund equity reserves

Fund balance

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

Restricted net assets

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

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

1. Summary of significant accounting policies (continued)

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

9. Contributions from developers

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

E. Estimates and assumptions

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

2. Reconciliation of government-wide and fund financial statements

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

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

Capital related items

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

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

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

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

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

Long-term debt transactions

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

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

General Obligation Bonds	\$ 19,960,000
Sales Tax Revenue Bonds	9,985,000
Municipal Building Authority Bonds	7,343,000
Special Improvement District Bonds	2,675,000
Notes Payable	7,476,274
Capital Leases	140,400
Less: Internal Service Funds - Current Portion	(6,551)
Bond Premiums Deferred	442,561
Bond Loss on Defeasance Deferred - Refunding	(383,406)
Bond Issuance Costs Deferred - Refunding	(312,450)
Compensated Absences	1,736,792
Less: Internal Service Funds - Current Portion	(60,281)
Total Difference	<u>\$ 48,996,339</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, 2008

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

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

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

3. Stewardship, compliance and accountability

A. Budgetary Information

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

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

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

3. Stewardship, compliance and accountability (continued)

A. Budgetary Information (continued)

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

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

The City Council (administrators of the legal level of control), by resolution, have the authority to transfer budget appropriations between individual budgetary funds. A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

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

Tax revenues

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

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

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

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

4. Detailed notes for all funds

A. Deposits and investments

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

Custodial Credit Risk – Deposits

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

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. As of June 30, 2008, \$5,345,867 of the City's bank balance of \$5,908,675 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at June 30, 2008 is \$2,540,903.

Investments

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

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

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

4. Detailed notes for all funds (continued)

A. Deposits and investments (continued)

Investments (continued)

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

The City's investments at June 30, 2008 are presented below:

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

4. Detailed notes for all funds (continued)

A. Deposits and investments (continued)

Credit Risk of Debt Securities (continued)

The City's debt investments ratings at June 30, 2008 are presented below:

Rated Debt Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$ 36,477,573	\$ -	\$ -	\$ -	\$ 36,477,573
Zions Bank Liquid Asset Management Fund	5,043,107	5,043,107	-	-	-
Corporate Notes	2,000,000	2,000,000	-	-	-
U.S. Treasuries	1,414,534	-	-	-	1,414,534
Total Debt Securities	<u>\$ 44,935,214</u>	<u>\$ 7,043,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,892,107</u>

Custodial Credit Risk – Investments

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

Most of the City's investments at June 30, 2008 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to custodial credit risk. The investments in the Zions Bank Liquid Asset Management Fund and the corporate notes do have custodial credit risk exposure. Of the \$7,043,107 invested, \$2,200,894 of the related securities are uninsured, unregistered and held by the City's investment firm which is also the underlying issuer for these particular securities.

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

The investment in U.S. Treasuries represent amounts held in various bond trust funds.

Concentration of Credit Risk – Investments

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

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

4. Detailed notes for all funds (continued)

A. Deposits and investments (continued)

Concentration of Credit Risk – Investments (continued)

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

Most of the City's investments at June 30, 2008 were with the Utah Public Treasurer's Investment Fund and therefore, are not categorized as to concentration of credit risk.

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

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

B. External investment pools

Public Treasurer's Investment Fund (PTIF)

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

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

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

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

4. Detailed notes for all funds (continued)

B. External investment pools (continued)

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

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

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2008) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2008, the City had \$36,477,573 invested in the PTIF which had a fair value of \$36,366,389 for an unrealized loss of \$111,184. Due to the insignificance of this amount in relation to the funds affected by the unrealized loss, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

The table below shows statistical information about the investment pool:

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

Zions Bank Liquid Asset Management Fund (LAM)

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

The LAM is not registered with the SEC as an investment company. The LAM is a registered investment advisor and is certified by the Utah Money Management Council. The Utah Money Management Act details the investments that are authorized, which are high-grade securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances.

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

4. Detailed notes for all funds (continued)

B. External investment pools (continued)

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

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

As of June 30, 2008, the City had \$5,043,107 invested in the LAM which had a fair value of \$5,039,076 for an unrealized loss of \$4,031. Due to the insignificance of this amount in relation to the funds affected by the unrealized loss, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment.

The table below shows statistical information about the investment pool:

Investment Type	Investment Percentage
Corporate Bonds and Notes	81.76 %
U.S. Government Securities	9.95 %
Money Market Accounts and Certificates of Deposit	8.29 %
Total	100.00 %

C. Customer Deposits

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

D. Loans receivable - CDBG and EDA loans

The City uses monies from the Community Development Block Grant (CDBG) program to create housing rehabilitation and business redevelopment loans. Additional funds from the Economic Development Agency (EDA) and the Utah Revolving Loan Fund are used to supplement the business redevelopment loan program. The principal balance of the loans at June 30, 2008, as summarized below, has been shown in the government-wide statement of net assets as follows:

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

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

4. Detailed notes for all funds (continued)

E. Receivables

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

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

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

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

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

4. Detailed notes for all funds (continued)

F. Capital assets

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

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

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

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

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

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 891,439	\$ -	\$ -	\$ 891,439
Construction in progress	16,630,827	-	(14,272,630)	2,358,197
Total capital assets, not being depreciated:	<u>17,522,266</u>	<u>-</u>	<u>(14,272,630)</u>	<u>3,249,636</u>
Capital assets, being depreciated:				
Buildings and systems	9,693,486	-	-	9,693,486
Improvements other than buildings	2,576,284	9,063,779	-	11,640,063
Machinery and equipment	5,811,874	563,281	(124,355)	6,250,800
Infrastructure	87,949,968	11,146,215	-	99,096,183
Total capital assets, being depreciated:	<u>106,031,612</u>	<u>20,773,275</u>	<u>(124,355)</u>	<u>126,680,532</u>
Less accumulated depreciation for:				
Buildings and systems	(5,907,132)	(22,635)	-	(5,929,767)
Improvements other than buildings	(1,058,315)	(478,666)	-	(1,536,981)
Machinery and equipment	(4,208,000)	(338,202)	124,355	(4,421,847)
Infrastructure	(44,154,364)	(2,223,119)	-	(46,377,483)
Total accumulated depreciation	<u>(55,327,811)</u>	<u>(3,062,622)</u>	<u>124,355</u>	<u>(58,266,078)</u>
Total capital assets, being depreciated, net	<u>50,703,801</u>	<u>17,710,653</u>	<u>-</u>	<u>68,414,454</u>
Business-type activities capital assets, net	<u>\$ 68,226,067</u>	<u>\$ 17,710,653</u>	<u>\$ (14,272,630)</u>	<u>\$ 71,664,090</u>

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

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

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

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

Construction commitments

The City has active construction projects as of June 30, 2008. The projects include street construction in areas with newly developed housing, widening and construction of existing streets and sidewalks, water, water reclamation, and storm sewer system improvements, new construction and improvements to various public facilities, and improvements and additions to parks and recreation facilities. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water Systems Improvements	\$ 1,347,595	\$ 4,118,174
Street Construction and Improvements	2,471,521	2,263,993
Public Facility Construction & Improvements	307,247	877,789
Water Reclamation Improvements	98,370	441,793
Storm Sewer Improvements	-	94,484
Park and Recreation Improvements	183,350	27,788
Total	\$ 4,408,083	\$ 7,824,021

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

4. Detailed notes for all funds (continued)

F. Capital assets (continued)

Discretely presented component unit

Activity for the Commission for Economic Development in Orem (CEDO) for the year ended June 30, 2008, was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 15,000	-	-	\$ 15,000
Total capital assets, not being depreciated:	15,000	-	-	15,000
Capital assets, being depreciated:				
Buildings	199,100	-	-	199,100
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Total capital assets, being depreciated:	199,100	-	-	199,100
Less accumulated depreciation for:				
Buildings	(89,168)	(8,458)	-	(97,626)
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Total accumulated depreciation	(89,168)	(8,458)	-	(97,626)
Total capital assets, being depreciated, net	109,932	(8,458)	-	101,474
CEDO capital assets, net	\$ 124,932	\$ (8,458)	\$ -	\$ 116,474

G. Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds

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

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

4. Detailed notes for all funds (continued)

G. Interfund receivable, payables and transfers (continued)

Due to/from other funds (continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Enterprise Funds	400,004
Total		<u>\$ 400,004</u>

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

Interfund Transfers

Transfers between funds occur primarily to finance programs accounted for in one fund with resources collected in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2008 are as follows:

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

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

4. Detailed notes for all funds (continued)

H. Jointly governed organizations

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

Utah Risk Management Mutual Association (URMMA) - The City provides for its general liability risks and worker's compensation through a joint protection agreement with URMMA. During the year ended June 30, 2008, the City paid premiums of approximately \$244,000 to URMMA.

Utah County Solid Waste Special Service District (UCSWSSD) - The City disposes of its solid waste through an agreement with UCSWSSD, which operates a solid waste transfer station. During the year ended June 30, 2008, the City paid solid waste tipping fees of approximately \$953,000 to UCSWSSD.

Utah Telecommunication Open Infrastructure Agency (UTOPIA) - UTOPIA was formed under the Utah Interlocal Cooperation Act by its 18 founding cities, of which, the City of Orem is a member. This agency has the assignment to design, finance, build, operate and maintain a fiber-to-home and fiber-to-business fiber optic communication network. UTOPIA will build the infrastructure but private companies will deliver the services over the network. During the year ended June 30, 2008, the City paid \$78,482 to UTOPIA to pay for interest and fees associated with the current bond outstanding as well as costs associated with the refinancing of these bonds. See footnote 5.B. (Other information, contingent liabilities) for additional information.

North Utah Valley Animal Services Special Service District (NUVAS) - The City, through agreement, delivers stray, homeless, endangered, injured or other animals to the district's shelter facility. NUVAS is charged with identifying and/or locating the animal's rightful owner. Personnel of the district also evaluate, house, treat and/or humanely dispose of any animal brought to them by the City. NUVAS also handles all licensing and licensing renewals. During the year ended June 30, 2008, the City paid participation fees of approximately \$94,000 to NUVAS.

