

2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for fiscal year ended June 30, 2017



CITY OF OREM

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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, 2017

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INTRODUCTORY SECTION



CITY OF OREM

OFFICE OF THE CITY MANAGER

December 12, 2017

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 thirtieth Comprehensive Annual Financial Report (CAFR).

The report contains critical financial information regarding the City's activities over the past fiscal year. The report of Gilbert & Stewart CPA, PC, resulting from their annual independent audit is 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 City management.

We believe 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, 2017, in sound financial condition. The following is an overview of the City's financial condition.

The City of Orem is located in north central Utah and is currently the fifth largest city in the state with a 2010 census population of 88,328 and an estimated population at June 30, 2017, of 97,499. The local unemployment rate as of June 30, 2017, was 3.7% compared to 4.5% nationally. The State unemployment rate is 3.9%.

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 City has recently completed an economic master plan. The plan shows the City can support and has demand for a significant amount of class "A" office space.

Utah Valley University (UVU) continues to grow with current full-time equivalent student enrollment of 23,706 and just over 37,000 total students and projected enrollment estimated to exceed 46,000 by 2024. UVU is now the State's largest university.

Operating Revenues

Sales Tax revenues grew 6.42% in Fiscal Year 2017. Sales taxes continue to be the City's single largest revenue source. Utility revenues are growing due to a rate structure that calls for a pay-as-you-go approach for system replacement and expansion for each utility. This will provide the necessary capital funding to build the master plan projects.

Revenues for other service areas such as residential solid waste collection and street lighting are stable. Recreation Fund revenues continue to face competition from adjacent community facilities. Thus, the General Fund has had to subsidize the Recreation Fund by contributing \$402,000 to it.

Expenditures

The City allocated \$3,674,000 from General Fund reserves for general capital improvement projects. This was made possible by the City's growing economy resulting in revenue growth coupled with one-time building permit funds for one-time uses along with a policy change to set the City's reserve level at 15% of General Fund expenditure levels.

The City's infrastructure is in stable condition and with the recently adopted utility master plans and accompanying funding plans, the City's infrastructure will remain sound. Within the last year, the City has been involved in several significant capital improvement projects. These projects include:

- Continuing street maintenance plans of systematic preventative maintenance such as crack seals, seal coats, micro-surfacing, and overlays.
- Ongoing replacement of old four- inch (4") water lines.
- Various building maintenance projects.
- Construction of an "All together Playground" that meets the needs of all children regardless of abilities.
- Construction of a dog park.
- Construction of a splash pad.
- Purchase of a new ladder fire truck.
- Deployed high speed Wi-Fi at city parks.

Additional capital funding is needed:

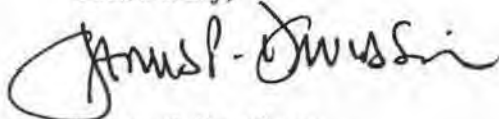
- To construct additional intersection signals and upgrade existing intersections with double left turn lanes.
- To upgrade existing traffic signal equipment that is nearing the end of its anticipated life.
- To install street lights in the portions of the city previously served by special lighting districts.
- To continue preventative road maintenance.
- To improve transportation in the city through street improvements, trails, bike paths, mixed uses, and mass transit.
- To purchase and install an automated water meter reading system.
- For facility improvements/upgrades at the City Center, Senior Friendship Center, Fitness Center, Library, and all three fire stations.

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 who continue to upgrade and improve the City's accounting and financial reporting systems which improve 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,

A handwritten signature in black ink, appearing to read "James P. Davidson". The signature is fluid and cursive, with a large loop at the beginning.

James P. Davidson
City Manager

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December 12, 2017

James P. Davidson
City Manager

City of Orem, Utah

The State of Utah requires that all local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) as prescribed in the Uniform Accounting Manual for Utah Cities 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, 2017, is hereby submitted to you, in accordance with these requirements.

This financial 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.

Gilbert & Stewart CPA, PC, a firm of licensed certified public accountants have audited the City of Orem's financial records. 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, 2017, 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 ending June 30, 2017, 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.

CAFR Highlights

This section will highlight the changes in the CAFR from the previous year. The total government-wide net position increased by 5.59%. See MD&A section page 15.

During the fiscal year the City refunded outstanding portions of Water & Storm Sewer and Sales Tax Revenue Bonds for a combined overall savings of \$1.5 million in debt service costs.

The City of Orem is a participant with the Utah Retirement System (URS). The URS controls the pension funds for all eligible governmental employees in the State of Utah (includes state, local, school, and/or special district employees). The URS sets the contribution rates they believe will achieve the needed earnings to provide the plan's defined benefit payments. The City remits the prescribed payments to the URS with each payroll.

The City is required to show its proportion of any deficit or surplus. Accordingly, the City has taken its overall net pension asset and liability of \$14,343,236, up from \$12,587,204 in FY 2016, and allocated it proportionately among the appropriate funds (see pages 92-98 and 105 for a thorough explanation).

General Fund – Sales tax revenues grew by 6.42%. Sales tax revenues are the single largest source of city revenue. Total General Fund revenues increased by \$2,503,150 (4.66%). Expenditures increased by \$1,809,155 (3.9%). This is due in large part to increased personnel costs in salary and benefits.

Water Fund – Water operating revenues increased by \$2,210,752 (16.58%). The City has implemented a tiered water rate structure to comply with state law. The City is also pricing water to provide pay-as-you-go funding for system replacement. Expenses increased by \$753,323 (7.66%).

Water Reclamation Fund – Operating revenues increased by \$1,720,847 (33.44%). This increase is due primarily to how base rates are assessed to multi-unit facilities. Expenses increased by \$6,848 (0.10%).

Storm Water Fund – Operating revenues increased by \$550,421 (15.95%). This reflects one full fiscal year with the additional \$1.00 per equivalent service unit (ESU) that was increased near the end of the prior year. The net position of the fund increased 9.83%. Expenses decreased \$80,660 (3.42%). This was primarily due to an adjustment in pension accruals.

Debt - The City ended the year with total outstanding debt of \$47,459,120, of which \$9,063,364 is backed by the full faith and credit of the City while the balance, \$38,395,756, is backed by specific revenue sources such as sales taxes, franchise taxes, and utility revenues. This represents a total debt reduction of 10.64% over the previous year.

The City maintains favorable debt ratings of "AA+" from Fitch ratings and "AA" from Standard and Poors. The City is committed to maintain these high ratings through proper management practices.

Additional and more detailed information regarding the City's overall debt can be found in the footnotes of this document (see pages 75-83).

Statistical Section - The final section of the CAFR contains a wealth of comparative information about the City. This section has charts and tables on financial trends, revenues, debt, demographics, and general operating information.

Several fascinating tables are found on pages 146-185 showing the various statistical and general financial data over time.

Other Information

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 (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-ninth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, 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 (GAAP) and applicable legal requirements.

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

Acknowledgments

The preparation of this report 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 with special recognition to Brandon Nelson, CPA, for his superior work in preparing this report as well as our independent auditors, Gilbert & Stewart CPA, PC, 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 prudent manner.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Richard B. Manning".

Richard B. Manning
Administrative Services Director



CITY OF OREM
LISTING OF OFFICIALS
ORGANIZED BY CLASSIFICATIONS

Chief Executive Officer

City Manager James P. Davidson

Executive Staff

Assistant City Manager Brenn Bybee

Director of Administrative Services Richard B. Manning

Director of Development Services Bill D. Bell

Director of Legal Services Greg W. Stephens

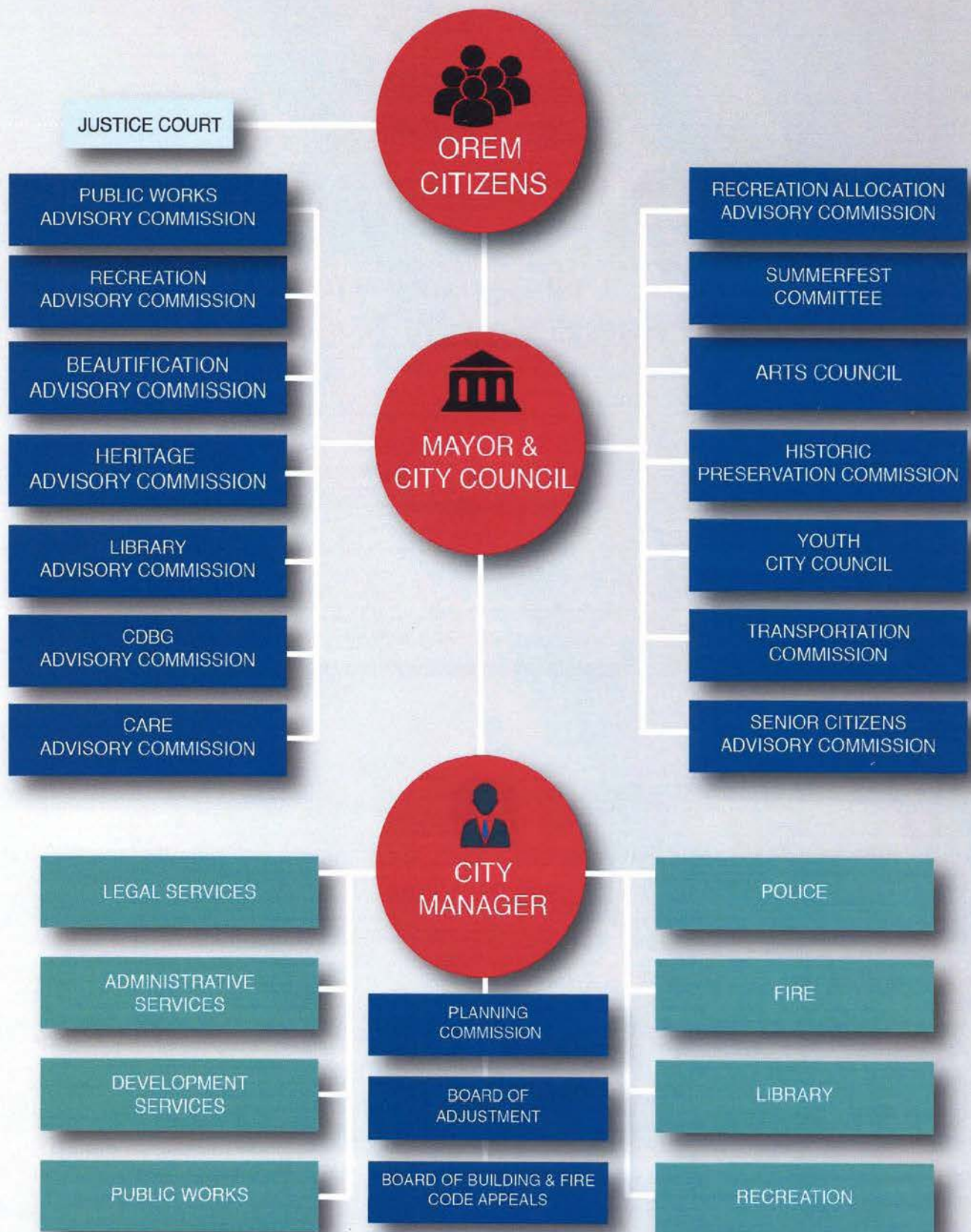
Director of Library Services Charlene M. Crozier

Fire Chief M. Scott Gurney

Police Chief Gary K. Giles

Director of Public Works Chris R. Tschirki

Director of Recreational Services Karl R. Hirst





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

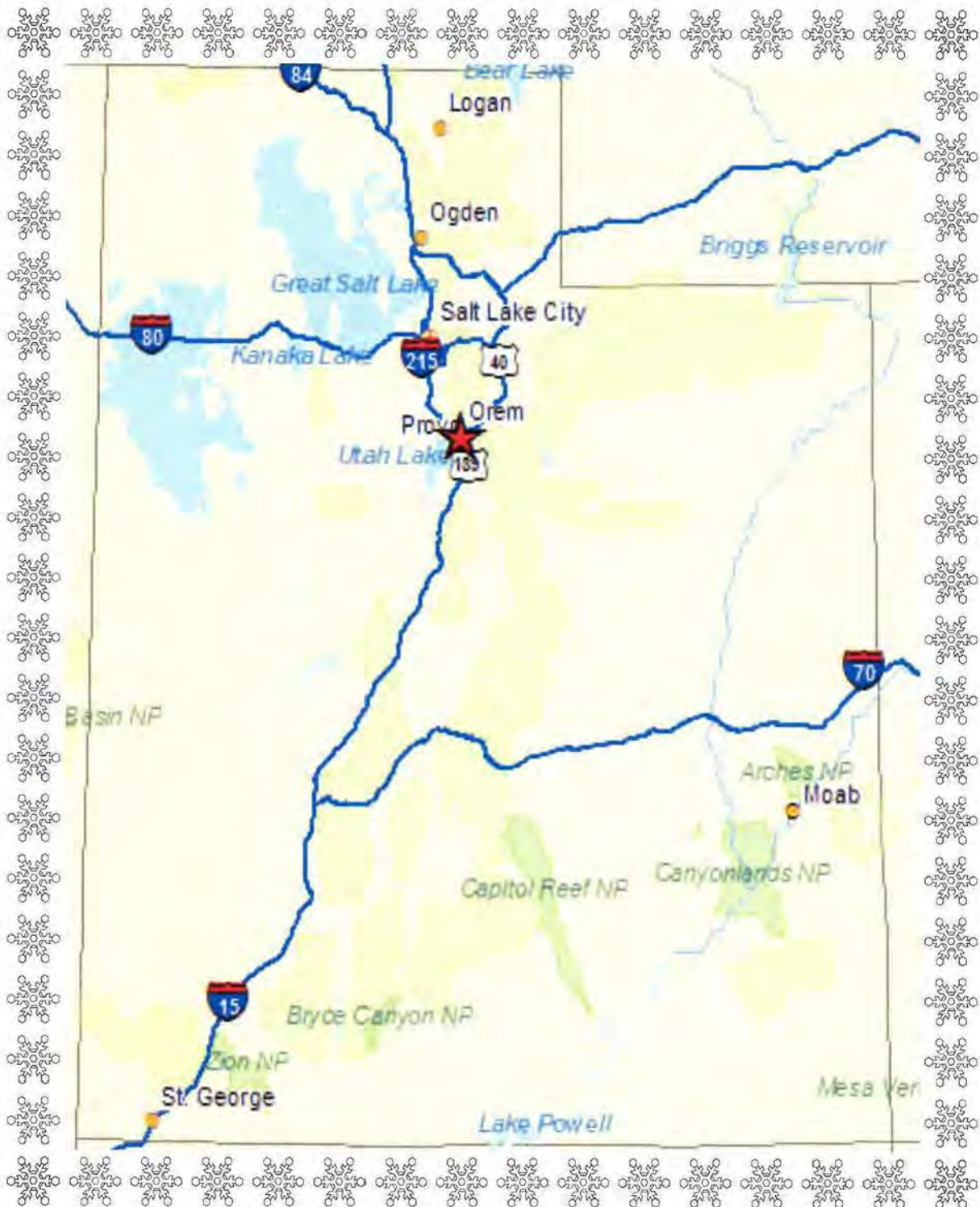
City of Orem
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

STATE OF UTAH



FINANCIAL SECTION



GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Orem, as of June 30, 2017 and the respective changes in financial position and where applicable, cash flows and the respective budgetary comparison for the general and major special revenue funds thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the OPEB schedule of funding progress, and the required supplementary information regarding pensions, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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, supplemental information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, budgetary comparisons, and capital assets as listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, budgetary comparisons, and capital assets are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC

Provo, Utah

November 30, 2017

MD & A

City of Orem
Management's Discussion and Analysis
June 30, 2017

The City of Orem's management presents this overview and analysis of its financial activities for the fiscal year ended June 30, 2017. This discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending.

The City encourages readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal and provided throughout this report.

Financial Highlights

- As of the end of the current fiscal year, the government-wide assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$262,687,697 (total net position). Of this amount, \$51,259,510 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total government-wide net position consists of \$191,683,821 in net investment in capital assets, \$19,744,366 in restricted assets, and \$51,259,510 in unrestricted assets. Total government-wide net position increased by 5.59%.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45,762,775. Of this amount, \$12,829,323 (28.03%) is available for spending at the City's discretion (unassigned fund balance).
- As of the end of the current fiscal year, the City's governmental funds reported a decrease in total fund balance of \$5,920,710 compared to the prior year's increase of \$8,794,021. The changes to fund balance are discussed in greater detail later in this overview and analysis.
- As of the end of the current fiscal year, the City's enterprise funds reported an increase in total net position of \$9,401,580 compared to the prior year's increase of \$4,400,521. The changes to fund balance are discussed in greater detail later in this overview and analysis.
- In October 2016, the City refunded the remaining \$5,075,000 of 2008 Water & Storm Sewer Bonds by issuing \$4,380,000 in new 2016 Water & Storm Sewer Refunding Bonds saving the City over \$1.4 million in debt service costs.
- In February 2017, the City refunded the remaining \$2,805,000 of 2007 Sales Tax Revenue Refunding Bonds by issuing \$2,898,000 in new 2017 Sales Tax Revenue Refunding Bonds saving the City over \$95,000 in debt service costs.

Overview of the Financial Statements

The following discussion and analysis serves 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.

City of Orem
Management's Discussion and Analysis
June 30, 2017

This report also includes other supplementary information in addition to the basic financial statements.

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

- The *Statement of Net Position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the four reported as *net position*. Over time, increases or decreases in net position 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 position changed during the fiscal year reported. All changes in net position 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 service 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 (which includes the library), and economic and physical development. The business-type activities of the City include culinary water distribution, water reclamation (sewer), storm water operations, recreation (fitness center and outdoor pool), solid waste disposal, and street lighting.

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 the City'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

City of Orem
Management's Discussion and Analysis
June 30, 2017

information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City'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, Debt Service, Capital Projects, and Redevelopment funds, which are considered major funds of the City. Data from the other seven 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 Water, 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, providing insurance, procuring and warehousing supplies and materials, and maintaining the City's technological needs. 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 Water 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 four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided 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 position may serve over time as a useful indicator of the City's financial position. As mentioned in the highlights section, assets exceeded liabilities and deferred inflows by \$262,687,697 at June 30, 2017.

By far the largest portion of the City's net position (72.97%) 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 Total Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 66,289,979	\$ 73,116,533	\$ 34,804,292	\$ 26,557,840	\$ 101,094,271	\$ 99,674,373
Noncurrent Assets:						
Capital Assets	151,887,214	144,697,510	85,577,890	85,850,535	237,465,104	230,548,045
Other	999,306	1,165,174	4,350	11,361	1,003,656	1,176,535
Total Assets	219,176,499	218,979,217	120,386,532	112,419,736	339,563,031	331,398,953
Deferred Outflows of Resources	9,399,380	7,099,731	2,984,156	2,231,026	12,383,536	9,330,757
Total Assets & Deferred Outflows of Resources	\$ 228,575,879	\$ 226,078,948	\$ 123,370,688	\$ 114,650,762	\$ 351,946,567	\$ 340,729,710
Long-term Liabilities						
Outstanding	\$ 36,207,469	\$ 37,713,029	\$ 29,725,696	\$ 31,478,132	\$ 65,933,165	\$ 69,191,161
Other Liabilities	8,019,456	8,798,035	3,962,806	3,021,734	11,982,262	11,819,769
Total Liabilities	44,226,925	46,511,064	33,688,502	34,499,866	77,915,427	81,010,930
Deferred Inflows of Resources	10,803,107	10,518,263	540,336	410,626	11,343,443	10,928,889
Net Position:						
Net Investment in						
Capital Assets	131,968,221	126,818,760	59,715,600	56,904,569	191,683,821	183,723,329
Restricted	17,774,033	20,230,602	1,970,333	2,536,737	19,744,366	22,767,339
Unrestricted	23,803,593	22,000,259	27,455,917	20,298,964	51,259,510	42,299,223
Total Net Position	173,545,847	169,049,621	89,141,850	79,740,270	262,687,697	248,789,891
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 228,575,879	\$ 226,078,948	\$ 123,370,688	\$ 114,650,762	\$ 351,946,567	\$ 340,729,710

A portion of the City of Orem's net position (7.52%) represent resources that are subject to external restrictions on how they may be used. The amount listed as unrestricted net position (\$51,259,510) may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

Comparing the current fiscal year to the prior fiscal year, the City's net position increased by \$13,897,806 (5.59%). Total revenues increased by \$7,335,541 (7.95%), primarily due to increases in charges for services of \$4,900,290 (10.40%) and sales tax revenues of \$1,344,973 (6.28%). Total expenses increased \$5,849,523 (7.33%). Details related to these changes are described later in this section of the report under governmental and business-type activities. The following is a summary of the changes in net position:

City of Orem's Change in Net Position

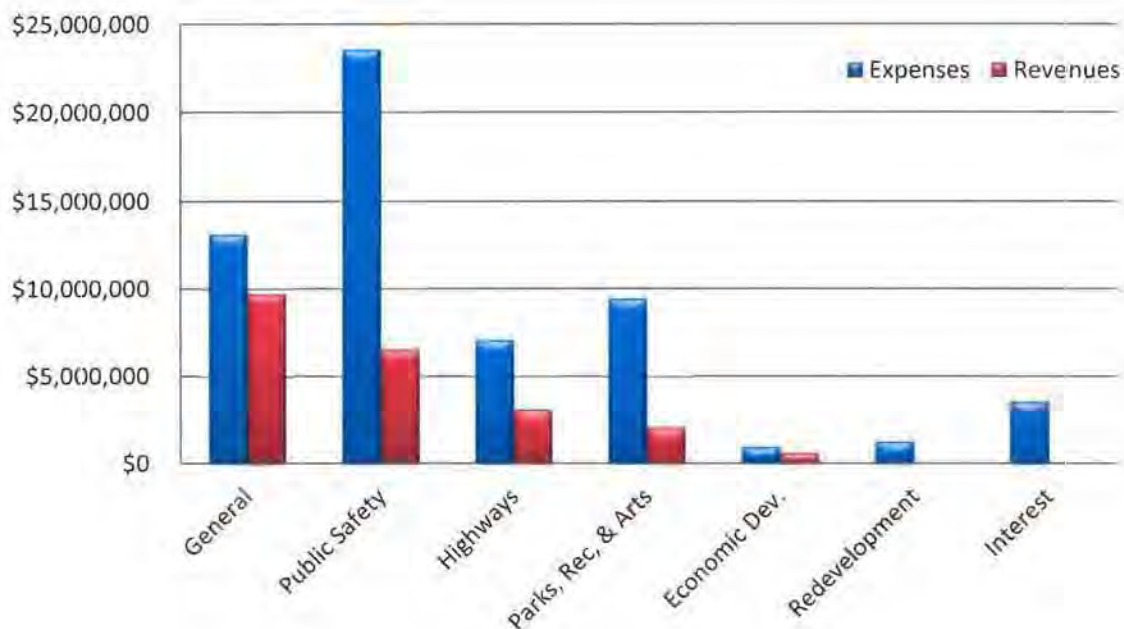
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 17,681,009	\$ 16,975,986	\$ 34,353,297	\$ 30,158,030	\$ 52,034,306	\$ 47,134,016
Operating Grants and Contributions	1,195,663	1,333,496	-	-	1,195,663	1,333,496
Capital Grants and Contributions	3,171,938	2,789,074	1,383,925	510,138	4,555,863	3,299,212
General Revenues:						
Sales Taxes	22,750,706	21,405,733	-	-	22,750,706	21,405,733
Property Taxes	9,141,823	9,229,764	-	-	9,141,823	9,229,764
Other Taxes	8,775,289	8,875,761	-	-	8,775,289	8,875,761
Other	707,483	707,511	403,113	243,212	1,110,596	950,723
Total Revenues	63,423,911	61,317,325	36,140,335	30,911,380	99,564,246	92,228,705
Expenses:						
General Government	13,160,153	11,148,210	-	-	13,160,153	11,148,210
Public Safety	23,578,262	21,750,059	-	-	23,578,262	21,750,059
Highways and Public Improvements	7,085,621	7,426,758	-	-	7,085,621	7,426,758
Parks, Recreation & Arts	9,471,883	8,704,800	-	-	9,471,883	8,704,800
Economic and Physical Development	950,630	867,172	-	-	950,630	867,172
Redevelopment	1,286,498	187,497	-	-	1,286,498	187,497
Interest on Long-Term Debt	3,596,868	3,624,749	-	-	3,596,868	3,624,749
Water	-	-	11,021,079	10,335,616	11,021,079	10,335,616
Water Reclamation	-	-	6,723,394	6,716,546	6,723,394	6,716,546
Storm Water	-	-	2,371,647	2,460,540	2,371,647	2,460,540
Recreation	-	-	1,962,995	2,023,758	1,962,995	2,023,758
Solid Waste	-	-	3,283,310	3,174,442	3,283,310	3,174,442
Street Lighting	-	-	1,174,100	1,396,770	1,174,100	1,396,770
Total Expenses	59,129,915	53,709,245	26,536,525	26,107,672	85,666,440	79,816,917
Change in Net Position before Transfers	4,293,996	7,608,080	9,603,810	4,803,708	13,897,806	12,411,788
Transfers In (Out)	202,230	403,187	(202,230)	(403,187)	-	-
Change in Net Position	4,496,226	8,011,267	9,401,580	4,400,521	13,897,806	12,411,788
Net Position - Beginning	169,049,621	161,038,354	79,740,270	75,339,749	248,789,891	236,378,103
Net Position - Ending	\$ 173,545,847	\$ 169,049,621	\$ 89,141,850	\$ 79,740,270	\$ 262,687,697	\$ 248,789,891

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Governmental activities. Governmental activities increased the City of Orem's net position by \$4,496,226 (2.66%). This is a decrease of \$3,515,041 from the prior year. Total revenues increased by \$2,106,586 (3.44%). Sales tax revenues increased \$1,344,973 (6.28%) and charges for services revenues increased \$705,023 (4.15%). Total expenses increased by \$5,420,670 (10.09%), primarily due to an increase in personnel costs of approximately \$3,790,590 along with the addition of two new redevelopment participation agreements totaling \$1,000,000.

The following graph displays the governmental activities reflected in the table "City of Orem's Change in Net Position". Note that the graph does not include general revenues of \$41,375,301 because these revenues are not specific to a particular department.

Program Expenses & Revenues - Governmental Activities
For Fiscal Year Ending June 30, 2017



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

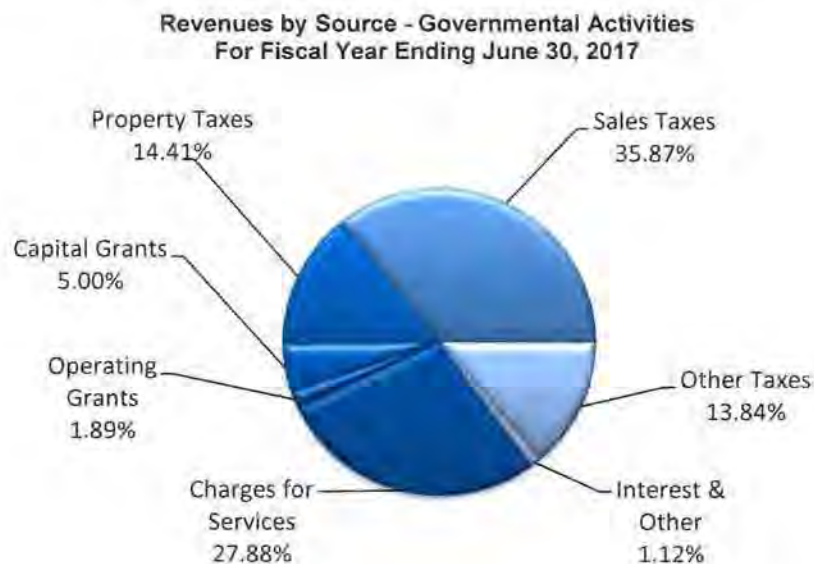
- Total revenues increased by \$2,106,586 (3.44%).
- Charges for services revenues increased \$705,023 (4.15%). While various fee types increased by small amounts, the following revenues increased relatively significantly: public safety fees increased by

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\$234,270 (9.40%) primarily due to renegotiating our fire services agreement with the City of Vineyard, ambulance fees increased \$47,588 (2.55%) due to a better collection mix (i.e. more commercial insurance collections), cemetery lot sales and interment fees increased by \$65,850 (8.81%) primarily due to more lot sales than the prior year, and recreation fees increased \$30,814 (8.06%) due almost entirely to increased participation in city softball leagues.

- General revenues increased by \$1,156,532 (2.88%). The increase was due to sales tax revenues which increased \$1,344,973 (6.28%). While no specific source was the cause of this increase, the City's strong retail base has continued to see the positive effects of Utah's bustling economy. Other general revenues decreased \$188,441 (1.00%). The decrease in other general revenues was due, in part, to a decrease in redevelopment property tax increment collections as these redevelopment areas continue to expire.
- Total expenses increased by \$5,420,670 (10.09%).
- Personnel costs across all expense categories increased, in total, by approximately \$3,790,590 in the current fiscal year due to general salary and benefit increases (approximately \$1,160,000), pensions costs (\$1,807,570), and other post-employment benefit costs (\$823,020).
- Redevelopment costs increased by \$1,099,001 (586.14%). The increase was due primarily to entering into new participation agreements with two local vehicle dealerships totaling \$1,000,000.

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

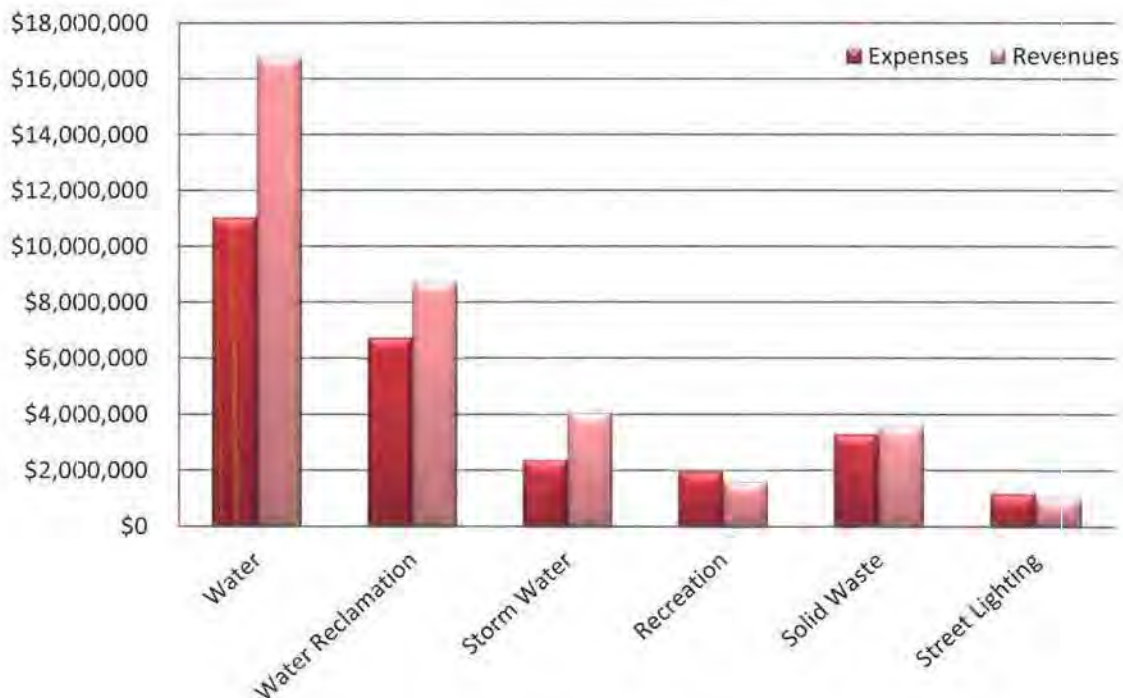


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Business-type activities. Business-type activities increased the City's net position by \$9,401,580. The increase in net position represents a 11.79% increase for the current year. Total revenues increased by \$5,228,955 (16.92%) and total expenses increased by \$428,853 (1.64%). As of the end of the current fiscal year, all of the City's business-type activities reported a positive net position.