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

4. Detailed notes for all funds (continued)

I. Capital Leases

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

All City lease contracts contain a fiscal non-funding clause that allows the City Council the option of terminating the lease agreement at the end of any fiscal year. In the opinion of City management, the likelihood of this clause being exercised is remote.

The following is a schedule, by year, of future minimum lease payments of all capital leases as well as the present value of the net minimum lease payments as of June 30, 2008:

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

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

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

J. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. All general obligation bonds issued are for governmental activities. The original amount of general obligation bonds issued in prior years was \$29,125,000.

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

General obligation bonds (continued)

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

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

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

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

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

Revenue bonds

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

Water Quality Revenue Bonds

In April of 1994, the City entered into an agreement to issue revenue bonds through the Utah State Department of Water Quality of up to \$3,500,000. As of June 30, 1997, the City had issued \$3,100,000 of such bonds. During the fiscal year ended June 30, 1998 the City issued the remaining \$400,000. The proceeds of the bonds were used to construct facilities at the

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Water Quality Revenue Bonds (continued)

Water Reclamation Plant. The terms of the bond contract require principal and interest payable annually on February 1 of each year commencing February 1, 1995 through February 2015. Payments on the bonds are paid from sewer charges to customers. The interest rate is fixed at 3.5%.

Lease Revenue Bonds - Series 2000

In September of 2000, the City issued lease revenue bonds of \$7,985,000 through private placement for the completion of a street lighting project. Payments on the bonds are paid from utility charges to customers. The terms of the bond contract require principal payable annually commencing March 15, 2002 with interest payable semi-annually on September 15 and March 15 of each year commencing March 15, 2001 through September 15, 2010. The interest rate varies between 4.45% and 5.5%.

Refunding Lease Revenue Bonds - Series 2001

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

Canyon River SID Bonds - Series 2001

In October of 2001, the City issued Canyon River special improvement district bonds of \$3,680,000 through private placement for the improvement of property. Payments on the bonds are paid from assessments levied against the property. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. The terms of the bond contract require principal payable annually and interest payable semi-annually commencing March 2002 through June 2016. The interest rate varies between 4.59% and 5.00%.

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Sales Tax Revenue Bonds – Series 2002

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

Water and Storm Sewer Revenue Bonds – Series 2005 A

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

Water and Storm Sewer Revenue Bonds – Series 2005 B

In March of 2005, the City entered into an agreement to issue revenue bonds through the Utah State Department of Drinking Water of up to \$3,000,000. The City issued an additional \$1,710,000 in the current fiscal year. As of June 30, 2008, the City had issued \$2,950,000 of such bonds. The proceeds of the bonds are to be used for the completion of improvements to the city's water and storm sewer systems. The terms of the bond contract require principal payable annually commencing July 15, 2006 with interest payable semi-annually commencing January 15, 2006 through July 2025. The interest rate is fixed at 1.48%.

Refunding Lease Revenue Bonds – Series 2007

In January of 2007, the City issued lease revenue refunding bonds of \$3,826,000 through private placement. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of related defeased liabilities. The terms of the bond contract require principal payable annually commencing March 15, 2007 with interest payable semi-annually on March 15 and September 15 through March 2018. The interest rate is 3.761%.

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Revenue bonds (continued)

Refunding Sales Tax Revenue Bonds – Series 2007

In October of 2007, the City issued sales tax revenue refunding bonds of \$5,720,000 through private placement. The proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of related defeased liabilities. The terms of the bond contract require principal payable annually commencing April 15, 2009 with interest payable semi-annually on April 15 and October 15 through April 2023. The interest rate varies between 3.80% and 5.00%.

Water and Storm Sewer Revenue Bonds – Series 2008

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

Current year advance refunding

In 2008, the City issued \$5,720,000 of sales tax revenue refunding bonds. The funds were placed in a trust for the purpose of generating resources to pay the remaining outstanding principal balance at April 15, 2015 of the Series 2002 sales tax revenue bonds. The amount to be paid at April 15, 2015 is \$5,515,000. As a result, this amount of Series 2002 sales tax revenue bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$235,946. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 15 1/2 years by \$205,550 and resulted in an economic gain of \$151,404.

Prior year advance refunding

In 2007, the City issued \$3,826,000 of municipal building authority lease revenue refunding bonds. The funds were placed in a trust for the purpose of generating resources to pay the remaining outstanding principal balance at September 15, 2010 of the Series 2000 municipal building authority lease revenue bonds. The amount to be paid at September 15, 2010 is \$3,520,000. As a result, this amount of Series 2000 municipal building authority lease revenue bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Prior year advance refunding (continued)

reacquisition price exceeded the net carrying amount of the old debt by \$250,800. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$208,615 and resulted in an economic gain of \$173,645.

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

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

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

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

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Notes payable

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

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

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

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

Changes in long-term liabilities

Changes in bonds payable, deferred bond premiums, capital leases, and compensated absences during the fiscal year ended June 30, 2008 are as follows:

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

4. Detailed notes for all funds (continued)

J. Long-term debt (continued)

Changes in long-term liabilities (continued)

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

Compensated absences

City employees earn vacation based upon the employee's years of service. Employees, upon termination, may be paid up to forty-two days of earned vacation. Amounts of vacation vested and not paid have been accrued as a liability at June 30, 2008. The General Fund has typically been used in prior years to liquidate this liability for governmental funds.

Of total compensated absences, \$42,718 has been recorded in the Self - insurance Internal Service Fund. This liability relates to an old City benefit policy. On June 30, 1981, employees had their accumulated hours of vacation and sick leave frozen in a vacation and sick leave bank. Upon separation from service for any cause, an employee shall be paid 100% of their vacation bank and 50% of their sick leave bank. The total liability will not increase, but only decrease as the related employees retire or separate from service.

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

5. Other information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a Self-insurance Fund to account for and finance its uninsured risks of loss. Under this program, the Self-insurance Fund provides coverage up to \$400,000 for each worker's compensation claim. Third party insurance provides coverage for claims between \$400,000 and \$1,000,000. The Self-insurance Fund would provide coverage for the portion of any individual claim that exceeded \$1,000,000. The Self-insurance fund also provides coverage up to \$15,000 for general liability and \$10,000 for property damage. The City is insured through the Utah Risk Management Mutual Association (URMMA) for liability and claims in excess of coverage provided by the Self-insurance Fund for liability and property claims. While URMMA pays for any liability and property claims exceeding the deductible amount, these claims are repaid by the City through a recapture program. Thus, each year the City pays its annual premium plus a recapture component. The City is insured by Midwest Employers' Company for worker's compensation claims in excess of coverage provided by the Self-insurance Fund. Settled claims have not exceeded such coverage in any of the past three fiscal years.

All Funds of the City participate in the program and make payments to the Self-insurance Fund based on estimates of the amounts needed to pay prior and current year claims. Estimates of incurred but not reported claims, which are reported but not settled do not represent a material amount and, therefore, have not been accrued at year end. The activity in worker's compensation claims (all retained risk) for the years ended June 30, 2007 and 2008 is as follows:

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

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that may

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

5. Other information (continued)

B. Contingent Liabilities (continued)

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

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

The City is a member of Utah Telecommunication Open Infrastructure Agency (UTOPIA), an interlocal, nonprofit agency. UTOPIA was formed under the Utah Interlocal Cooperation Act by its 18 founding cities, of which the City is one of the eleven pledged members. This agency has the assignment to design, finance, build, operate and maintain a fiber-to-home and fiber-to-business fiber optic communication network. UTOPIA will build the infrastructure but private companies will deliver the services over the network. UTOPIA acts as the wholesaler, not the retailer. In July 2004, UTOPIA issued an \$85,000,000 revenue bond. In June 2008, UTOPIA issued \$185,000,000 in new revenue bonds to pay and cancel the 2004 revenue bonds, pay and cancel other related debt, pay outstanding unfunded construction commitments, provide two years of capitalized interest and LOC payments, provide approximately \$10,000,000 in operational and construction funds, and to pay the costs of issuing the 2008 bonds. The 2008 revenue bonds have principal payments due quarterly commencing on September 1, 2010 through June 1, 2040 and interest payments due monthly commencing on July 1, 2008 through June 1, 2040. Net revenues from the communication network will reimburse a debt service reserve fund for payments on the bond debt. To the extent that there are insufficient net revenues to pay the debt service, the eleven pledged members are required to reimburse the UTOPIA debt service reserve fund of any shortfall by their respective percentages up to a specific dollar amount. The City's yearly liability limit, prior to the refinance, was set at a maximum of \$2,189,704. In relation to this yearly liability limit, the City was required on July 2, 2007 to deposit \$2,061,527 with the trustee (the trustee already held \$128,177 from an initial deposit made in 2004) as its pledge amount for Fiscal Year 2008. The City's yearly liability limit will increase by 18.05% or \$395,385 to a new liability limit of \$2,585,089 for Fiscal Year 2009 due to the terms of the refinancing with an annual increase not to exceed 2%. It is expected that interest earnings on the City's original pledged amount will cover the increase in the liability limit. The current estimated cost to construct the fiber optic network in all member cities is estimated to total approximately \$410,000,000.

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

5. Other information (continued)

C. Conduit debt obligations

From time to time, the City has issued Industrial Revenue Bonds (IRB's) to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, or any political subdivision thereof is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2008, there are three series of Industrial Revenue Bonds issued and outstanding. The aggregate principal amount payable could not be determined; however, their original issue amounts totaled \$9.715 million, comprising of the following issues:

Organization	Maturity	Original Issue Principal Amount
Utah Valley State College - 1991	November 2008	4,205,000
Albertsons - 1993	November 2008	1,110,000
Utah Valley State College - 1991	November 2011	4,400,000
Total		\$ 9,715,000

D. Employee retirement systems and pension plans

Plan description

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

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

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

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

Plan description (continued)

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

Funding policy

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 7.61% of their annual covered salary.