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

Program Expenses & Revenues - Business-type Activities
For Fiscal Year Ending June 30, 2017

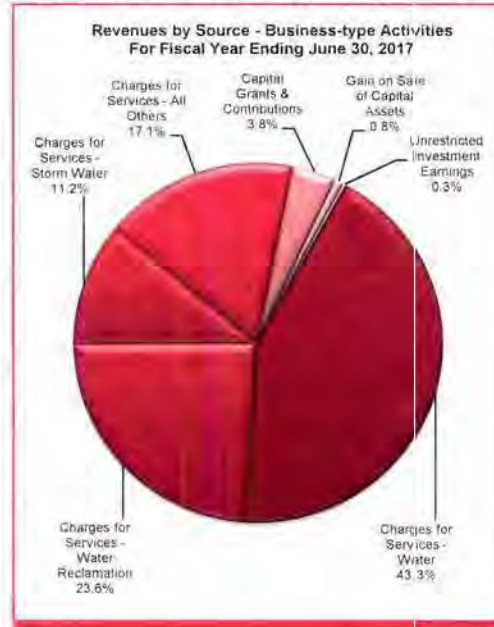


Key elements affecting the change in business-type activities net assets are as follows:

- Business-type activities reported an increase in total revenues over the prior year of \$5,228,955 (16.92%). Total revenues increased or decreased as follows:

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- Water fund total operating revenues increased by \$2,210,752 or 16.58%. There was a 10.92% increase in base rates and a 5.06% increase in water consumption. However, the majority of the revenue increase was due to a change in November 2016 to a tiered water use charge. This change was required due to a Utah State Senate bill passed in the 2016 General Session. The main intent of the bill was to encourage water conservation. Along with the change to a new tiered structure, the City set its new Tier 1 rate 22.41% higher than the previous usage rate (from \$0.58 to \$0.71 per thousand gallons) with Tiers 2-4 at even higher rates. The City intends to use the additional revenues from these higher water rates for future capital improvement needs rather than incurring additional debt. All of these changes resulted in charges for services revenues increasing \$1,824,655 or 16.01%. The City also had an increase in Equivalent Water Rights Impact Fee (EWRIF) payments from the Town of Vineyard related to construction in an area of Vineyard serviced by the City of Orem of approximately \$204,000.
- Water Reclamation fund total operating revenues increased by \$1,337,229 or 18.36%. This increase was due to a change in the sewer base rate which was changed from a “per connection” rate to a “per living unit” rate. A change was also made for non-residential customers whereby a meter size multiplier using American Water Works Association (AWWA) guidelines is used.
- Storm Water fund total operating revenues increased by \$550,421 or 15.95%. The increase was due to a \$1.00 rate increase in the “equivalent service units (ESU)” rate late in FY 2016. Therefore, the prior fiscal year had only a portion of the year to reflect this price increase while the current fiscal year received the revenue effect for the entire fiscal year.



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The graph on the previous page displays the business-type activities revenues by source. The information reflected in this graph comes from the "City of Orem's Change in Net Position" table shown previously.

- Business-type activities reported an increase in total expenses from the prior year of \$428,853 (1.64%). Total expenses increased or decreased as follows:
 - Utility costs decreased by \$391,727 (17.97%). Street lighting power costs decreased by \$189,005 due to LED fixtures and bulbs being installed in all city-owned street lights. The fitness center entered into a contract for natural gas from a third-party provider which saved approximately \$52,000.
 - Contracted Services costs increased by \$866,901 (13.66%). The increase was due primarily to a third party paying the City's Jordanelle Reservoir water allotment in the prior fiscal year whereas the City paid it in the current fiscal year.
 - Depreciation expense increased by \$214,223 (4.75%). Several large waterline projects were completed near the end of the prior fiscal year resulting in a full year of depreciation expense for the current fiscal year and a large amount of equipment (approximately \$640,000) was purchased in the water reclamation fund.

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, *unassigned fund balance* may serve as a useful measure of the government's net resources available for spending at fiscal year end.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45,762,775. Of this total amount, \$12,829,323 (28.03%) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Unassigned fund balance increased from the prior year by \$1,355,186. The remaining fund balance of \$32,933,452 is "reserved" in one capacity or another indicating that it is not available for new spending because it has already been committed to pay for debt service, capital projects, or a variety of other purposes.

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The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unassigned fund balance* of the general fund was \$12,829,323 and total fund balance increased to \$23,018,026. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26.65% (prior year was 24.76%) of total General Fund expenditures, while total fund balance represents 47.81% (prior year was 46.57%) of total General Fund expenditures.

General Fund - Total fund balance increased by \$1,439,804 in the current fiscal year (the prior year had a decrease of \$424,009). Thus, there was a positive variance from the prior year of \$1,863,813. The following elements were key factors contributing to the total fund balance increase:

- Increased total revenues of \$2,503,150 are primarily due to sales tax revenues increasing by \$1,250,600 (6.42%). While no specific source was the cause of this increase, the City's strong retail base has continued to see the positive effects of Utah's bustling economy. The City's B&C road revenues increased by \$405,805 (15.18%) due to the State of Utah's increase in the gas tax amount paid on each gallon of gas purchased. As mentioned previously (see page 21), charges for services increased \$375,528 (3.41%) due to increased public safety, ambulance, cemetery, and recreation revenues. Miscellaneous revenues increased \$444,736 (34.75%) due primarily to donations for the City's all-together playground project.
- Total expenditures increased by \$1,809,155 (3.90%). Capital outlays increased \$301,043 (8.39%), general government expenditures increased \$667,112 (5.49%), and public safety expenditures increased \$608,125 (2.88%). Details about these variances is as follows:
 - Capital outlay expenditures increased due to the addition of the All-Together Playground at City Center Park.
 - General Government expenditures increased as the result of higher personnel costs due to general wage and benefit increases and because the City paid an operational assessment to the Utopia Infrastructure Agency (UIA) of almost \$400,000.
 - Public Safety expenditures increased as the result of higher personnel costs due to general wage and benefit increases.
- Net transfers had a positive variance from the prior year of \$1,091,940. The positive variance was due primarily to transfers out of \$3,674,000 to the Capital Projects Fund in the current year while \$4,886,317 was transferred out in the prior year.

Debt Service Fund - Total fund balance is \$1,123,241, all of which is to be used for the payment of debt service. There was a net increase in fund balance in the current year of \$23,783 (2.16%). The increase is due primarily to the receipt of the final Canyon River special improvement district assessment.

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Capital Projects Fund - Total fund balance is \$10,387,741, all of which is to be used for capital improvements and large equipment purchases. There was a net increase in fund balance in the current year of \$1,134,022 (12.25%). The increase was due to a \$3,674,000 transfer from the General Fund which is to be used to improve several parks, streets, and intersections as well as making improvements to various city facilities including the city center, senior center, public works building, public safety buildings, and fitness center. This increase was offset by an increase in capital project expenditures for streets (\$890,398), parks (\$183,540), parking lots (\$492,446), public safety equipment (\$244,667), various building improvements (\$80,940), and storage facilities (\$142,568).

Redevelopment Fund - Total fund balance is \$6,232,300, all of which is to be used for improvements in redevelopment areas of the city. There was a net decrease in fund balance in the current year of \$2,633,747 (29.71%). The decrease was due to the addition of two new participation agreements totaling \$1,000,000 and a couple of property purchases totaling \$1,530,777.

Proprietary Funds

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

Water Fund - Unrestricted net position at the end of the year amounted to \$13,171,133, an increase of \$3,392,121 (34.69%). Total net position increased by \$5,219,408 (14.08%) during the current fiscal year. Items affecting total net position of the fund are as follows:

- Operating revenues increased by \$2,210,752 (16.58%). There was a 10.92% increase in base rates and a 5.06% increase in water consumption. However, as mentioned previously (see page 23), the majority of the revenue increase was due to the change to a tiered rate structure as well as an increase in the usage charge. The City also had an increase of approximately \$204,000 in Equivalent Water Rights Impact Fee (EWRIF) revenue from the Town of Vineyard related to construction in an area serviced by the City.
- Operating expenses increased by \$753,323 (7.66%) in comparison with the prior year. The primary cause of this increase was due to a third party paying the City's Jordanelle Reservoir water allotment in the prior year while the City paid it in the current fiscal year (\$639,493). Depreciation expense increased by \$127,088 (6.39%) as two large projects from the prior year had a full year of depreciation expense.

Water Reclamation Fund - Unrestricted net position at the end of the year amounted to \$6,866,381, an increase of \$1,720,847 (33.44%). Total net position increased by \$1,893,363 (8.11%) during the current fiscal year. Items affecting total net position of the fund are as follows:

- Operating revenues increased by \$1,337,229 (18.36%). As mentioned previously (see page 23), the increase was due to a change in how the sewer base rate is applied and billed.

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- Operating expenses increased by \$6,848 (0.10%) in comparison with the prior year. Depreciation expense increased \$73,549 (4.51%) due to a large amount of equipment purchases and contracted services increased \$107,334 (20.80%) due to the City's participation in a Utah Lake Nutrient Study. These increases were mostly offset by personnel costs decreasing by \$91,935 (4.22%) due primarily to adjustments in this funds pension accruals and supplies and maintenance costs decreasing by \$69,175 (9.62%) primarily due to lower repairs and maintenance costs at the sewer treatment plant.

Storm Water Fund - Unrestricted net position at the end of the year amounted to \$5,192,545, an increase of \$1,346,724 (35.02%). Total net position increased by \$1,540,224 (9.83%) during the current fiscal year. Items affecting total net position of the fund are as follows:

- Operating revenues increased by \$550,421 (15.95%), due to a \$1.00 increase in the "equivalent service units (ESU)" rate late in FY 2016. Therefore, the prior fiscal year had only a portion of the year to reflect this price increase while the current fiscal year received the revenue effect for the entire fiscal year.
- Operating expenses decreased by \$80,660 (3.42%) in comparison with the prior year. The decrease in expenses is primarily due to a decrease in personnel costs due to adjustments in this funds pension accruals.

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 \$52,195,263 to a final budget of \$61,741,985, an increase of \$9,546,722 (18.29%). The changes to the General Fund budget are briefly summarized as follows:

- Various public safety grants and donations received during the year totaled \$399,730.
- The library received several grants during the year totaling \$10,025. The All-together Playground park project added \$128,814 in donations. Various other parks, recreation, and arts grants and donations were added to the budget totaling \$51,548.
- Various capital project, equipment, and other accounts were carried over from the prior year and, therefore, were added to the budget in the current year. This increased the budget by \$2,921,025.
- 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 \$282,145.
- Various outstanding road projects were carried over from the prior year and, therefore, were added to the budget in the current year. This increased the budget by \$870,289. A budget appropriation of surplus funds was added for \$868,000 to pay for a road reconstruction project.
- The City transferred \$3,674,000 to the Capital Projects Fund. The transfer was done as an appropriation of surplus funds in order to stay within the State of Utah's General Fund fund balance limitation.

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

- Taxes and Special Assessment Revenues – Revenues – Actual amount was higher than the budgeted amount by \$742,840 (2.16%). Sales tax revenues exceeded budget for the current year by \$713,979. Property tax collections exceeded budget for the current year by \$152,140. Franchise taxes were lower than the budgeted amount by \$155,890.
- Licenses and Permits – Revenues – Actual amount was higher than the budgeted amount by \$435,943 (31.59%). Almost all of the amount that exceeded budgeted revenues was due to building permit revenues. Actual revenues were higher than budgeted revenues because the City chooses to budget this revenue line item quite conservatively. Excess funds are generally expected to be used for one-time items so the City is not reliant on these additional revenues for on-going items in case of another economic downturn.
- Charges for Services – Revenues – Actual amount was higher than the budgeted amount by \$1,142,738 (17.53%). Ambulance service revenues exceeded budget by \$330,283 due to a better collection mix (i.e. more commercial insurance payors). Cemetery lot sales and burial fees exceeded budget \$163,142; plan check, planning, and building permit fast track fees exceeded budget by \$252,264, \$31,937, and \$13,685, respectively; and various Public Safety service revenues exceeded budget by \$234,880.
- General Government – Expenditures – Actual amounts were lower than budgeted by \$2,517,624 (16.21%). The City continued to withhold a portion of the operating expenses assessment due to the Utah Infrastructure Agency (UIA) which resulted in unspent budget of \$483,681. Various facility maintenance projects were not able to be completed leaving \$196,530 in unspent budget funds. Wages and employee benefit costs were lower than budget by \$190,916. Professional and technical services accounts were lower than budget by \$377,808 as expected service costs were either delayed or determined to not be necessary. Various contingency accounts were not used and thus, were lower than budget by \$854,446.
- Public Safety – Expenditures – Actual amounts were lower than budgeted by \$916,063 (3.87%). A portion of the variance, \$229,910, is due to lower than expected regular pay, overtime, and fringe benefits as all positions are fully funded even though employee turnover regularly occurs leaving gaps in positions being occupied. There was also \$525,870 of vehicles and/or equipment that did not get purchased by the end of the fiscal year but was budgeted.
- Highways and Public Improvements – Expenditures – Actual amounts were lower than budgeted by \$2,602,022 (34.92%). Most of this variance can be attributed to various street overlay/reconstruction projects, slurry seal projects, micro-surfacing, and street striping projects that were not completed by fiscal year end but are expected to be completed in the next fiscal year.

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- Parks, Recreation, and Arts – Expenditures – Actual amounts were lower than budgeted by \$821,959 (10.28%). Personnel costs were lower than budgeted by \$200,179 due primarily to several positions being vacant for some of the fiscal year and difficulties in finding enough temporary workers to fill all of the City's open positions. There were also several budgeted equipment purchases and capital projects that had funds remaining totaling approximately \$303,000.

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, 2017, amounts to \$237,465,073 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment (including vehicles and office equipment), infrastructure, intangibles, and construction in progress.

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

- Public safety purchased thirteen new vehicles totaling \$448,772 and one new ambulance for the fire department for \$155,767. The police department purchased a new K9 dog, updated the remainder of their E911 equipment, and replaced their main recording equipment for a total of \$366,229. The fire department purchased stretchers, extrication equipment, exhaust system, and various other equipment totaling \$231,756.
- The parks division purchased three new vehicles totaling \$99,404, a large gang mower for \$79,963, and four new riding mowers totaling \$50,361. They successfully completed the All-Together Playground at City Center Park with current fiscal year costs totaling \$664,801. Due to the construction of this new playground, a new park storage facility was constructed (\$142,568), the north parking lot was reconstructed (\$160,081), and the bathrooms were renovated (\$104,743). They also completed the installation of new playground structures at Scera and Cascade parks at an additional cost of \$81,520. A new splash pad is under construction with current fiscal year costs totaling \$717,939. The City's first dog park was completed at a cost of \$194,474.
- Parking lot reconstructions at the City Center, Scera Park, Westmore Park, and Fire Station #1 were completed at a cost of \$365,422.
- Various road and traffic signal projects completed or added to construction in process were approximately \$2,048,592. Two new vehicles were purchased by the streets division for \$71,555 as well as a new street roller for \$59,674.
- The traffic division purchased a new vehicle for \$41,690 as well as some traffic modeling software for \$27,764.
- The City also purchased a new hybrid vehicle for the City's vehicle pool for \$23,294.

City of Orem
Management's Discussion and Analysis
June 30, 2017

- Several facility projects took place in the current fiscal year at the public works building, public safety building, Fire Station #1, fitness center, city center, and library. These projects totaled \$694,009. In addition to these facility projects, the energy saving facility improvement projects completed by Siemens in the current fiscal year added approximately \$5.2 million in capital assets.
- The City purchased two pieces of property totaling \$1,530,778. The property will be used for redevelopment opportunities tied to economic development projects.
- The water division had several waterline projects completed or added to construction in process totaling approximately \$1,144,738. They purchased one new hydro excavator for \$119,079 and a new dump truck for \$145,113.
- The water reclamation division had several sewer line projects completed or added to construction in process totaling \$583,436. They purchased one new vehicle for \$39,366, a new loader for \$145,695, BNR blowers for \$298,766, and various other equipment totaling approximately \$143,000.
- The storm water division purchased a new sweeper for \$258,836, a new utility vehicle for \$15,433, and a new riding mower for \$15,366. There were no storm water infrastructure projects in the current fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 65,145,972	\$ 63,445,925	\$ 3,888,751	\$ 3,888,751	\$ 69,034,723	\$ 67,334,676
Buildings and Systems	13,125,726	14,171,572	1,146,890	1,342,104	14,272,616	15,513,676
Improvements other than Buildings	13,521,937	10,625,447	6,837,661	7,146,441	20,359,598	17,771,888
Machinery and Equipment	5,790,833	5,201,108	3,512,371	3,336,079	9,303,204	8,537,187
Infrastructure	52,117,031	48,624,131	68,438,120	67,525,199	120,555,151	116,149,330
Construction in Progress	2,185,715	2,629,327	735,307	1,615,077	2,921,022	4,244,404
Intangibles	-	-	1,018,790	996,884	1,018,790	996,884
Total Capital Assets	<u>\$ 151,887,214</u>	<u>\$ 144,697,510</u>	<u>\$ 85,577,890</u>	<u>\$ 85,850,535</u>	<u>\$ 237,465,104</u>	<u>\$ 230,548,045</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report on pages 71-73.

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$38,051,000. Of this amount, \$8,535,000 comprises debt backed by the full faith and credit of the government and \$29,516,000 is debt (i.e. revenue bonds) that is secured solely by specific revenue sources such as sales taxes, franchise taxes, special assessments, water revenues, water reclamation revenues, and storm water revenues.

City of Orem
Management's Discussion and Analysis
June 30, 2017

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 8,535,000	\$ 10,200,000	\$ -	\$ -	\$ 8,535,000	\$ 10,200,000
Revenue Bonds	3,578,000	5,245,000	25,938,000	28,553,000	29,516,000	33,798,000
Total Bonds	\$ 12,113,000	\$ 15,445,000	\$ 25,938,000	\$ 28,553,000	\$ 38,051,000	\$ 43,998,000

The City's total bonded debt decreased by \$1,665,000 (16.32%) during the current fiscal year. The City made its final payment on the 2004 General Obligation Road Refunding Bonds. The remaining 2008 Water & Storm Sewer Revenue Bonds were refunded by issuing \$4,380,000 of new 2016 Water & Storm Sewer Revenue Refunding Bonds saving the City approximately \$1.4 million. The remaining 2007 Sales Tax Revenue Refunding Bonds were refunded by issuing \$2,898,000 of new 2017 Sales Tax Revenue Refunding Bonds saving the City approximately \$95,000.

The City of Orem maintains an "AA+" rating from Fitch Ratings and an "AA" rating from Standard & Poor's for all bond issuances.

State statutes limit the amount of general obligation debt for general purposes a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$313,847,899, which is significantly in excess of the City's outstanding general obligation debt for general purposes. In addition, state statutes allow for an additional 4% to be used for water, sewer, or electrical projects. Thus, the current limitation for general obligation debt for water, sewer, or electrical projects is also \$313,847,899. The City currently has no outstanding general obligation debt for these types of projects. Thus, the resulting total debt limit is 8% of total taxable value or \$627,695,798. More detailed information can be found on pages 170-171.

Additional information on the City's long-term debt can be found in the footnotes to this financial report on pages 75-83.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Orem at June 30, 2017 was 3.7%. The City's unemployment rate compares favorably to the national rate of 4.5%. The City has a relatively high technology based workforce comparative to other areas of the county and state which can be impacted (for good or bad) to a slightly higher degree than many other workforce groups in the economy. The table below provides current year comparative information as well as a historical perspective. (Source: U.S. Bureau of Labor Statistics).

City of Orem
Management's Discussion and Analysis
June 30, 2017

HISTORICAL ANNUAL UNEMPLOYMENT RATES

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City	5.3%	3.9%	3.5%	3.9%	3.7%
County	5.3%	4.0%	3.6%	3.9%	3.6%
State	5.2%	3.9%	3.8%	4.2%	3.9%
Nation	7.6%	6.3%	5.5%	5.1%	4.5%

- The General Fund budget for the fiscal year ending June 30, 2018 reflects a decrease of \$858,920 or 1.47% in revenues, excluding appropriations of surplus, compared to the final actual revenues for the fiscal year ending June 30, 2017. The decrease in revenues is due primarily to a decrease in intergovernmental revenues (primarily grants). Budgeted expenditures increased by \$588,055 or 1.00% over the final fiscal year ending June 30, 2017, expenditures. Most of this is due to the personnel cost increases and additional capital projects and acquisitions in next year's budget.
- Economic trends in the region continue to compare favorably to national indices. Sales tax revenues continue to increase in comparison to the prior year. Building permits continue to be good although construction growth within the City has slowed. These revenue sources as well as others are monitored very closely so the City can identify what future spending may be able to be added should positive revenue trends continue.

All of these factors were considered in preparing the City's budget for the 2017-2018 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
or via email at rbmanning@orem.org

BASIC FINANCIAL STATEMENTS

City of Orem
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 16,722,728	\$ 27,803,455	\$ 44,526,183
Receivables (Net of Allowance for Uncollectibles)	732,952	5,034,854	5,767,806
Property and Other Taxes Receivable	9,777,951	-	9,777,951
Special Assessments Receivable	200,058	-	200,058
Intergovernmental Receivables	269,779	-	269,779
Investments	16,643,769	-	16,643,769
Inventory	418,842	-	418,842
Notes Receivable	182,290	-	182,290
Prepaid Expenses	52,517	-	52,517
Restricted Assets:			
Cash and Cash Equivalents:			
Debt Service	798,192	1,860,333	2,658,525
Capital Improvements	9,935,677	110,000	10,045,677
Other Purposes	2,308,321	-	2,308,321
Receivables:			
Debt Service	1,449,250	-	1,449,250
Capital Improvement Projects	2,373,786	-	2,373,786
Other Purposes	1,215,070	-	1,215,070
Investments:			
Debt Service	2,326,151	-	2,326,151
Capital Improvement Projects	1,870,076	-	1,870,076
Net Pension Assets	11,876	-	11,876
Capital Assets:			
Non-depreciable Capital Assets	67,331,687	5,642,848	72,974,535
Depreciable Capital Assets (net)	84,555,527	79,935,042	164,490,569
Total Assets	<u>219,176,499</u>	<u>120,386,532</u>	<u>339,563,031</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Debt Refundings	250,387	1,090,510	1,340,897
Pensions	9,148,993	1,893,646	11,042,639
Total Deferred Outflows of Resources	<u>9,399,380</u>	<u>2,984,156</u>	<u>12,383,536</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 228,575,879</u>	<u>\$ 123,370,688</u>	<u>\$ 351,946,567</u>
LIABILITIES			
Accounts Payable	\$ 1,771,159	\$ 3,001,984	\$ 4,773,143
Customer Deposits	2,985,240	77,518	3,062,758
Accrued Liabilities	1,484,164	275,396	1,759,560
Unearned Revenues	1,492,289	397,780	1,890,069
Accrued Interest Payable	252,720	210,128	462,848
Liabilities Payable from Restricted Assets	33,884	-	33,884
Noncurrent Liabilities:			
Due within One Year	6,057,530	2,264,558	8,322,088
Due in more than One Year	30,149,939	27,461,138	57,611,077
Total Liabilities	<u>44,226,925</u>	<u>33,688,502</u>	<u>77,915,427</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenues - Property Taxes	8,196,951	-	8,196,951
Pensions	2,606,156	540,336	3,146,492
Total Deferred Inflows of Resources	<u>10,803,107</u>	<u>540,336</u>	<u>11,343,443</u>
NET POSITION			
Net Investment in Capital Assets	131,968,221	59,715,600	191,683,821
Restricted for:			
Debt Service	3,124,343	1,860,333	4,984,676
Capital Improvements	12,172,402	110,000	12,282,402
Pensions	11,876	-	11,876
Community Development	2,465,412	-	2,465,412
Unrestricted	23,803,593	27,455,917	51,259,510
Total Net Position	<u>173,545,847</u>	<u>89,141,850</u>	<u>262,687,697</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 228,575,879</u>	<u>\$ 123,370,688</u>	<u>\$ 351,946,567</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 13,160,153	\$ 9,718,116	\$ 10,237	\$ 3,015
Public Safety	23,578,262	5,768,195	725,691	40,699
Highways and Public Improvements	7,085,621	-	-	3,078,653
Parks, Recreation and Arts	9,471,883	2,008,377	31,025	49,571
Economic and Physical Development	950,630	186,321	428,710	-
Redevelopment	1,286,498	-	-	-
Interest on Long-term Debt	3,596,868	-	-	-
Total Governmental Activities	59,129,915	17,681,009	1,195,663	3,171,938
Business-type Activities:				
Water	11,021,079	15,547,544	-	1,210,975
Water Reclamation	6,723,394	8,619,099	-	113,900
Storm Water	2,371,647	4,001,972	-	59,050
Recreation	1,962,995	1,617,273	-	-
Solid Waste	3,283,310	3,571,929	-	-
Street Lighting	1,174,100	995,480	-	-
Total Business-type Activities	26,536,525	34,353,297	-	1,383,925
Total Primary Government	\$ 85,666,440	\$ 52,034,306	\$ 1,195,663	\$ 4,555,863

General Revenues:

Sales Taxes
Property Taxes
Franchise Taxes
Vehicle Taxes
Other Taxes & Special Assessments
Unrestricted Investment Earnings
Gain on Sale of Capital Assets
Transfers In (Out)
Total General Revenues and Transfers
Change in Total Net Position
Total Net Position - Beginning
Total Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,428,785)	\$ -	\$ (3,428,785)
(17,043,677)	-	(17,043,677)
(4,006,968)	-	(4,006,968)
(7,382,910)	-	(7,382,910)
(335,599)	-	(335,599)
(1,286,498)	-	(1,286,498)
(3,596,868)	-	(3,596,868)
(37,081,305)	-	(37,081,305)
-	5,737,440	5,737,440
-	2,009,605	2,009,605
-	1,689,375	1,689,375
-	(345,722)	(345,722)
-	288,619	288,619
-	(178,620)	(178,620)
-	9,200,697	9,200,697
(37,081,305)	9,200,697	(27,880,608)
22,750,706	-	22,750,706
9,141,823	-	9,141,823
7,894,110	-	7,894,110
671,984	-	671,984
209,195	-	209,195
603,500	285,761	889,261
103,983	117,352	221,335
202,230	(202,230)	-
41,577,531	200,883	41,778,414
4,496,226	9,401,580	13,897,806
169,049,621	79,740,270	248,789,891
\$ 173,545,847	\$ 89,141,850	\$ 262,687,697

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City of Orem
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects	Redevelopment	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 411,877	\$ 1,098,713	\$ 10,553,665	\$ -	\$ 880,131	\$ 12,944,386
Receivables (Net of Allowance for Uncollectibles)	732,952	-	-	-	-	732,952
Property Taxes Receivable	5,132,701	-	-	-	-	5,132,701
Other Taxes Receivable	4,645,250	-	-	-	-	4,645,250
Special Assessments Receivable	200,058	-	-	-	-	200,058
Intergovernmental Receivables	220,624	-	-	-	49,155	269,779
Notes Receivable	-	-	-	-	182,290	182,290
Investments	16,643,769	-	-	-	-	16,643,769
Prepays	51,517	-	1,000	-	-	52,517
Restricted Cash and Cash Equivalents:						
Debt Service	773,664	24,528	-	-	-	798,192
Capital Improvement Projects	1,418,086	-	-	6,224,800	2,292,791	9,935,677
Other Purposes	172,205	-	-	32,500	2,103,616	2,308,321
Restricted Receivables:						
Debt Service	-	1,449,250	-	-	-	1,449,250
Capital Improvement Projects	758,786	-	-	1,615,000	-	2,373,786
Other Purposes	-	-	-	-	1,183,852	1,183,852
Restricted Investments:						
Debt Service	2,326,151	-	-	-	-	2,326,151
Capital Improvement Projects	1,870,076	-	-	-	-	1,870,076
Total Assets	\$ 35,357,716	\$ 2,572,491	\$ 10,554,665	\$ 7,872,300	\$ 6,691,835	\$ 63,049,007
LIABILITIES						
Accounts Payable	\$ 891,032	\$ -	\$ 4,136	\$ -	\$ 837,663	\$ 1,732,831
Customer Deposits	2,960,240	-	-	25,000	-	2,985,240
Accrued Liabilities	1,568,771	-	-	-	344,121	1,912,892
Unearned Revenues	1,306,418	-	162,788	-	23,083	1,492,289
Liabilities Payable from Restricted Assets	33,884	-	-	-	-	33,884
Total Liabilities	6,760,345	-	166,924	25,000	1,204,867	8,157,136
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenues - Property Taxes	5,132,701	1,449,250	-	1,615,000	-	8,196,951
Deferred Revenues - Receivables	446,644	-	-	-	485,501	932,145
Total Deferred Inflows of Resources	5,579,345	1,449,250	-	1,615,000	485,501	9,129,096
FUND BALANCES						
Nonspendable	51,517	-	1,000	-	-	52,517
Restricted	7,292,911	24,528	-	6,232,300	4,159,901	17,709,640
Assigned	2,844,275	1,098,713	10,386,741	-	841,566	15,171,295
Unassigned	12,829,323	-	-	-	-	12,829,323
Total Fund Balances	23,018,026	1,123,241	10,387,741	6,232,300	5,001,467	45,762,775
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,357,716	\$ 2,572,491	\$ 10,554,665	\$ 7,872,300	\$ 6,691,835	\$ 63,049,007

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental funds are not financial resources.	151,887,214
Net Pension Assets and Deferred Outflows of Resources are not available financial resources and are not reported in the governmental funds.	9,411,256
Other restricted assets are not available financial resources and are not reported in the governmental funds.	31,218
Certain revenue is unearned in governmental funds but not in the Statement of Net Position because it qualifies for recognition under the economic resources measurement focus.	932,145
Internal service funds are used by management to charge the cost of fleet management, self-insurance, purchasing/warehousing, and information technology. The current assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	3,609,038
Long-term liabilities, including bonds payable, compensated absences, and pensions, are not due and payable in the current period.	(35,730,402)
Other financial obligations not due and payable in the current period.	501,479
Interest payable on long-term obligations do not require current financial resources and are not reported in the governmental funds.	(252,720)
Deferred Inflows of Resources related to pensions do not require current financial resources and are not reported in the governmental funds.	(2,606,156)
Net Position of Governmental Activities	\$ 173,545,847

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, 2017

	General	Debt Service	Capital Projects	Redevelopment	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and Special Assessments	\$ 35,186,708	\$ 1,951,731	\$ -	\$ 1,637,856	\$ 2,028,527	\$ 40,804,822
Licenses and Permits	1,815,943	-	-	-	-	1,815,943
Intergovernmental	3,938,891	-	-	-	428,710	4,367,601
Charges for Services	7,662,291	-	-	-	282,512	7,944,803
Fines and Forfeitures	1,699,609	-	-	-	-	1,699,609
Charges for Services - Other Funds	3,739,141	-	-	-	-	3,739,141
Investment Earnings	401,342	10,177	-	86,501	104,716	602,736
Miscellaneous Revenue	1,724,369	-	404,666	94,760	30,709	2,254,504
Total Revenues	<u>56,168,294</u>	<u>1,961,908</u>	<u>404,666</u>	<u>1,819,117</u>	<u>2,875,174</u>	<u>63,229,159</u>
EXPENDITURES						
Current:						
General Government	12,810,872	-	-	-	-	12,810,872
Public Safety	21,752,711	-	-	-	-	21,752,711
Highways and Public Improvements	3,029,415	-	-	-	-	3,029,415
Parks, Recreation and Arts	6,336,461	-	-	-	1,256,633	7,593,094
Economic and Physical Development	209,792	-	229,221	-	423,465	862,478
Redevelopment	-	-	-	1,195,421	-	1,195,421
Debt Service:						
Principal Retirement	-	3,450,873	-	-	65,000	3,515,873
Interest and Fiscal Charges	-	3,475,024	-	-	43,916	3,518,940
Bond Issuance Costs	-	35,650	-	-	-	35,650
Capital Leases - Principal	109,494	-	-	-	-	109,494
Capital Leases - Interest	4,540	-	-	-	-	4,540
Capital Outlay	3,889,306	-	2,688,786	1,708,718	6,822,414	15,109,224
Total Expenditures	<u>48,142,591</u>	<u>6,961,547</u>	<u>2,918,007</u>	<u>2,904,139</u>	<u>8,611,428</u>	<u>69,537,712</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,025,703</u>	<u>(4,999,639)</u>	<u>(2,513,341)</u>	<u>(1,085,022)</u>	<u>(5,736,254)</u>	<u>(6,308,553)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Asset Disposals	97,005	-	6,978	-	-	103,983
Issuance of Bonds	-	2,898,000	-	-	-	2,898,000
Payment to Bond Refunding Agent	-	(2,861,199)	-	-	-	(2,861,199)
Transfers In	3,131,488	4,986,621	3,674,000	-	65,386	11,857,495
Transfers Out	(9,814,392)	-	(33,615)	(1,548,725)	(213,704)	(11,610,436)
Total Other Financing Sources (Uses)	<u>(6,585,899)</u>	<u>5,023,422</u>	<u>3,647,363</u>	<u>(1,548,725)</u>	<u>(148,318)</u>	<u>387,843</u>
Net Change in Fund Balances	<u>1,439,804</u>	<u>23,783</u>	<u>1,134,022</u>	<u>(2,633,747)</u>	<u>(5,884,572)</u>	<u>(5,920,710)</u>
Fund Balance - Beginning	<u>21,578,222</u>	<u>1,099,458</u>	<u>9,253,719</u>	<u>8,866,047</u>	<u>10,886,039</u>	<u>51,683,485</u>
Fund Balance - Ending	<u>\$ 23,018,026</u>	<u>\$ 1,123,241</u>	<u>\$ 10,387,741</u>	<u>\$ 6,232,300</u>	<u>\$ 5,001,467</u>	<u>\$ 45,762,775</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, 2017

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

Net Change in Fund Balances - Total Governmental Funds		\$ (5,920,710)
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.		
Capital Asset Purchases Capitalized	\$ 13,803,202	
Depreciation Expense	<u>(6,631,393)</u>	7,171,809
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.		
Issuance of Long-term Debt recorded as a long-term liability	\$ (2,898,000)	
Principal Payments recorded as a reduction of the long-term liability	<u>6,430,367</u>	3,532,367
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities.		
Bond Refundings - Loss on Defeasance	\$ 56,199	
Amortization of Bond Refundings - Loss on Defeasance	(35,350)	
Amortization of Bond Premiums (Discounts)	<u>148,690</u>	169,539
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.		
Compensated Absences	\$ 14,422	
Interest Expense	(151,078)	
Pension Expense	(279,994)	
Other Post Employment Benefits (OPEB) Expense	<u>143,506</u>	(273,144)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Special Assessment Revenues	\$ (136,240)	
Charges for Services Revenues	(77,962)	
Pension Revenues - Nonemployer Contributions	<u>304,971</u>	90,769
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.		<u>(274,404)</u>
Change in Net Position of Governmental Activities		<u>\$ 4,496,226</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes and Special Assessments	\$ 34,443,868	\$ 34,443,868	\$ 35,186,708	\$ 742,840
Licenses and Permits	1,380,000	1,380,000	1,815,943	435,943
Intergovernmental	3,362,500	3,815,826	3,938,891	123,065
Charges for Services	6,524,971	6,519,553	7,662,291	1,142,738
Fines and Forfeitures	1,328,000	1,530,000	1,699,609	169,609
Charges for Services - Other Funds	3,716,443	3,739,141	3,739,141	-
Investment Earnings	295,500	295,500	401,342	105,842
Miscellaneous Revenues	1,118,981	1,254,327	1,724,369	470,042
Total Revenues	52,170,263	52,978,215	56,168,294	3,190,079
EXPENDITURES				
General Government:				
Legislative	396,814	394,414	359,113	35,301
Executive	4,215,695	4,575,719	3,050,523	1,525,196
Administrative Services	3,979,148	3,995,238	3,628,244	366,994
Development Services	3,832,413	4,162,805	3,711,734	451,071
Legal Services	1,070,997	1,120,997	1,027,318	93,679
Other - Unclassified	1,258,188	1,281,568	1,236,185	45,383
Total General Government	14,753,255	15,530,741	13,013,117	2,517,624
Public Safety:				
Police	13,609,498	14,904,683	14,649,451	255,232
Fire	8,302,777	8,796,595	8,135,764	660,831
Total Public Safety	21,912,275	23,701,278	22,785,215	916,063
Highways and Public Improvements:				
Administration	562,352	556,622	536,880	19,742
Maintenance & Engineering	4,979,254	6,893,776	4,311,496	2,582,280
Total Highways and Public Improvements	5,541,606	7,450,398	4,848,376	2,602,022
Parks, Recreation and Arts	6,646,393	7,994,016	7,172,057	821,959
Economic and Physical Development	218,754	268,614	209,792	58,822
Debt Service:				
Capital Leases - Principal	109,494	109,494	109,494	-
Capital Leases - Interest	4,540	4,540	4,540	-
Total Debt Service	114,034	114,034	114,034	-
Total Expenditures	49,186,317	55,059,081	48,142,591	6,857,668
Excess of Revenues over Expenditures	2,983,946	(2,080,866)	8,025,703	10,106,569
OTHER FINANCING SOURCES (USES)				
Proceeds from Asset Disposals	25,000	31,000	97,005	66,005
Transfers In	3,172,748	3,131,488	3,131,488	-
Transfers Out	(6,181,694)	(9,814,392)	(9,814,392)	-
Total Other Financing Sources (Uses)	(2,983,946)	(6,651,904)	(6,585,899)	66,005
Net Change in Fund Balance	-	(8,732,770)	1,439,804	10,172,574
Fund Balance - Beginning	21,578,222	21,578,222	21,578,222	-
Fund Balance - Ending	\$ 21,578,222	\$ 12,845,452	\$ 23,018,026	\$ 10,172,574

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

City of Orem
Redevelopment - Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,429,924	\$ 228,988	\$ 228,988	\$ -
Property Taxes - Tax Increment	240,000	1,408,868	1,408,868	-
Investment Earnings	-	84,063	86,501	2,438
Miscellaneous Revenues	-	-	94,760	94,760
Total Revenues	<u>1,669,924</u>	<u>1,721,919</u>	<u>1,819,117</u>	<u>97,198</u>
EXPENDITURES				
Current:				
Redevelopment	71,650	6,863,407	1,195,421	5,667,986
Capital Outlay	-	2,065,504	1,708,718	356,786
Total Expenditures	<u>71,650</u>	<u>8,928,911</u>	<u>2,904,139</u>	<u>6,024,772</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,598,274</u>	<u>(7,206,992)</u>	<u>(1,085,022)</u>	<u>6,121,970</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(1,598,274)</u>	<u>(1,598,174)</u>	<u>(1,548,725)</u>	<u>49,449</u>
Total Other Financing Sources (Uses)	<u>(1,598,274)</u>	<u>(1,598,174)</u>	<u>(1,548,725)</u>	<u>49,449</u>
Net Change in Fund Balance	-	(8,805,166)	(2,633,747)	6,171,419
Fund Balance - Beginning	<u>8,866,047</u>	<u>8,866,047</u>	<u>8,866,047</u>	-
Fund Balance - Ending	<u>\$ 8,866,047</u>	<u>\$ 60,881</u>	<u>\$ 6,232,300</u>	<u>\$ 6,171,419</u>

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

City of Orem
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds					
	Water		Water		Storm Water	
	Fund	Fund	Reclamation	Reclamation	Fund	Fund
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 13,254,158	\$ 10,051,134	\$ 6,829,624	\$ 4,984,734	\$ 5,124,531	\$ 3,558,134
Accounts Receivable (Net of Allowance for Doubtful Accounts)	3,086,088	1,765,759	1,032,524	817,125	402,178	377,698
Inventories	-	-	-	-	-	-
Restricted Cash & Cash Equivalents:						
Debt Service	1,562,833	2,210,592	297,500	238,000	-	-
Capital Improvements	-	-	110,000	88,000	-	-
Total Current Assets	17,903,079	14,027,485	8,269,648	6,127,859	5,526,709	3,935,827
Noncurrent Assets:						
Capital Assets:						
Land	-	-	570,209	570,209	3,278,720	3,278,720
Buildings and Systems	778,267	778,267	3,099,453	3,099,453	679,293	679,293
Improvements other than Buildings	9,190,916	9,175,916	2,028,934	2,013,926	115,667	105,667
Machinery and Equipment	2,593,306	2,261,071	5,272,441	5,060,005	2,659,552	2,499,282
Infrastructure	53,876,553	49,955,975	44,061,559	44,018,001	16,721,416	16,662,366
Construction in Progress	-	1,588,050	735,307	27,027	-	-
Intangibles	997,276	975,370	-	-	21,514	21,514
Less Accumulated Depreciation	(26,564,221)	(23,449,717)	(28,888,447)	(27,406,258)	(7,835,432)	(7,197,862)
Total Capital Assets (Net of Accumulated Depreciation)	40,872,097	40,284,932	26,879,456	27,382,363	15,640,730	16,048,980
Net Pension Assets	-	23	-	77	-	22
Total Noncurrent Assets	40,872,097	40,284,955	26,879,456	27,382,440	15,640,730	16,049,002
Total Assets	58,775,176	54,312,440	35,149,104	33,510,299	21,167,439	19,984,829
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Debt Refundings	870,152	491,380	-	-	220,358	247,760
Pensions	764,335	580,662	646,202	540,967	283,573	231,614
Total Deferred Outflows of Resources	1,634,487	1,072,042	646,202	540,967	503,931	479,374
Total Assets & Deferred Outflows of Resources	\$ 60,409,663	\$ 55,384,482	\$ 35,795,306	\$ 34,051,266	\$ 21,671,370	\$ 20,464,203
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 2,210,095	\$ 1,532,222	\$ 442,589	\$ 88,956	\$ 36,991	\$ 34,780
Customer Deposits	77,518	74,350	-	-	-	-
Accrued Liabilities	79,380	72,387	76,925	65,337	28,914	25,173
Accrued Vacation Leave	95,507	95,209	91,073	71,465	60,695	51,227
Claims and Judgments	-	-	-	-	-	-
Unearned Revenue	78,977	66,892	-	-	-	-
Accrued Interest Payable	172,684	224,842	-	-	37,444	41,128
Capital Leases Payable - Current Portion	-	-	-	-	-	-
Bonds Payable - Current Portion	990,780	986,392	594,000	594,000	390,131	381,416
Total Current Liabilities	3,704,941	3,052,394	1,204,587	819,758	554,175	533,724
Noncurrent Liabilities:						
Accrued Vacation Leave	5,027	5,011	4,794	3,761	3,195	2,696
Claims and Judgments	-	-	-	-	-	-
Capital Leases Payable - Long-term Portion	-	-	-	-	-	-
Bonds Payable - Long-term Portion	13,192,321	14,214,462	8,325,000	8,919,000	3,460,568	3,850,699
Net Pension Liability	996,163	879,116	842,200	818,856	369,583	350,625
Total Noncurrent Liabilities	14,193,511	15,098,589	9,171,994	9,741,617	3,833,346	4,204,020
Total Liabilities	17,898,452	18,150,983	10,376,581	10,561,375	4,387,521	4,737,744
DEFERRED INFLOWS OF RESOURCES						
Pensions	218,097	159,793	184,388	148,917	80,915	63,749
Total Deferred Inflows of Resources	218,097	159,793	184,388	148,917	80,915	63,749
NET POSITION						
Net Investment in Capital Assets	27,559,148	25,084,079	17,960,456	17,869,363	12,010,389	11,816,867
Restricted for Debt Service	1,562,833	2,210,592	297,500	238,000	-	-
Restricted for Capital Improvements	-	-	110,000	88,000	-	-
Restricted for Pensions	-	23	-	77	-	22
Unrestricted	13,171,133	9,779,012	6,866,381	5,145,534	5,192,545	3,845,821
Total Net Position	42,293,114	37,073,706	25,234,337	23,340,974	17,202,934	15,662,710
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 60,409,663	\$ 55,384,482	\$ 35,795,306	\$ 34,051,266	\$ 21,671,370	\$ 20,464,203

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

Other Enterprise Funds Current Year	Other Enterprise Funds Prior Year	Total Current Year	Total Prior Year	Governmental Activities Internal Service Funds Current Year
\$ 2,595,142	\$ 1,981,532	\$ 27,803,455	\$ 20,575,534	\$ 3,778,342
514,064	496,353	5,034,854	3,456,930	-
-	-	-	-	418,842
-	-	1,860,333	2,448,592	-
-	-	110,000	88,000	-
3,109,206	2,477,885	34,808,642	26,569,056	4,197,184
39,822	39,822	3,888,751	3,888,751	-
4,125,955	4,125,955	8,682,968	8,682,968	150,000
1,911,903	1,895,601	13,247,420	13,191,110	-
105,748	105,748	10,631,047	9,926,106	332,832
1,709,340	1,518,150	116,368,868	112,154,492	-
-	-	735,307	1,615,077	-
-	-	1,018,790	996,884	-
(5,707,161)	(5,551,016)	(68,995,261)	(64,604,853)	(223,813)
2,185,607	2,134,260	85,577,890	85,850,535	259,019
-	23	-	145	-
2,185,607	2,134,283	85,577,890	85,850,680	259,019
5,294,813	4,612,168	120,386,532	112,419,736	4,456,203
-	-	1,090,510	739,140	-
199,536	138,643	1,893,646	1,491,886	853,704
199,536	138,643	2,984,156	2,231,026	853,704
\$ 5,494,349	\$ 4,750,811	\$ 123,370,688	\$ 114,650,762	\$ 5,309,907
\$ 312,309	\$ 339,112	\$ 3,001,984	\$ 1,995,070	\$ 38,328
-	-	77,518	74,350	-
90,177	77,555	275,396	240,452	72,751
42,372	42,126	289,647	260,027	152,734
-	-	-	-	323,333
318,803	378,900	397,780	445,892	-
-	-	210,128	265,970	-
-	-	-	-	1,000
-	-	1,974,911	1,961,808	-
763,661	837,693	6,227,364	5,243,569	588,146
2,230	2,217	15,246	13,685	11,488
-	-	-	-	1,086,895
-	-	-	-	24,807
-	-	24,977,889	26,984,161	-
260,057	209,854	2,468,003	2,258,451	1,112,639
262,287	212,071	27,461,138	29,256,297	2,235,829
1,025,948	1,049,764	33,688,502	34,499,866	2,823,975
56,936	38,167	540,336	410,626	243,597
56,936	38,167	540,336	410,626	243,597
2,185,607	2,134,260	59,715,600	56,904,569	233,212
-	-	1,860,333	2,448,592	-
-	-	110,000	88,000	-
-	23	-	145	-
2,225,858	1,528,597	27,455,917	20,298,964	2,009,123
4,411,465	3,662,880	89,141,850	79,740,270	2,242,335
\$ 5,494,349	\$ 4,750,811	\$ 123,370,688	\$ 114,650,762	\$ 5,309,907

City of Orem
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				
	Water	Water	Water	Water	Storm Water
	Fund	Fund	Reclamation	Reclamation	Fund
	Current Year	Prior Year	Current Year	Prior Year	Current Year
OPERATING REVENUES					
Charges for Services	\$ 13,225,170	\$ 11,400,515	\$ 7,858,574	\$ 6,437,198	\$ 3,944,772
Other Revenues	2,322,374	1,936,277	760,525	844,672	57,200
Total Operating Revenues	15,547,544	13,336,792	8,619,099	7,281,870	4,001,972
OPERATING EXPENSES					
Personnel Services	2,172,584	2,108,339	2,087,285	2,179,220	726,348
Supplies and Maintenance	713,247	722,234	650,143	719,318	174,988
Administrative Fee	1,131,456	1,176,268	666,216	661,251	276,321
Utilities	586,867	718,139	699,567	716,223	6,017
Contract Services	3,471,770	2,731,676	623,392	516,058	189,487
Equipment Lease and Rentals	46,009	51,673	6,958	18,688	9,000
Insurance	156,240	156,240	115,080	115,080	46,680
Charges in Lieu of Property Tax	71,787	71,787	52,665	52,665	29,316
Depreciation Expense	2,114,504	1,987,416	1,703,885	1,630,336	751,842
Miscellaneous	127,588	114,957	118,203	107,707	64,911
Total Operating Expenses	10,592,052	9,838,729	6,723,394	6,716,546	2,274,910
Operating Income (Loss)	4,955,492	3,498,063	1,895,705	565,324	1,727,062
NONOPERATING REVENUES AND EXPENSES					
Investment Earnings	143,794	95,963	64,461	37,082	45,750
Gain (Loss) on Sale of Capital Assets	33,525	23,220	39,470	44,059	44,357
Bond Issuance Costs	(100,101)	-	-	-	-
Interest Expense	(328,926)	(496,887)	-	-	(96,737)
Total Nonoperating Revenues & Expenses	(251,708)	(377,704)	103,931	81,141	(6,630)
Income (Loss) before Transfers and Contributions	4,703,784	3,120,359	1,999,636	646,465	1,720,432
Contributions from Developers	1,210,975	311,000	113,900	79,000	59,050
Transfers In	146,858	149,440	-	-	-
Transfers Out	(842,209)	(805,321)	(220,173)	(200,261)	(239,258)
Change in Net Position	5,219,408	2,775,478	1,893,363	525,204	1,540,224
Total Net Position - Beginning	37,073,706	34,298,228	23,340,974	22,815,770	15,662,710
Total Net Position - Ending	\$ 42,293,114	\$ 37,073,706	\$ 25,234,337	\$ 23,340,974	\$ 17,202,934

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

Storm Water Fund Prior Year	Other Enterprise Funds Current Year	Other Enterprise Funds Prior Year	Total Current Year	Total Prior Year	Governmental Activities Internal Service Funds Current Year
\$ 3,446,886	\$ 6,091,248	\$ 6,015,208	\$ 31,119,764	\$ 27,299,807	\$ 4,762,700
4,665	93,434	72,609	3,233,533	2,858,223	8,316
3,451,551	6,184,682	6,087,817	34,353,297	30,158,030	4,771,016
788,124	1,423,104	1,424,637	6,409,321	6,500,320	2,019,794
161,555	351,223	361,062	1,889,601	1,964,169	2,967,164
288,749	261,142	263,226	2,335,135	2,389,494	-
6,370	496,097	739,543	1,788,548	2,180,275	-
236,749	2,927,644	2,860,909	7,212,293	6,345,392	-
9,000	680,181	685,181	742,148	764,542	-
46,680	25,000	25,000	343,000	343,000	-
29,316	-	-	153,768	153,768	-
738,633	156,145	155,768	4,726,376	4,512,153	15,393
50,394	99,869	79,644	410,571	352,702	-
2,355,570	6,420,405	6,594,970	26,010,761	25,505,815	5,002,351
1,095,981	(235,723)	(507,153)	8,342,536	4,652,215	(231,335)
25,033	31,756	17,855	285,761	175,933	-
-	-	-	117,352	67,279	1,760
-	-	-	(100,101)	-	-
(104,970)	-	-	(425,663)	(601,857)	-
(79,937)	31,756	17,855	(122,651)	(358,645)	1,760
1,016,044	(203,967)	(489,298)	8,219,885	4,293,570	(229,575)
120,138	-	-	1,383,925	510,138	-
-	1,102,000	835,000	1,248,858	984,440	-
(236,505)	(149,448)	(145,540)	(1,451,088)	(1,387,627)	(44,829)
899,677	748,585	200,162	9,401,580	4,400,521	(274,404)
14,763,033	3,662,880	3,462,718	79,740,270	75,339,749	2,516,739
\$ 15,662,710	\$ 4,411,465	\$ 3,662,880	\$ 89,141,850	\$ 79,740,270	\$ 2,242,335

City of Orem
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Water	Water	Water
	Fund	Fund	Reclamation	Reclamation
	Current Year	Prior Year	Fund	Fund
			Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 14,227,215	\$ 12,966,613	\$ 8,403,700	\$ 7,220,018
Receipts from Interfund Services Provided	-	-	-	-
Payments to Suppliers	(4,480,482)	(4,188,531)	(1,912,375)	(2,336,364)
Payments for Personnel	(2,173,576)	(2,044,411)	(2,101,399)	(2,048,620)
Payments for Interfund Services Used	(1,131,456)	(1,176,268)	(666,216)	(661,251)
Net Cash Provided (Used) by Operating Activities	6,441,701	5,557,403	3,723,710	2,173,783
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	146,858	149,440	-	-
Transfers Out	(842,209)	(805,321)	(220,173)	(200,261)
Net Cash Provided (Used) by Noncapital Activities	(695,351)	(655,881)	(220,173)	(200,261)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(1,490,694)	(2,467,733)	(1,212,753)	(1,136,528)
Proceeds from Sales of Capital Assets	33,525	23,220	165,145	171,102
Proceeds from Bonds Issued	5,083,707	-	-	-
Proceeds from Capital Leases	-	-	-	-
Gain (Loss) on Bond Refunding	(459,268)	-	-	-
Bond Issuance Costs	(100,101)	-	-	-
Principal paid on Outstanding Debt	(6,032,280)	(908,675)	(594,000)	(594,000)
Interest paid on Outstanding Debt	(369,768)	(486,142)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,334,879)	(3,839,330)	(1,641,608)	(1,559,426)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment Earnings	143,794	95,963	64,461	37,082
Net Cash Provided (Used) by Investing Activities	143,794	95,963	64,461	37,082
Net Increase (Decrease) in Cash and Cash Equivalents	2,555,265	1,158,155	1,926,390	451,178
Cash and Cash Equivalents - Beginning of Year	12,261,726	11,103,571	5,310,734	4,859,556
Cash and Cash Equivalents - End of Year	\$ 14,816,991	\$ 12,261,726	\$ 7,237,124	\$ 5,310,734
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 4,955,492	\$ 3,498,063	\$ 1,895,705	\$ 565,324
Adjustments to Reconcile Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Depreciation Expense	\$ 2,114,504	\$ 1,987,416	\$ 1,703,885	\$ 1,630,336
(Increase) Decrease in Receivables	(1,320,329)	(370,179)	(215,399)	(61,852)
(Increase) Decrease in Inventory	-	-	-	-
(Increase) Decrease in Prepaids	-	-	-	-
(Increase) Decrease in Pension Assets	(183,650)	(412,428)	(105,158)	(408,297)
Increase (Decrease) in Accounts Payable	677,873	392,758	353,633	(90,625)
Increase (Decrease) in Customer Deposits	3,168	(3,943)	-	-
Increase (Decrease) in Accrued Liabilities	6,993	19,678	11,588	12,127
Increase (Decrease) in Unearned Revenue	11,985	(10,640)	-	-
Increase (Decrease) in Accrued Vacation Leave	314	6,020	20,641	11,823
Increase (Decrease) in Pension Liabilities	175,351	450,658	58,815	514,947
Increase (Decrease) in Claims and Judgments	-	-	-	-
Total Adjustments	1,486,209	2,059,340	1,828,005	1,608,459
Net Cash Provided (Used) by Operating Activities	\$ 6,441,701	\$ 5,557,403	\$ 3,723,710	\$ 2,173,783
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets from Developers	\$ 1,210,975	\$ 311,000	\$ 113,900	\$ 79,000

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

Storm Water Fund Current Year	Storm Water Fund Prior Year	Other Enterprise Funds Current Year	Other Enterprise Funds Prior Year	Total Current Year	Total Prior Year	Governmental Activities Internal Service Funds
\$ 3,977,487	\$ 3,400,750	\$ 6,166,971	\$ 6,072,306	\$ 32,775,373	\$ 29,659,687	\$ -
(518,188)	(584,029)	(4,664,674)	(4,754,273)	(11,575,719)	(11,863,197)	4,771,016
(728,453)	(733,401)	(1,404,361)	(1,373,743)	(6,407,789)	(6,200,175)	(2,398,589)
(276,321)	(288,749)	(261,142)	(263,226)	(2,335,135)	(2,389,494)	(1,974,472)
2,454,525	1,794,571	(163,206)	(318,936)	12,456,730	9,206,821	397,955
-	-	1,102,000	835,000	1,248,858	984,440	-
(239,258)	(236,505)	(149,448)	(145,540)	(1,451,088)	(1,387,627)	(44,829)
(239,258)	(236,505)	952,552	689,460	(202,230)	(403,187)	(44,829)
(299,635)	(655,397)	(207,492)	(84,269)	(3,210,574)	(4,343,927)	(33,287)
59,450	-	-	-	258,120	194,322	1,760
-	-	-	-	5,083,707	-	-
-	-	-	-	-	-	26,287
-	-	-	-	(459,268)	-	-
-	-	-	-	(100,101)	-	-
(368,720)	(358,325)	-	-	(6,995,000)	(1,861,000)	(480)
(85,715)	(96,096)	-	-	(455,483)	(582,238)	-
(694,620)	(1,109,818)	(207,492)	(84,269)	(5,878,599)	(6,592,843)	(5,720)
45,750	25,033	31,756	17,855	285,761	175,933	-
45,750	25,033	31,756	17,855	285,761	175,933	-
1,566,397	473,281	613,610	304,110	6,661,662	2,386,724	347,406
3,558,134	3,084,853	1,981,532	1,677,422	23,112,126	20,725,402	3,430,936
\$ 5,124,531	\$ 3,558,134	\$ 2,595,142	\$ 1,981,532	\$ 29,773,788	\$ 23,112,126	\$ 3,778,342
\$ 1,727,062	\$ 1,095,981	\$ (235,723)	\$ (507,153)	\$ 8,342,536	\$ 4,652,215	\$ (231,335)
\$ 751,842	\$ 738,633	\$ 156,145	\$ 155,768	\$ 4,726,376	\$ 4,512,153	\$ 15,393
(24,485)	(50,801)	(17,711)	(15,511)	(1,577,924)	(498,343)	-
-	-	-	-	-	-	(27,067)
-	-	-	-	-	-	16,384
(51,937)	(174,545)	(60,870)	(106,554)	(401,615)	(1,101,824)	(167,717)
2,211	(43,965)	(26,803)	(37,929)	1,006,914	220,239	29,821
-	-	-	-	3,168	(3,943)	-
3,741	5,345	12,622	19,592	34,944	56,742	8,849
-	-	(60,097)	31,844	(48,112)	21,204	-
9,967	8,788	259	4,472	31,181	31,103	84,134
36,124	215,135	68,972	186,535	339,262	1,317,275	128,905
-	-	-	-	-	-	540,588
727,463	698,590	72,517	188,217	4,114,194	4,554,606	629,290
\$ 2,454,525	\$ 1,794,571	\$ (163,206)	\$ (318,936)	\$ 12,456,730	\$ 9,206,821	\$ 397,955
\$ 59,050	\$ 120,138	\$ -	\$ -	\$ 1,383,925	\$ 510,138	\$ -

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

City of Orem
Notes to the Financial Statements
June 30, 2017

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 18.66 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 the organization or there is a potential for the 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 the 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 City of Orem Foundation is a nonprofit charitable foundation. The Internal Revenue Service (IRS) gave the City permission to form and operate the trust as an approved section 501(c)3 charitable foundation. This enables donors broader charitable donation capabilities since all donations may be fully tax deductible. Although it is a legally separate entity from the City, the City of Orem Foundation is reported as if it were part of the primary government because of the City's ability to impose its will upon its operations, its board of directors is substantively the same as the City's, and all of its services are for the benefit of the City. It is included in these financial statements as the Orem Foundation Trust Special Revenue Fund. Separate financial statements are not issued for this entity.

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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 collects 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 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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 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 and 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

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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 liabilities in the government-wide financial statements, rather than 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 an expense in the government-wide financial statements.

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

Sales and 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 *Debt Service 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 and franchise tax revenues.

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

- The *Capital Projects Fund* is used to account for the acquisition or construction of major capital facilities and equipment of the City of Orem (other than those financed by proprietary funds) as well as the use of resources for the improvement, rehabilitation, or construction of roads (including sidewalks and intersections) and parks.
- The *Redevelopment Fund* (see Redevelopment Agency of the City of Orem on page 49) is a special revenue fund used to account for the preparation and implementation of plans to improve, rehabilitate, and redevelop blighted areas within the City. The fund receives the majority of its revenues from general property taxes levied against properties that lie within each RDA project's boundaries.

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 City's sewer collection, treatment, and maintenance operations.
- The *Storm Water Fund* accounts for the operation and maintenance of the City's storm water system.

The City reports the following internal service funds:

- The *Self-insurance Fund* accounts for the 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.
- The *Information Technology Fund* accounts for the technological needs of the City primarily related to computers, networks, servers, software programs, and phones.

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

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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):

- 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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The Utah Public Treasurer's Investment Fund (PTIF), Zions Bank Institutional Liquidity Management Fund (ILM), and Moreton Asset Management Fund all operate in accordance with state laws and regulations.

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

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from" other funds.

In the Water, Water Reclamation, Storm Water, Solid Waste, and Street Lighting funds, the City records utility revenues billed to customers on a monthly basis. Unbilled service accounts receivable at fiscal year-end have 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). The inventory of materials and supplies are charged to both enterprise and governmental funds when they are used/consumed by the specific fund.

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

4. Restricted Assets

Restricted assets are primarily comprised of cash and receivables restricted for future payments of principal and interest on debt service, unexpended portions of bonds issued for capital construction purposes, and unexpended taxes and/or appropriations collected for very specific uses under state law.

5. Net Pension Assets

The Net Pension Assets of the City were determined by Utah Retirement Systems (URS) actuarial valuations and roll-forwards using generally accepted actuarial procedures and were based upon actual historical contributions and census data provided to URS. Net Pension Assets represent the net difference between assets of the plan and the actuarially determined liabilities.

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

6. 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 acquisition 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, Equipment, & Vehicles	5 - 20
Furniture and Equipment	5 - 20
Improvements other than Buildings	5 - 10

7. Deferred Outflows of Resources

These deferred amounts represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

8. 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).

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

8. Compensated Absences (continued)

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.

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 Position and as an expense in the Statement of Activities.

Employees are limited to two years of accumulated vacation leave. Employees earn twelve days of sick leave per year. While sick leave may be accumulated without limitation, no benefits accrue to the employees. Therefore, no liability exists and the costs of accumulated sick leave are charged to expenditures only when used.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) Pension Plan and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt, net pension liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums, discounts, and losses on bond refundings are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Orem
Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

11. Deferred Inflows of Resources

These deferred amounts represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

12. Fund Balance / Net Position

Fund Balance

In the governmental fund financial statements, classifications comprising a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

Net Position

In the government-wide and proprietary fund financial statements, classifications are based upon the accessibility of the underlying resources. Restricted items, while generally expendable, are legally restricted by outside parties for a specific purpose.

13. 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 affecting 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.

City of Orem
Notes to the Financial Statements
June 30, 2017

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 Position

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

Capital Related Items

When capital assets used in governmental activities are purchased or constructed, the cost of these capital assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes these capital assets among the assets of the City as a whole.

Cost of Capital Assets	\$ 276,047,062
Accumulated Depreciation	<u>(124,159,848)</u>
Net adjustment to increase <i>fund balance</i> - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 151,887,214</u>

Long-term Liability 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 financial statements. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Long-term liability balances at June 30, 2017 were as follows:

City of Orem
Notes to the Financial Statements
June 30, 2017

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 Position
(continued)

<u>Long-term Liability Type</u>	
General Obligation Bonds	\$ 8,535,000
Capital Leases	6,893,313
Less: Internal Service Funds - Current Portion	(1,000)
Sales Tax Revenue Bonds	2,898,000
Notes Payable	869,779
Franchise Tax Revenue Bonds	525,000
Special Improvement District Bonds	155,000
Bond Premiums Deferred	630,227
Compensated Absences	1,972,014
Less: Internal Service Funds - Current Portion	(152,734)
Net Pension Obligations	11,887,107
Net OPEB Obligations	431,801
Claims and Judgments	1,410,228
Less: Internal Service Funds - Current Portion	(323,333)
Net adjustment to reduce <i>fund balance</i> - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 35,730,402

B. Explanation of differences between Governmental Fund Operating Statements and the Statement of 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 position 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 the 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 position."

City of Orem
Notes to the Financial Statements
June 30, 2017

2. Reconciliation of Government-wide and Fund Financial Statements
(continued)

B. Explanation of differences between the Governmental Fund Operating Statements and the Statement of Activities (continued)

The details of this difference are as follows:

Debt issued or incurred:	
Sales Tax Revenue Refunding Bonds	\$ (2,898,000)
Subtotal	<u>(2,898,000)</u>
Principal payments:	
General Obligation Bonds	\$ 1,665,000
Sales Tax Revenue Bonds	3,930,000
Franchise Tax Revenue Bonds	625,000
Capital Leases	109,494
Notes Payable	90,873
Special Improvement District Bonds	10,000
Subtotal	<u>6,430,367</u>
Net adjustment to increase <i>net changes in fund balance</i> - total governmental funds to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 3,532,367</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 an ordinance, 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.

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. However, the "fund level" is the legal level of control and the City Manager must obtain approval from the City Council to increase revenues or expenditures for any fund.

City of Orem
Notes to the Financial Statements
June 30, 2017

3. Stewardship, Compliance and Accountability (continued)

A. Budgetary Information (continued)

An individual department is composed of several divisions. Budget transfers may be made between divisions within a fund as long as they are in the same department. However, they may not transfer from one fund to another fund without City Council approval.

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, 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 new 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 30 and thus are 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. An accrual has been made for all fees due and payable to the City at June 30.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds

A. Deposits and Investments

The City's deposit and investment activities are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7). The State of Utah Money Management Council has the responsibility to advise the Utah State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State of Utah, and review the rules adopted under the authority of the Utah Money Management Act that relate to the deposit and investment of public funds.

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.

Deposits

The City's deposits (including cash on hand) at June 30, 2017, are as follows:

Cash on Hand & On Deposit	Fair Value
Cash on Hand	\$ 38,446
Cash on Deposit - Checking	2,620,917
Cash on Deposit - Payroll	78,180
Total Cash on Hand & On Deposit	<u>\$ 2,737,543</u>

Custodial Credit Risk

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. 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. The City has no formal policy regarding custodial credit risk for these deposits. As of June 30, 2017, \$3,109,409 of the City's bank balance of \$3,280,042 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at June 30, 2017, is \$2,737,543.

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 non-negotiable deposits of qualified depositories and permitted negotiable depositories;

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; 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), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed 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; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, the City had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	Level 1	Level 2	Level 3
Debt Securities:				
Utah Public Treasurer's Investment Fund	\$ 54,759,397	\$ -	\$ 54,759,397	\$ -
Zions Bank Inst. Liquidity Management Fund	12,180,659	12,180,659	-	-
Moreton Asset Management Fund	10,359,625	10,359,625	-	-
UMB Money Market Fund	341,478	341,478	-	-
Total Debt Securities	77,641,159	22,881,762	54,759,397	-
Total Investments by Fair Value Level	\$ 77,641,159	\$ 22,881,762	\$ 54,759,397	\$ -
Total Investments Measured at Fair Value	\$ 77,641,159			

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Utah Public Treasurers' Investment Fund – Application of the June 30, 2017, fair value factor, as calculated by the Utah State Treasurer, to the City's ending balance in the Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates 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 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. The Act further limits the remaining term to maturity on all investments in obligations of the U.S. Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State of Utah to five (5) years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three (3) years.