In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.62% of their annual covered salary. In the Public Safety Contributory Retirement System division members are required to contribute 10.50% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 15.69% of their annual covered salary. In the Public Safety Noncontributory Retirement System the City is required to contribute 25.49% of their annual covered salary. In the Firefighters Retirement System plan members are required to contribute 9.30% of their annual covered salary (all or part may be paid by the employer for the employee) and the City is not required to contribute. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions in dollars to each of the Systems for the years ending June 30, 2008, 2007 and 2006, were equal to the required contributions for each year. The contribution amounts are as follows:

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

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

5. Other information (continued)

D. Employee retirement systems and pension plans (continued)

401(k) defined contribution plan

The City's 401(k) defined contribution plan is administered by ICMA Retirement Corporation (ICMA). The payroll covered by the defined contribution plan for the year ended June 30, 2008 was \$25,205,367. The City's expense for this plan for the year ended June 30, 2008 was approximately \$1,383,000 or 5.13% of the total participants' salary.

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

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

457 deferred compensation plan

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

All elected officials and permanent employees may also elect to participate in the City's deferred compensation plan and all temporary employees are required to participate in a deferred compensation plan. Under this plan, participants defer a percentage of their compensation up to 7.5% for executive management personnel and up to 5.5% for all other employees (except for the City Manager, whose participation in the plan is determined through negotiation with the City Council, and employees required to pay Medicare insurance premiums) for employees hired prior to March 1986. For those hired after March 1986 the percentage is 6.0% and 4.0% respectively. The City matches the amount deferred by the participants, not to exceed the legal limit. The payroll covered by the deferred compensation plan for the year ended June 30, 2008 was \$25,205,367. The City's expense for this plan for the year ended June 30, 2008 was approximately \$1,054,000 or 4.18% of the total participants' salary. The contribution rates were determined by the City Council and the contributions were remitted on a timely basis.

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

5. **Other information (continued)**

E. Segment information for enterprise funds

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

F. Redevelopment agency of the City of Orem

For the year ended June 30, 2008, the following activity occurred in the City's Redevelopment Agency:

Tax Increment Collected From Other Taxing Agencies For The Project Area	Total
Orem 85-01: Orem Tek Development	\$ 429,381
Orem 85-02: Timpanogos Technological Center	398,392
Orem 85-03A: University Parkway Development	498,610
Orem 85-03B: University Parkway Development	597,956
Orem 85-04: Economic Zone in Central Orem	224,900
Orem 87-10: Boyer Project on Center and State Street	254,584
Orem 90-08: 800 North and State Street Economic Zone	172,726
Total	\$ 2,576,549
Outstanding Loans to Finance RDA Projects	\$ -

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

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

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

5. Other information (continued)

G. Prior period adjustment

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

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

Combining Financial Statements Nonmajor Governmental Funds

Debt Service Funds

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

Debt Service Fund – This fund is used to account for all general obligation debt of the City of Orem. Operating transfers are made from the General Fund to service the debt payments made by this fund. The source of fund revenue for retiring the general obligation debt is principally the power of the City to levy general property tax; however, certain debt is serviced by sales tax and franchise tax revenues.

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

Capital Projects Funds

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

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

Special Revenue Funds

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

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

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

Combining Financial Statements Nonmajor Governmental Funds

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

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

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

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

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

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

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

Special Revenue Funds

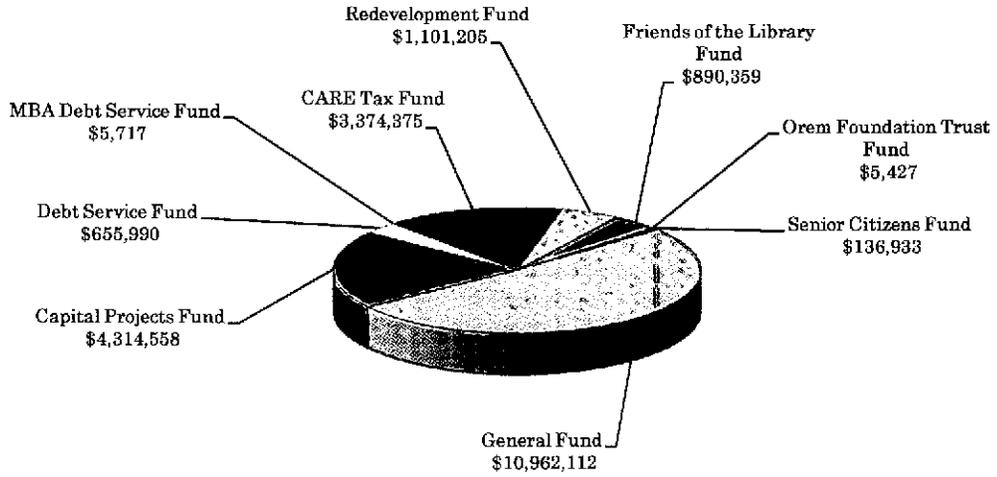
<u>CARE Tax Fund</u>	<u>Redevelopment Fund</u>	<u>Community Development & Rehabilitation Fund</u>	<u>Other Special Revenue Funds ¹</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 3,068,543	\$ 1,101,205	\$ 349,616	\$ 1,036,758	\$ 5,556,122	\$ 6,217,829
305,987	-	-	-	305,987	305,987
-	-	408,440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

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

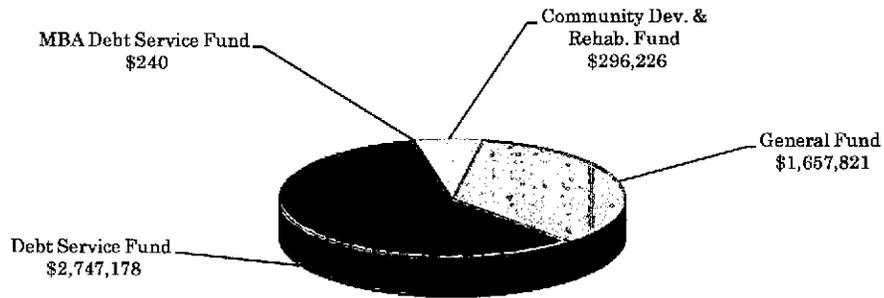
	<u>Other Special Revenue Funds</u>			
	Friends of the Library Fund	Orem Foundation Trust Fund	Senior Citizens Fund	Total Other Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 892,724	\$ 5,427	\$ 138,607	\$ 1,036,758
Total Assets	<u>892,724</u>	<u>5,427</u>	<u>138,607</u>	<u>1,036,758</u>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

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

GOVERNMENTAL FUNDS - UNRESERVED FUND BALANCE



GOVERNMENTAL FUNDS - RESERVED/RESTRICTED FUND BALANCE



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

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

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

Special Revenue Funds

CARE Tax Fund	Redevelopment Fund	Community Development & Rehabilitation Fund	Other Special Revenue Funds ¹	Total	Total Nonmajor Governmental Funds
\$ -	\$ 2,576,549	\$ -	\$ -	\$ 2,576,549	\$ 4,515,311
1,932,202	-	-	-	1,932,202	1,932,202
-	-	-	-	-	412,000
-	-	556,846	-	556,846	556,846
-	-	277,113	177,707	454,820	454,820
94,601	-	20,389	42,819	157,809	305,482
-	-	2,785	104,076	106,861	106,861
<u>2,026,803</u>	<u>2,576,549</u>	<u>857,133</u>	<u>324,602</u>	<u>5,785,087</u>	<u>8,283,522</u>
-	-	598,082	-	598,082	598,082
-	577,702	-	-	577,702	577,702
1,049,214	-	-	267,044	1,316,258	1,316,258
-	-	45,000	-	45,000	3,101,315
-	-	39,814	-	39,814	2,007,451
-	-	-	-	-	139,440
222,345	885,505	87,768	-	1,195,618	3,162,376
<u>1,271,559</u>	<u>1,463,207</u>	<u>770,664</u>	<u>267,044</u>	<u>3,772,474</u>	<u>10,892,624</u>
<u>755,244</u>	<u>1,113,342</u>	<u>86,469</u>	<u>57,558</u>	<u>2,012,613</u>	<u>(2,609,102)</u>
-	-	-	-	-	5,720,000
-	-	-	-	-	(5,750,946)
-	-	-	-	-	169,576
-	-	42,120	35,800	77,920	4,859,229
(14,130)	(1,260,000)	(120,113)	(36,300)	(1,430,543)	(1,430,543)
(14,130)	(1,260,000)	(77,993)	(500)	(1,352,623)	3,567,316
<u>741,114</u>	<u>(146,658)</u>	<u>8,476</u>	<u>57,058</u>	<u>659,990</u>	<u>958,214</u>
2,633,261	1,247,863	287,750	-	4,168,874	7,279,775
-	-	-	975,661	975,661	975,661
<u>2,633,261</u>	<u>1,247,863</u>	<u>287,750</u>	<u>975,661</u>	<u>5,144,535</u>	<u>8,255,436</u>
<u>\$ 3,374,375</u>	<u>\$ 1,101,205</u>	<u>\$ 296,226</u>	<u>\$ 1,032,719</u>	<u>\$ 5,804,525</u>	<u>\$ 9,213,650</u>

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

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

**Combining Financial Statements
Nonmajor Proprietary Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS
DEBT SERVICE FUND
MBA DEBT SERVICE FUND

CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS FUND
ROAD BONDS CAPITAL PROJECTS FUND

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

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

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

City of Orem
Municipal Building Authority - Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2008

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

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

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

City of Orem
Road Bonds - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2008

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal Service Funds

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

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

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

Self-Insurance Fund – This fund is to account for the costs of insurance premiums and claims made against the City. Monies are accumulated in this fund to pay premiums for liability and property damage insurance and other claims. The City participates in the Utah Risk Management Mutual Association for its liability and property damage insurance. Insurance for large vehicles and equipment is purchased from private insurers. The fund also accounts for the insurance benefits of employees (i.e., state unemployment insurance, workers compensation insurance). The fund is financed by allocated charges made to the other funds for liability and property damage insurance. It is based on an allocation established at the beginning of each year for potential risk and prior experience. Charges for employee insurance benefits are made directly to each fund as a part of the payroll system. Another function of the self-insurance fund is to accumulate resources to pay the long-term portion of the compensated absences liability of the general fund. See footnote 5.A. for additional information regarding this fund.