The City's investments at June 30, 2017, are presented below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Debt Securities:					
Utah Public Treasurer's Investment Fund	\$ 54,759,397	\$ 54,759,397	\$ -	\$ -	\$ -
Zions Bank Inst. Liquidity Management Fund	12,180,659	2,300,795	9,879,864	-	-
Moreton Asset Management Fund	10,359,625	4,080,972	6,278,653	-	-
UMB Money Market Fund	341,478	341,478	-	-	-
Total Debt Securities	<u>\$ 77,641,159</u>	<u>\$ 61,482,642</u>	<u>\$ 16,158,517</u>	<u>\$ -</u>	<u>\$ -</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

Credit Risk

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.

The City's debt investments ratings at June 30, 2017, are presented below:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Debt Securities:					
Utah Public Treasurer's Investment Fund	\$ 54,759,397	\$ -	\$ -	\$ -	\$ 54,759,397
Zions Bank Inst. Liquidity Management Fund	12,180,659	6,426,908	867,530	4,839,954	46,267
Moreton Asset Management Fund	10,359,625	3,457,991	312,129	6,589,505	0
UMB Money Market Fund	341,478	-	-	-	341,478
Total Debt Securities	<u>\$ 77,641,159</u>	<u>\$ 9,884,899</u>	<u>\$ 1,179,659</u>	<u>\$ 11,429,459</u>	<u>\$ 55,147,142</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, 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, 2017, were with the Utah Public Treasurer's Investment Fund (PTIF) and therefore, are not categorized as to custodial credit risk. The investments in the Zions Bank Institutional Liquidity Management Fund (ILM) have custodial credit risk exposure. Of the \$12,180,659 invested in the ILM Fund, none of the related securities are uninsured or unregistered. The investments in the Moreton Asset Management Fund have custodial credit risk exposure. Of the \$10,359,625 invested in the Moreton Asset Management Fund, none of the related securities are uninsured or unregistered.

Additional information regarding the Utah PTIF, Zions Bank ILM Fund, and Moreton Asset Management Fund is available in footnote 4.B. of these notes to the financial statements.

The investment in the UMB Money Market Fund represents the amount held in a debt related trust fund.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

Concentration of Credit Risk (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 five percent (5%) and ten percent (10%) 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, 2017, were with the Utah PTIF and therefore, are not categorized as to concentration of credit risk.

There are no amounts invested directly in Zions Bank securities either as corporate notes or as securities within the ILM Fund. There are no amounts invested directly in Moreton securities either as corporate notes or as securities within the Moreton Asset Management Fund.

Additional information regarding the Utah PTIF, Zions Bank ILM Fund, and Moreton Asset Management Fund is available in footnote 4.B. of these notes to the financial statements.

B. External Investment Pools and Managed Investment Funds

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, 2017

4. Detailed Notes for all Funds (continued)

B. External Investment Pools and Managed Investment Funds (continued)

External Investment Pools (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, 2017) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2017, the City had \$54,502,187 invested in the PTIF which had a fair value of \$54,759,397 for an unrealized gain of \$257,210.

The following table shows statistical information about this investment pool:

Investment Type	Investment Percentage
Corporate Bonds and Notes	88.62 %
Money Market Accounts and Certificates of Deposit	11.38 %
U.S. Government Securities	0.00 %
Total	100.00 %

Managed Investment Funds

Zions Bank Institutional Liquidity Management Fund (ILM)

The City invests in this managed investment fund 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 ILM is not registered with the SEC as an investment company. The ILM 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.

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

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

B. External Investment Pools and Managed Investment Funds (continued)

Managed Investment Funds (continued)

and gains less losses and administration fees.

As of June 30, 2017, the City had \$12,234,537 invested in the ILM which had a fair value of \$12,180,659 for an unrealized loss of \$53,878.

The following table shows statistical information about this fund:

Investment Type	Investment Percentage
Corporate Bonds and Notes	46.86 %
Money Market Accounts and Certificates of Deposit	0.38 %
U.S. Government Securities	52.76 %
Total	100.00 %

Moreton Asset Management Fund

The City invests in this managed investment fund which is administered by the Moreton Advisors group. The required minimum balance is \$5,000,000. There are no minimum/maximum transaction requirements.

The Moreton Asset Management Fund is not registered with the SEC as an investment company. The Moreton Asset Management Fund 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.

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

As of June 30, 2017, the City had \$10,362,167 invested in the Moreton Asset Management Fund which had a fair value of \$10,359,625 for an unrealized loss of \$2,542.

The following table shows statistical information about this fund:

Investment Type	Investment Percentage
Corporate Bonds and Notes	66.62 %
Money Market Accounts and Certificates of Deposit	0.51 %
U.S. Government Securities	32.87 %
Total	100.00 %

4. Detailed Notes for all Funds (continued)

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 or have had their water turned off (or about to be turned off) for a third time in a twelve month period of time. The deposit is refundable after one year 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 development loans. Additional funds from the Economic Development Agency (EDA) and the Utah Revolving Loan Fund are used to supplement the business development loan program. The principal balance of the loans at June 30, 2017, as summarized below, has been shown in the government-wide Statement of Net Position as follows:

Housing Rehabilitation Loans	\$ 182,290
Business Development Loans	303,211
Total	<u>\$ 485,501</u>

E. Receivables

All receivables are expected to be collected within one year except for \$138,088 of special assessments in the General Fund, \$4,350 of receivables in the Water Reclamation Fund, and \$849,342 of notes receivable in the nonmajor funds.

Governmental funds report *deferred revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report *unearned revenues* when revenue recognition is delayed in connection with resources that have been received, but not yet earned.

As of June 30, 2017, the various components of *deferred* and *unearned revenues* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property Taxes Receivable	\$ 8,196,951	\$ 8,196,951
Accounts and Notes Receivable	246,586	-
Donations and Other Funds to be Used for Specific Programs	-	1,492,168
Grant Money Used in Revolving Loan Programs	485,501	-
Special Assessments not yet Due	200,058	-
Total Deferred & Unearned Revenues for Governmental Funds	<u>\$ 9,129,096</u>	<u>\$ 9,689,119</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

E. Receivables (continued)

Receivables as of June 30, 2017, for the government's individual major funds, as well as nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Total Receivables</u>
<u>Governmental Activities</u>			
General:			
Property Taxes	\$ 5,132,701	\$ -	\$ 5,132,701
Other Taxes	4,645,250	-	4,645,250
Special Assessments	200,058	-	200,058
Intergovernmental	979,410	-	979,410
Accounts	1,769,130	(1,036,178)	732,952
	<u>12,726,549</u>	<u>(1,036,178)</u>	<u>11,690,371</u>
Debt Service:			
Property Taxes	1,449,250	-	1,449,250
Notes Receivable	21,536,207	(21,536,207)	-
	<u>22,985,457</u>	<u>(21,536,207)</u>	<u>1,449,250</u>
Redevelopment:			
Property Taxes	1,615,000	-	1,615,000
Nonmajor Funds:			
Other Taxes	364,303	-	364,303
Intergovernmental	80,373	-	80,373
Notes Receivable	1,232,798	(230,959)	1,001,839
	<u>1,677,474</u>	<u>(230,959)</u>	<u>1,446,515</u>
Subtotal - Governmental Activities	<u>39,004,480</u>	<u>(22,803,344)</u>	<u>16,201,136</u>
<u>Business-type Activities</u>			
Water:			
Accounts	3,106,581	(20,493)	3,086,088
Water Reclamation:			
Accounts	1,040,970	(8,446)	1,032,524
Storm Water:			
Accounts	406,240	(4,062)	402,178
Nonmajor Funds:			
Accounts	519,144	(5,080)	514,064
Subtotal - Business-type Activities	<u>5,072,935</u>	<u>(38,081)</u>	<u>5,034,854</u>
Totals	<u>\$ 44,077,415</u>	<u>\$ (22,841,425)</u>	<u>\$ 21,235,990</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

F. Capital Assets

Governmental activities capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 63,445,925	\$ 1,700,047	\$ -	\$ 65,145,972
Construction in Progress	2,629,327	10,532,128	(10,975,740)	2,185,715
Total Capital Assets, not being depreciated	66,075,252	12,232,175	(10,975,740)	67,331,687
Capital Assets, being depreciated:				
Buildings and Systems	32,814,607	142,568	-	32,957,175
Improvements other than Buildings	30,113,287	4,103,955	-	34,217,242
Machinery and Equipment	20,551,673	1,659,619	(90,042)	22,121,250
Infrastructure	112,745,796	6,673,912	-	119,419,708
Total Capital Assets, being depreciated	196,225,363	12,580,054	(90,042)	208,715,375
Less Accumulated Depreciation for:				
Buildings and Systems	(18,643,035)	(1,188,414)	-	(19,831,449)
Improvements other than Buildings	(19,487,839)	(1,207,466)	-	(20,695,305)
Machinery and Equipment	(15,350,565)	(1,069,894)	90,042	(16,330,417)
Infrastructure	(64,121,666)	(3,181,011)	-	(67,302,677)
Total Accumulated Depreciation	(117,603,105)	(6,646,785)	90,042	(124,159,848)
Total Capital Assets, being depreciated, net	78,622,258	5,933,269	-	84,555,527
Governmental Activities Capital Assets, net	\$ 144,697,510	\$ 18,165,444	\$ (10,975,740)	\$ 151,887,214

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

F. Capital Assets (continued)

Business-type activities capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<u>Business-type Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 3,888,751	\$ -	\$ -	\$ 3,888,751
Intangibles	996,884	21,906	-	1,018,790
Construction in Progress	1,615,077	2,193,724	(3,073,494)	735,307
Total Capital Assets, not being depreciated	6,500,712	2,215,630	(3,073,494)	5,642,848
Capital Assets, being depreciated:				
Buildings and Systems	8,682,968	-	-	8,682,968
Improvements other than Buildings	13,191,110	57,704	(1,394)	13,247,420
Machinery and Equipment	9,926,106	963,046	(258,105)	10,631,047
Infrastructure	112,154,492	4,431,613	(217,237)	116,368,868
Total Capital Assets, being depreciated	143,954,676	5,452,363	(476,736)	148,930,303
Less Accumulated Depreciation for:				
Buildings and Systems	(7,340,864)	(195,214)	-	(7,536,078)
Improvements other than Buildings	(5,793,302)	(617,851)	1,394	(6,409,759)
Machinery and Equipment	(6,590,027)	(645,986)	117,337	(7,118,676)
Infrastructure	(44,880,660)	(3,267,325)	217,237	(47,930,748)
Total Accumulated Depreciation	(64,604,853)	(4,726,376)	335,968	(68,995,261)
Total Capital Assets, being depreciated, net	79,349,823	725,987	(140,768)	79,935,042
Business-type Activities Capital Assets, net	\$ 85,850,535	\$ 2,941,617	\$ (3,214,262)	\$ 85,577,890

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

F. Capital Assets (continued)

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

	Depreciation Expense
<u>Governmental Activities</u>	
General Government	\$ 235,538
Public Safety	1,034,952
Highway and Streets	3,676,814
Parks, Recreation and Arts	1,506,729
Redevelopment	91,077
Economic and Physical Development	86,282
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	15,393
Subtotal - Governmental Activities	6,646,785
<u>Business-type Activities</u>	
Water	2,114,504
Water Reclamation	1,703,885
Storm Water	751,842
Recreation	111,807
Street Lighting	44,338
Subtotal - Business-type Activities	4,726,376
Total Depreciation Expense	<u>\$ 11,373,161</u>

Construction Commitments

The City has active construction projects as of June 30, 2017. The projects include street construction in areas with newly developed housing, widening and construction of existing streets and sidewalks, water, water reclamation, and storm water system improvements, and new construction and improvements to various public facilities. At year-end, the City's commitments with contractors and others are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Water Systems Improvements	\$ 859,142	\$ 1,927,626
Street Construction and Improvements	1,709,665	4,812,000
Public Facility Construction & Improvements	25,000	718,066
Park and Recreation Improvements	853,684	1,532,063
Water Reclamation Improvements	436,687	463,313
Storm Water Improvements	-	1,506,000
Total	<u>\$ 3,884,178</u>	<u>\$ 10,959,068</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

G. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

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. Fiscal year interfund transfers are as follows:

	In	Out
Major Funds:		
General	\$ 3,131,488	\$ 9,814,392
Debt Service Fund	4,986,621	-
Capital Projects Fund	3,674,000	33,615
Redevelopment Fund	-	1,548,725
Water Fund	146,858	842,209
Water Reclamation Fund	-	220,173
Storm Water Fund	-	239,258
Nonmajor Governmental Funds	65,386	213,704
Nonmajor Enterprise Funds	1,102,000	149,448
Internal Service Funds	-	44,829
	<u>\$ 13,106,353</u>	<u>\$ 13,106,353</u>

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. 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, 2017, the City paid premiums of approximately \$249,000 to URMMA.

North Pointe Solid Waste Special Service District (NPSWSSD) - The district is a component unit of Utah County and represents thirteen cities in the northern part of the county. NPSWSSD was created to process and dispose of municipal solid waste. The City disposes of its solid waste through an agreement with NPSWSSD, which operates a solid waste transfer station. The City is represented on the NPSWSSD board and has voting rights related to the operations and financing of NPSWSSD. NPSWSSD has a service contract for the ultimate disposal of waste at a landfill located in an adjacent county. During the year ended June 30, 2017, the City paid solid waste tipping fees of approximately \$994,000 to NPSWSSD. The City's waste, by weight, represents approximately 25% of all of the solid waste processed by NPSWSSD.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

H. Jointly Governed Organizations (continued)

North Utah Valley Animal Services Special Service District (NUVAS) - The Utah County Board of Commissioners ("The Commission) created the district. The Commission delegated all powers to manage the district to an Administrative Control Board which has three members appointed by the Commission and a member from each of the fourteen participating cities. Each participating city 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, 2017, the City paid participation fees of approximately \$136,000 to NUVAS.

Utah Telecommunication Open Infrastructure Agency (UTOPIA) – UTOPIA was formed under the Utah Interlocal Cooperation Act by its eighteen 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, 2017, the City paid UTOPIA approximately \$14,000 in customer service fees. The City also paid \$3,039,032 in pledge funds into a debt service reserve fund which was used to pay UTOPIA debt obligations for the fiscal year. A corresponding long-term note receivable was also increased by this amount. See footnote 5.B. (Other information, contingent liabilities) for additional information.

Utah Infrastructure Agency (UIA) – UIA was formed under the Utah Interlocal Cooperation Act by its nine member cities, of which, the City of Orem is a member. This agency was organized to provide for the acquisition, construction, and installation of telecommunication and cable television lines to a customer's premises using a demand utility model. During the year ended June 30, 2017, the City forwarded Contract Utility Enhancement (CUE) agreement receipts of approximately \$122,000 to UIA and paid approximately \$8,800 in customer service fees.

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

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

I. Capital Leases (continued)

capital leases as well as the present value of the net minimum lease payments as of June 30, 2017:

Year ending June 30,	Governmental Activities
2018	\$ 817,142
2019	594,777
2020	553,453
2021	553,384
2022	555,293
2023-2027	2,780,623
2028-2032	2,233,830
2033-2037	7,057
Total minimum lease payments	8,095,559
Less: Amount representing interest	(1,202,246)
Present value of net minimum lease payments	<u>\$ 6,893,313</u>

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

	Governmental Activities
Cost of Equipment	\$ 6,822,542
Accumulated Depreciation	(248,568)
Difference	<u>\$ 6,573,974</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 \$16,485,000.

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

General obligation bonds outstanding at June 30, 2017, are as follows:

Purpose	Interest Rates	Amount
Governmental activities:		
2009 Road Construction-Refunding	2.75% to 5.00%	\$ 665,000
2014 Road Construction-Refunding	0.25% to 3.00%	7,870,000
Total		<u>\$ 8,535,000</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

General Obligation Bonds (continued)

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

Year Ended June 30,	Governmental Activities		Totals
	Principal	Interest	
2018	\$ 1,225,000	\$ 223,200	\$ 1,448,200
2019	1,250,000	193,425	1,443,425
2020	940,000	157,175	1,097,175
2021	965,000	128,600	1,093,600
2022	1,000,000	99,125	1,099,125
2023-2027	3,155,000	127,563	3,282,563
Totals	<u>\$ 8,535,000</u>	<u>\$ 929,088</u>	<u>\$ 9,464,088</u>

Special Assessment Bonds

Special assessment bonds are generally issued to provide funds for the construction of streets, sidewalks, water lines, sewer lines, and other infrastructure in new commercial or residential construction developments.

These bonds will be repaid from amounts levied against the property owners benefitted by the construction. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources (for example, foreclosure proceeds) are received. The City has a first lien priority in all of these projects.

The City has the following special assessment bonds outstanding at June 30, 2017:

Northgate Village SID Bonds – Series 2010

In November of 2010, the City issued Northgate Village special improvement district bonds of \$1,915,000 through private placement for the improvement of property. The terms of the bond contract require principal and interest payable annually commencing November 2011 and continuing through November 2025. The interest rate is fixed at 7.75%. Outstanding principal at June 30, 2017, is \$155,000.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

Special Assessment Bonds (continued)

Special assessment bonds currently outstanding at June 30, 2017, are as follows:

Purpose	Interest Rates	Amount
Governmental Activities:		
Property Improvement - Infrastructure	7.75%	\$ 155,000
Total		<u>\$ 155,000</u>

Annual debt service requirements to maturity for the above reflected special assessment bonds is as follows:

Year Ended June 30,	Governmental Activities		Totals
	Principal	Interest	
2018	\$ 15,000	\$ 11,858	\$ 26,858
2019	10,000	10,850	20,850
2020	15,000	9,842	24,842
2021	15,000	8,758	23,758
2022	15,000	7,595	22,595
2023-2027	85,000	16,353	101,353
Totals	<u>\$ 155,000</u>	<u>\$ 65,256</u>	<u>\$ 220,256</u>

Revenue Bonds

All of the City's water and storm sewer/water, water quality, franchise tax, and sales tax revenue bonds are payable solely by a pledge and assignment of their associated revenue sources. For additional information regarding the City's pledged revenue coverage, see the table on pages 172-173.

The City has the following revenue bonds outstanding at June 30, 2017:

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 \$3,000,000. The proceeds of the bonds were used for the completion of improvements to the city's water and storm water systems. The terms of the bond contract require principal payable annually commencing in July 2006 with interest payable semi-annually in January and July through July 2025. The interest rate is fixed at 1.48%. Outstanding principal at June 30, 2017, is \$1,459,000.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

Revenue Bonds (continued)

Water Quality Revenue Bonds – Series 2010

In February of 2010, the City entered into an agreement to issue \$11,889,000 in revenue bonds through the State of Utah's Department of Environmental Quality. The proceeds of the bonds were used to construct and expand facilities at the Water Reclamation Plant. The bond contract terms require principal payable annually beginning in February 2013 and continuing through February 2032. Payments on the bonds are paid from sewer charges to customers. The interest rate is fixed at 0.00%. Outstanding principal at June 30, 2017, is \$8,919,000.

Franchise Tax Revenue Refunding Bonds – Series 2010

In March of 2010, the City issued franchise tax revenue refunding bonds of \$4,375,000 through private placement. The proceeds were used to pay the remaining outstanding principal balances of the Series 2000 and Series 2007 lease revenue bonds. The bond contract requires principal payable annually commencing in March 2011 with interest payable semi-annually in March and September through March 2018. The interest rate varies between 2.13% and 5.13%. Outstanding principal at June 30, 2017, is \$525,000.

Water and Storm Sewer Revenue Refunding Bonds – Series 2013

In July of 2013, the City issued revenue refunding bonds of \$12,801,000 through private placement. The proceeds were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of the Series 2005A water and storm sewer revenue bonds. The terms of the bond contract require principal payable annually commencing in July 2014 and interest payable semi-annually in January and July through July 2025. The interest rate is fixed at 2.18%. Outstanding principal at June 30, 2017, is \$11,180,000.

Water and Storm Sewer Revenue Refunding Bonds – Series 2016

In October of 2016, the City issued revenue refunding bonds of \$4,380,000 through a public offering. The proceeds were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of the Series 2008 water and storm sewer revenue bonds. The terms of the bond contract require principal payable annually commencing in July 2019 and interest payable beginning in January 2017 and payable semi-annually through July 2028. The interest rate varies between 2.00% and 4.50%. Outstanding principal at June 30, 2017, is \$4,380,000.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

Revenue Bonds (continued)

Sales Tax Revenue Refunding Bonds – Series 2017

In February of 2017, the City issued sales tax revenue refunding bonds of \$2,898,000 through a public offering. The proceeds were placed in a trust account and used to pay the remaining outstanding principal balance of the Series 2007 sales tax revenue refunding bonds. The terms of the bond contract require principal payable annually commencing in April 2018 with interest payable semi-annually in April and October through April 2023. The interest rate is fixed at 1.94%. Outstanding principal at June 30, 2017, is \$2,898,000.

Revenue bonds currently outstanding at June 30, 2017, are as follows:

Purpose	Interest Rates	Amount
Governmental Activities:		
Recreation Projects	1.94%	\$ 2,898,000
Street Lighting	2.13%-5.13%	525,000
		<u>3,423,000</u>
Business-type Activities:		
Water	1.48%-4.50%	13,271,464
Wastewater Treatment	0.00%	8,919,000
Storm Water	1.48%-4.50%	3,747,536
		<u>25,938,000</u>
Total		<u>\$ 29,361,000</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	
2018	\$ 1,756,000	\$ 85,342	\$ 1,873,000	\$ 424,594	\$ 4,138,936
2019	459,000	32,340	1,974,000	396,704	2,862,044
2020	352,000	23,435	2,053,000	366,955	2,795,390
2021	360,000	16,606	2,057,000	336,417	2,770,023
2022	243,000	9,622	2,084,000	305,551	2,642,173
2023-2027	253,000	4,908	10,727,000	1,004,835	11,989,743
2028-2032	-	-	5,170,000	66,225	5,236,225
Totals	<u>\$ 3,423,000</u>	<u>\$ 172,253</u>	<u>\$ 25,938,000</u>	<u>\$ 2,901,281</u>	<u>\$ 32,434,534</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

Revenue Bonds (continued)

Current Year Advance Refunding

In 2016, the City issued \$4,380,000 of water and storm sewer revenue refunding bonds. The funds were placed in a trust for the purpose of generating resources to pay all of the remaining outstanding principal balance of the Series 2008 water and storm sewer revenue bonds. As a result, \$5,075,000 of the Series 2008 water and storm sewer revenue bonds was removed from the governmental activities column of the Statement of Net Position. The remaining outstanding principal balance of the refunded bonds will be paid by the trust and will be extinguished by July 2018. The reacquisition price exceeded the net carrying amount of the old debt by \$433,118. This amount is shown as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt. The refunding was undertaken to reduce total debt service payments over the next twelve years by \$1,715,890 and resulted in an economic gain of \$1,420,324.

Current Year Refunding

In 2017, the City issued \$2,898,000 of sales tax revenue refunding bonds. The funds were placed in a trust for the purpose of paying all of the remaining outstanding principal balance of the Series 2007 sales tax revenue refunding bonds. As a result, \$2,805,000 of the Series 2007 sales tax revenue refunding bonds was removed from the governmental activities column of the Statement of Net Position. On April 15, 2017, the remaining outstanding principal balance for the refunded bonds were "called" and paid by the trust. Thus, as of June 30, 2017, there was no outstanding principal balance remaining on the Series 2007 sales tax revenue refunding bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$56,199. This amount is shown as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt. The refunding was undertaken to reduce total debt service payments over the next six years by \$98,237 and resulted in an economic gain of \$95,219.

Notes Payable

HUD Section 108 Loan

In November of 2005, the City entered into a loan agreement with the Department of Housing and Urban Development (HUD) in the amount of \$1,320,000 to promote, facilitate, and encourage industrial and business development within the City. The terms of the loan agreement require principal payable annually commencing in August 2006 and interest payable semi-annually in February and August through August 2025. The interest rate is variable. Outstanding principal at June 30, 2017, is \$754,930.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

Notes Payable (continued)

Miner Property Long-term Note Payable

In June of 2000, the City entered into a long-term note payable with Dean and Blanche Miner in the amount of \$391,000 for the purchase of property for a new softball and soccer complex. The terms of the note require principal and interest payable monthly commencing in May 2001 and continuing through April 2021. The interest rate is fixed at 6.00%. Outstanding principal at June 30, 2017, is \$114,849.

Notes payable currently outstanding at June 30, 2017, are as follows:

Purpose	Interest Rates	Amount
Governmental Activities:		
HUD Section 108 Loan -		
Economic Development	Variable	\$ 754,930
Land Purchase - Park	6.00%	114,849
Total		<u>\$ 869,779</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	
2018	\$ 97,469	\$ 43,946	\$ 141,415
2019	104,163	38,446	142,609
2020	105,962	32,710	138,672
2021	107,255	26,745	134,000
2022	80,000	21,788	101,788
2023-2027	374,930	40,556	415,486
Totals	<u>\$ 869,779</u>	<u>\$ 204,191</u>	<u>\$ 1,073,970</u>

Changes in Long-term Liabilities

Changes in bonds payable, deferred items, capital leases, and compensated absences during the fiscal year ended June 30, 2017, are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

J. Long-term Debt (continued)

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable:					
General Obligation Bonds	\$ 10,200,000	\$ -	\$ (1,665,000)	\$ 8,535,000	\$ 1,225,000
Special Assessment Bonds	165,000	-	(10,000)	155,000	15,000
Revenue Bonds	5,080,000	2,898,000	(4,555,000)	3,423,000	1,756,000
Plus Issuance Premiums	778,917	-	(148,690)	630,227	124,832
Total Bonds Payable	16,223,917	2,898,000	(6,378,690)	12,743,227	3,120,832
Notes Payable	960,652	-	(90,873)	869,779	97,469
Capital Leases	6,977,000	26,287	(109,974)	6,893,313	526,494
Compensated Absences	1,902,302	348,666	(278,954)	1,972,014	1,870,103
Net Pension Liabilities	10,347,717	1,539,390	-	11,887,107	-
Other Long-term Liabilities	1,301,441	1,076,409	(535,821)	1,842,029	442,632
Governmental Activities					
Long-term Liabilities	<u>\$ 37,713,029</u>	<u>\$ 5,888,752</u>	<u>\$ (7,394,312)</u>	<u>\$ 36,207,469</u>	<u>\$ 6,057,530</u>
<u>Business-type Activities</u>					
Bonds Payable:					
Revenue Bonds	\$ 28,553,000	\$ 4,380,000	\$ (6,995,000)	\$ 25,938,000	\$ 1,873,000
Plus Issuance Premiums	392,967	703,707	(81,878)	1,014,796	101,911
Total Bonds Payable	28,945,967	5,083,707	(7,076,878)	26,952,796	1,974,911
Compensated Absences	273,712	46,227	(15,048)	304,891	289,647
Net Pension Liabilities	2,258,451	209,552	-	2,468,003	-
Business-type Activities					
Long-term Liabilities	<u>\$ 31,478,130</u>	<u>\$ 5,339,486</u>	<u>\$ (7,091,926)</u>	<u>\$ 29,725,690</u>	<u>\$ 2,264,558</u>

Compensated Absences

City employees earn vacation based upon the employee's years of service. Employees, upon termination, may be paid up to 336 hours of earned vacation. Amounts of vacation vested and not paid have been accrued as a liability at June 30, 2017. The General Fund has typically been used in prior years to liquidate this liability for governmental funds.

While an employee may accumulate an unlimited number of sick hours, these hours are not paid out upon termination.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

K. Equity Classification

Government-wide and Proprietary Fund Financial Statements

Equity is classified in the government-wide and proprietary fund financial statements as net position and is displayed in three components:

- 1) Net Investment in Capital Assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.
- 2) Restricted Net Position – resources with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) are imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted Net Position – consists of all other resources that do not meet the definition of “restricted” or “net investment in capital assets” as defined above.

Governmental Fund Financial Statements

Equity is classified in the governmental fund financial statements as fund balance. Governmental fund balances are further classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned.

- 1) Nonspendable Fund Balance – this classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.
- 2) Restricted Fund Balance – this classification includes amounts that are restricted by enabling legislation. Other amounts are also reported in this classification if they are (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) are imposed by law through constitutional provisions or enabling legislation.
- 3) Committed Fund Balance – this classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council, which is the City's highest level of decision making authority. It also includes contractual obligations to the extent that existing resources are specifically committed for use in satisfying those contractual requirements.

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

K. Equity Classification (continued)

Governmental Fund Financial Statements (continued)

- 4) Assigned Fund Balance – this classification includes amounts that are constrained by the City's intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the City Manager. The City Manager received the authority to place constraints on city funds through an ordinance created by the City Council. It also includes all remaining amounts that are reported in governmental funds (other than the General Fund) which have specific purposes and that are not classified in one of the previous classifications.
- 5) Unassigned Fund Balance – this classification is generally the residual classification for the General Fund. However, it may be necessary to report a negative unassigned fund balance for other governmental funds if expenditures incurred for specific purposes exceeds the amounts restricted, committed, or assigned for those purposes. Thus, this classification is normally a positive amount within the General Fund and represents fund balance that has not been restricted, committed, or assigned for any specific purposes.

When restricted and unrestricted resources are available, it is the City's accounting policy to use restricted resources first.

When committed, assigned, or unassigned resources are available for use, it is the City's accounting policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

The City has not formally adopted any minimum fund balance policy. However, the State of Utah does require the City to maintain 5% of the current fiscal year's actual revenues as a minimum fund balance. The City is cognizant of and adheres to this requirement.

The following page provides greater detail of the fund balance classifications and categories for all governmental funds for the fiscal year ended June 30, 2017. The governmental fund balance classifications and categories at the end of the current fiscal year are as follows:

City of Orem
Notes to the Financial Statements
June 30, 2017

4. Detailed Notes for all Funds (continued)

K. Equity Classification (continued)

Governmental Fund Financial Statements (continued)

	General Fund	Debt Service Fund	Capital Projects Fund	Redevelop- ment Fund	Nonmajor Governmental Funds ¹	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Prepays	\$ 51,517	\$ -	\$ 1,000	\$ -	\$ -	\$ 52,517
	51,517	-	1,000	-	-	52,517
Restricted:						
Class "C" Roads	4,013,064	-	-	-	-	4,013,064
Utopia DSR Pledge	3,099,815	-	-	-	-	3,099,815
Task Force	147,205	-	-	-	-	147,205
Econ. Dev. Re. Agrmnts	-	-	-	32,500	-	32,500
Parks, Rec., & Arts	-	-	-	-	1,878,235	1,878,235
Land Acquisition	-	-	-	-	22,345	22,345
Civic Auditorium	-	-	-	-	1,711,142	1,711,142
Debt Service	-	24,528	-	-	-	24,528
Capital Improvements	25,000	-	-	6,199,800	201,051	6,425,851
Other Purposes	7,827	-	-	-	347,128	354,955
	7,292,911	24,528	-	6,232,300	4,159,901	17,709,640
Assigned:						
Vehicles	331,657	-	-	-	-	331,657
Fire Equipment	242,300	-	21,137	-	-	263,437
Police Equipment	92,771	-	91,421	-	-	184,192
Library Media Funds	187,471	-	-	-	-	187,471
Economic Dev. Funds	487,529	-	-	-	-	487,529
City Center Imp.	3,431	-	954,439	-	-	957,870
Community Promotion	-	-	-	-	568,081	568,081
Street/Street Light Imp.	-	-	4,574,470	-	-	4,574,470
Park Improvements	-	-	1,889,578	-	-	1,889,578
Debt Service	-	1,098,713	-	-	-	1,098,713
Capital Improvements	213,131	-	2,855,696	-	3,339	3,072,166
Other Purposes	1,285,985	-	-	-	270,146	1,556,131
	2,844,275	1,098,713	10,386,741	-	841,566	15,171,295
Unassigned	12,829,323	-	-	-	-	12,829,323
Total Fund Balances	<u>\$ 23,018,026</u>	<u>\$ 1,123,241</u>	<u>\$ 10,387,741</u>	<u>\$ 6,232,300</u>	<u>\$ 5,001,467</u>	<u>\$ 45,762,775</u>

¹ See pages 112-113 for a breakdown by individual fund

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 \$600,000 for each worker's compensation claim. Third party insurance provides coverage for claims above \$600,000. The Self-insurance fund also provides coverage up to \$15,000 for general liability and \$10,000 for property damage. The City is

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

A. Risk Management (continued)

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 five year recapture program. Thus, each year the City pays its annual premium plus a recapture component. As of June 30, 2017, the outstanding recapture program liability is \$898,030. This liability is presented in the changes in long-term liabilities table (page 83) as part of the "other long-term liability" amount.

The City is insured by Safety National Insurance Company for worker's compensation claims in excess of coverage provided by the Self-insurance Fund. Only one claim has exceeded this coverage in the past five 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. As of June 30, 2017, the estimated reserves liability is \$512,198. This liability is presented in the changes in long-term liabilities table (page 83) as an "other long-term liability". The activity in worker's compensation claims (all retained risk) for the years ended June 30, 2016 and 2017 is as follows:

Year ended June 30,	2016	2017
Claim liability, beginning of year	\$ 170,455	\$ 178,145
Claims incurred during the year	110,111	265,600
Changes in estimates of claims of prior periods	165,018	430,284
Payments on claims during the year	(267,439)	(361,831)
Claim liability, end of year	<u>\$ 178,145</u>	<u>\$ 512,198</u>

B. Contingent Liabilities

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

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

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

B. Contingent Liabilities (continued)

Utah Telecommunication Open Infrastructure Agency (UTOPIA)

The City is a member of UTOPIA, an interlocal, nonprofit agency. UTOPIA was formed under the Utah Interlocal Cooperation Act by its eighteen 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.

In December 2011, UTOPIA refinanced the existing 2008 variable rate bonds and replaced them with a long-term relatively fixed rate debt structure (SWAP arrangement). The new debt structure eliminated the letter of credit fee and will result in an estimated savings of \$117 million over the life of the bonds. The new 2011 revenue bonds still have principal payments due quarterly commencing in December 2013 and continuing through June 2040 with interest payments due monthly commencing in January 2012 and continuing through June 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. Each member city has pledged sales tax revenues to pay their respective percentage of any shortfall amount. None of the pledge requirements were modified by the 2011 bond refinancing. The City's liability limit (pledge) for the current fiscal year was set at a maximum of \$3,039,032. The pledge limit has an annual increase which is not to exceed 2%. The City's total remaining maximum pledge amount for all fiscal years through 2040 (end of the bond term) is \$89,007,311.

The current estimated cost to construct the fiber optic network in all member cities is approximately \$400,000,000.

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

B. Contingent Liabilities (continued)

Utah Infrastructure Agency (UIA)

The City is a member of UIA, an interlocal, nonprofit agency. UIA was formed under the Utah Interlocal Cooperation Act by its nine member cities, of which the City is one of the eight contracting members. This agency was organized to provide for the acquisition, construction, and installation of telecommunication and cable television lines to a customer's premises using a demand utility model.

The UIA network will be connected to the fiber optic network of UTOPIA (see previous page) pursuant to an Indefeasible Right of Use (IRU) agreement which provides UIA access to certain facilities of and capacity in the UTOPIA network. Construction of the UIA network began in May of 2011 and will be undertaken in phases and will be paid for by issuing up to \$65,000,000 in revenue bonds.

In May 2011, UIA issued \$29,390,000 in revenue bonds (\$20,275,000 tax exempt and \$9,115,000 taxable). The 2011 revenue bonds have principal payments due annually commencing in April 2012 and continuing through April 2036 with interest payments due semi-annually in April and October beginning in October 2011. The interest rate on these bonds varies between 3.20% and 5.50%.

In July of 2013, UIA issued an additional \$11,205,000 (all tax exempt) of revenue bonds. The 2013 revenue bonds have principal payments due annually commencing in October 2014 and continuing through October 2038 with interest payments due semi-annually in April and October beginning in October 2013. The interest rate on these bonds varies between 2.00% and 5.25%.

In October of 2015, UIA issued the remaining \$24,295,000 (all tax exempt) of revenue bonds. The 2015 revenue bonds have principal payments due annually commencing in October 2016 and continuing through October 2040 with interest payments due semi-annually in April and October beginning in April 2016. The interest rate on these bonds varies between 1.00% and 5.25%.

Service fee revenues from the UIA network will be used to make the debt service payments. To the extent there are insufficient service fee revenues to pay a debt service payment, the eight contracting members are required to pay to UIA any shortfall by their respective percentages up to a specific dollar amount. Each contracting city has pledged franchise tax revenues to pay their respective percentage of any shortfall amount. The City's liability limit (pledge) is set at \$1,223,786. The City did not have to make any pledge payments in Fiscal Year 2017.

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans

General Information and Plan Description

The City is an eligible plan participant whose pension plans are administered by and provided through the Utah Retirement Systems (URS). URS administers the following pension trust funds (collectively referred to as "The Systems"):

- Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System); and the Firefighters Retirement System (Firefighters System). Each of these systems is a cost-sharing, multiple-employer, public employee retirement system.
- Public Safety Retirement System (Public Safety System). This plan is a mixed agent and cost-sharing, multiple-employer public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) and Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System). Both of these systems are cost-sharing, multiple-employer, public employee retirement systems.

The Tier 2 Retirement Systems became effective July 1, 2011. All eligible employees hired on or after July 1, 2011, who had no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the Utah State Legislature. The Utah State Retirement Office Act in Title 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. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report which includes financial statements and required supplementary information for the Systems. The financial report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by visiting the URS website at www.urs.org.

Summary of Retirement Benefits by System

The Systems currently provide retirement benefits, annual cost of living adjustments, disability benefits, and death benefits.

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Summary of Retirement Benefits by System (continued)

A summary of retirement benefits are as follows:

Retirement System	Final Average Salary	Years of Service required and/or Age Eligible for Benefit	Benefit Percentage Per Year of Service	COLA **
Noncontributory System	Highest 3 Years	30 Years - Any Age 25 Years - Any Age * 20 Years - Age 60 * 10 Years - Age 62 * 4 Years - Age 65	2% / Yr - All Years	Up to 4%
Contributory System	Highest 5 Years	30 Years - Any Age 25 Years - Any Age * 20 Years - Age 60 * 10 Years - Age 62 * 4 Years - Age 65	1.25% / Yr to June 1975 or 2% / Yr from July 1975 to the Present	Up to 4%
Public Safety System	Highest 3 Years	20 Years - Any Age 10 Years - Age 60 4 Years - Age 65	2.5% / Yr up to 20 Yrs and 2% / Yr over 20 Yrs	Up to 2.5% or 4.0% Depending on Employer
Firefighters System	Highest 3 Years	20 Years - Any Age 10 Years - Age 60 4 Years - Age 65	2.5% / Yr up to 20 Yrs and 2% / Yr over 20 Yrs	Up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 Years - Any Age 20 Years - Age 60 * 10 Years - Age 62 * 4 Years - Age 65	1.5% / Yr - All Years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 Years - Any Age 20 Years - Age 60 * 10 Years - Age 62 * 4 Years - Age 65	1.5% / Yr - All Years	Up to 2.5%

* Actuarial reductions apply.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges (compounded benefit). Cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year. However, unused CPI increases may be carried forward to subsequent years.

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Contributions

As a condition of participation in the Systems, the City and/or its employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Retirement System	Employee Paid	Employer Paid for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
<u>Noncontributory System</u>				
Local Governmental - Tier 1	N/A	N/A	18.47%	N/A
<u>Contributory System</u>				
Local Governmental - Tier 1	6.00%	N/A	14.46%	N/A
Local Governmental - Tier 2	N/A	N/A	14.91%	1.78%
<u>Public Safety System</u>				
Noncontributory - Tier 1	N/A	N/A	38.94%	N/A
Contributory (74) - Tier 1	10.50%	N/A	28.95%	N/A
Contributory (122) - Tier 2	N/A	N/A	26.67%	1.33%
<u>Firefighters System</u>				
Division B - Tier 1	N/A	16.71%	6.66%	N/A
Division B - Tier 2	N/A	N/A	10.75%	1.33%
<u>Tier 2 DC Only</u>				
Local Governmental	N/A	N/A	6.69%	10.00%
Public Safety	N/A	N/A	16.00%	12.00%
Firefighters	N/A	N/A	0.08%	12.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Contributions (continued)

For the fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

Retirement System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 1,733,503	N/A
Contributory System	136,617	-
Public Safety System	1,417,405	-
Firefighters System	210,460	-
Tier 2 Public Employees System	402,025	-
Tier 2 Public Safety and Firefighter System	275,954	-
Tier 2 DC Only	31,690	N/A
Tier 2 DC Public Safety & Firefighter System	35,813	N/A
Total Contributions	<u>\$ 4,243,467</u>	<u>\$ -</u>

Contributions reported are the URS approved required contributions by the System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions

At June 30, 2017, the City had a net pension asset of \$11,876 and a net pension liability of \$14,355,112.

Retirement System	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	1.1669202%	\$ -	\$ 7,493,056
Contributory System	4.2142704%	-	1,382,749
Public Safety System	7.8307470%	-	4,880,882
Firefighters System	3.8179852%	-	564,747
Tier 2 Public Employees System	0.3019157%	-	33,678
Tier 2 Public Safety and Firefighter System	1.3680971%	11,876	-
Total Net Pension Asset / Liability		<u>\$ 11,876</u>	<u>\$ 14,355,112</u>

The net pension asset and liability were measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016, and rolled forward using generally accepted actuarial procedures. The proportion

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Pension Assets, Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions (continued)
of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the Systems during the plan year.

For the year ended June 30, 2017, the City had pension expenses of \$4,269,413.

At June 30, 2017, the City had deferred outflows and inflows of resources related to pensions from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,748,656	\$ 893,668
Changes in assumptions	2,666,365	843,989
Net difference between projected & actual earnings on pension plan investments	4,432,798	1,289,321
Changes in proportion and difference between contributions and proportionate share of contributions	113,397	119,514
Contributions subsequent to the measurement date	1,958,989	-
Total Deferred Outflows / Inflows of Resources	<u>\$ 10,920,205</u>	<u>\$ 3,146,492</u>

Contributions made by the City to URS prior to our fiscal year end but after the measurement date of December 31, 2016, are reported as deferred outflows of resources related to pensions in the amount of \$1,958,989. These contributions will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	\$ 1,716,214
2018	1,726,179
2019	1,829,994
2020	254,054
2021	262,630
Thereafter	25,651

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement period:

Inflation	2.60%
Salary Increases	3.35% to 10.35%, Average, including Inflation
Investment Rate of Return	7.20%, Net of Pension Plan Investment Expense, including Inflation

Mortality rates were developed from actual experience and mortality tables, based on the member's gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five (5) year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.60%
Expected Arithmetic Nominal Return			7.83%

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Actuarial Assumptions (continued)

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60% and a real return of 4.60% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based upon those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount was reduced to 7.20% from 7.50% from the prior measurement period.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to changes in the Discount Rate

The proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.20%) or 1.00% higher (8.20%) than the current rate is presented in the following table:

	1.00% Decrease (6.20%)	Discount Rate (7.20%)	1.00% Increase (8.20%)
Retirement System			
Noncontributory System	\$ 15,520,658	\$ 7,493,056	\$ 794,461
Contributory System	3,328,753	1,382,749	(256,562)
Public Safety System	10,114,449	4,880,882	603,896
Firefighters System	5,390,133	564,747	(3,415,647)
Tier 2 Public Employees System	229,238	33,678	(115,093)
Tier 2 Public Safety & Firefighter System	83,087	(11,876)	(84,853)
Total	<u>\$ 34,666,318</u>	<u>\$ 14,343,236</u>	<u>\$ (2,473,798)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report (www.urs.org).

Funding and Allocation Method

The City used each active URS participating employee's current wage and years of service to calculate a weighted amount. These weighted amounts

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

C. Pension Plans (continued)

Funding and Allocation Method (continued)

were used to establish a percentage of each system's total applicable net liability or asset (as provided by URS). Each employee is then assigned their applicable amount based upon the prior calculations and grouped according to their job assignment. The total amount for all employees associated with a governmental fund is recorded as a governmental activity in the government-wide statements. Obligations for these employees are generally liquidated through the General Fund. Amounts for all employees associated with a proprietary fund are identified and all associated transactions are recorded within the applicable proprietary fund. Each proprietary fund is responsible to liquidate its own pension obligations.

D. Employee Retirement Plans other than Pension Plans

401(k) Defined Contribution Plan

The City's 401(k) defined contribution plan is administered by ICMA Retirement Corporation (ICMA-RC). The payroll covered by the defined contribution plan for the year ended June 30, 2017, was \$27,331,667. The City's expense for this plan for the year ended June 30, 2017 was approximately \$354,000 or 1.29% 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 three employees, the Mayor, and all six City Council members who have elected to not participate in the URS.

The City also participates in the URS 401(k) defined contribution savings plan which is generally a supplemental plan to the basic pension benefits of the URS, but may be used as a primary retirement plan. Employee and employer contributions to the URS 401(k) defined contribution savings plan for the fiscal years ended June 30 were as follows:

Contribution Type	2017	2016	2015
Employer Contributions	\$ 167,501	\$ 120,495	\$ 72,133
Employee Contributions	\$ -	\$ -	\$ -

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

D. Employee Retirement Plans other than Pension Plans (continued)

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 maximums listed previously or the IRS legal limit. The payroll covered by the deferred compensation plan for the year ended June 30, 2017, was \$27,331,667. The City's expense for this plan for the year ended June 30, 2017, was approximately \$1,375,780 or 5.03% of the total participants' salary. The contribution rates were determined by the City Council and the contributions were remitted on a timely basis.

The City also participates in the URS 457 defined contribution savings plan which is generally a supplemental plan to the basic pension benefits of the URS, but may be used as a primary retirement plan. Employee and employer contributions to the URS 457 defined contribution savings plan for the fiscal years ended June 30 were as follows:

Contribution Type	2017	2016	2015
Employer Contributions	\$ 103,778	\$ 100,665	\$ 96,538
Employee Contributions	\$ 116,548	\$ 110,633	\$ 106,449

E. Other Postemployment Benefits

Plan Description

The City provides postemployment healthcare benefits through a single-employer defined benefit plan to all employees who retired from the City prior to January 1, 2007, and who were qualified to retire from any of the Utah State Retirement Systems. The benefit, benefit level, employee contributions and employer contributions are governed by City policy and can be amended at any time. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

E. Other Postemployment Benefits (continued)

Plan Description (continued)

does not issue a separate financial report.

Employees who retire(d) on or after January 1, 2007, are not eligible to participate in this plan unless retiree health insurance is offered as an option to an employee under a voluntary separation plan which are unusual and infrequent. Otherwise, no new entrants to the plan will occur.

Funding Policy

The City currently pays for postemployment benefits other than pensions on a "pay-as-you-go" basis. Contribution amounts for the City and the plan members may be amended at any time and for any reason. For the fiscal year ended June 30, 2017, total plan premiums paid were \$118,212. The City contributed \$52,155 (44.12% of total premiums) and retiree plan members receiving benefits contributed \$66,057 (55.88% of total premiums). The activity of the plan is reported in the City's General Fund and all obligations are liquidated through the General Fund.

Annual OPEB and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the City's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

For the fiscal year ended June 30, 2017, the City's OPEB cost (expense) and annual required contribution (ARC) were \$118,212 and \$117,559, respectively.

The following table shows the components of the City's annual OPEB cost for the year, amount actually contributed to the plan, and changes in the City's net OPEB obligation:

<u>OPEB</u>	
Annual Required Contribution (ARC)	\$ 117,559
Interest on Net OPEB Obligation	653
Adjustments to ARC	-
Annual OPEB Cost (Expense)	118,212
Contributions	(118,212)
Decrease in Net OPEB Obligation	-
Net OPEB Obligation - Beginning of Year	431,801
Net OPEB Obligation - End of Year	431,801

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

E. Other Postemployment Benefits (continued)

Annual OPEB and Net OPEB Obligation (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017, and the two preceding fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	City Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation For Fiscal Yr
June 30, 2017	\$ 118,212	\$ 118,212	100.00%	\$ 431,801
June 30, 2016	\$ (762,787)	\$ 156,296	120.49%	\$ 431,801
June 30, 2015	\$ 90,419	\$ 90,419	100.00%	\$ 1,350,884

The Net OPEB Obligation of \$431,801 has been accrued and is presented in the changes in long-term liabilities table on page 83 as an "other long-term liability".

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$431,801, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$431,801. The covered payroll (annual payroll of active employees covered by the plan) was \$26,487,192, and the ratio of the UAAL to the covered payroll was 1.63%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements (see page 108), presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

E. Other Postemployment Benefits (continued)

Actuarial Methods and Assumptions (continued)

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% for FY 2017, 7.3% for FY 2018, and 5.5% for FY 2019. The assumed rate of inflation was 2.50%. The actuarial value of plan assets was not determined as the City has not advance funded (nor does it intend to) its obligation. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over a closed ten year and six month period. The remaining amortization period at January 1, 2016, was seven years.

F. 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.

G. Redevelopment Agency of the City of Orem

For the year ended June 30, 2017, 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	\$ 377,692
Orem 85-02: Timpanogos Technological Center	177,211
Orem 85-03A: University Parkway Development	253,938
Orem 85-03B: University Parkway Development	324,982
Orem 85-04: Economic Zone in Central Orem	126,365
Orem 87-10: Boyer Project on Center and State Street	161,631
Orem 90-08: 800 North and State Street Economic Zone	216,037
Total	<u>\$ 1,637,856</u>
Outstanding Loans to Finance RDA Projects	<u>\$ -</u>

City of Orem
Notes to the Financial Statements
June 30, 2017

5. Other Information (continued)

G. Redevelopment Agency of the City of Orem (continued)

During the year ending June 30, 2017, the RDA expended monies in the categories below as follows:

Economic Development	\$ 1,195,421
Capital Outlay	<u>1,708,718</u>
Total	<u><u>\$ 2,904,139</u></u>

**REQUIRED
SUPPLEMENTARY
INFORMATION**

REQUIRED SUPPLEMENTARY INFORMATION

City of Orem Schedule of the Proportionate Share of the Net Pension Liability Utah Retirement Systems (URS) Last Ten Fiscal Years ¹

<u>System</u>	<u>Proportion of the Net Pension Liability / Asset</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
<u>Noncontributory System</u>					
As of December 31, 2016	1.1669202%	\$ 7,493,056	\$ 10,377,805	72.2%	87.3%
As of December 31, 2015	1.1507910%	\$ 6,511,735	\$ 10,141,076	64.2%	87.8%
As of December 31, 2014	1.1640325%	\$ 5,054,503	\$ 10,427,520	48.5%	90.2%
<u>Contributory System</u>					
As of December 31, 2016	4.2142704%	\$ 1,382,749	\$ 1,011,168	136.7%	92.9%
As of December 31, 2015	2.3846854%	\$ 1,676,087	\$ 1,016,082	165.0%	85.7%
As of December 31, 2014	1.9700731%	\$ 568,255	\$ 1,055,247	53.9%	94.0%
<u>Public Safety System</u>					
As of December 31, 2016	7.8307470%	\$ 4,880,882	\$ 4,114,120	118.6%	86.1%
As of December 31, 2015	7.6878583%	\$ 3,751,301	\$ 4,043,837	92.8%	87.6%
As of December 31, 2014	7.8553996%	\$ 3,106,282	\$ 4,163,687	74.6%	89.0%

(continued on next page)

REQUIRED SUPPLEMENTARY INFORMATION

City of Orem Schedule of the Proportionate Share of the Net Pension Liability Utah Retirement Systems (URS) Last Ten Fiscal Years ¹

<u>System</u>	<u>Proportion of the Net Pension Liability / Asset</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
<u>Firefighters System</u>					
As of December 31, 2016	3.8179852%	\$ 564,747	\$ 3,300,053	17.1%	98.4%
As of December 31, 2015	3.9201431%	\$ 667,045	\$ 3,306,160	20.2%	98.1%
As of December 31, 2014	4.1264713%	\$ (454,109)	\$ 3,468,618	-13.1%	101.3%
<u>Tier 2 Public Employees System</u>					
As of December 31, 2016	0.3019157%	\$ 33,678	\$ 2,475,959	1.4%	95.1%
As of December 31, 2015	0.2589627%	\$ (565)	\$ 1,673,317	0.0%	100.2%
As of December 31, 2014	0.1982677%	\$ (6,008)	\$ 972,771	-0.6%	103.5%
<u>Tier 2 Public Safety and Firefighters System</u>					
As of December 31, 2016	1.3680971%	\$ (11,876)	\$ 1,130,354	-1.1%	103.6%
As of December 31, 2015	1.2593445%	\$ (18,399)	\$ 749,442	-2.5%	110.7%
As of December 31, 2014	1.1227061%	\$ (16,608)	\$ 464,014	-3.6%	120.5%
Total - As of December 31, 2016		\$ 14,343,236	\$ 22,409,459	64.0%	
Total - As of December 31, 2015		\$ 12,587,204	\$ 20,929,914	60.1%	
Total - As of December 31, 2014		\$ 8,252,315	\$ 20,551,857	40.2%	

¹ In accordance with paragraph 81.a of GASB 68, the City will need to disclose a ten (10) year history of their proportionate share of the Net Pension Liability or Asset in this schedule. However, this schedule will be populated prospectively.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**City of Orem
Schedule of Contributions
Utah Retirement Systems (URS)
Last Ten Fiscal Years ¹**

System	Contractually Required Contribution	Contributions in relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a % of Covered Employee Payroll ²
<u>Noncontributory System</u>					
As of June 30, 2017	\$ 1,733,503	\$ 1,733,503	\$ -	\$ 9,986,591	17.36%
As of June 30, 2016	\$ 1,742,920	\$ 1,742,920	\$ -	\$ 10,082,347	17.29%
As of June 30, 2015	\$ 1,785,144	\$ 1,785,144	\$ -	\$ 10,274,003	17.38%
As of June 30, 2014	\$ 1,720,949	\$ 1,720,949	\$ -	\$ 10,573,678	16.28%
<u>Contributory System</u>					
As of June 30, 2017	\$ 136,617	\$ 136,617	\$ -	\$ 944,788	14.46%
As of June 30, 2016	\$ 146,149	\$ 146,149	\$ -	\$ 1,010,709	14.46%
As of June 30, 2015	\$ 146,645	\$ 146,645	\$ -	\$ 1,014,143	14.46%
As of June 30, 2014	\$ 145,300	\$ 145,300	\$ -	\$ 1,094,124	13.28%
<u>Public Safety System</u>					
As of June 30, 2017	\$ 1,417,405	\$ 1,417,405	\$ -	\$ 3,768,298	37.61%
As of June 30, 2016	\$ 1,534,707	\$ 1,534,707	\$ -	\$ 4,080,078	37.61%
As of June 30, 2015	\$ 1,527,206	\$ 1,527,206	\$ -	\$ 4,050,464	37.70%
As of June 30, 2014	\$ 1,557,376	\$ 1,557,376	\$ -	\$ 4,247,643	36.66%
<u>Firefighters System</u>					
As of June 30, 2017	\$ 210,460	\$ 210,460	\$ -	\$ 3,160,058	6.66%
As of June 30, 2016	\$ 219,686	\$ 219,686	\$ -	\$ 3,249,791	6.76%
As of June 30, 2015	\$ 220,389	\$ 220,389	\$ -	\$ 3,344,592	6.59%
As of June 30, 2014	\$ 160,554	\$ 160,554	\$ -	\$ 3,601,273	4.46%
<u>Tier 2 Public Employees System *</u>					
As of June 30, 2017	\$ 402,025	\$ 402,025	\$ -	\$ 2,696,348	14.91%
As of June 30, 2016	\$ 300,882	\$ 300,882	\$ -	\$ 2,017,989	14.91%
As of June 30, 2015	\$ 185,143	\$ 185,143	\$ -	\$ 1,239,243	14.94%
As of June 30, 2014	\$ 113,677	\$ 113,677	\$ -	\$ 812,557	13.99%

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REQUIRED SUPPLEMENTARY INFORMATION

City of Orem Schedule of Contributions Utah Retirement Systems (URS) Last Ten Fiscal Years ¹

System	Contractually Required Contribution	Contributions in relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a % of Covered Employee Payroll ²
<u>Tier 2 Public Safety & Firefighters System *</u>					
As of June 30, 2017	\$ 275,954	\$ 275,954	\$ -	\$ 1,415,167	19.50%
As of June 30, 2016	\$ 156,487	\$ 156,487	\$ -	\$ 867,683	18.04%
As of June 30, 2015	\$ 103,493	\$ 103,493	\$ -	\$ 585,142	17.69%
As of June 30, 2014	\$ 70,564	\$ 70,564	\$ -	\$ 366,223	19.27%
<u>Tier 2 Public Employees DC Only System *</u>					
As of June 30, 2017	\$ 31,690	\$ 31,690	\$ -	\$ 473,700	6.69%
As of June 30, 2016	\$ 27,955	\$ 27,955	\$ -	\$ 417,869	6.69%
As of June 30, 2015	\$ 20,253	\$ 20,253	\$ -	\$ 300,442	6.74%
As of June 30, 2014	\$ 9,492	\$ 9,492	\$ -	\$ 170,441	5.57%
<u>Tier 2 Public Safety & Firefighter DC Only System *</u>					
As of June 30, 2017	\$ 35,814	\$ 35,814	\$ -	\$ 272,236	13.16%
As of June 30, 2016	\$ 34,337	\$ 34,337	\$ -	\$ 260,874	13.16%
As of June 30, 2015	\$ 20,094	\$ 20,094	\$ -	\$ 137,956	14.57%
As of June 30, 2014	\$ -	\$ -	\$ -	\$ -	0.00%
Total - As of June 30, 2017	\$ 4,243,468	\$ 4,243,468	\$ -	\$ 22,717,186	18.68%
Total - As of June 30, 2016	\$ 4,163,123	\$ 4,163,123	\$ -	\$ 21,987,340	18.93%
Total - As of June 30, 2015	\$ 4,008,367	\$ 4,008,367	\$ -	\$ 20,945,985	19.14%
Total - As of June 30, 2014	\$ 3,777,912	\$ 3,777,912	\$ -	\$ 20,865,939	18.11%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

¹ In accordance with GASB 68 (paragraph 81 b), the City will need to disclose a ten (10) year history in this schedule. However, this schedule will be populated prospectively.

² Contributions as a percentage of covered payroll may be different than the Board certified rate due to rounding or other administrative issues.

REQUIRED SUPPLEMENTARY INFORMATION

City of Orem Schedule of Funding Progress Other Postemployment Benefits For The Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
January 1, 2016	\$ -	\$ 431,801	\$ 431,801	0.00%	\$ 26,487,192	1.63%
January 1, 2014	\$ -	\$ 1,350,884	\$ 1,350,884	0.00%	\$ 25,030,440	5.40%
January 1, 2012	\$ -	\$ 379,486	\$ 379,486	0.00%	\$ 26,865,218	1.41%
January 1, 2011	\$ -	\$ 218,692	\$ 218,692	0.00%	\$ 27,467,617	0.80%
January 1, 2009	\$ -	\$ 1,555,352	\$ 1,555,352	0.00%	\$ 27,216,217	5.71%
	(a)	(b)	(b - a)	(a / b)		

NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Utah Retirement Systems Pensions

Changes in Assumptions

The following actuarial assumption changes were adopted January 1, 2016:

The assumed investment return assumption was decreased from 7.50% to 7.20%.

The assumed inflation rate was decreased from 2.75% to 2.60%.

The wage inflation assumption for all employee groups was decreased from 3.50% to 3.35%.

There was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.25% to 3.10%.

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**OTHER
STATEMENTS
&
SCHEDULES**

Combining Financial Statements Nonmajor Governmental Funds

Capital Projects Funds

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

Capital Projects-Energy Lease Fund – This fund is used to account for the acquisition, construction, and/or improvement of major capital facilities and equipment of the City as part of funding provided by a capital lease for energy saving projects.

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.

Telecommunication Billing Fund – This fund is used to account for billing activities related to the Utopia Infrastructure Agency (UIA) contract utility enhancement agreements.

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 Orem Public Library Fund – This fund is primarily used to account for the financial transactions of the Timpanogos Storytelling Festival. A volunteer group has the primary responsibility of organizing and operating the festival. While the group's largest program is the Timpanogos Storytelling Festival, they may also help with other community oriented programs as it sees a need.

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 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, 2017

	Capital Projects Funds		Special Revenue Funds		
	Capital Projects - Energy Lease	Total	CARE Tax Fund	Tele- Communication Billing Fund	Community Development & Rehabilitation Fund
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 17,187	\$ 51,430
Accounts Receivable	-	-	-	-	-
Intergovernmental Receivables	-	-	-	-	49,155
Notes Receivable	-	-	-	-	182,290
Restricted Cash and Cash Equivalents:					
Capital Improvement Projects	341,478	341,478	1,951,313	-	-
Other Purposes	-	-	1,843,223	-	260,393
Restricted Receivables:					
Other Purposes	-	-	364,303	516,338	303,211
Total Assets	<u>\$ 341,478</u>	<u>\$ 341,478</u>	<u>\$ 4,158,839</u>	<u>\$ 533,525</u>	<u>\$ 846,479</u>
LIABILITIES					
Accounts Payable	\$ 1,200	\$ 1,200	\$ 346,066	\$ 482,180	\$ 6,668
Accrued Liabilities	336,939	336,939	-	-	7,182
Unearned Revenues	-	-	-	23,083	-
Total Liabilities	<u>338,139</u>	<u>338,139</u>	<u>346,066</u>	<u>505,263</u>	<u>13,850</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues - Receivables	-	-	-	-	485,501
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,501</u>
FUND BALANCES					
Restricted:					
Parks, Recreation, & Arts	-	-	1,878,235	-	-
Land Acquisition	-	-	22,345	-	-
Civic Auditorium	-	-	1,711,142	-	-
Capital Improvements	-	-	201,051	-	-
Other Purposes	-	-	-	-	347,128
Assigned:					
Capital Improvements	3,339	3,339	-	-	-
Community Promotion	-	-	-	-	-
Other Purposes	-	-	-	28,262	-
Total Fund Balances	<u>3,339</u>	<u>3,339</u>	<u>3,812,773</u>	<u>28,262</u>	<u>347,128</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 341,478</u>	<u>\$ 341,478</u>	<u>\$ 4,158,839</u>	<u>\$ 533,525</u>	<u>\$ 846,479</u>

Special Revenue Funds

Friends of the Orem Public Library Fund	Orem Foundation Trust Fund	Senior Citizens Fund	Total	Total Nonmajor Governmental Funds
\$ 568,081	\$ -	\$ 243,433	\$ 880,131	\$ 880,131
-	-	-	-	-
-	-	-	49,155	49,155
-	-	-	182,290	182,290
-	-	-	1,951,313	2,292,791
-	-	-	2,103,616	2,103,616
-	-	-	1,183,852	1,183,852
<u>\$ 568,081</u>	<u>\$ -</u>	<u>\$ 243,433</u>	<u>\$ 6,350,357</u>	<u>\$ 6,691,835</u>
\$ -	\$ -	\$ 1,549	\$ 836,463	\$ 837,663
-	-	-	7,182	344,121
-	-	-	23,083	23,083
<u>-</u>	<u>-</u>	<u>1,549</u>	<u>866,728</u>	<u>1,204,867</u>
-	-	-	485,501	485,501
<u>-</u>	<u>-</u>	<u>-</u>	<u>485,501</u>	<u>485,501</u>
-	-	-	1,878,235	1,878,235
-	-	-	22,345	22,345
-	-	-	1,711,142	1,711,142
-	-	-	201,051	201,051
-	-	-	347,128	347,128
-	-	-	-	3,339
568,081	-	-	568,081	568,081
-	-	241,884	270,146	270,146
<u>568,081</u>	<u>-</u>	<u>241,884</u>	<u>4,998,128</u>	<u>5,001,467</u>
<u>\$ 568,081</u>	<u>\$ -</u>	<u>\$ 243,433</u>	<u>\$ 6,350,357</u>	<u>\$ 6,691,835</u>

City of Orem
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2017

	Capital Projects Funds		Special Revenue Funds		
	Capital Projects - Energy Lease	Total	CARE Tax Fund	Tele- Communication Billing Fund	Community Development & Rehabilitation Fund
REVENUES					
Sales Taxes	\$ -	\$ -	\$ 2,028,527	\$ -	\$ -
Intergovernmental	-	-	-	-	428,710
Charges for Services	-	-	-	-	186,321
Investment Earnings	2,916	2,916	40,886	50,925	749
Miscellaneous Revenues	-	-	-	180	815
Total Revenues	2,916	2,916	2,069,413	51,105	616,595
EXPENDITURES					
Current:					
Economic and Physical Development	-	-	-	39,151	384,314
Parks, Recreation and Arts	-	-	992,080	-	-
Debt Service:					
Principal Retirement	-	-	-	-	65,000
Interest and Fiscal Charges	-	-	-	-	43,916
Capital Outlay	5,379,700	5,379,700	1,442,714	-	-
Total Expenditures	5,379,700	5,379,700	2,434,794	39,151	493,230
Excess (Deficiency) of Revenues over (under) Expenditures	(5,376,784)	(5,376,784)	(365,381)	11,954	123,365
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	65,386
Transfers Out	-	-	(25,042)	-	(188,662)
Total Other Financing Sources and (Uses)	-	-	(25,042)	-	(123,276)
Net Change in Fund Balances	(5,376,784)	(5,376,784)	(390,423)	11,954	89
Fund Balances - Beginning	5,380,123	5,380,123	4,203,196	16,308	347,039
Fund Balances - Ending	\$ 3,339	\$ 3,339	\$ 3,812,773	\$ 28,262	\$ 347,128

Special Revenue Funds				
Friends of the Orem Public Library Fund	Orem Foundation Trust Fund	Senior Citizens Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,028,527	\$ 2,028,527
-	-	-	428,710	428,710
75,797	-	20,394	282,512	282,512
6,489	-	2,751	101,800	104,716
11,895	-	17,819	30,709	30,709
94,181	-	40,964	2,872,258	2,875,174
-	-	-	423,465	423,465
244,338	-	20,215	1,256,633	1,256,633
-	-	-	65,000	65,000
-	-	-	43,916	43,916
-	-	-	1,442,714	6,822,414
244,338	-	20,215	3,231,728	8,611,428
(150,157)	-	20,749	(359,470)	(5,736,254)
-	-	-	65,386	65,386
-	-	-	(213,704)	(213,704)
-	-	-	(148,318)	(148,318)
(150,157)	-	20,749	(507,788)	(5,884,572)
718,238	-	221,135	5,505,916	10,886,039
\$ 568,081	\$ -	\$ 241,884	\$ 4,998,128	\$ 5,001,467