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

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

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

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

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

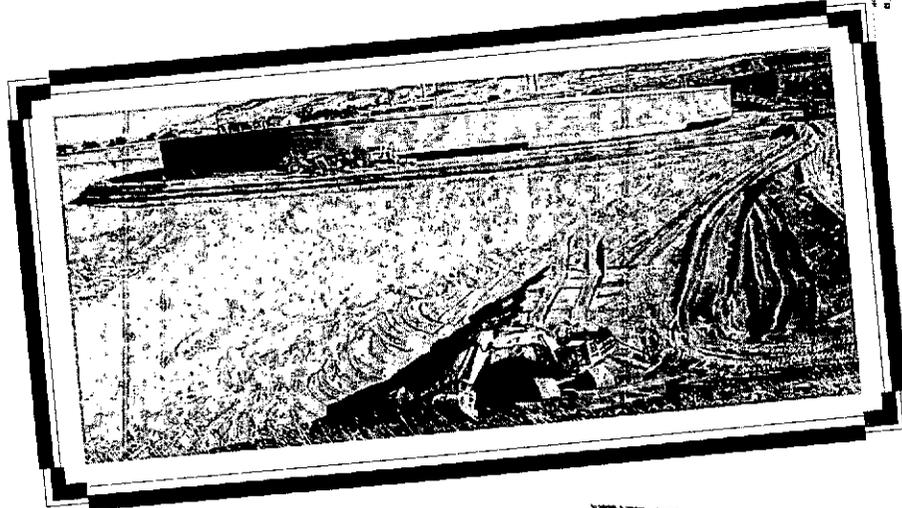
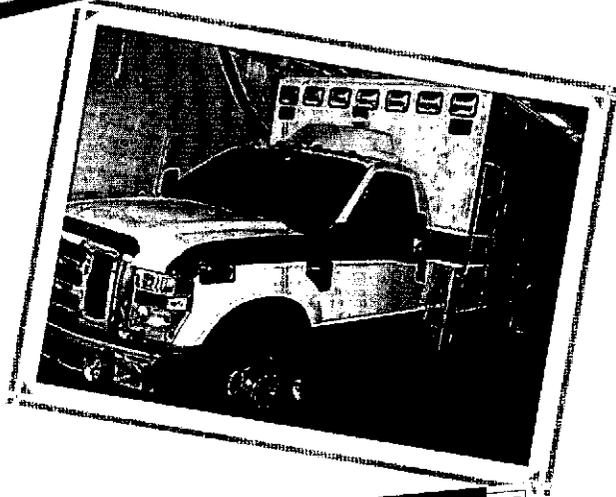
	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 618,311	\$ 332,809	\$ 1,398,810	\$ 2,349,930
Payments to Suppliers	(184,754)	(177,470)	(1,110,398)	(1,472,622)
Payments to Employees	(445,910)	(225,115)	(89,902)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

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



New
Fire Engine
#33

New Ambulance



Water Tank

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

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

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

City of Orem
Capital Assets Used in The Operations of Governmental Funds
Schedule By Function and Activity¹
June 30, 2008

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General Government:			
Legislative	\$ -	\$ -	\$ -
Executive	-	-	30,689
Personnel Administration	-	-	-
Administrative Services	-	2,075	45,499
Legal	-	-	10,100
Development Services	-	-	-
General Government	1,580,222	3,663,269	1,536,958
Engineering	-	-	-
Redevelopment	-	-	85,080
Community Development	-	8,105	1,475,818
Total General Government	<u>1,580,222</u>	<u>3,673,449</u>	<u>3,184,144</u>
Public Safety:			
Administration	-	5,377,906	9,407
Police Protection	-	-	38,285
Fire Protection	190,596	1,461,832	748,256
Emergency Services	-	1,580	-
Total Public Safety	<u>190,596</u>	<u>6,841,318</u>	<u>795,948</u>
Highways and Streets:			
Administration & Engineering	33,550	7,739,582	19,224
Maintenance	-	-	-
Street System	51,049,920	411,392	2,484,636
Street Lighting	-	-	1,421,854
Total Highways and Streets	<u>51,083,470</u>	<u>8,150,974</u>	<u>3,925,714</u>
Parks and Recreation	5,930,588	3,860,824	18,021,668
Library	<u>222,345</u>	<u>4,466,225</u>	<u>1,158,525</u>
Total Governmental Funds Capital Assets	<u>\$ 59,007,221</u>	<u>\$ 26,992,790</u>	<u>\$ 27,085,999</u>

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

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

City of Orem
Capital Assets Used in The Operations of Governmental Funds
Schedule of Changes By Function and Activity¹
For The Year Ended June 30, 2008

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

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

STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

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

<u>Contents</u>	<u>Page</u>
Financial Trends	127
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	134
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
Debt Capacity and Other Debt Information	146
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	158
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
Operating and Other Information	164
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

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

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Invested in Capital Assets,							
Net of Related Debt	\$ 85,116,180	\$ 98,891,248	\$ 102,275,533	\$ 102,793,522	\$ 106,186,394	\$ 114,171,270	\$ 117,130,313
Restricted	1,594,319	1,197,534	2,828,490	2,018,812	2,177,533	4,388,201	4,701,465
Unrestricted	<u>33,786,050</u>	<u>21,413,234</u>	<u>21,269,937</u>	<u>25,146,428</u>	<u>28,835,634</u>	<u>28,890,967</u>	<u>27,564,080</u>
Total Governmental Activities Net Assets	<u>120,496,549</u>	<u>121,502,016</u>	<u>126,373,960</u>	<u>129,958,762</u>	<u>137,199,621</u>	<u>145,440,438</u>	<u>149,395,858</u>
Business-type Activities:							
Invested in Capital Assets,							
Net of Related Debt	38,380,888	39,853,758	41,914,527	42,361,442	44,153,534	52,823,374	51,849,628
Restricted	-	-	849,578	1,446,437	190,283	-	-
Unrestricted	<u>8,746,135</u>	<u>7,958,316</u>	<u>6,324,578</u>	<u>6,005,168</u>	<u>8,248,979</u>	<u>4,255,124</u>	<u>8,709,056</u>
Total Business-type Activities Net Assets	<u>47,127,023</u>	<u>47,812,074</u>	<u>49,088,683</u>	<u>49,813,047</u>	<u>52,593,096</u>	<u>57,078,498</u>	<u>60,557,684</u>
Primary Government:							
Invested in Capital Assets,							
Net of Related Debt	123,497,068	138,745,006	144,190,060	145,154,964	150,340,228	166,994,644	168,978,941
Restricted	1,594,319	1,197,534	3,678,068	3,465,249	2,367,816	4,388,201	4,701,465
Unrestricted	<u>42,632,186</u>	<u>29,371,550</u>	<u>27,594,515</u>	<u>31,151,596</u>	<u>37,084,678</u>	<u>31,136,091</u>	<u>36,273,116</u>
Total Primary Government Net Assets	<u>\$ 167,623,572</u>	<u>\$ 169,314,090</u>	<u>\$ 175,462,643</u>	<u>\$ 179,771,809</u>	<u>\$ 189,792,717</u>	<u>\$ 202,518,936</u>	<u>\$ 209,953,522</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 Seven Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities:							
General Government	\$ 11,604,586	\$ 11,496,617	\$ 12,109,241	\$ 11,540,773	\$ 12,100,627	\$ 14,331,656	\$ 15,187,762
Public Safety	13,764,037	14,134,188	14,698,906	15,346,389	16,234,941	17,866,927	19,491,191
Highways and Public Improvements	9,791,936	5,545,048	5,731,034	7,100,065	6,485,972	6,574,954	6,646,549
Parks, Recreation and Arts	5,502,044	6,028,910	6,383,042	6,662,804	6,866,860	7,904,959	9,416,719
Economic and Physical Development	1,088,450	920,185	883,877	853,787	3,430,829	3,009,244	2,096,573
Redevelopment	782,929	683,317	1,053,895	542,663	846,212	1,189,544	593,283
Interest on Long-term Debt	1,942,912	1,547,707	2,038,946	1,882,377	2,083,152	2,263,478	2,217,525
Total Governmental Activities Expenses	44,476,894	40,356,972	42,748,441	43,928,758	48,048,593	53,129,762	57,649,602
Business-type Activities:							
Water	6,155,957	6,289,895	6,442,662	6,804,176	7,503,542	7,431,471	8,388,236
Water Reclamation	5,567,836	5,767,224	5,865,945	5,826,744	5,975,572	5,894,276	5,982,610
Storm Sewer	1,070,843	1,187,091	1,268,541	1,639,806	1,814,312	1,725,747	2,004,281
Recreation	1,617,454	1,900,263	2,203,195	2,047,028	1,989,045	1,567,468	1,617,587
Solid Waste	2,402,180	2,557,169	2,652,512	2,708,103	2,774,492	2,955,318	3,014,707
Street Lighting	704,035	824,071	910,968	1,133,368	1,131,094	1,166,820	1,244,305
Total Business-type Activities Expenses	17,518,305	18,525,713	19,343,824	20,059,223	21,188,057	20,741,100	22,251,726
Total Primary Government Expenses	61,995,199	58,881,685	62,092,265	63,987,981	69,236,650	73,870,862	79,901,328
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	8,104,241	8,498,206	10,000,133	9,725,813	10,282,461	11,054,187	11,697,008
Public Safety	2,151,540	2,404,874	2,404,343	2,779,134	2,765,785	3,156,406	3,339,720
Parks, Recreation and Arts	8,450	6,960	8,910	12,559	19,717	301,383	545,132
Economic and Physical Development	415,587	459,023	308,367	286,904	289,476	273,279	277,113
Operating Grants and Contributions	1,789,227	1,535,732	1,407,735	1,546,029	1,597,103	852,462	1,438,884
Capital Grants and Contributions	2,619,879	2,649,670	8,309,689	3,178,409	4,168,784	5,800,844	4,127,289
Total Governmental Activities Program Revenues	15,098,924	15,554,265	22,439,178	17,528,848	19,123,326	21,438,561	21,425,146
Business-type Activities:							
Charges for Services:							
Water	5,881,629	5,754,336	6,128,218	6,166,137	6,952,156	7,741,810	9,331,098
Water Reclamation	5,270,158	5,117,669	4,968,507	4,824,003	5,800,558	6,154,501	6,073,701
Storm Sewer	2,149,608	2,153,728	2,402,202	2,470,225	2,510,391	2,523,425	2,549,082
Recreation	1,047,647	1,197,535	1,600,892	1,761,167	1,648,619	1,462,468	1,588,894
Solid Waste	2,557,893	2,626,872	2,755,344	2,853,586	2,900,873	2,893,052	2,961,104
Street Lighting	89,027	305,136	468,672	628,449	672,033	684,250	689,343
Operating Grants and Contributions	-	1,000,000	-	-	-	248,000	-
Capital Grants and Contributions	292,200	517,000	1,003,250	1,123,170	1,763,440	2,677,880	925,500
Total Business-type Activities Program Revenues	17,288,162	18,672,076	19,327,085	19,826,737	22,248,010	24,375,376	24,119,812
Total Primary Government Program Revenues	32,387,086	34,226,341	41,766,263	37,355,585	41,371,336	45,813,927	45,544,958
Net (Expense) Revenue							
Governmental Activities	(29,377,970)	(24,801,707)	(20,309,263)	(26,399,910)	(28,925,267)	(31,691,211)	(36,224,456)
Business-type Activities	(230,143)	146,363	(16,739)	(232,486)	1,059,953	3,634,276	1,868,086
Total Primary Government Net (Expense) Revenue	\$ (29,608,113)	\$ (24,655,344)	\$ (20,326,002)	\$ (26,632,396)	\$ (27,865,314)	\$ (28,056,935)	\$ (34,356,370)