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**Combining Financial Statements
Nonmajor Proprietary Funds**

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

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

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

City of Orem
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2017

	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	\$ 799,506	\$ 751,675	\$ 1,055,033	\$ 798,931
Accounts Receivable (Net of Allowance for Doubtful Accounts)	11,123	7,704	403,910	391,485
Total Current Assets	<u>810,629</u>	<u>759,379</u>	<u>1,458,943</u>	<u>1,190,416</u>
Noncurrent Assets:				
Capital Assets:				
Land	39,822	39,822	-	-
Buildings and Systems	4,125,955	4,125,955	-	-
Improvements other than Buildings	1,911,903	1,895,601	-	-
Machinery and Equipment	11,139	11,139	-	-
Infrastructure	-	-	-	-
Less Accumulated Depreciation	(5,266,494)	(5,154,687)	-	-
Total Capital Assets (Net of Accumulated Depreciation)	<u>822,325</u>	<u>917,830</u>	<u>-</u>	<u>-</u>
Net Pension Assets	-	23	-	-
Total Noncurrent Assets	<u>822,325</u>	<u>917,853</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,632,954</u>	<u>1,677,232</u>	<u>1,458,943</u>	<u>1,190,416</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	176,984	123,319	-	-
Total Deferred Outflows of Resources	<u>176,984</u>	<u>123,319</u>	<u>-</u>	<u>-</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 1,809,938</u>	<u>\$ 1,800,551</u>	<u>\$ 1,458,943</u>	<u>\$ 1,190,416</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 42,807	\$ 45,229	\$ 269,301	\$ 258,871
Accrued Liabilities	85,471	74,164	-	-
Accrued Vacation Leave	33,308	33,880	-	-
Unearned Revenues	318,803	378,900	-	-
Total Current Liabilities	<u>480,389</u>	<u>532,173</u>	<u>269,301</u>	<u>258,871</u>
Noncurrent Liabilities:				
Accrued Vacation Leave	1,753	1,783	-	-
Net Pension Liability	230,665	186,652	-	-
Total Noncurrent Liabilities	<u>232,418</u>	<u>188,435</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>712,807</u>	<u>720,608</u>	<u>269,301</u>	<u>258,871</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	50,501	33,951	-	-
Total Deferred Inflows of Resources	<u>50,501</u>	<u>33,951</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	822,325	917,830	-	-
Restricted for Pensions	-	23	-	-
Unrestricted	224,305	128,139	1,189,642	931,545
Total Net Position	<u>1,046,630</u>	<u>1,045,992</u>	<u>1,189,642</u>	<u>931,545</u>
Total Liabilities, Deferred Inflows of Resources, & Net Position	<u>\$ 1,809,938</u>	<u>\$ 1,800,551</u>	<u>\$ 1,458,943</u>	<u>\$ 1,190,416</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 740,603	\$ 430,926	\$ 2,595,142	\$ 1,981,532
99,031	97,164	514,064	496,353
839,634	528,090	3,109,206	2,477,885
		39,822	39,822
		4,125,955	4,125,955
		1,911,903	1,895,601
94,609	94,609	105,748	105,748
1,709,340	1,518,150	1,709,340	1,518,150
(440,667)	(396,329)	(5,707,161)	(5,551,016)
1,363,282	1,216,430	2,185,607	2,134,260
			23
1,363,282	1,216,430	2,185,607	2,134,283
2,202,916	1,744,520	5,294,813	4,612,168
22,552	15,324	199,536	138,643
22,552	15,324	199,536	138,643
\$ 2,225,468	\$ 1,759,844	\$ 5,494,349	\$ 4,750,811
\$ 201	\$ 35,012	\$ 312,309	\$ 339,112
4,706	3,391	90,177	77,555
9,064	8,246	42,372	42,126
-	-	318,803	378,900
13,971	46,649	763,661	837,693
477	434	2,230	2,217
29,392	23,202	260,057	209,854
29,869	23,636	262,287	212,071
43,840	70,285	1,025,948	1,049,764
6,435	4,216	56,936	38,167
6,435	4,216	56,936	38,167
1,363,282	1,216,430	2,185,607	2,134,260
			23
811,911	468,913	2,225,858	1,528,597
2,175,193	1,685,343	4,411,465	3,662,880
\$ 2,225,468	\$ 1,759,844	\$ 5,494,349	\$ 4,750,811

City of Orem
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
For The Year Ended June 30, 2017

	Recreation Fund Current Year	Recreation Fund Prior Year	Solid Waste Fund Current Year
OPERATING REVENUES			
Charges for Services	\$ 1,616,772	\$ 1,583,108	\$ 3,571,929
Other Revenues	501	369	-
Total Operating Revenues	<u>1,617,273</u>	<u>1,583,477</u>	<u>3,571,929</u>
OPERATING EXPENSES			
Personnel Services	1,287,933	1,283,466	-
Supplies and Maintenance	215,873	229,724	97,649
Administrative Fee	27,325	26,988	183,863
Utilities	271,129	325,570	-
Contract Services	16,316	16,371	2,911,328
Equipment Lease and Rentals	-	-	-
Insurance	25,000	25,000	-
Depreciation	111,807	111,807	-
Miscellaneous	7,612	4,832	90,470
Total Operating Expenses	<u>1,962,995</u>	<u>2,023,758</u>	<u>3,283,310</u>
Operating Income (Loss)	<u>(345,722)</u>	<u>(440,281)</u>	<u>288,619</u>
NONOPERATING REVENUES AND EXPENSES			
Investment Earnings	9,096	6,184	9,582
Total Nonoperating Revenues & Expenses	<u>9,096</u>	<u>6,184</u>	<u>9,582</u>
Income (Loss) before Transfers	<u>(336,626)</u>	<u>(434,097)</u>	<u>298,201</u>
Transfers In	402,000	175,000	-
Transfers Out	<u>(64,736)</u>	<u>(65,507)</u>	<u>(40,104)</u>
Change in Net Position	638	(324,604)	258,097
Total Net Position - Beginning	<u>1,045,992</u>	<u>1,370,596</u>	<u>931,545</u>
Total Net Position - Ending	<u>\$ 1,046,630</u>	<u>\$ 1,045,992</u>	<u>\$ 1,189,642</u>

Solid Waste Fund Prior Year	Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 3,515,859	\$ 902,547	\$ 916,241	\$ 6,091,248	\$ 6,015,208
-	92,933	72,240	93,434	72,609
3,515,859	995,480	988,481	6,184,682	6,087,817
-	135,171	141,171	1,423,104	1,424,637
76,917	37,701	54,421	351,223	361,062
180,047	49,954	56,191	261,142	263,226
-	224,968	413,973	496,097	739,543
2,844,498	-	40	2,927,644	2,860,909
-	680,181	685,181	680,181	685,181
-	-	-	25,000	25,000
-	44,338	43,961	156,145	155,768
72,980	1,787	1,832	99,869	79,644
3,174,442	1,174,100	1,396,770	6,420,405	6,594,970
341,417	(178,620)	(408,289)	(235,723)	(507,153)
4,665	13,078	7,006	31,756	17,855
4,665	13,078	7,006	31,756	17,855
346,082	(165,542)	(401,283)	(203,967)	(489,298)
-	700,000	660,000	1,102,000	835,000
(39,545)	(44,608)	(40,488)	(149,448)	(145,540)
306,537	489,850	218,229	748,585	200,162
625,008	1,685,343	1,467,114	3,662,880	3,462,718
\$ 931,545	\$ 2,175,193	\$ 1,685,343	\$ 4,411,465	\$ 3,662,880

City of Orem
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For The Year Ended June 30, 2017

	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	\$ 1,613,854	\$ 1,575,773	\$ 3,559,504	\$ 3,507,514
Payments to Suppliers	(596,209)	(568,995)	(3,089,017)	(2,987,989)
Payments for Personnel	(1,272,547)	(1,252,062)	-	-
Payments for Interfund Services Used	(27,325)	(26,988)	(183,863)	(180,047)
Net Cash Provided (Used) by Operating Activities	(282,227)	(272,272)	286,624	339,478
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	402,000	175,000	-	-
Transfers Out	(64,736)	(65,507)	(40,104)	(39,545)
Net Cash Provided (Used) by Noncapital Activities	337,264	109,493	(40,104)	(39,545)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(16,302)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(16,302)	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES				
Investment Earnings	9,096	6,184	9,582	4,665
Net Cash Provided (Used) by Investing Activities	9,096	6,184	9,582	4,665
Net Increase (Decrease) in Cash and Cash Equivalents	47,831	(156,595)	256,102	304,598
Cash and Cash Equivalents - Beginning of Year	751,675	908,270	798,931	494,333
Cash and Cash Equivalents - End of Year	<u>\$ 799,506</u>	<u>\$ 751,675</u>	<u>\$ 1,055,033</u>	<u>\$ 798,931</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (345,722)	\$ (440,281)	\$ 288,619	\$ 341,417
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	\$ 111,807	\$ 111,807	\$ -	\$ -
(Increase) Decrease in Receivables	(3,419)	(7,704)	(12,425)	(8,345)
(Increase) Decrease in Pension Assets	(53,642)	(91,392)	-	-
Increase (Decrease) in Accounts Payable	(2,422)	(2,493)	10,430	6,406
Increase (Decrease) in Accrued Liabilities	11,307	19,271	-	-
Increase (Decrease) in Unearned Revenue	(60,097)	31,844	-	-
Increase (Decrease) in Accrued Vacation Leave	(602)	(2,750)	-	-
Increase (Decrease) in Pension Liabilities	60,563	109,426	-	-
Total Adjustments	63,495	168,009	(1,995)	(1,939)
Net Cash Provided (Used) by Operating Activities	<u>\$ (282,227)</u>	<u>\$ (272,272)</u>	<u>\$ 286,624</u>	<u>\$ 339,478</u>

Street Lighting Fund Current Year	Street Lighting Fund Prior Year	Total Nonmajor Proprietary Funds Current Year	Total Nonmajor Proprietary Funds Prior Year
\$ 993,613 (979,448) (131,814) (49,954)	\$ 989,019 (1,197,289) (121,681) (56,191)	\$ 6,166,971 (4,664,674) (1,404,361) (261,142)	\$ 6,072,306 (4,754,273) (1,373,743) (263,226)
(167,603)	(386,142)	(163,206)	(318,936)
700,000 (44,608)	660,000 (40,488)	1,102,000 (149,448)	835,000 (145,540)
655,392	619,512	952,552	689,460
(191,190)	(84,269)	(207,492)	(84,269)
(191,190)	(84,269)	(207,492)	(84,269)
13,078	7,006	31,756	17,855
13,078	7,006	31,756	17,855
309,677	156,107	613,610	304,110
430,926	274,819	1,981,532	1,677,422
\$ 740,603	\$ 430,926	\$ 2,595,142	\$ 1,981,532
\$ (178,620)	\$ (408,289)	(235,723)	(507,153)
\$ 44,338 (1,867) (7,228) (34,811) 1,315 861 8,409 11,017	\$ 43,961 538 (15,162) (41,842) 321 7,222 27,109 22,147	156,145 (17,711) (60,870) (26,803) 12,622 (60,097) 259 68,972 72,517	155,768 (15,511) (106,554) (37,929) 19,592 31,844 4,472 136,535 188,217
\$ (167,603)	\$ (386,142)	\$ (163,206)	\$ (318,936)

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

**DEBT SERVICE FUNDS
DEBT SERVICE FUND**

**CAPITAL PROJECTS FUNDS
CAPITAL PROJECTS FUND
CAPITAL PROJECTS-ENERGY LEASE FUND**

**SPECIAL REVENUE FUNDS
CARE TAX FUND
TELECOMMUNICATION BILLING FUND
COMMUNITY DEVELOPMENT & REHABILITATION FUND
FRIENDS OF THE OREM PUBLIC 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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	\$ 1,913,813	\$ 1,913,813	\$ 1,912,911	\$ (902)
Special Assessments	23,788	79,987	38,820	(41,167)
Investment Earnings	-	-	10,177	10,177
Total Revenues	1,937,601	1,993,800	1,961,908	(31,892)
EXPENDITURES				
Debt Service:				
Principal Retirement	3,450,873	3,450,873	3,450,873	-
Interest and Fiscal Charges	3,529,548	3,529,548	3,475,024	54,524
Bond Issuance Costs	-	-	35,650	(35,650)
Total Expenditures	6,980,421	6,980,421	6,961,547	18,874
Excess (Deficiency) of Revenues over (under) Expenditures	(5,042,820)	(4,986,621)	(4,999,639)	(13,018)
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	-	-	2,898,000	2,898,000
Payment to Bond Refunding Agent	-	-	(2,861,199)	(2,861,199)
Transfers In	5,042,820	4,986,621	4,986,621	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	5,042,820	4,986,621	5,023,422	36,801
Net Change in Fund Balance	-	-	23,783	23,783
Fund Balance - Beginning	1,099,458	1,099,458	1,099,458	-
Fund Balance - Ending	\$ 1,099,458	\$ 1,099,458	\$ 1,123,241	\$ 23,783

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 200,000	\$ -	\$ (200,000)
Miscellaneous Revenues	270,000	270,000	404,666	134,666
Total Revenues	270,000	470,000	404,666	(65,334)
EXPENDITURES				
Current:				
Capital Outlay	231,385	11,628,001	2,688,786	8,939,215
Economic and Physical Development	5,000	1,501,781	229,221	1,272,560
Total Expenditures	236,385	13,129,782	2,918,007	10,211,775
Excess (Deficiency) of Revenues over (under) Expenditures	33,615	(12,659,782)	(2,513,341)	10,146,441
OTHER FINANCING SOURCES (USES)				
Proceeds from Asset Disposals	-	-	6,978	6,978
Transfers In	-	3,674,000	3,674,000	-
Transfers Out	(33,615)	(33,615)	(33,615)	-
Total Other Financing Sources (Uses)	(33,615)	3,640,385	3,647,363	6,978
Net Change in Fund Balance	-	(9,019,397)	1,134,022	10,153,419
Fund Balance - Beginning	9,253,719	9,253,719	9,253,719	-
Fund Balance - Ending	\$ 9,253,719	\$ 234,322	\$ 10,387,741	\$ 10,153,419

City of Orem
Capital Projects-Energy Lease - Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ -	\$ 2,940	\$ 2,916	(24)
Miscellaneous Revenues	-	-	-	-
Total Revenues	-	2,940	2,916	(24)
EXPENDITURES				
Current:				
Capital Outlay	-	5,382,940	5,379,700	3,240
Total Expenditures	-	5,382,940	5,379,700	3,240
Excess (Deficiency) of Revenues over (under) Expenditures	-	(5,380,000)	(5,376,784)	3,216
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(5,380,000)	(5,376,784)	3,216
Fund Balance - Beginning	5,380,123	5,380,123	5,380,123	-
Fund Balance - Ending	\$ 5,380,123	\$ 123	\$ 3,339	\$ 3,216

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Sales Taxes	\$ 1,900,000	\$ 1,900,000	\$ 2,028,527	\$ 128,527
Investment Earnings	20,000	20,000	40,886	20,886
Total Revenues	1,920,000	1,920,000	2,069,413	149,413
EXPENDITURES				
Current:				
Arts and Recreation Development	1,895,000	1,022,292	992,080	30,212
Capital Outlay	-	3,395,088	1,442,714	1,952,374
Total Expenditures	1,895,000	4,417,380	2,434,794	1,982,586
Excess (Deficiency) of Revenues over (under) Expenditures	25,000	(2,497,380)	(365,381)	2,131,999
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(25,000)	(25,042)	(25,042)	-
Total Other Financing Sources (Uses)	(25,000)	(25,042)	(25,042)	-
Net Change in Fund Balance	-	(2,522,422)	(390,423)	2,131,999
Fund Balance - Beginning	4,203,196	4,203,196	4,203,196	-
Fund Balance - Ending	\$ 4,203,196	\$ 1,680,774	\$ 3,812,773	\$ 2,131,999

City of Orem
Telecommunication Billing Fund - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ 56,000	\$ 56,000	\$ 50,925	\$ (5,075)
Miscellaneous Revenues	4,000	4,000	180	(3,820)
Total Revenues	60,000	60,000	51,105	(8,895)
EXPENDITURES				
Current:				
Miscellaneous Expenditures	60,000	60,000	39,151	20,849
Total Expenditures	60,000	60,000	39,151	20,849
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	11,954	11,954
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	11,954	11,954
Fund Balance - Beginning	16,308	16,308	16,308	-
Fund Balance - Ending	\$ 16,308	\$ 16,308	\$ 28,262	\$ 11,954

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	\$ 803,000	\$ 803,000	\$ 428,710	\$ (374,290)
Charges for Services	6,000	6,000	186,321	180,321
Investment Earnings	750	750	749	(1)
Miscellaneous Revenues	-	-	815	815
Total Revenues	809,750	809,750	616,595	(193,155)
EXPENDITURES				
Current:				
Economic and Physical Development	479,130	548,922	384,314	164,608
Capital Outlay	100,000	85,000	-	85,000
Debt Service:				
Principal Retirement	65,000	65,000	65,000	-
Interest and Fiscal Charges	42,344	43,916	43,916	-
Total Expenditures	686,474	742,838	493,230	249,608
Excess (Deficiency) of Revenues over (under) Expenditures	123,276	66,912	123,365	56,453
OTHER FINANCING SOURCES (USES)				
Transfers In	50,489	65,386	65,386	-
Transfers Out	(173,765)	(188,662)	(188,662)	-
Total Other Financing Sources (Uses)	(123,276)	(123,276)	(123,276)	-
Net Change in Fund Balance	-	(56,364)	89	56,453
Fund Balance - Beginning	347,039	347,039	347,039	-
Fund Balance - Ending	\$ 347,039	\$ 290,675	\$ 347,128	\$ 56,453

City of Orem
Friends of the Orem Public Library - Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Charges for Services	\$ 185,000	\$ 185,000	\$ 75,797	\$ (109,203)
Intergovernmental Revenues	-	40,578	-	(40,578)
Investment Earnings	4,000	4,000	6,489	2,489
Miscellaneous Revenues	90,000	90,000	11,895	(78,105)
Total Revenues	279,000	319,578	94,181	(225,397)
EXPENDITURES				
Current:				
Library Programs	289,000	344,352	244,338	100,014
Total Expenditures	289,000	344,352	244,338	100,014
Excess (Deficiency) of Revenues over (under) Expenditures	(10,000)	(24,774)	(150,157)	(125,383)
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000	-	(10,000)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	10,000	10,000	-	(10,000)
Net Change in Fund Balance	-	(14,774)	(150,157)	(135,383)
Fund Balance - Beginning	718,238	718,238	718,238	-
Fund Balance - Ending	\$ 718,238	\$ 703,464	\$ 568,081	\$ (135,383)

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous Revenues	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Total Revenues	10,000	10,000	-	(10,000)
EXPENDITURES				
Current:				
City Programs	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	10,000	10,000	-	(10,000)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(10,000)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	(10,000)	(10,000)	-	10,000
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 19,500	\$ 19,500	\$ 20,394	\$ 894
Investment Earnings	750	750	2,751	2,001
Miscellaneous Revenues	31,000	31,000	17,819	(13,181)
Total Revenues	51,250	51,250	40,964	(10,286)
EXPENDITURES				
Current:				
Dances	10,750	10,750	2,617	8,133
Tours	25,000	25,000	9,651	15,349
Miscellaneous Expenditures	15,500	15,500	7,947	7,553
Total Expenditures	51,250	51,250	20,215	31,035
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	20,749	20,749
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	20,749	20,749
Fund Balance - Beginning	221,135	221,135	221,135	-
Fund Balance - Ending	\$ 221,135	\$ 221,135	\$ 241,884	\$ 20,749

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 accounts for the repair and maintenance of vehicles and equipment for all City operations. It is financed by charges made to other funds for use of its 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 fiscal year.

Purchasing/Warehousing Fund – This fund accounts for the central purchasing and warehousing functions 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 fiscal year.

Self-Insurance Fund – This fund accounts 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.

Information Technology Fund – This fund accounts for the technological needs of the City including, but not limited to, computers, servers, networks, telephone systems, cell phone services, software, internet services, and all maintenance needs related thereto. It provides these services 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 fiscal year.

City of Orem
Internal Service Funds
Combining Statement of Net Position
June 30, 2017

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Information Technology	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 255,627	\$ 38,790	\$ 2,705,854	\$ 778,071	\$ 3,778,342
Inventories	-	418,842	-	-	418,842
Prepays	-	-	-	-	-
Total Current Assets	<u>255,627</u>	<u>457,632</u>	<u>2,705,854</u>	<u>778,071</u>	<u>4,197,184</u>
Noncurrent Assets:					
Capital Assets:					
Buildings	-	150,000	-	-	150,000
Machinery and Equipment	200,578	31,064	-	101,190	332,832
Construction in Progress	-	-	-	-	-
Less Accumulated Depreciation	(131,044)	(91,564)	-	(1,205)	(223,813)
Total Capital Assets (Net of Accumulated Depreciation)	<u>69,534</u>	<u>89,500</u>	<u>-</u>	<u>99,985</u>	<u>259,019</u>
Net Pension Assets	-	-	-	-	-
Total Noncurrent Assets	<u>69,534</u>	<u>89,500</u>	<u>-</u>	<u>99,985</u>	<u>259,019</u>
Total Assets	<u>325,161</u>	<u>547,132</u>	<u>2,705,854</u>	<u>878,056</u>	<u>4,456,203</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	89,562	136,493	20,889	606,760	853,704
Total Deferred Outflows of Resources	<u>89,562</u>	<u>136,493</u>	<u>20,889</u>	<u>606,760</u>	<u>853,704</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 414,723</u>	<u>\$ 683,625</u>	<u>\$ 2,726,743</u>	<u>\$ 1,484,816</u>	<u>\$ 5,309,907</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 1,737	\$ 2,470	\$ 22,490	\$ 11,631	\$ 38,328
Accrued Liabilities	16,103	10,468	3,161	43,019	72,751
Accrued Vacation Leave	32,537	25,777	1,384	93,036	152,734
Claims and Judgments	-	-	323,333	-	323,333
Capital Lease Payable - Current Portion	1,000	-	-	-	1,000
Total Current Liabilities	<u>51,377</u>	<u>38,715</u>	<u>350,368</u>	<u>147,686</u>	<u>588,146</u>
Noncurrent Liabilities:					
Accrued Vacation Leave	1,712	1,357	3,522	4,897	11,488
Claims and Judgments	-	-	1,086,895	-	1,086,895
Capital Lease Payable - Long-term Portion	24,807	-	-	-	24,807
Net Pension Liability	116,727	177,893	27,225	790,794	1,112,639
Total Noncurrent Liabilities	<u>143,246</u>	<u>179,250</u>	<u>1,117,642</u>	<u>795,691</u>	<u>2,235,829</u>
Total Liabilities	<u>194,623</u>	<u>217,965</u>	<u>1,468,010</u>	<u>943,377</u>	<u>2,823,975</u>
DEFERRED INFLOWS OF RESOURCES					
Pensions	25,556	38,947	5,960	173,134	243,597
Total Deferred Inflows of Resources	<u>25,556</u>	<u>38,947</u>	<u>5,960</u>	<u>173,134</u>	<u>243,597</u>
NET POSITION					
Net Investment in Capital Assets	43,727	89,500	-	99,985	233,212
Restricted for Pensions	-	-	-	-	-
Unrestricted	150,817	337,213	1,252,773	268,320	2,009,123
Total Net Position	<u>194,544</u>	<u>426,713</u>	<u>1,252,773</u>	<u>368,305</u>	<u>2,242,335</u>
Total Liabilities, Deferred Inflows of Resources, & Net Position	<u>\$ 414,723</u>	<u>\$ 683,625</u>	<u>\$ 2,726,743</u>	<u>\$ 1,484,816</u>	<u>\$ 5,309,907</u>

City of Orem
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For The Year Ended June 30, 2017

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Information Technology	Total
OPERATING REVENUES:					
Charges for Services to Other Funds	\$ 710,000	\$ 285,000	\$ 1,767,700	\$ 2,000,000	\$ 4,762,700
Other Revenues	-	180	-	8,136	8,316
Total Operating Revenues	710,000	285,180	1,767,700	2,008,136	4,771,016
OPERATING EXPENSES:					
Personnel Services	441,070	244,682	86,363	1,247,679	2,019,794
Supplies, Maintenance and Claims	151,444	98,628	2,180,889	536,203	2,967,164
Depreciation Expense	8,188	6,000	-	1,205	15,393
Total Operating Expenses	600,702	349,310	2,267,252	1,785,087	5,002,351
Operating Income (Loss)	109,298	(64,130)	(499,552)	223,049	(231,335)
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	-	-	-	-	-
Gain (Loss) on Sales of Fixed Assets	-	1,260	-	500	1,760
Interest Expense and Fiscal Charges	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	1,260	-	500	1,760
Income (Loss) before Operating					
Transfers	109,298	(62,870)	(499,552)	223,549	(229,575)
Transfers In	-	-	-	-	-
Transfers Out	(44,829)	-	-	-	(44,829)
Change in Net Position	64,469	(62,870)	(499,552)	223,549	(274,404)
Total Net Position - Beginning	130,075	489,583	1,752,325	144,756	2,516,739
Total Net Position - Ending	\$ 194,544	\$ 426,713	\$ 1,252,773	\$ 368,305	\$ 2,242,335

City of Orem
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2017

	Fleet Maintenance	Purchasing / Warehousing	Self- Insurance	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Interfund Services Provided	\$ 710,000	\$ 285,180	\$ 1,767,700	\$ 2,008,136	\$ 4,771,016
Payments to Suppliers	(147,162)	(124,468)	(1,617,530)	(509,429)	(2,398,589)
Payments for Personnel	(432,936)	(251,216)	(85,460)	(1,204,860)	(1,974,472)
Net Cash Provided (Used) by Operating Activities	129,902	(90,504)	64,710	293,847	397,955
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers In	-	-	-	-	-
Transfers Out	(44,829)	-	-	-	(44,829)
Net Cash Provided (Used) by Noncapital Financing Activities	(44,829)	-	-	-	(44,829)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:					
Acquisition of Capital Assets	(33,287)	-	-	-	(33,287)
Proceeds from the Sale of Capital Assets	-	1,260	-	500	1,760
Proceeds from Capital Leases	26,287	-	-	-	26,287
Principal paid on Outstanding Debt	(480)	-	-	-	(480)
Net Cash Provided (Used) in Capital Financing Activities	(7,480)	1,260	-	500	(5,720)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment Earnings	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	77,593	(89,244)	64,710	294,347	347,406
Cash and Cash Equivalents - Beginning of Year	178,034	128,034	2,641,144	483,724	3,430,936
Cash and Cash Equivalents - End of Year	\$ 255,627	\$ 38,790	\$ 2,705,854	\$ 778,071	\$ 3,778,342
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 109,298	\$ (64,130)	\$ (499,552)	\$ 223,049	\$ (231,335)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	8,188	6,000	-	1,205	15,393
(Increase) Decrease in Inventory	-	(27,067)	-	-	(27,067)
(Increase) Decrease in Prepaids	-	-	-	16,384	16,384
(Increase) Decrease in Pension Assets	(27,872)	(26,597)	(6,931)	(106,317)	(167,717)
Increase (Decrease) in Accounts Payable	550	(966)	22,312	7,925	29,821
Increase (Decrease) in Accrued Liabilities	3,732	2,193	459	2,165	8,549
Increase (Decrease) in Accrued Vacation Leave	4,056	(144)	(376)	80,598	84,134
Increase (Decrease) in Pension Liabilities	31,950	20,207	8,210	68,538	128,905
Increase (Decrease) in Claims and Judgments	-	-	540,588	-	540,588
Total Adjustments	20,604	(26,374)	564,262	70,798	629,290
Net Cash Provided (Used) by Operating Activities	\$ 129,902	\$ (90,504)	\$ 64,710	\$ 293,847	\$ 397,955

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



**THE
ALL-TOGETHER
PLAYGROUND**

CITY CENTER PARK



DOG PARK
MT. TIMP PARK



ROLLER
PUBLIC WORKS



AMBULANCE
FIRE DEPT.



SPLASH PAD
PALISADE PARK

CITY OF OREM
CAPITAL ASSETS

BUILDING A
BETTER
OREM

City of Orem
Schedules of Capital Assets Used in The Operations of Governmental Funds
Schedules By Source - Comparative¹
June 30, 2017 and 2016

	2017	2016
Governmental Funds Capital Assets:		
Land	\$ 65,181,847	\$ 63,445,925
Buildings	32,731,587	32,664,607
Improvements other than Buildings	34,543,266	30,113,287
Machinery and Equipment	21,788,417	20,353,319
Infrastructure	119,133,397	112,745,796
Construction in Progress	2,185,715	2,528,136
Total Governmental Funds Capital Assets	<u>\$ 275,564,229</u>	<u>\$ 261,851,070</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 236,891,097	\$ 225,853,972
Capital Projects Fund	16,583,250	16,359,799
Federal Grants	656,761	644,161
State Road Funds	13,893,776	13,162,511
Redevelopment	3,958,709	2,249,991
Community Development	3,580,636	3,580,636
Total Governmental Funds Capital Assets	<u>\$ 275,564,229</u>	<u>\$ 261,851,070</u>

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

City of Orem
Schedules of Capital Assets Used in The Operations of Governmental Funds
Schedule By Function and Activity¹
June 30, 2017

Function and Activity	Land	Buildings	Improvements Other Than Buildings
General Government:			
Executive	\$ -	\$ 2,075	\$ 81,479
Personnel Administration	-	-	-
Administrative Services	-	-	26,263
Legal	-	-	10,100
Development Services	-	-	-
General Government	1,710,203	3,841,058	4,186,967
Engineering	-	-	-
Redevelopment	1,700,048	-	85,080
Community Development	-	8,105	1,337,700
Total General Government	<u>3,410,251</u>	<u>3,851,238</u>	<u>5,727,589</u>
Public Safety:			
Administration	-	5,377,906	9,407
Police Protection	-	-	87,345
Fire Protection	174,096	2,486,089	820,972
Emergency Services	-	1,580	-
Total Public Safety	<u>174,096</u>	<u>7,865,575</u>	<u>917,724</u>
Highways and Streets:			
Administration & Engineering	33,550	7,874,114	363,324
Street System	51,190,789	69,298	3,518,362
Street Lighting	-	-	1,421,853
Total Highways and Streets	<u>51,224,339</u>	<u>7,943,412</u>	<u>5,303,539</u>
Parks and Recreation	10,150,816	8,252,592	21,378,560
Library	222,345	4,818,770	1,215,854
Total Governmental Funds Capital Assets	<u>\$ 65,181,847</u>	<u>\$ 32,731,587</u>	<u>\$ 34,543,266</u>

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

Machinery and Equipment	Infrastructure	Construction in Progress	Total
\$ 1,015,879	\$ -	\$ -	\$ 1,099,433
8,013	-	-	8,013
366,622	-	10,226	403,111
21,498	-	-	31,598
216,755	-	-	216,755
135,605	291,428	-	10,165,261
433,936	-	-	433,936
7,800	2,165,780	-	3,958,708
-	2,234,832	-	3,580,637
2,206,108	4,692,040	10,226	19,897,452
1,249,013	-	-	6,636,326
5,841,816	-	286,603	6,215,764
5,599,184	247,027	847,780	10,175,148
77,072	-	-	78,652
12,767,085	247,027	1,134,383	23,105,890
411,126	-	-	8,682,114
3,075,967	112,601,165	53,710	170,509,291
-	1,136,156	-	2,558,009
3,487,093	113,737,321	53,710	181,749,414
2,699,298	457,009	723,538	43,661,813
628,833	-	263,858	7,149,660
\$ 21,788,417	\$ 119,133,397	\$ 2,185,715	\$ 275,564,229

City of Orem
Schedules of Capital Assets Used in The Operations of Governmental Funds
Schedule of Changes By Function and Activity¹
For The Year Ended June 30, 2017

Function and Activity	Governmental Funds Capital Assets June 30, 2016	Additions	Deductions	Governmental Funds Capital Assets June 30, 2017
General Government:				
Executive	\$ 1,063,453	\$ 35,980	\$ -	\$ 1,099,433
Personnel Administration	8,013	-	-	8,013
Administrative Services	378,303	40,671	(15,863)	403,111
Legal	20,690	10,908	-	31,598
Development Services	173,951	59,311	(16,507)	216,755
General Government	8,253,388	5,320,593	(3,408,720)	10,165,261
Engineering	433,936	-	-	433,936
Redevelopment	2,249,990	1,708,718	-	3,958,708
Community Development	3,580,637	-	-	3,580,637
Total General Government	16,162,361	7,176,181	(3,441,090)	19,897,452
Public Safety:				
Administration	6,636,326	-	-	6,636,326
Police Protection	5,484,167	789,269	(57,672)	6,215,764
Fire Protection	9,530,511	644,637	-	10,175,148
Emergency Services	69,124	9,528	-	78,652
Total Public Safety	21,720,128	1,443,434	(57,672)	23,105,890
Highways and Streets:				
Administration & Engineering	8,682,114	-	-	8,682,114
Street System	164,448,410	6,060,881	-	170,509,291
Street Lighting	2,834,118	-	(276,109)	2,558,009
Total Highways and Streets	175,964,642	6,060,881	(276,109)	181,749,414
Parks and Recreation	40,887,905	2,773,908	-	43,661,813
Library	7,116,034	33,626	-	7,149,660
Total Governmental Funds Capital Assets	\$ 261,851,070	\$ 17,488,030	\$ (3,774,871)	\$ 275,564,229

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

STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

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

<u>Contents</u>	<u>Page</u>
Financial Trends	146
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	154
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	166
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	177
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	182
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. Information related to any new GASB pronouncements required to be included within these statements is shown prospectively except in those cases in which prior year information was readily available.

City of Orem
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities:				
Net Investment in Capital Assets	\$ 117,130,313	\$ 120,836,719	\$ 117,860,004	\$ 120,200,518
Restricted:				
Debt Service	2,747,418	2,853,975	2,727,121	5,213,847
Capital Improvements	1,931,411	2,041,001	1,741,829	11,343,346
Pensions	-	-	-	-
Community Development	22,636	26,745	69,306	4,511,078
Subtotal - Restricted	4,701,465	4,921,721	4,538,256	21,068,271
Unrestricted	27,564,080	24,022,927	28,287,115	11,301,287
Total Governmental Activities Net Position	149,395,858	149,781,367	150,685,375	152,570,076
Business-type Activities:				
Net Investment in Capital Assets	51,848,628	51,508,253	51,418,176	50,282,917
Restricted:				
Debt Service	-	-	4,223,890	3,696,467
Capital Improvements	-	-	57,723	372,691
Pensions	-	-	-	-
Subtotal - Restricted	-	-	4,281,613	4,069,158
Unrestricted	8,709,036	10,772,961	6,880,529	8,249,952
Total Business-type Activities Net Position	60,557,664	62,281,214	62,580,318	62,602,027
Primary Government:				
Net Investment in Capital Assets	168,978,941	172,344,972	169,278,180	170,483,435
Restricted:				
Debt Service	2,747,418	2,853,975	6,951,011	8,910,314
Capital Improvements	1,931,411	2,041,001	1,799,552	11,716,037
Pensions	-	-	-	-
Community Development	22,636	26,745	69,306	4,511,078
Subtotal - Restricted	4,701,465	4,921,721	8,819,869	25,137,429
Unrestricted	36,273,116	34,795,888	35,167,644	19,551,239
Total Primary Government Net Position	\$ 209,953,522	\$ 212,062,581	\$ 213,265,693	\$ 215,172,103

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 118,628,873	\$ 116,156,331	\$ 119,632,622	\$ 125,400,639	\$ 126,818,760	\$ 131,968,221
5,243,669	3,321,577	3,962,783	4,397,812	3,276,616	3,124,343
12,514,381	14,939,254	13,182,105	13,746,082	14,968,717	12,172,402
-	-	-	474,700	18,819	11,876
4,969,244	5,238,370	2,077,923	2,325,070	1,966,450	2,465,412
22,727,294	23,499,201	19,222,811	20,943,664	20,230,602	17,774,033
12,619,271	15,467,624	18,050,956	14,694,051	22,000,259	23,803,593
153,975,438	155,123,156	156,906,389	161,038,354	169,049,621	173,545,847
51,205,188	52,401,013	51,205,761	55,221,666	56,904,569	59,715,600
2,140,970	2,035,413	2,415,159	1,658,404	2,448,592	1,860,333
103,510	-	44,000	66,000	88,000	110,000
-	-	-	2,025	145	-
2,244,480	2,035,413	2,459,159	1,726,429	2,536,737	1,970,333
11,483,226	13,503,553	17,867,439	18,391,654	20,298,964	27,455,917
64,932,894	67,939,979	71,532,359	75,339,749	79,740,270	89,141,850
169,834,061	168,557,344	170,838,383	180,622,305	183,723,329	191,683,821
7,384,639	5,356,990	6,377,942	6,056,216	5,725,208	4,984,676
12,617,891	14,939,254	13,226,105	13,812,082	15,056,717	12,282,402
-	-	-	476,725	18,964	11,876
4,969,244	5,238,370	2,077,923	2,325,070	1,966,450	2,465,412
24,971,774	25,534,614	21,681,970	22,670,093	22,767,339	19,744,366
24,102,497	28,971,177	35,918,395	33,085,705	42,299,223	51,259,510
\$ 218,908,332	\$ 223,063,135	\$ 228,438,748	\$ 236,378,103	\$ 248,789,891	\$ 262,687,697

City of Orem
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Expenses						
Governmental Activities:						
General Government	\$ 14,062,762	\$ 12,896,604	\$ 10,173,033	\$ 10,878,275	\$ 11,154,305	\$ 11,534,649
Public Safety	19,491,191	20,353,956	20,987,542	21,030,800	21,511,770	21,306,592
Highways and Public Improvements	8,646,549	8,299,238	7,677,709	8,446,665	7,987,142	7,485,469
Parks, Recreation and Arts	9,416,719	9,474,718	9,291,122	9,018,719	9,266,216	8,961,377
Economic and Physical Development	3,221,573	1,886,214	1,868,880	1,831,623	1,664,674	778,954
Redevelopment	593,283	1,026,908	1,030,308	1,039,965	1,651,667	1,217,896
Interest on Long-term Debt	2,217,525	2,171,793	2,130,686	1,857,526	3,654,187	6,151,718
Total Governmental Activities Expenses	57,649,602	56,048,431	53,169,280	54,102,573	56,989,961	57,435,646
Business-type Activities:						
Water	8,388,236	8,849,126	9,790,583	9,726,003	9,939,501	10,405,264
Water Reclamation	5,982,610	5,996,131	5,963,812	5,924,058	6,173,983	6,164,406
Storm Water	2,004,281	2,250,279	2,312,019	2,272,163	2,395,612	2,338,213
Recreation	1,617,587	1,695,721	1,766,296	1,765,365	1,818,936	1,758,026
Solid Waste	3,014,707	3,128,564	3,211,021	3,180,547	3,189,138	2,999,632
Street Lighting	1,244,305	1,250,380	1,275,827	1,282,288	1,231,494	1,260,509
Total Business-type Activities Expenses	22,251,726	23,170,201	24,319,558	24,150,414	24,688,663	24,926,050
Total Primary Government Expenses	79,901,328	79,218,632	77,478,838	78,252,987	81,678,624	82,361,695
Program Revenues						
Governmental Activities:						
Charges for Services:						
General Government	11,697,008	9,687,642	7,689,108	8,778,383	9,943,923	9,624,404
Public Safety	3,339,720	4,928,988	4,603,279	4,246,902	4,116,110	4,306,443
Parks, Recreation and Arts	545,132	621,115	554,474	818,010	833,489	820,453
Economic and Physical Development	277,113	306,039	33,632	9,571	78,199	163,099
Operating Grants and Contributions	1,438,884	1,369,082	1,595,969	2,254,533	2,077,014	1,273,162
Capital Grants and Contributions	4,127,289	2,881,835	3,074,396	2,966,474	2,665,504	2,613,082
Total Governmental Activities Program Revenues	21,425,146	19,794,696	17,650,848	19,073,873	19,614,239	18,800,543
Business-type Activities:						
Charges for Services:						
Water	9,331,088	9,402,862	8,468,089	9,237,211	11,040,897	11,021,745
Water Reclamation	6,073,791	6,060,235	6,448,057	6,597,342	6,811,766	7,146,508
Storm Water	2,549,082	2,688,822	2,819,306	2,639,270	2,944,351	3,091,807
Recreation	1,588,894	1,610,947	1,590,568	1,656,084	1,704,847	1,650,645
Solid Waste	2,961,104	2,999,129	3,084,768	3,102,999	3,180,937	3,237,569
Street Lighting	689,343	742,629	866,134	864,928	869,312	897,672
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	926,500	-	313,622	112,480	73,400	394,507
Total Business-type Activities Program Revenues	24,119,812	23,504,624	23,590,544	24,210,314	26,625,510	27,440,443
Total Primary Government Program Revenues	45,544,958	43,299,320	41,141,392	43,284,187	46,239,749	46,241,086
Net (Expense) Revenue						
Governmental Activities	(36,224,456)	(36,253,732)	(35,608,432)	(35,028,700)	(37,375,722)	(36,635,002)
Business-type Activities	1,868,086	334,423	(729,014)	59,900	1,936,847	2,514,393
Total Primary Government Net (Expense) Revenue	\$ (34,356,370)	\$ (35,919,309)	\$ (36,337,446)	\$ (34,968,800)	\$ (35,438,875)	\$ (36,120,609)
General Revenues and Other Changes in Net Position						
Governmental Activities:						
Taxes:						
Sales Taxes	20,616,891	17,989,571	18,779,178	17,096,224	18,106,273	18,944,647
Property Taxes	9,082,992	10,243,876	10,320,412	10,893,480	11,008,739	11,517,710
Franchise Taxes	7,291,044	7,342,725	7,643,267	7,301,384	7,437,757	7,816,921
Vehicle and Other Taxes	1,114,817	1,038,934	1,505,864	1,332,635	1,963,732	1,585,215
Unrestricted Investment Earnings	1,468,514	1,017,692	212,163	180,340	288,930	274,462
Gain on Sale of Capital Assets	866,063	8,591	74,794	17,405	73,693	43,371
Transfers	(1,036,106)	(1,002,148)	(68,020)	91,993	(98,040)	(399,606)
Total Governmental Activities	39,204,215	36,639,241	36,467,654	36,913,401	38,781,084	39,782,720
Business-type Activities:						
Unrestricted Investment Earnings	443,870	307,084	92,554	80,038	125,167	90,651
Gain on Sale of Capital Assets	131,104	79,915	10,156	(26,296)	170,813	2,435
Transfers	1,036,106	1,002,148	68,020	(91,993)	98,040	399,606
Total Business-type Activities	1,611,080	1,389,127	170,730	(38,191)	394,020	492,692
Total Primary Government	40,815,295	38,028,368	36,638,384	36,875,210	39,175,104	40,275,412
Change in Net Position						
Governmental Activities	2,979,759	385,509	959,222	1,884,701	1,405,362	1,147,718
Business-type Activities	3,478,166	1,723,550	(558,284)	21,709	2,330,867	3,007,085
Total Primary Government	\$ 6,458,925	\$ 2,109,059	\$ 300,938	\$ 1,906,410	\$ 3,736,229	\$ 4,154,803

Fiscal Year				
2014	2015	2016	2017	
12,398,443	10,948,663	11,148,210	18,160,153	
20,927,444	20,363,836	21,750,059	23,578,262	
7,583,113	7,360,050	7,426,758	7,085,621	
8,415,399	8,448,553	8,704,800	9,471,883	
815,708	513,855	867,172	950,630	
1,305,271	1,320,100	187,497	1,286,498	
6,585,839	3,990,714	3,624,749	3,596,868	
58,031,217	52,945,771	53,709,245	59,129,915	
10,765,320	10,460,803	10,335,616	11,021,079	
6,597,101	6,268,592	6,716,546	6,723,394	
2,401,066	2,444,269	2,460,540	2,371,647	
1,716,490	1,949,301	2,023,758	1,962,995	
3,207,627	3,139,688	3,174,442	3,283,310	
1,283,895	1,297,054	1,396,770	1,174,100	
25,971,499	25,559,717	26,107,672	26,536,525	
84,002,716	78,505,488	79,816,917	85,696,440	
10,180,619	11,868,366	10,018,102	9,718,116	
4,276,822	5,229,158	5,904,235	5,768,195	
866,832	751,427	896,415	2,008,377	
76,768	118,984	117,234	186,321	
1,271,755	1,332,898	1,333,496	1,195,663	
2,413,909	4,017,121	2,789,074	3,171,938	
19,076,705	23,317,954	21,098,556	22,048,610	
13,201,526	13,425,701	13,336,792	15,547,544	
7,620,706	8,007,161	7,281,870	8,619,099	
3,103,768	3,170,915	3,451,551	4,001,972	
1,369,357	1,546,991	1,583,477	1,617,273	
3,369,722	3,400,359	3,515,859	3,571,929	
1,011,739	985,291	988,481	995,480	
723,964	591,886	510,138	1,383,925	
30,300,782	31,128,004	30,668,168	35,737,232	
49,377,487	54,445,958	51,766,724	57,785,832	
(38,954,512)	(29,627,817)	(32,610,689)	(37,081,305)	
4,329,283	5,568,287	4,560,496	9,200,697	
\$ (34,625,229)	\$ (24,059,530)	\$ (28,050,193)	\$ (27,880,608)	
19,818,967	20,727,557	21,405,733	22,750,706	
11,065,522	9,839,669	9,229,764	9,141,823	
7,956,780	7,698,687	7,853,723	7,894,110	
1,402,481	828,941	1,022,038	881,179	
421,721	402,246	688,384	603,500	
54,728	2,539,390	19,127	103,983	
500,649	532,903	403,187	202,230	
41,220,848	42,569,393	40,621,956	41,577,531	
98,093	122,371	175,933	285,761	
10,733	85,244	67,279	117,352	
(500,649)	(532,903)	(403,187)	(202,230)	
(391,823)	(325,288)	(159,976)	200,883	
40,829,025	42,244,105	40,461,981	41,778,414	
2,266,336	12,941,576	8,011,267	1,496,226	
3,937,460	5,242,989	4,400,521	9,401,580	
\$ 6,203,796	\$ 18,184,575	\$ 12,411,788	\$ 13,897,806	

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Nonspendable	\$ 22,636	\$ 26,745	\$ 51,604	\$ 107,041
Restricted	1,635,185	1,743,596	4,345,683	5,439,904
Committed	-	-	-	497,768
Assigned	-	-	-	1,226,527
Unassigned	10,962,112	6,773,200	5,410,613	3,471,493
Total General Fund	<u>12,619,933</u>	<u>8,543,541</u>	<u>9,807,900</u>	<u>10,742,733</u>
All Other Governmental Funds				
Nonspendable	-	-	1,442,352	3,406,170
Restricted	7,519,224	9,670,532	9,746,056	12,115,156
Committed	-	-	-	109,753
Assigned	6,008,984	5,972,530	4,433,744	1,158,818
Total All Other Governmental Funds	<u>13,528,208</u>	<u>15,643,062</u>	<u>15,622,152</u>	<u>16,789,897</u>
Total Governmental Funds				
Nonspendable	22,636	26,745	1,493,956	3,513,211
Restricted	9,154,409	11,414,128	14,091,739	17,555,060
Committed	-	-	-	607,521
Assigned	6,008,984	5,972,530	4,433,744	2,385,345
Unassigned	10,962,112	6,773,200	5,410,613	3,471,493
Total Governmental Funds	<u>\$ 26,148,141</u>	<u>\$ 24,186,603</u>	<u>\$ 25,430,052</u>	<u>\$ 27,532,630</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 97,590	\$ 183,807	\$ 146,343	\$ 70,707	\$ 57,122	\$ 51,517
5,367,461	5,721,516	5,554,462	6,057,938	6,484,410	7,292,911
75,000	75,000	75,000	-	-	-
2,145,703	1,500,374	1,893,107	3,125,711	3,562,553	2,844,275
3,396,016	6,092,838	10,073,358	12,747,875	11,474,137	12,829,323
11,081,770	13,573,535	17,742,270	22,002,231	21,578,222	23,018,026
4,341,351	2,473,532	-	-	-	1,000
12,920,892	15,120,346	13,522,006	14,340,319	13,653,867	10,416,729
-	-	-	-	5,380,123	-
2,487,021	3,518,562	2,380,417	6,546,914	11,071,273	12,327,020
19,749,264	21,112,440	15,902,423	20,887,233	30,105,263	22,744,749
4,438,941	2,657,339	146,343	70,707	57,122	52,517
18,288,353	20,841,862	19,076,468	20,398,257	20,138,277	17,709,640
75,000	75,000	75,000	-	5,380,123	-
4,632,724	5,018,936	4,273,524	9,672,625	14,633,826	15,171,295
3,396,016	6,092,838	10,073,358	12,747,875	11,474,137	12,829,323
\$ 30,831,034	\$ 34,685,975	\$ 33,644,693	\$ 42,889,464	\$ 51,683,485	\$ 45,762,775

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
Taxes and Special Assessments	\$ 38,517,744	\$ 37,312,000	\$ 36,955,125	\$ 36,999,164	\$ 40,286,108
Licenses and Permits	1,596,935	1,027,151	1,080,748	1,213,994	1,093,859
Intergovernmental	4,325,215	3,836,399	4,670,355	5,221,007	4,642,518
Charges for Services	4,832,559	5,819,384	5,621,965	5,744,989	5,789,061
Fines and Forfeitures	580,510	608,103	618,992	1,073,523	1,343,329
Charges for Services - Other Funds	3,921,154	4,081,747	4,347,299	4,239,346	4,478,369
Interest Income	1,321,190	732,409	209,311	259,815	340,125
Miscellaneous Revenue	1,642,446	1,523,945	2,755,608	1,892,299	2,256,723
Total Revenues	56,737,753	54,941,138	56,259,403	56,644,137	60,230,092
Expenditures					
General Government	11,620,136	11,433,442	10,843,565	11,562,870	10,348,586
Public Safety	17,851,249	19,338,116	19,729,088	20,098,983	20,371,289
Highways and Public Improvements	4,107,184	4,188,647	5,322,963	4,285,166	3,707,727
Parks, Recreation and Arts	7,807,327	8,052,037	7,785,452	7,510,159	7,730,925
Economic and Physical Development	1,998,675	676,049	667,883	630,073	1,588,116
Redevelopment	577,702	939,909	940,879	950,536	1,562,238
Debt Service:					
Principal Retirement	3,260,950	6,860,871	4,200,905	4,877,352	3,834,833
Interest and Fiscal Charges	2,146,891	2,436,375	2,197,450	1,983,792	3,821,259
Capital Lease Payments - Principal	68,361	87,660	37,200	34,028	31,132
Capital Lease Payments - Interest	5,824	4,755	2,259	1,718	1,989
Capital Outlay	10,520,814	5,985,800	3,606,664	4,712,497	4,435,299
Total Expenditures	59,965,113	60,003,661	55,334,308	56,647,174	57,433,393
Excess of Revenues over					
 (under) Expenditures	(3,227,360)	(5,062,523)	925,095	(3,037)	2,796,699
Other Financing Sources (Uses)					
Issuance of Bonds & Other Debt	7,290,169	6,926,936	4,809,811	1,915,000	1,814,000
Payment to Bond Refunding Agent	(5,750,946)	(2,905,000)	(4,703,082)	-	(1,785,000)
Proceeds from Asset Disposals	669,351	17,044	221,820	25,000	45,598
Proceeds from Lease Relinquishments	-	-	-	-	-
Capital Leases	90,783	34,977	-	73,078	525,147
Transfers In	6,648,353	6,902,301	12,735,609	4,018,147	5,933,470
Transfers Out	(7,038,634)	(7,875,273)	(12,790,590)	(3,925,610)	(6,031,510)
Total Other Financing Sources (Uses)	1,909,076	3,100,985	273,568	2,105,615	501,705
Net Change in Fund Balances	\$ (1,318,284)	\$ (1,961,538)	\$ 1,198,663	\$ 2,102,578	\$ 3,298,404
Debt Service as a percentage					
 of Noncapital Expenditures	10.8%	17.1%	12.3%	13.0%	14.3%

Fiscal Year				
2013	2014	2015	2016	2017
\$ 40,595,860	\$ 40,004,715	\$ 43,549,348	\$ 39,473,431	\$ 40,804,822
1,147,855	1,437,173	2,524,794	1,745,483	1,815,943
3,886,244	3,685,664	5,350,019	4,122,570	4,367,601
6,026,996	6,387,452	7,624,838	7,671,801	7,944,803
1,358,345	1,587,870	1,792,829	1,588,994	1,699,609
4,447,898	4,498,406	4,042,299	3,666,672	3,739,141
274,439	420,619	397,648	691,037	602,736
1,889,659	1,557,414	1,587,285	1,670,552	2,254,504
59,627,296	59,579,313	66,869,060	60,630,540	63,229,159
11,093,324	11,609,569	11,539,358	12,143,760	12,810,872
20,332,951	19,951,315	19,847,226	21,144,586	21,752,711
2,974,008	2,934,326	2,828,824	2,922,708	3,029,415
7,558,171	7,016,106	7,485,247	7,512,284	7,593,094
707,403	707,759	886,236	788,526	862,478
1,128,457	1,215,842	1,231,600	99,182	1,195,421
3,130,714	3,814,621	5,486,955	4,369,370	3,515,873
6,233,296	6,706,815	4,201,272	3,802,678	3,554,590
98,213	108,318	108,376	114,173	109,494
12,099	10,218	9,177	7,037	4,540
1,963,153	7,180,569	7,573,606	6,044,338	15,109,224
55,231,789	61,255,458	61,197,877	58,948,642	69,537,712
4,395,507	(1,676,145)	5,671,183	1,681,898	(6,308,553)
-	-	10,174,331	-	2,898,000
-	-	(9,792,760)	-	(2,861,199)
48,275	107,760	42,869	19,127	103,983
-	-	2,500,000	-	-
-	26,454	64,113	6,739,000	-
7,199,980	7,452,857	11,483,900	12,998,035	11,857,495
(7,788,821)	(6,952,208)	(10,898,865)	(12,644,039)	(11,610,436)
(540,566)	634,863	3,573,588	7,112,123	387,843
\$ 3,854,941	\$ (1,041,282)	\$ 9,244,771	\$ 8,794,021	\$ (5,920,710)
17.4%	19.2%	18.0%	15.3%	12.9%

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

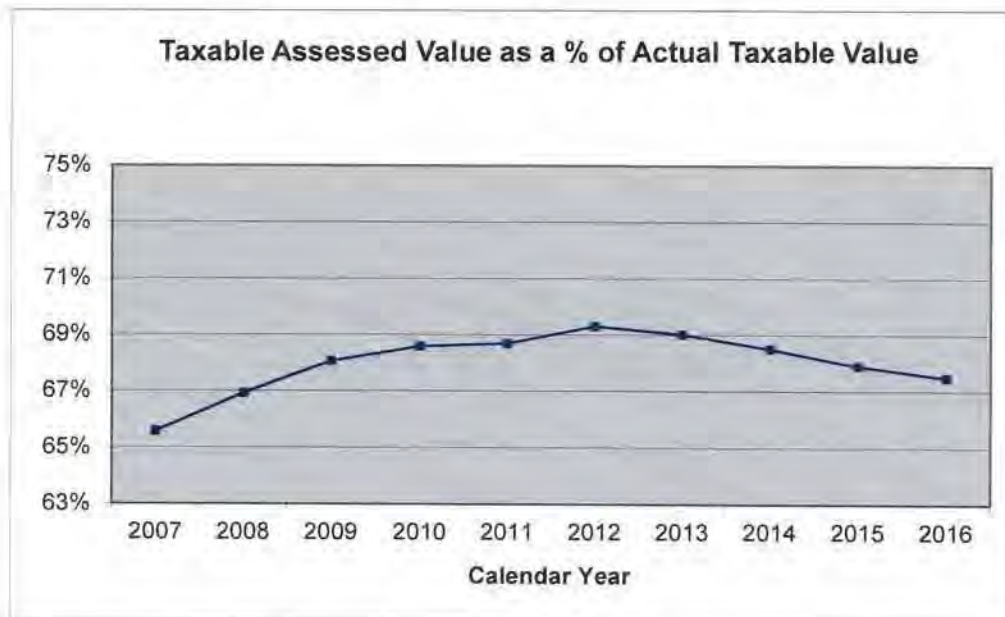
Calendar Year ¹	Taxable Assessed Value				
	Primary Residential Property	Other Residential Property	Commercial & Industrial Property	Agricultural Property	Unimproved Real Property
2007	\$ 2,826,766,252	\$ 3,979,753	\$ 1,274,663,047	\$ 507,506	\$ 21,832,436
2008	2,843,159,747	5,025,651	1,540,471,628	505,940	19,916,072
2009	2,531,397,498	88,201,742	1,625,957,618	927,232	5,171,123
2010	2,442,893,252	69,047,883	1,665,301,399	477,597	3,173,671
2011	2,319,187,515	60,784,441	1,551,035,553	446,286	3,599,142
2012	2,284,573,816	4,073,304	1,451,256,784	544,039	136,586,644
2013	2,372,218,303	4,459,944	1,455,891,528	528,035	127,808,953
2014	2,625,764,385	7,388,684	1,540,311,362	486,609	147,878,177
2015	2,843,531,994	8,234,684	1,591,591,049	496,907	145,565,291
2016	3,107,389,501	11,331,034	1,666,181,801	936,304	160,189,356

Source: Utah State Tax Commission - Property Tax Division

Notes: Property in the City of Orem is reassessed once every five years, on average. The county 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
\$ 253,305,890	\$ 32,014,012	\$ 4,413,068,896	\$ 0.001670	\$ 6,729,133,809	65.58%
277,909,182	29,177,534	4,716,165,754	0.001578	7,046,499,261	66.93%
292,671,778	25,501,802	4,569,828,793	0.001676	6,713,137,262	68.07%
275,721,406	33,596,021	4,490,211,229	0.001739	6,545,435,794	68.60%
294,715,129	43,727,917	4,273,495,983	0.001879	6,220,745,765	68.70%
310,397,550	43,171,491	4,230,603,628	0.001921	6,103,133,090	69.32%
328,234,567	44,814,165	4,333,955,495	0.001871	6,278,510,424	69.03%
322,456,519	43,654,474	4,687,940,210	0.001716	6,842,338,176	68.51%
299,822,251	45,221,895	4,934,464,071	0.001652	7,267,727,717	67.90%
302,375,000	46,114,051	5,294,517,047	0.001550	7,846,197,485	67.48%



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

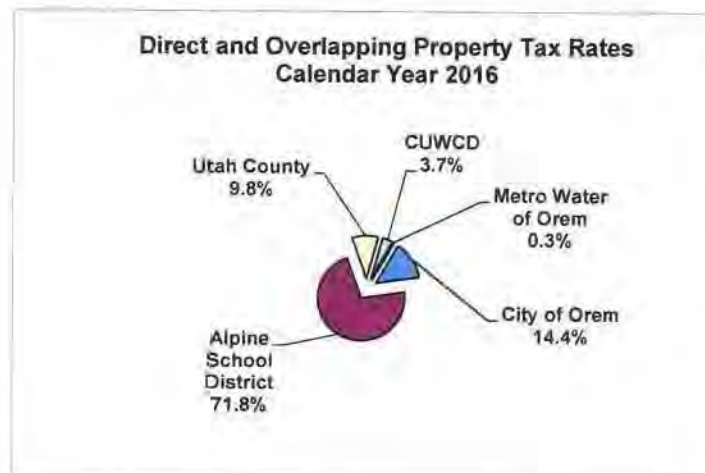
Calendar Year ²	City of Orem Direct Rates			Overlapping Rates ¹				Total
	General Fund	Debt Service Fund	Total Direct Rate	Alpine School District	Utah County	Central Utah Water Conservancy District	Metropolitan Water District of Orem	
2007	0.001154	0.000516	0.001670	0.006937	0.001000	0.000302	0.000035	0.009944
2008	0.001091	0.000487	0.001578	0.007057	0.001105	0.000286	0.000033	0.010059
2009	0.001166	0.000510	0.001676	0.007541	0.001203	0.000400	0.000035	0.010855
2010	0.001220	0.000519	0.001739	0.008220	0.001294	0.000421	0.000036	0.011710
2011	0.001325	0.000554	0.001879	0.008812	0.001342	0.000436	0.000039	0.012508
2012	0.001355	0.000566	0.001921	0.008828	0.001324	0.000455	0.000040	0.012568
2013	0.001324	0.000547	0.001871	0.008699	0.001259	0.000446	0.000039	0.012314
2014	0.001217	0.000499	0.001716	0.008096	0.001149	0.000422	0.000036	0.011419
2015	0.001188	0.000464	0.001652	0.008177	0.001098	0.000405	0.000035	0.011367
2016	0.001123	0.000427	0.001550	0.007718	0.001049	0.000400	0.000033	0.010750

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 2016			Calendar Year 2007		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value
University Mall	\$ 149,190,700	1	2.82%	\$ 79,163,341	1	1.79%
TCU Properties	56,292,300	2	1.06%	19,613,850	4	----
Pacificorp	48,767,025	3	0.92%	22,998,270	3	0.52%
Timpanogos Regional Hospital	41,697,700	4	0.79%	19,000,000	5	0.43%
Questar Gas	28,175,918	5	0.53%	13,355,406	10	0.30%
University Crossing Shopping Ctr	23,354,400	6	0.44%	----		----
Carillon Square LLC	21,883,600	7	0.41%	----		----
Boyer Lake Point Shopping Ctr	17,765,100	8	0.34%	----		----
Retail Trust III (Walmart)	17,523,500	9	0.33%	14,778,667	8	0.33%
Village Park Apartments	17,399,000	10	0.33%	----		----
Pinnacle Apartments	15,106,685	11	0.29%	----		----
Dickson Properties LLC	14,530,700	12	0.27%	----		----
CenturyLink (Qwest Corp.)	----		----	23,224,025	2	0.53%
Greater Growth Properties (GGP)	----		----	17,723,800	6	0.40%
Wolverine Crossing LLC	----		----	16,295,050	7	0.37%
Nordstrom	----		----	14,000,000	9	0.32%
Dayton Hudson Corporation	----		----	12,600,000	11	0.29%
Orem Eastpointe LLC	----		----	12,220,395	12	0.28%
Total	<u>\$ 451,686,628</u>		<u>8.53%</u>	<u>\$ 264,972,804</u>		<u>6.00%</u>

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

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

Calendar Year ¹	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections by Tax Levy Year	Total Tax Collections
2007	\$ 6,797,960	\$ 6,247,920	91.91%	\$ 483,271	\$ 6,731,191
2008	6,760,841	6,077,279	89.89%	596,016	6,673,295
2009	6,953,441	6,216,940	89.41%	638,316	6,855,256
2010	7,075,315	6,381,759	90.20%	594,240	6,975,999
2011	7,301,643	6,644,493	91.00%	558,514	7,203,007
2012	7,370,522	6,788,600	92.10%	480,274	7,268,874
2013	7,374,914	6,815,131	92.41%	439,124	7,254,255
2014	7,387,198	6,793,773	91.97%	492,965	7,286,738
2015	7,529,322	6,935,505	92.11%	506,462	7,441,967
2016	7,586,065	7,059,043	93.05%	472,609	7,531,652

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

Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes by Tax Levy Year	Ratio of Outstanding Delinquent Taxes to Total Tax Levy
99.02%	\$ 66,769	0.98%
98.71%	87,546	1.29%
98.59%	98,185	1.41%
98.60%	99,316	1.40%
98.65%	98,636	1.35%
98.62%	101,648	1.38%
98.36%	120,659	1.64%
98.64%	100,460	1.36%
98.84%	87,355	1.16%
99.28%	54,413	0.72%

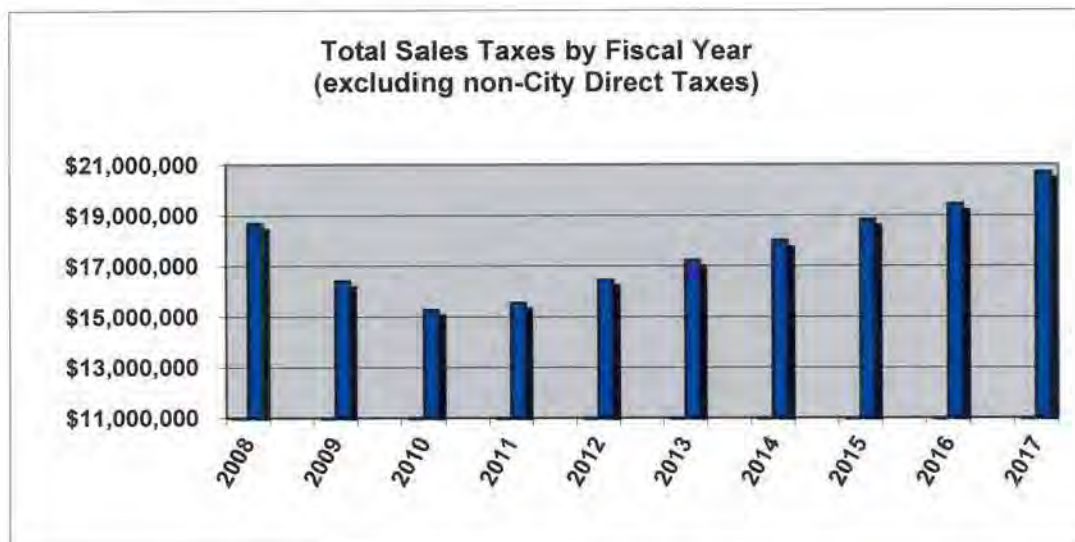
City of Orem
Sales Taxes by Category
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
General Merchandise and Groceries	\$ 4,598,711	\$ 4,651,651	\$ 4,660,428	\$ 4,712,411
Building Materials, Hardware, and Tools	2,922,582	1,978,366	1,512,797	1,499,525
Auto Dealers, Supplies, and Accessories	2,603,405	2,191,650	2,111,247	2,141,910
Home Furnishings, Appliances, & Electronics	1,973,203	1,587,587	1,452,814	1,428,452
Eating and Drinking Establishments	1,045,771	1,037,920	1,002,978	1,097,571
Clothing, Apparel, and Accessories	1,516,201	1,405,704	1,319,296	1,352,740
Professional Equipment and Supplies	974,911	898,478	906,171	933,040
Arts, Crafts, and Specialty Items	454,428	408,061	305,719	338,630
Amusement and Recreation	576,829	564,190	563,129	540,342
All Other Categories	2,018,648	1,690,771	1,442,919	1,494,365
Subtotal - City Direct	18,684,689	16,414,378	15,277,498	15,538,986
Cultural Arts & Recreation Enhancement (CARE)	1,932,202	1,575,193	1,501,679	1,557,238
Mass Transit - Additional	-	-	-	-
Total City Sales Taxes	<u>\$ 20,616,891</u>	<u>\$ 17,989,571</u>	<u>\$ 16,779,177</u>	<u>\$ 17,096,224</u>
Total City Sales Tax Rate ¹	1.10%	1.10%	1.10%	1.10%
% Increase (Decrease) from prior year	-3.34%	-12.74%	-6.73%	1.89%
% Increase (Decrease) from prior year, excluding non-City Direct Tax amounts	-2.77%	-12.15%	-6.93%	1.71%