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

(Continued from prior page)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (Expense) Revenue							
Governmental Activities	\$ (29,377,970)	\$ (24,801,707)	\$ (20,309,269)	\$ (26,399,910)	\$ (28,925,287)	\$ (31,691,211)	\$ (36,224,466)
Business-type Activities	(230,149)	146,363	(16,739)	(232,486)	1,059,953	3,634,270	1,888,086
Total Primary Government Net (Expense) Revenue	<u>(29,608,119)</u>	<u>(24,655,344)</u>	<u>(20,326,002)</u>	<u>(26,632,396)</u>	<u>(27,865,314)</u>	<u>(28,056,935)</u>	<u>(34,336,370)</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes:							
Sales Taxes	15,163,063	13,708,023	14,092,331	15,373,690	18,008,143	21,330,290	20,616,891
Property Taxes	6,310,153	6,577,989	7,168,114	7,710,867	8,741,460	9,558,706	9,082,882
Franchise Taxes	4,728,185	4,500,648	4,819,932	5,970,311	6,888,934	6,804,907	7,291,044
Vehicle and Other Taxes	1,183,472	976,352	1,015,120	1,011,720	1,079,912	1,288,386	1,114,817
Unrestricted Investment Earnings	747,178	479,461	292,972	452,157	1,424,846	1,735,580	1,468,514
Gain (Loss) on Sale of Capital Assets	161,069	27,731	28,579	78,726	774,740	3,567,621	688,083
Transfers	(1,680,254)	(483,030)	(1,225,304)	(612,768)	(751,899)	(153,471)	(1,036,106)
Total Governmental Activities	<u>29,612,866</u>	<u>29,807,174</u>	<u>26,191,744</u>	<u>29,984,712</u>	<u>36,166,136</u>	<u>44,132,028</u>	<u>39,204,215</u>
Business-type Activities:							
Unrestricted Investment Earnings	188,859	113,546	68,044	312,582	968,197	699,801	443,870
Gain (Loss) on Sale of Capital Assets	(33,401)	(37,898)	-	31,500	-	(2,146)	131,104
Transfers	1,680,254	483,030	1,225,304	612,768	751,899	153,471	1,036,106
Total Business-type Activities	<u>1,835,712</u>	<u>588,688</u>	<u>1,293,348</u>	<u>956,850</u>	<u>1,720,096</u>	<u>851,126</u>	<u>1,611,080</u>
Total Primary Government	<u>28,448,578</u>	<u>28,345,862</u>	<u>27,485,092</u>	<u>30,941,562</u>	<u>37,886,222</u>	<u>44,983,154</u>	<u>40,815,295</u>
Change in Net Assets							
Governmental Activities	(2,765,104)	1,005,467	5,882,481	3,584,802	7,240,859	12,440,817	2,979,759
Business-type Activities	1,605,569	685,051	1,276,009	724,364	2,780,049	4,485,402	3,479,166
Total Primary Government	<u>\$ (1,159,535)</u>	<u>\$ 1,690,518</u>	<u>\$ 7,158,090</u>	<u>\$ 4,309,166</u>	<u>\$ 10,020,908</u>	<u>\$ 16,926,219</u>	<u>\$ 6,458,925</u>

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

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

	Fiscal Year			
	1999	2000	2001	2002
General Fund				
Reserved	\$ 1,324,508	\$ 1,084,193	\$ 2,894,448	\$ 2,555,380
Unreserved	4,616,617	5,166,024	9,638,997	6,789,541
Total General Fund	<u>5,941,125</u>	<u>6,250,217</u>	<u>12,533,445</u>	<u>9,344,921</u>
All Other Governmental Funds				
Reserved	1,324,272	1,323,098	1,632,187	1,162,055
Unreserved, reported in:				
Capital Projects Funds	10,389,923	6,044,463	10,231,022	19,740,782
Debt Service Funds	-	-	-	-
Special Revenue Funds	-	-	-	560
Total All Other Governmental Funds	<u>11,714,195</u>	<u>7,367,561</u>	<u>11,863,209</u>	<u>20,903,397</u>
Total Governmental Funds				
Reserved	2,648,780	2,407,291	4,526,635	3,717,435
Unreserved	15,006,540	11,210,487	19,870,019	26,530,883
Total Governmental Funds	<u>\$ 17,655,320</u>	<u>\$ 13,617,778</u>	<u>\$ 24,396,654</u>	<u>\$ 30,248,318</u>

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

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues					
Taxes and Special Assessments	\$ 22,871,996	\$ 24,019,314	\$ 25,416,573	\$ 27,441,124	\$ 25,773,431
Licenses and Permits	1,089,699	1,134,303	1,094,650	1,044,082	1,004,672
Intergovernmental	2,257,067	3,364,968	3,700,938	4,377,717	4,153,970
Charges for Services	2,005,916	2,061,741	2,385,067	2,919,220	3,197,288
Fines and Forfeitures	382,080	334,501	388,011	454,335	547,988
Charges for Services - Other Funds	2,858,178	2,894,777	3,103,181	3,248,931	3,546,614
Interest Income	488,746	456,258	621,111	779,468	545,589
Miscellaneous Revenue	2,004,203	1,707,884	1,957,838	1,478,109	1,330,019
Total Revenues	33,957,885	35,973,746	38,667,369	41,742,986	40,099,571
Expenditures					
General Government	8,798,905	7,485,512	7,486,112	9,796,957	9,528,847
Public Safety	11,243,922	12,597,305	12,854,036	13,786,791	14,187,339
Highways and Public Improvements	4,298,774	5,120,196	4,113,586	4,282,923	3,648,773
Parks, Recreation and Arts	3,643,758	3,781,425	4,197,894	4,449,966	5,027,240
Economic and Physical Development	1,217,382	758,565	1,123,414	1,545,673	1,016,568
Redevelopment	698,086	612,874	786,807	714,309	677,067
Debt Service:					
Principal Retirement	785,000	905,000	1,721,000	4,455,399	2,249,000
Interest and Fiscal Charges	676,200	681,247	1,271,827	1,339,460	1,846,933
Capital Lease Payments - Principal	432,408	428,414	503,974	3,252,624	214,900
Capital Lease Payments - Interest	50,729	54,578	62,926	264,928	26,557
Capital Outlay	7,755,211	10,614,462	6,207,120	11,515,674	14,202,752
Total Expenditures	39,600,375	43,039,578	40,328,696	55,404,704	52,625,976
Excess of Revenues over					
(under) Expenditures	(5,642,490)	(7,065,832)	(1,661,327)	(13,661,718)	(12,526,405)
Other Financing Sources (Uses)					
Issuance of Bonds & Other Debt	4,650,000	4,443,000	7,763,487	21,167,630	-
Bond Issuance Premium	-	-	-	-	-
Payment to Bond Refunding Agent	-	-	-	-	-
Capital Leases	-	350,000	23,160	233,038	-
Transfers In	8,923,779	3,975,675	17,233,789	10,269,881	5,666,551
Transfers Out	(6,499,061)	(6,733,713)	(16,560,677)	(11,949,040)	(6,107,542)
Total Other Financing Sources (Uses)	7,074,718	2,034,962	8,459,759	19,721,509	(440,991)
Net Change in Fund Balances	\$ 1,432,228	\$ (5,030,870)	\$ 6,798,432	\$ 6,059,791	\$ (12,967,396)
Debt Service as a percentage					
of Noncapital Expenditures	5.4%	5.8%	10.6%	20.2%	11.7%

Fiscal Year				
2004	2005	2006	2007	2008
\$ 27,093,824	\$ 29,845,163	\$ 35,035,714	\$ 39,405,860	\$ 38,517,744
1,295,544	1,366,925	1,880,567	1,647,862	1,596,935
4,804,640	4,536,148	4,110,180	3,656,271	4,325,215
3,544,661	3,663,844	3,865,549	4,509,999	4,832,559
454,749	566,175	534,071	607,152	580,510
3,701,855	3,654,299	3,681,670	3,821,727	3,921,154
350,831	477,456	1,270,386	1,619,097	1,321,190
1,643,953	3,464,193	2,335,497	5,416,232	2,311,797
42,890,057	47,574,203	52,713,634	60,684,200	57,407,104
9,777,288	9,942,870	10,133,159	11,243,791	11,620,136
15,121,260	16,293,215	15,534,673	16,593,911	17,851,249
4,850,849	4,208,802	4,223,289	4,062,508	4,107,184
5,064,150	5,130,601	5,294,410	5,974,738	7,807,327
944,119	1,102,607	3,354,384	3,500,924	1,998,675
857,550	530,618	594,165	620,031	577,702
2,566,957	3,047,454	4,319,780	2,967,022	3,260,950
2,043,617	1,873,517	2,226,774	2,191,810	2,146,891
127,123	80,627	112,590	115,378	68,361
15,026	10,845	18,327	11,815	5,824
4,735,354	1,764,864	12,971,979	17,514,340	10,520,814
46,103,293	43,986,020	58,783,530	64,796,268	59,965,113
(3,213,236)	3,588,183	(6,069,896)	(4,112,068)	(2,558,009)
1,300,000	12,960,000	8,485,113	6,814,204	7,120,593
-	189,409	138,450	-	169,576
-	(3,790,000)	-	(3,770,800)	(5,750,946)
-	58,560	-	-	90,783
6,899,378	11,582,120	9,018,070	7,873,388	6,648,353
(7,839,846)	(13,643,169)	(9,769,144)	(8,522,790)	(7,038,634)
359,532	7,356,920	7,872,489	2,394,002	1,239,725
\$ (2,853,704)	\$ 10,945,103	\$ 1,802,593	\$ (1,718,066)	\$ (1,318,284)
12.3%	12.3%	14.6%	11.4%	10.8%

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

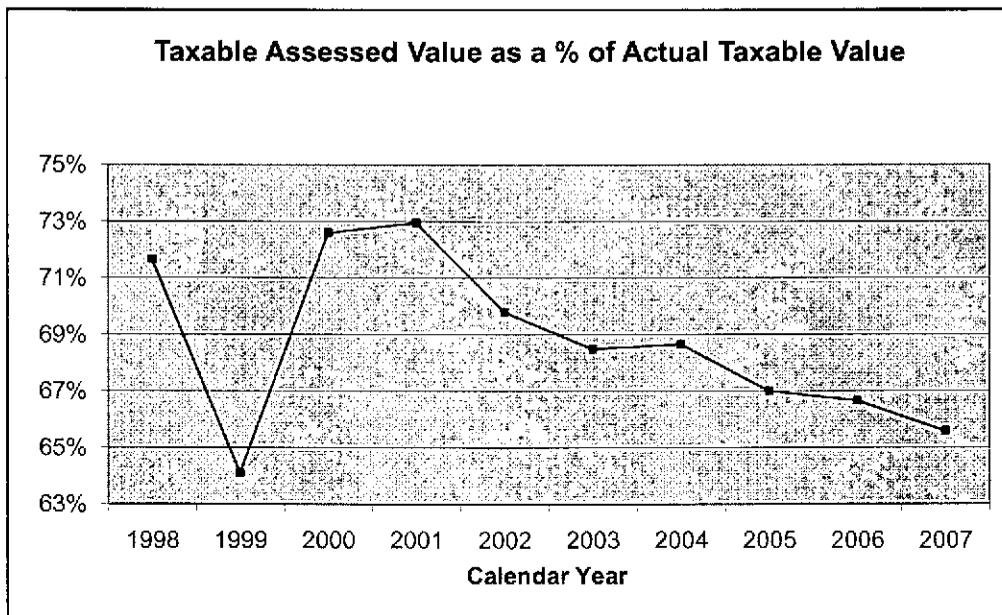
Calendar Year ¹	Taxable Value				
	Primary Residential Property	Other Residential Property	Commercial & Industrial Property	Agricultural Property	Unimproved Real Property
1998	\$ 1,494,208,145	\$ 74,869	\$ 598,251,559	\$ 39,950,927	\$ 802,598
1999	1,518,298,501	74,869	699,553,718	39,501,936	2,029,832
2000	1,674,055,370	80,110	774,700,081	38,178,438	785,900
2001	1,856,564,339	86,092	841,554,729	34,718,238	719,813
2002	1,881,126,204	170,403	1,004,495,783	33,940,732	754,280
2003	1,911,504,645	361,581	1,007,647,856	1,455,150	29,143,864
2004	1,953,411,264	362,106	1,029,051,253	1,198,488	31,784,709
2005	1,992,628,465	434,933	1,017,869,457	903,526	31,998,112
2006	2,149,974,976	2,163,884	1,076,093,714	817,809	26,283,264
2007	2,826,766,252	3,979,753	1,274,663,047	507,506	21,832,436

Source: Utah State Tax Commission

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

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

Personal Property	Fee in Lieu Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
\$ 236,061,456	\$ 318,059,538	\$ 2,687,409,092	\$ 0.001864	\$ 3,749,801,830	71.67%
242,089,476	4,798,030	2,506,346,362	0.001826	3,910,004,285	64.10%
232,924,820	231,060	2,720,955,779	0.001972	3,748,651,847	72.58%
249,759,927	702,322	2,984,105,460	0.001850	4,090,702,990	72.95%
221,551,045	515,589	3,142,554,036	0.001677	4,503,183,085	69.79%
214,696,514	41,328,176	3,206,137,786	0.001698	4,681,796,714	68.48%
217,460,513	41,478,607	3,274,746,940	0.001800	4,770,391,971	68.65%
213,740,087	51,946,930	3,309,521,510	0.002036	4,940,209,745	66.99%
233,802,981	30,101,214	3,519,237,842	0.002045	5,280,078,727	66.65%
253,305,890	32,014,012	4,413,068,896	0.001670	6,729,133,809	65.58%



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

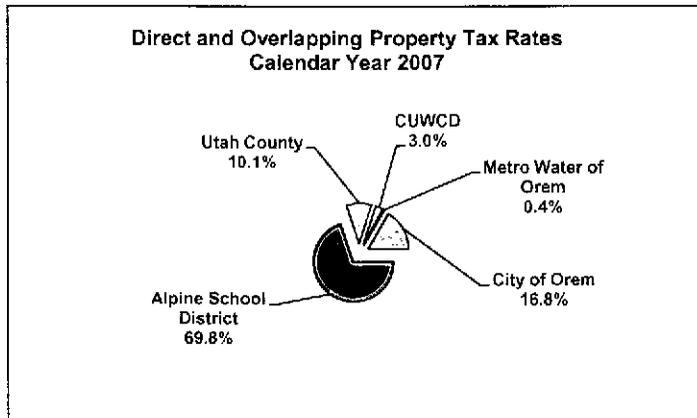
Calendar Year ²	City of Orem Direct Rates			Overlapping Rates ¹				Total
	General Fund	Debt Service Fund	Total Direct Rate	Alpine School District	Utah County	Central Utah Water Conservancy District	Metropolitan Water District of Orem	
1998	\$ 0.001617	\$ 0.000247	\$ 0.001864	\$ 0.005524	\$ 0.001268	\$ 0.000397	\$ 0.000049	\$ 0.009102
1999	0.001598	0.000228	0.001826	0.006410	0.001682	0.000396	0.000048	0.010362
2000	0.001621	0.000351	0.001972	0.006884	0.001116	0.000377	0.000044	0.010393
2001	0.001507	0.000343	0.001850	0.006769	0.001038	0.000369	0.000042	0.010068
2002	0.001378	0.000299	0.001677	0.006953	0.001053	0.000358	0.000041	0.010082
2003	0.001395	0.000303	0.001698	0.007884	0.001411	0.000358	0.000041	0.011392
2004	0.001479	0.000321	0.001800	0.008119	0.001425	0.000353	0.000043	0.011740
2005	0.001485	0.000551	0.002036	0.008082	0.001391	0.000400	0.000043	0.011952
2006	0.001404	0.000641	0.002045	0.006883	0.001262	0.000357	0.000042	0.010589
2007	0.001154	0.000516	0.001670	0.006937	0.001000	0.000302	0.000035	0.009944

Source: Utah State Tax Commission - Property Tax Division

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

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

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



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

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

Notes: Electric, telephone and natural gas utilities are centrally assessed by the State Tax Commission. These assessed amounts were not available in 1999 and therefore, Qwest Corporation (\$22,743,274), Pacificorp (\$34,049,650), and Questar Gas (\$13,533,636) have been excluded from the current year since meaningful comparisons cannot be made.

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

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

Calendar Year¹	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
1998	\$ 4,058,315	\$ 3,756,370	92.56%	\$ 295,694	\$ 4,052,064
1999	4,178,341	3,926,709	93.98%	247,110	4,173,819
2000	4,786,855	4,419,489	92.33%	349,128	4,768,617
2001	4,955,236	4,521,008	91.24%	336,802	4,857,810
2002	4,975,745	4,594,310	92.33%	364,227	4,958,537
2003	5,118,892	4,688,570	91.59%	375,502	5,064,072
2004	5,003,673	4,655,802	93.05%	330,018	4,985,820
2005	5,418,232	4,992,684	92.15%	372,704	5,365,388
2006	6,628,909	6,136,638	92.57%	373,213	6,509,851
2007	6,797,960	6,247,920	91.91%	88,554	6,336,474

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

<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>
99.85%	\$ 6,251	0.15%
99.89%	4,522	0.11%
99.62%	18,238	0.38%
98.03%	97,426	1.97%
99.65%	17,208	0.35%
98.93%	54,820	1.07%
99.64%	17,853	0.36%
99.02%	52,844	0.98%
98.20%	119,058	1.80%
93.21%	461,486	6.79%

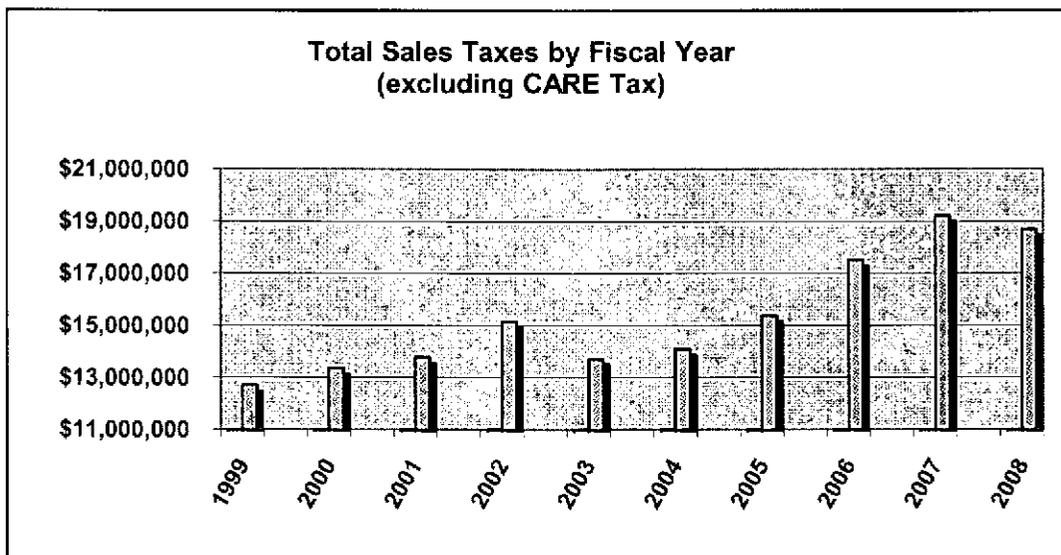
City of Orem
Sales Taxes by Category
Last Ten Fiscal Years
(Unaudited)

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

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

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

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 4,248,061	\$ 4,371,549	\$ 4,326,371	\$ 4,588,315	\$ 4,449,949	\$ 4,598,711
1,809,798	1,925,917	2,374,234	3,113,143	3,523,720	2,922,582
1,838,868	1,837,823	2,062,928	2,400,102	2,620,381	2,603,405
1,528,310	1,769,511	1,983,027	2,176,207	2,085,481	1,973,203
955,788	1,038,994	1,048,781	1,092,668	1,057,380	1,045,771
822,242	843,961	851,206	901,081	1,332,725	1,516,201
699,054	711,657	782,075	838,456	904,339	974,911
441,109	494,137	560,885	574,746	588,905	454,428
568,971	535,883	550,779	516,686	618,918	576,829
795,822	562,899	833,404	1,313,806	2,034,389	2,018,648
13,708,023	14,092,331	15,373,690	17,510,210	19,216,187	18,684,689
-	-	-	497,933	2,114,103	1,932,202
\$ 13,708,023	\$ 14,092,331	\$ 15,373,690	\$ 18,008,143	\$ 21,330,290	\$ 20,616,891
1.00%	1.00%	1.00%	1.10%	1.10%	1.10%
-9.60%	2.80%	9.09%	17.14%	18.45%	-3.34%
-9.60%	2.80%	9.09%	13.90%	9.74%	-2.77%



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

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

	Fiscal Year 1999			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	247	10.60%	\$ 3,223,651	25.36%
Building Materials, Hardware, and Tools	190	8.15%	2,110,444	16.60%
Auto Dealers, Supplies, and Accessories	197	8.45%	1,705,249	13.41%
Home Furnishings, Appliances, & Electronics	126	5.41%	1,308,723	10.29%
Eating and Drinking Establishments	162	6.95%	671,573	5.28%
Clothing, Apparel, and Accessories	114	4.89%	941,629	7.41%
Professional Equipment and Supplies	368	15.79%	957,547	7.53%
Arts, Crafts, and Specialty Items	180	7.73%	354,512	2.79%
Amusement and Recreation	128	5.49%	560,875	4.41%
All Other Categories	618	26.52%	878,590	6.91%
Total	2,330	100.00%	\$ 12,712,793	100.00%

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

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

Taxpayer	Fiscal Year 2008			Fiscal Year 1999		
	Sales Taxes ¹	Rank	Percentage of Total Sales Taxes ¹	Sales Taxes ¹	Rank	Percentage of Total Sales Taxes ¹
Costco Wholesale Corporation	N/A	1	N/A	---		---
Wal-Mart Supercenter	N/A	2	N/A	N/A	2	N/A
RC Willey Home Furnishings	N/A	3	N/A	N/A	1	N/A
Target	N/A	4	N/A	N/A	3	N/A
Mountainland Supply Company	N/A	5	N/A	N/A	6	N/A
Lowe's (Eagle) Hardware	N/A	6	N/A	N/A	5	N/A
Best Buy	N/A	7	N/A	---		---
Macey's, Inc.	N/A	8	N/A	N/A	4	N/A
Ken Garff Honda of Orem	N/A	9	N/A	---		---
Geneva Rock Products	N/A	10	N/A	---		---
Stock Building Supply	---		---	N/A	7	N/A
BMC West	---		---	N/A	8	N/A
Albertsons Food Center	---		---	N/A	9	N/A
Harmon's Food	---		---	N/A	10	N/A
Total	\$ 5,092,060		24.70%	\$ 2,852,810		22.44%

Source: Utah State Tax Commission.

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

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

Fiscal Year	City Direct Sales Tax Rates			Overlapping Sales Tax Rates				
	City	City	Total	County	County	State	State	Total
	Direct Rate	Cultural Arts & Rec Rate ¹	City Direct Rate	Direct Rate	Mass Transit Rate ²	Direct Rate	Mass Transit Rate	Sales Tax Rate ³
1999	1.00%	--	1.00%	0.25%	--	4.75%	0.25%	6.25%
2000	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2001	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2002	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2003	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2004	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2005	1.00	--	1.00	0.25	--	4.75	0.25	6.25
2006	1.00	0.10	1.10	0.25	--	4.75	0.25	6.35
2007	1.00	0.10	1.10	0.25	0.25	4.75	0.25	6.60
2008	1.00	0.10	1.10	0.25	0.30	4.65	0.25	6.55

Source: Utah State Tax Commission

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

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

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

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

Governmental Activities							
Fiscal Year	General Obligation Bonds	Excise Tax Revenue Bonds	Sales Tax Revenue Bonds	Lease Revenue Bonds	Special Assessment Bonds	Notes Payable	Capital Leases
1999	\$ 10,290,000	\$ 1,005,000	\$ -	\$ 2,725,000	\$ -	\$ -	\$ 4,059,179
2000	10,015,000	4,963,000	-	2,580,000	-	854,214	3,939,660
2001	9,660,000	3,752,000	-	10,410,000	-	808,836	3,536,675
2002	9,290,000	2,985,000	12,175,000	12,860,000	3,675,000	750,035	517,089
2003	8,900,000	2,181,000	12,010,000	11,975,000	3,670,000	1,010,532	302,189
2004	8,490,000	1,337,000	11,720,000	11,075,000	4,965,000	892,580	175,066
2005	17,225,000	452,000	11,285,000	10,140,000	4,735,000	765,119	152,999
2006	21,995,000	-	10,810,000	9,170,000	3,195,000	3,597,449	243,896
2007	21,025,000	-	10,310,000	8,423,000	2,940,000	6,396,631	124,186
2008	19,960,000	-	9,985,000	7,343,000	2,675,000	7,476,274	140,400

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

Business-type Activities					
Water Quality Revenue Bonds	Water & Storm Sewer Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 2,978,000	\$ -	\$ -	\$ 21,057,179	1.61%	\$ 251
2,836,000	-	-	25,187,874	1.82	299
2,689,000	-	-	30,856,511	2.13	365
2,537,000	-	-	44,789,124	3.00	535
2,380,000	-	-	42,428,721	2.64	491
2,217,000	-	-	40,871,646	2.36	458
2,048,000	17,440,000	-	64,243,118	3.52	711
1,873,757	17,440,000	52,829	68,377,931	3.57	746
1,692,757	17,950,000	39,834	68,901,408	3.43	747
1,505,757	24,593,000	21,210	73,699,641	3.63	792

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

Fiscal Year	Population ¹	Taxable Value	Gross Bonded Debt	Debt Service Monies Available ²	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1999	83,921	\$ 2,687,409,092	\$ 10,290,000	\$ 26,449	\$ 10,263,551	0.38%	122
2000	84,326	2,506,346,362	10,015,000	25,513	9,989,487	0.40	118
2001	84,500	2,720,955,779	9,660,000	16,839	9,643,161	0.35	114
2002	83,662	2,984,105,460	9,290,000	339,058	8,950,942	0.30	107
2003	86,346	3,142,554,036	8,900,000	229,007	8,670,993	0.28	100
2004	89,326	3,206,137,786	8,490,000	251,119	8,238,881	0.26	92
2005	90,374	3,274,746,940	17,225,000	441,821	16,783,179	0.51	186
2006	91,649	3,309,521,510	21,995,000	604,104	21,390,896	0.65	233
2007	92,212	3,519,237,842	21,025,000	645,663	20,379,337	0.58	221
2008	93,090	4,413,068,896	19,960,000	655,990	19,304,010	0.44	207

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

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

City of Orem
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008
(Unaudited)

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

¹Applies only to General Obligation Bonds.

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

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

¹ Debt margin applies only to general obligation bonds.

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

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Valuations:

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

Legal Debt Margin:

Debt Limitation - 4% of Estimated Market Value ¹	\$ 269,165,352
Debt Applicable to Limitation:	
Total General Obligation Bonded Debt	\$ (19,960,000)
Less:	
Assets in Debt Service Funds Available for payment of Principal ²	<u>655,990</u>
Total Debt Applicable to Limitation	<u>(19,304,010)</u>
Legal Debt Margin	<u>\$ 249,861,342</u>

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

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

Lease Revenue Bonds					Special Assessment Revenue Bonds				
Fiscal Year	Lease Revenues	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	
		Principal	Interest			Principal	Interest		
1999	\$ 289,406	\$ 145,000	\$ 145,273	1.00	\$ 86,874	\$ 41,000	\$ 14,393	1.57	
2000	284,147	145,000	137,423	1.01	77,936	44,000	11,256	1.41	
2001	540,891	155,000	323,318	1.13	85,957	47,000	8,165	1.56	
2002	1,100,085	545,000	529,222	1.02	66,230	50,000	89,224	0.48	
2003	1,439,752	885,000	580,253	0.98	78,767	54,000	183,349	0.33	
2004	1,450,286	900,000	544,337	1.00	186,941	5,000	181,583	1.00	
2005	1,444,808	935,000	505,090	1.00	1,470,871	230,000	183,250	3.56	
2006	1,444,384	970,000	470,630	1.00	417,274	1,540,000	231,152	0.24	
2007	1,424,239	1,053,000	367,639	1.00	419,611	255,000	159,750	1.01	
2008	1,431,397	1,080,000	345,797	1.00	415,963	265,000	147,000	1.01	

Sales Tax Revenue Bonds				
Fiscal Year	Sales Taxes	Debt Service		Coverage
		Principal	Interest	
1999	\$ -	\$ -	\$ -	0.00
2000	-	-	-	0.00
2001	-	-	-	0.00
2002	15,163,063	5,000	47,442	289.14
2003	13,708,023	165,000	683,546	16.15
2004	14,092,331	290,000	562,047	16.54
2005	15,373,690	435,000	552,621	15.57
2006	18,008,143	475,000	539,136	17.76
2007	21,330,290	500,000	522,986	20.85
2008	20,616,891	530,000	485,915	20.29

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

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

Water & Storm Sewer Revenue Bonds

Utility Service Charges	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ -	\$ -	\$ -	\$ -	\$ -	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
-	-	-	-	-	0.00
9,141,784	6,959,093	2,182,691	-	681,773	3.20
10,003,642	7,137,454	2,866,188	680,000	773,519	1.97
11,050,437	7,659,539	3,390,898	707,000	762,092	2.31

Water Reclamation Revenue Bonds

Utility Service Charges	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 4,399,131	\$ 4,155,237	\$ 243,894	\$ 137,000	\$ 109,025	0.99
4,607,442	3,600,351	1,007,091	142,000	104,230	4.09
5,128,911	3,805,019	1,323,892	147,000	99,260	5.38
4,791,987	3,983,007	808,980	152,000	94,115	3.29
4,648,383	4,134,290	514,093	157,000	88,795	2.09
4,762,198	4,272,036	490,162	163,000	83,300	1.99
4,481,980	4,264,174	217,806	169,000	77,595	0.88
5,341,595	4,415,907	925,688	174,243	71,675	3.76
5,678,134	4,572,648	1,105,486	181,000	65,590	4.48
5,682,018	4,864,370	817,648	187,000	59,247	3.32

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

Fiscal Year Ending June 30	Series 2000 \$7,985,000 (Street Lights)		Series 2001 \$5,345,000 (Refunding)	
	Principal	Interest	Principal	Interest
	2009	\$ 440,000	\$ 92,985	\$ 650,000
2010	460,000	72,085	675,000	42,675
2011	485,000	50,005	380,000	15,675
2012	505,000	25,755	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
TOTALS	<u>\$ 1,890,000</u>	<u>\$ 240,830</u>	<u>\$ 1,705,000</u>	<u>\$ 125,725</u>

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

Series 2007		Totals		
\$3,520,000 (Refunding)		Total	Total	Total Debt
Principal	Interest	Principal	Interest	Service
\$ 31,000	\$ 140,943	\$ 1,121,000	\$ 301,303	\$ 1,422,303
32,000	139,778	1,167,000	254,538	1,421,538
33,000	138,574	898,000	204,254	1,102,254
34,000	137,333	539,000	163,088	702,088
571,000	136,055	571,000	136,055	707,055
589,000	114,582	589,000	114,582	703,582
612,000	92,434	612,000	92,434	704,434
634,000	69,419	634,000	69,419	703,419
659,000	45,577	659,000	45,577	704,577
553,000	20,796	553,000	20,796	573,796
<u>\$ 3,748,000</u>	<u>\$ 1,035,491</u>	<u>\$ 7,343,000</u>	<u>\$ 1,402,046</u>	<u>\$ 8,745,046</u>

City of Orem
 Long-term Bonded Indebtedness Paid By Governmental and Enterprise Funds
 Schedule of Bonded Indebtedness
 June 30, 2008
 (Unaudited)

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Term of Bonds</u>	<u>Annual Terms of Serial Bonds</u>
Governmental Funds:				
General Obligation Bonds:				
Series 1998 Road Bonds	4.05% - 5.25%	08/15/98	1998-2018	Various
Series 2004 Road Bonds - Refunding	3.00% - 4.00%	12/22/04	2004-2016	Various
Series 2005 Road Bonds	3.50% - 5.00%	04/20/05	2005-2024	Various
Series 2006 Road Bonds	3.63% - 5.00%	03/07/06	2006-2024	Various
Total General Obligation Bonds				
Revenue Bonds:				
Lease Revenue Bonds - Series 2000 Canyon River - Special Improvement District Bonds - Series 2001	4.45% - 5.50%	09/11/00	2000-2012	Various
Lease Revenue Refunding Bonds - Series 2001	4.49% - 5.50%	10/02/01	2002-2016	Various
Lease Revenue Refunding 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
Lease Revenue Refunding Bonds - Series 2007	3.76%	01/03/07	2007-2018	Various
Sales Tax Revenue Refunding Bonds - Series 2007	3.80% - 5.00%	10/17/07	2007-2023	Various
Total Revenue Bonds				
Total Governmental Funds				
Enterprise Funds:				
Revenue Bonds:				
Water Quality Revenue Bonds	3.50%	04/12/94	1994-2014	Various
2005A Water and Storm Sewer Revenue Bonds	3.50% - 5.25%	03/17/05	2005-2025	Various
2005B Water and Storm Sewer Revenue Bonds	1.48%	03/17/05	2005-2025	Various
2008 Water and Storm Sewer Revenue Bonds	3.25% - 5.25%	03/13/08	2008-2028	Various
Total Revenue Bonds				
Total Enterprise Funds				
Total Governmental and Enterprise Funds				

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

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

Fiscal Year	Population ¹	Personal Income	Per Capita		Unemployment Rate
			Personal Income ²	Median Age	
1999	83,921	\$ 1,309,251,521	15,601	23.7	3.00%
2000	84,326	1,385,138,876	16,426	23.9	3.00
2001	84,500	1,446,640,000	17,120	24.3	4.10
2002	83,662	1,492,781,066	17,843	24.8	5.70
2003	86,346	1,605,776,562	18,597	25.2	5.20
2004	89,326	1,731,405,858	19,383	25.7	4.80
2005	90,374	1,826,006,670	20,205	26.1	4.70
2006	91,649	1,914,914,206	20,894	26.4	3.10
2007	92,212	2,009,483,904	21,792	26.6	2.80
2008	93,090	2,030,645,897	21,814	26.6	3.70

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

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

City of Orem
Other Demographic Statistics
(Unaudited)

Census Population Count

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

Age Distribution of Population ¹

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

¹ Source: 2000 Census

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

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

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

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

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

Source: City of Orem - Human Resource Department

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

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

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

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

Source: Various city departments

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

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

	Fiscal Year				
	1999	2000	2001	2002	2003
General Government:					
Vehicles	146	148	141	152	164
Public Safety:					
Police Protection:					
Stations	1	1	1	1	1
Vehicles	88	88	94	98	104
Fire Protection:					
Stations	3	3	3	3	3
Vehicles	28	28	28	26	25
Highways and Public Improvements:					
Streets (miles)	N/A	N/A	N/A	N/A	N/A
Traffic Signals	N/A	N/A	N/A	N/A	N/A
Parks and Recreation:					
Parks	14	14	15	18	18
Parks Acreage	127	127	131	212	212
Playgrounds	14	14	14	17	17
Walking/Jogging Trails (miles)	N/A	N/A	N/A	N/A	29.5
Libraries	1	1	1	1	1
Cemeteries	1	1	1	1	1
Water:					
Water Mains (miles)	308	308	310	310	345
Wells	7	7	7	7	7
Storage Capacity (thousands of gallons)	12,040	12,440	12,440	12,440	12,440
Water Reclamation:					
Sewer Lines (miles)	260	260	260	260	272
Treatment Capacity (MGD)	12.3	12.3	12.3	12.3	12.3
Storm Sewer:					
Storm Sewer Lines (miles)	N/A	N/A	N/A	N/A	64.6
Recreation:					
Fitness Centers	1	1	1	1	1
Pools	1	1	1	1	2
Baseball / Softball Diamonds	12	12	12	18	18
Soccer / Football Fields	5	5	5	18	18
Street Lighting:					
Street Lights	1,075	1,075	2,196	2,630	2,630

Source: Various city departments

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

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

Water Impact Fees				
Fiscal Year	Impact Fees Collected	City of Orem Administrative Fee	Impact Fees Remitted to Metro Water of Orem	Unspent Impact Fees
1999	\$ 448,279	\$ (49,352)	\$ (398,927)	\$ -
2000	364,584	(29,140)	(335,444)	-
2001	335,145	(18,731)	(316,414)	-
2002	418,708	(47,329)	(371,379)	-
2003	632,175	(69,003)	(563,172)	-
2004	649,883	(72,677)	(577,206)	-
2005	683,798	(71,547)	(612,251)	-
2006	929,602	(104,069)	(825,533)	-
2007	994,624	(109,408)	(885,216)	-
2008	940,116	(104,801)	(835,315)	-

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

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