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 164 for additional information regarding this rate.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 4,959,192	\$ 5,030,506	\$ 5,140,689	\$ 5,277,987	\$ 5,333,279	\$ 5,637,951
1,589,790	1,576,835	1,661,997	1,801,399	1,952,417	2,299,711
2,338,347	2,769,371	2,874,555	2,899,382	2,979,991	3,151,370
1,560,747	1,614,843	1,685,399	1,786,258	1,822,364	1,964,207
1,200,356	1,104,646	1,168,448	1,245,543	1,314,508	1,499,483
1,435,943	1,397,682	1,464,384	1,528,112	1,573,936	1,552,018
1,031,773	1,207,903	1,378,551	1,429,657	1,526,283	1,554,830
312,424	291,241	322,670	359,128	382,199	377,497
559,763	551,462	578,775	650,710	656,716	674,845
1,465,414	1,688,683	1,732,104	1,852,879	1,921,222	2,002,205
16,453,749	17,233,172	18,007,572	18,831,055	19,462,915	20,714,117
1,652,524	1,711,475	1,811,395	1,888,230	1,934,153	2,028,528
-	-	-	8,272	8,665	8,062
<u>\$ 18,106,273</u>	<u>\$ 18,944,647</u>	<u>\$ 19,818,967</u>	<u>\$ 20,727,557</u>	<u>\$ 21,405,733</u>	<u>\$ 22,750,707</u>
1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
5.91%	4.63%	4.62%	4.58%	3.27%	6.28%
5.89%	4.74%	4.49%	4.57%	3.36%	6.43%



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

	Fiscal Year 2017			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	803	13.96%	\$ 5,921,190	26.03%
Building Materials, Hardware, and Tools	367	6.38%	\$ 2,429,161	10.68%
Auto Dealers, Supplies, and Accessories	368	6.40%	\$ 3,281,173	14.42%
Home Furnishings, Appliances, & Electronics	266	4.63%	\$ 2,058,032	9.05%
Eating and Drinking Establishments	269	4.68%	\$ 1,594,366	7.01%
Clothing, Apparel, and Accessories	214	3.72%	\$ 1,627,501	7.15%
Professional Equipment and Supplies	1,178	20.48%	\$ 1,970,341	8.66%
Arts, Crafts, and Specialty Items	277	4.82%	\$ 475,202	2.09%
Amusement and Recreation	216	3.76%	\$ 751,034	3.30%
All Other Categories	1,793	31.18%	\$ 2,642,705	11.62%
Total	5,751	100.00%	\$ 22,750,707	100.00%

	Fiscal Year 2008			
	Number of Filers	Percentage of Total	Sales Tax Revenue	Percentage of Total
General Merchandise and Groceries	257	9.60%	\$ 4,784,139	23.20%
Building Materials, Hardware, and Tools	164	6.12%	\$ 3,040,910	14.75%
Auto Dealers, Supplies, and Accessories	268	10.01%	\$ 2,796,770	13.57%
Home Furnishings, Appliances, & Electronics	232	8.66%	\$ 2,140,593	10.38%
Eating and Drinking Establishments	174	6.50%	\$ 1,171,314	5.68%
Clothing, Apparel, and Accessories	168	6.27%	\$ 1,637,415	7.94%
Professional Equipment and Supplies	321	11.99%	\$ 1,206,515	5.85%
Arts, Crafts, and Specialty Items	283	10.57%	\$ 658,615	3.19%
Amusement and Recreation	132	4.93%	\$ 672,068	3.26%
All Other Categories	679	25.35%	\$ 2,508,553	12.17%
Total	2,678	100.00%	\$ 20,616,891	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 2017			Fiscal Year 2008		
	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	N/A	1	N/A
Wal-Mart Supercenter	N/A	2	N/A	N/A	2	N/A
Brent Brown Toyota	N/A	3	N/A	----		----
Target	N/A	4	N/A	N/A	4	N/A
RC Willey Home Furnishings	N/A	5	N/A	N/A	3	N/A
Winco Foods	N/A	6	N/A	----		----
Pacificorp (Utah Power & Light)	N/A	7	N/A	N/A	6	N/A
Smith Food & Drug	N/A	8	N/A	----		----
Lowes Home Centers LLC	N/A	9	N/A	N/A	7	N/A
Harmons	N/A	10	N/A	----		----
Ken Garff Nissan of Orem	N/A	11	N/A	----		----
Best Buy Stores LP	N/A	12	N/A	N/A	8	N/A
Mountainland Supply Company	----		----	N/A	5	N/A
Macey's, Inc.	----		----	N/A	9	N/A
Ken Garff Honda of Orem	----		----	N/A	10	N/A
Questar Gas	----		----	N/A	11	N/A
Geneva Rock Products	----		----	N/A	12	N/A
Total	<u>\$ 6,084,988</u>		<u>29.38%</u>	<u>\$ 5,145,206</u>		<u>27.54%</u>

Source: Utah State Tax Commission.

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

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

Fiscal Year	City Direct Sales Tax Rates			Overlapping Sales Tax Rates					
	City Direct Rate	City Cultural Arts & Rec Rate ¹	Total City Direct Rate	County Direct Rate	County Mass Transit Rate ²	County Airport, Highway, & Public Transit Rate ³	State Direct Rate	State Mass Transit Rate	Total Sales Tax Rate ⁴
2008	1.00%	0.10%	1.10%	0.25%	0.30%	—	4.65%	0.25%	6.55%
2009	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2010	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2011	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2012	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2013	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2014	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2015	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2016	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85
2017	1.00	0.10	1.10	0.25	0.30	0.25	4.70	0.25	6.85

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. It was reauthorized by citizen vote in November 2013 to continue for another ten years.

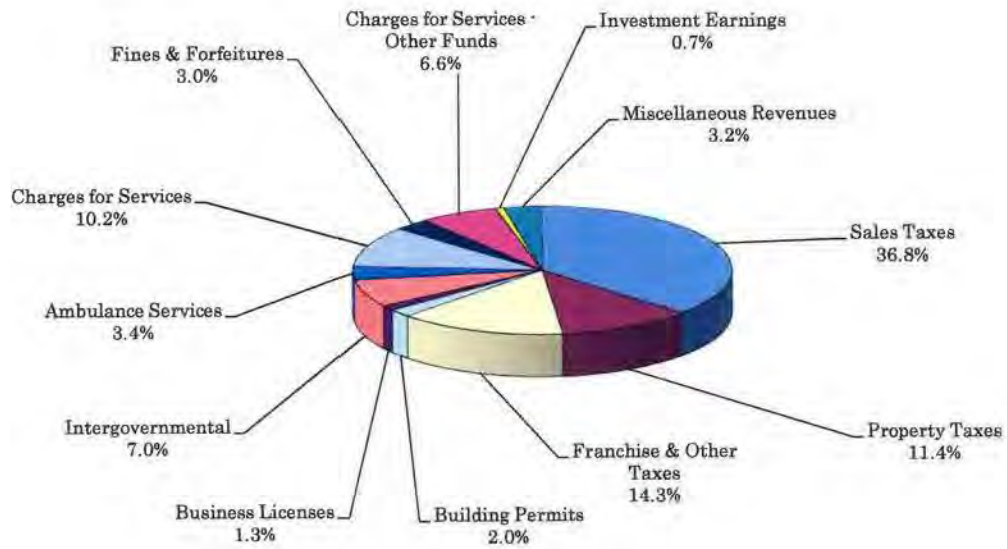
² This additional sales tax rate was voted on by the citizens of Utah County and went into effect on April 1, 2007. The additional tax is to be used to fund highways, fixed guideways, or systems for public transit.

³ This additional sales tax rate was voted on by the citizens of Utah County and went into effect on January 1, 2009. The additional tax is to be used to fund airport, highways, or public transit projects or services in the county.

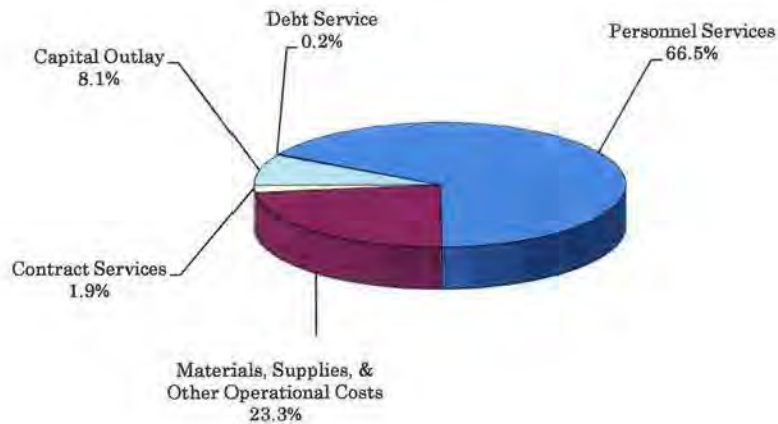
⁴ The total sales tax rate for non-prepared food and food ingredients was set at 3.00% statewide (1.00% City Direct Rate, 0.25% County Direct Rate, and 1.75% State Direct Rate) and went into effect on January 1, 2008.

City of Orem
General Fund - Revenues and Expenditures
For The Year Ended June 30, 2017
(Unaudited)

GENERAL FUND - REVENUES



GENERAL FUND - EXPENDITURES



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

Governmental Activities							
Fiscal Year	General Obligation Bonds	G.O. Bonds Issuance Premiums	Special Assessment Bonds	Sales Tax Revenue Bonds	Franchise Tax Revenue Bonds	Lease Revenue Bonds	Revenue Bonds Issuance Premiums
2008	\$ 19,960,000	\$ 280,734	\$ 2,675,000	\$ 9,985,000	\$ -	\$ 7,343,000	\$ 161,828
2009	18,825,000	379,497	6,338,000	9,405,000	-	6,222,000	150,887
2010	17,665,000	349,032	5,806,000	8,790,000	4,375,000	380,000	558,906
2011	16,460,000	318,566	7,229,000	8,115,000	3,875,000	-	493,615
2012	15,210,000	288,101	5,925,000	7,434,000	3,375,000	-	428,323
2013	13,900,000	257,636	5,444,000	6,688,000	2,850,000	-	363,031
2014	12,550,000	227,170	4,446,000	5,848,000	2,300,000	-	297,740
2015	11,830,000	695,160	1,155,000	4,995,000	1,750,000	-	232,449
2016	10,200,000	611,762	165,000	3,930,000	1,150,000	-	167,158
2017	8,535,000	528,364	155,000	2,898,000	525,000	-	101,867

Business-type Activities					
Fiscal Year	Water Quality Revenue Bonds	Water & Storm Sewer Revenue Bonds	Revenue Bonds Issuance Premiums	Capital Leases	Total Business-type Activities
2008	\$ 1,505,757	\$ 24,593,000	\$ 727,434	\$ 21,210	\$ 26,847,401
2009	1,311,757	23,859,000	685,626	1,556	25,857,939
2010	3,019,757	23,043,000	643,817	-	26,706,574
2011	10,312,757	22,190,000	602,009	-	33,104,766
2012	12,578,757	21,300,000	560,200	-	34,438,957
2013	11,762,757	20,383,000	518,391	-	32,664,148
2014	10,938,757	21,535,000	476,585	-	32,950,342
2015	10,107,000	20,307,000	434,776	-	30,848,776
2016	9,513,000	19,040,000	392,965	-	28,945,965
2017	8,919,000	17,019,000	1,014,797	-	26,952,797

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

	Notes	Capital	Total
	Payable	Leases	Governmental
			Activities
\$	7,476,274	\$ 140,400	\$ 48,022,236
	3,691,403	81,166	45,092,953
	2,964,498	43,447	40,931,883
	1,339,146	82,497	37,912,824
	1,268,313	576,512	34,505,249
	1,199,599	478,299	31,180,565
	1,122,977	396,436	27,188,323
	1,045,022	352,173	22,054,804
	960,652	6,977,000	24,161,572
	869,779	6,893,313	20,506,323

Total Primary Government		
Total	Percentage	Direct
Primary	of	City Debt
Government	Personal	Per
	Income	Capita
\$ 74,869,637	4.55%	\$850
70,950,892	4.43	804
67,638,457	4.55	766
71,017,590	4.75	801
68,944,206	4.42	772
63,844,713	3.67	713
60,138,665	3.47	667
52,903,580	2.84	565
53,107,537	2.65	554
47,459,120	2.19	487

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

Fiscal Year	Population ¹	Taxable Assessed Value	Gross Bonded Debt	Debt Service Monies Available ²	Net Bonded Debt	Ratio of Net Bonded Debt To Taxable Assessed Value	Net Bonded Debt Per Capita
2008	88,073	\$ 4,413,068,896	\$ 20,240,734	\$ 655,990	\$ 19,584,744	0.44%	\$222
2009	88,196	4,716,165,754	19,204,497	3,278,577	15,925,920	0.34	181
2010	88,256	4,569,828,793	18,014,032	2,475,955	15,538,077	0.34	176
2011	88,697	4,490,211,229	16,778,566	49,299	16,729,267	0.37	189
2012	89,279	4,273,495,983	15,498,101	1,282,169	14,215,932	0.33	159
2013	89,584	4,230,603,628	14,157,636	1,654,406	12,503,230	0.30	140
2014	90,154	4,333,955,495	12,777,170	399,982	12,377,188	0.29	137
2015	93,601	4,687,940,210	12,525,160	1,557,040	10,968,120	0.23	117
2016	95,788	4,934,464,071	10,811,762	861,873	9,949,889	0.20	104
2017	97,499	5,294,517,047	9,063,364	1,098,713	7,964,651	0.15	82

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
June 30, 2017
(Unaudited)

Jurisdiction	Total Governmental Activities Debt Outstanding	Percentage Applicable to the Citizens of the City of Orem ¹	Amount Applicable to the Citizens of the City of Orem
Direct Debt:			
City of Orem	\$ 20,506,323	100.0000%	\$ 20,506,323
Overlapping Debt:			
Alpine School District	491,269,589	23.6318%	116,095,930
Utah County	-	15.0826%	-
Central Utah Water Conservancy District	225,509,359	4.0697%	9,177,638
Total Overlapping Debt	716,778,948		125,273,568
Total Direct and Overlapping Debt	<u>\$ 737,285,271</u>		<u>\$ 145,779,891</u>
Total Direct and Overlapping Debt Per Capita			<u>\$ 1,495</u>

Sources: Assessed value data used to calculate applicable percentages was provided by the Utah State Tax Commission.

Notes: Overlapping governments are those that coincide with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Orem. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident (and therefore responsible for repaying the debt) of each overlapping government.

¹ This percentage uses taxable assessed property values. Applicable percentages were calculated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

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

	Fiscal Year			
	2008	2009	2010	2011
<u>General Purposes (4%)</u>				
Debt Limit	\$ 269,165,352	\$ 281,859,970	\$ 268,525,490	\$ 261,817,432
Total Net Debt Applicable to Limit	(19,304,010)	(15,546,423)	(15,189,045)	(16,410,701)
Legal Debt Margin	<u>\$ 249,861,342</u>	<u>\$ 266,313,547</u>	<u>\$ 253,336,445</u>	<u>\$ 245,406,731</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	7.17%	5.52%	5.66%	6.27%
<u>Water, Sewer, & Lighting (4%)</u>				
Debt Limit	\$ 269,165,352	\$ 281,859,970	\$ 268,525,490	\$ 261,817,432
Total Net Debt Applicable to Limit	-	-	-	-
Legal Debt Margin	<u>\$ 269,165,352</u>	<u>\$ 281,859,970</u>	<u>\$ 268,525,490</u>	<u>\$ 261,817,432</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%
<u>Total (8%)</u>				
Debt Limit	\$ 538,330,704	\$ 563,719,940	\$ 537,050,980	\$ 523,634,864
Total Net Debt Applicable to Limit	(19,304,010)	(15,546,423)	(15,189,045)	(16,410,701)
Legal Debt Margin	<u>\$ 519,026,694</u>	<u>\$ 548,173,517</u>	<u>\$ 521,861,935</u>	<u>\$ 507,224,163</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.59%	2.76%	2.83%	3.13%

¹ The 8% debt limitation applies only to general obligation bonded debt. The City is limited to 4% for general purposes with the other 4% and any remaining unused general purposes portion being available for use for water, sewer, and lighting purposes.

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 248,829,831	\$ 244,125,324	\$ 251,140,417	\$ 273,693,527	\$ 290,709,109	\$ 313,847,899
(13,927,831)	(12,418,290)	(15,781,433)	(8,722,156)	(7,964,651)	(7,964,651)
<u>\$ 234,902,000</u>	<u>\$ 231,707,034</u>	<u>\$ 235,358,984</u>	<u>\$ 264,971,371</u>	<u>\$ 282,744,458</u>	<u>\$ 305,883,248</u>
5.60%	5.09%	6.28%	3.19%	2.74%	2.54%
\$ 248,829,831	\$ 244,125,324	\$ 251,140,417	\$ 273,693,527	\$ 290,709,109	\$ 313,847,899
<u>\$ 248,829,831</u>	<u>\$ 244,125,324</u>	<u>\$ 251,140,417</u>	<u>\$ 273,693,527</u>	<u>\$ 290,709,109</u>	<u>\$ 313,847,899</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 497,659,662	\$ 488,250,648	\$ 502,280,834	\$ 547,387,054	\$ 581,418,218	\$ 627,695,798
(13,927,831)	(12,418,290)	(15,781,433)	(8,722,156)	(7,964,651)	(7,964,651)
<u>\$ 483,731,831</u>	<u>\$ 475,832,358</u>	<u>\$ 486,499,401</u>	<u>\$ 538,664,898</u>	<u>\$ 573,453,567</u>	<u>\$ 619,731,147</u>
2.80%	2.54%	3.14%	1.59%	1.37%	1.27%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Valuations:

Taxable Value	<u>\$ 5,294,517,047</u>
Estimated Market Value	<u>\$ 7,846,197,485</u>

Legal Debt Margin:

Debt Limitation - 8% of Estimated Market Value ¹	\$ 627,695,799
---	----------------

Debt Applicable to Limitation:

Total General Obligation Bonded Debt	\$ (9,063,364)
--------------------------------------	----------------

Less:

Assets in Debt Service Funds Available
for payment of Principal ²

1,098,713

Total Debt Applicable to Limitation	<u>(7,964,651)</u>
-------------------------------------	--------------------

Legal Debt Margin	<u>\$ 619,731,148</u>
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City of Orem
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Sales Tax Revenue Bonds					Special Assessment Bonds			
Fiscal Year	Sales Taxes	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2008	\$ 20,616,891	\$ 530,000	\$ 485,915	20.29	\$ 415,963	\$ 265,000	\$ 147,000	1.01
2009	17,989,571	580,000	449,044	17.48	136,654	280,000	133,750	0.33
2010	16,779,178	615,000	424,457	16.14	470,980	532,000	256,697	0.60
2011	17,096,224	675,000	396,907	15.95	746,111	492,000	290,109	0.95
2012	18,106,273	710,000	367,619	16.80	2,810,547	1,304,000	372,537	1.68
2013	18,944,647	746,000	268,182	18.68	1,418,179	481,000	316,172	1.78
2014	19,818,967	840,000	256,669	18.07	259,058	998,000	280,147	0.20
2015	20,727,557	853,000	243,444	18.90	3,618,683	3,291,000	206,004	1.03
2016	21,405,733	1,065,000	216,274	16.71	-	990,000	83,600	0.00
2017	22,750,706	1,125,000	106,824	18.47	38,820	10,000	12,788	1.70

Franchise Tax Revenue Bonds				
Fiscal Year	Franchise Taxes	Debt Service		Coverage
		Principal	Interest	
2008	\$ -	\$ -	\$ -	0.00
2009	-	-	-	0.00
2010	7,643,257	-	-	0.00
2011	7,301,384	500,000	178,378	0.00
2012	7,437,757	500,000	163,875	0.00
2013	7,816,920	525,000	152,625	11.54
2014	7,956,780	550,000	133,219	11.65
2015	7,698,687	550,000	111,219	11.64
2016	7,853,723	600,000	83,031	11.50
2017	7,894,110	625,000	53,031	11.64

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	Less:	Net			
Service	Operating	Available	Debt Service		
Charges	Expenses ¹	Revenue	Principal	Interest	Coverage
\$ 11,050,437	\$ 7,659,539	\$ 3,390,898	\$ 707,000	\$ 762,092	2.31
11,170,969	7,797,841	3,373,128	734,000	999,616	1.95
11,072,855	8,743,966	2,328,889	816,000	956,696	1.31
11,745,056	8,586,094	3,158,962	853,000	988,788	1.72
12,544,643	8,851,011	3,693,632	890,000	972,772	1.98
12,864,859	9,256,350	3,608,509	917,000	940,512	1.94
13,927,292	9,814,494	4,112,798	944,000	792,256	2.37
14,141,179	9,588,439	4,552,740	1,228,000	619,984	2.46
14,847,401	9,468,250	5,379,151	1,267,000	578,638	2.91
17,169,942	10,000,616	7,169,326	1,326,000	412,011	4.13

Water Quality Revenue Bonds					
Utility	Less:	Net			
Service	Operating	Available	Debt Service		
Charges	Expenses ¹	Revenue	Principal	Interest	Coverage
\$ 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
5,773,255	4,964,995	808,260	194,000	52,702	3.28
5,857,655	4,905,989	951,666	200,000	45,912	3.87
6,201,588	4,872,165	1,329,423	207,000	35,893	5.47
6,380,841	5,014,836	1,366,005	816,000	24,142	1.63
6,449,844	5,016,383	1,433,461	824,000	16,372	1.71
6,444,975	4,700,320	1,744,655	831,757	8,321	2.08
6,437,198	5,086,210	1,350,988	594,000	-	2.27
7,858,574	5,019,509	2,839,065	594,000		4.78

City of Orem
Long-term Bonded Indebtedness Paid By Primary Government
Schedule of Bonded Indebtedness
June 30, 2017
(Unaudited)

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Term of Bonds</u>	<u>Annual Terms of Serial Bonds</u>
Governmental Activities:				
General Obligation Bonds:				
Series 2004 Road Bonds - Refunding	3.00% - 4.00%	12/22/04	2004-2016	Various
Series 2009 Road Bonds - Refunding	2.75% - 5.00%	03/24/09	2009-2018	Various
Series 2014 Road Bonds - Refunding	0.25% - 3.00%	11/05/14	2014-2024	Various
Total General Obligation Bonds				
Special Assessment Bonds:				
Northgate - Special Improvement District				
Bonds - Series 2010	7.75%	11/02/10	2010-2025	Various
Total Special Assessment Bonds				
Revenue Bonds:				
Sales Tax Revenue Refunding Bonds - Series 2007	3.80% - 5.00%	10/17/07	2007-2023	Various
Franchise Tax Revenue Refunding Bonds - Series 2010	2.13% - 5.13%	03/16/10	2010-2018	Various
Sales Tax Revenue Refunding Bonds - Series 2017	1.94%	02/23/17	2017-2023	Various
Total Revenue Bonds				
Total Governmental Activities				
Business-type Activities:				
Revenue Bonds:				
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
Water Quality Revenue Bonds	0.00%	02/16/10	2010-2032	Various
2013 Water and Storm Sewer Revenue Refunding Bonds	2.18%	07/02/13	2013-2025	Various
2016 Water and Storm Sewer Revenue Refunding Bonds	2.00% - 4.50%	10/25/16	2016-2028	Various
Total Revenue Bonds				
Total Business-type Activities				
Total Primary Government Long-term Bonded Indebtedness				

Original Amount	Principal		Interest	
	Balance 06/30/17	Retired Year Ended 06/30/17	Expense Year Ended 06/30/17	Payable In Future Years
\$ 3,975,000	\$ -	\$ 460,000	\$ 8,625	\$ -
\$ 2,865,000	665,000	315,000	36,300	32,000
\$ 9,645,000	7,870,000	890,000	201,938	897,088
	<u>8,535,000</u>	<u>1,665,000</u>	<u>246,863</u>	<u>929,088</u>
\$ 1,915,000	155,000	10,000	12,788	65,255
	<u>155,000</u>	<u>10,000</u>	<u>12,788</u>	<u>65,255</u>
\$ 5,720,000	-	3,930,000	106,824	-
\$ 4,375,000	1,150,000	600,000	83,031	74,031
\$ 2,898,000	2,898,000	-	-	151,254
	<u>4,048,000</u>	<u>4,530,000</u>	<u>189,855</u>	<u>225,285</u>
	<u>12,738,000</u>	<u>6,205,000</u>	<u>449,506</u>	<u>1,219,628</u>
\$ 3,000,000	1,459,000	151,000	23,828	110,068
\$ 5,590,000	-	5,150,000	132,469	-
\$ 11,889,000	8,919,000	594,000	-	-
\$ 12,801,000	11,180,000	1,100,000	255,714	1,126,187
\$ 4,380,000	4,380,000	-	38,122	1,665,025
	<u>25,938,000</u>	<u>6,995,000</u>	<u>450,133</u>	<u>2,901,280</u>
	<u>25,938,000</u>	<u>6,995,000</u>	<u>450,133</u>	<u>2,901,280</u>
	<u>\$ 38,676,000</u>	<u>\$ 13,200,000</u>	<u>\$ 899,639</u>	<u>\$ 4,120,908</u>

City of Orem
Other Long-term Liabilities Paid by Primary Government
Last Three Fiscal Years
(Unaudited)

	Fiscal Year		
	2015	2016	2017
Governmental Activities:			
Compensated Absences	\$ 1,769,182	\$ 1,902,302	\$ 1,972,013
Net Pension Liabilities	7,566,352	10,347,717	11,887,107
Claims and Judgments	659,759	869,640	1,410,228
Other Post-employment Benefits (OPEB)	1,350,884	431,801	431,801
Total Governmental Activities	11,346,177	13,551,460	15,701,149
Business-type Activities:			
Compensated Absences	242,609	273,712	304,891
Net Pension Liabilities	1,162,689	2,258,451	2,468,003
Total Business-type Activities	1,405,298	2,532,163	2,772,894
Primary Government:			
Compensated Absences	2,011,791	2,176,014	2,276,904
Net Pension Liabilities	8,729,041	12,606,168	14,355,110
Claims and Judgments	659,759	869,640	1,410,228
Other Post-employment Benefits (OPEB)	1,350,884	431,801	431,801
Total Primary Government	\$ 12,751,475	\$ 16,083,623	\$ 18,474,043

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

Fiscal Year	Population ¹	Households ²	Personal Income	Per Capita Personal Income ²	Per Household Personal Income
2008	88,073	25,363	\$ 1,646,524,735	\$ 18,695	\$ 64,918
2009	88,196	25,440	1,601,021,988	18,153	62,933
2010	88,256	25,517	1,487,996,160	16,860	58,314
2011	88,697	26,970	1,495,165,329	16,857	55,438
2012	89,279	27,533	1,559,347,014	17,466	56,636
2013	89,584	27,515	1,738,556,688	19,407	63,186
2014	90,154	27,486	1,734,833,422	19,243	63,117
2015	93,601	28,520	1,863,502,309	19,909	65,340
2016	95,788	29,534	2,005,130,204	20,933	67,892
2017	97,499	29,594	2,170,912,734	22,266	73,357

Fiscal Year	Median Age	City Unemployment Rate	K-12 Student Population ³	UVU FTE Student Population ⁴
2008	26.6	3.70%	16,521	16,135
2009	26.7	6.00	16,398	17,910
2010	26.7	8.00	16,112	19,670
2011	26.2	8.50	16,304	21,825
2012	26.3	6.40	16,359	22,448
2013	26.3	5.30	16,437	21,617
2014	26.4	3.90	16,275	20,697
2015	26.5	3.50	15,757	21,335
2016	26.5	3.90	15,787	22,591
2017	26.6	3.70	15,668	23,706

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

² Data is based upon federal income tax return data provided by the Utah State Tax Commission. The data for the current fiscal year is estimated as the federal data is not available at the time this report is issued.

³ Data was provided by the Alpine School District.

⁴ Data represents fall semester counts based on the Utah Valley University (UVU) fact book.

On July 1, 2008 the school began operating as a university instead of a state college.

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
2010	88,328	4,004	4.53

Age Distribution of Population ¹

Age	Total		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	8,940	10.12%	4,822	5.46%	4,118	4.66%
5 - 9	8,314	9.41	4,685	5.30	3,629	4.11
10 - 14	6,512	7.37	3,421	3.87	3,091	3.50
15 - 19	7,145	8.09	3,457	3.91	3,688	4.18
20 - 24	10,694	12.11	5,211	5.90	5,483	6.21
25 - 29	10,485	11.87	5,106	5.78	5,379	6.09
30 - 34	5,453	6.17	2,879	3.26	2,574	2.91
35 - 39	5,360	6.07	2,702	3.06	2,658	3.01
40 - 44	3,326	3.77	1,660	1.88	1,666	1.89
45 - 49	3,771	4.27	1,893	2.14	1,878	2.13
50 - 54	3,728	4.22	1,797	2.03	1,931	2.19
55 - 59	3,884	4.40	1,697	1.92	2,187	2.48
60 - 64	3,359	3.80	1,498	1.70	1,861	2.11
65 - 69	2,332	2.64	1,097	1.24	1,235	1.40
70 - 74	2,025	2.29	1,020	1.15	1,005	1.14
75 - 79	1,269	1.44	492	0.56	777	0.88
80 - 84	1,037	1.17	298	0.34	739	0.84
85 - 89	466	0.53	264	0.30	202	0.23
90+	228	0.26	70	0.08	158	0.18
TOTAL	88,328	100.00%	44,069	49.89%	44,259	50.11%

¹ Source: 2010 Census

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

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Utah Valley University	2,775	1	8.02%	1,832	1	5.10%
Alpine School District	1,437	2	4.15%	1,316	2	3.67%
Blue Host Inc.	560	3	1.62%	----		----
City of Orem	535	4	1.55%	541	6	1.51%
Timpanogos Regional Hospital	477	5	1.38%	542	5	1.51%
U.S. Synthetic Corporation	420	6	1.21%	590	4	1.64%
Wal-Mart	378	7	1.09%	540	7	1.50%
Wayfair	376	8	1.09%	----		----
Clearlink Technologies, LLC	353	9	1.02%	----		----
SecurityMetrics	328	10	0.95%	----		----
Convergys Corporation	----		----	600	3	1.67%
StoresOnline, Inc.	----		----	478	8	1.33%
Mity-Lite Inc.	----		----	360	9	1.00%
Costco	----		----	305	10	0.85%
Total	<u>7,639</u>		<u>22.07%</u>	<u>7,104</u>		<u>19.79%</u>

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

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

	Fiscal Year			
	2008	2009	2010	2011
General Government	124	115	107	115
Public Safety:				
Police Protection	141	143	141	140
Fire Protection	59	71	69	70
Highways and Public Improvements	3	2	2	1
Parks and Recreation:				
Parks and Recreation	36	39	35	36
Library	53	54	51	50
Cemetery	6	6	5	5
Economic and Physical Development	1	2	2	2
Water	26	30	28	26
Water Reclamation	31	31	28	30
Storm Water	11	11	11	10
Recreation	48	50	50	56
Street Lighting	2	3	3	3
Total	541	557	532	544

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					
2012	2013	2014	2015	2016	2017
110	102	107	105	113	122
136	131	130	133	135	137
70	65	68	68	67	68
0	0	0	0	0	0
36	29	35	36	32	33
43	45	45	46	44	46
5	5	5	5	5	5
3	4	4	3	3	3
27	26	27	26	26	24
30	29	30	30	27	30
10	10	11	11	11	11
49	53	53	54	54	54
2	2	2	2	2	2
521	501	517	519	519	535

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Government:					
Building Permits Issued	1,242	784	837	945	899
Public Safety:					
Police Protection:					
Physical Arrests	6,454	6,215	5,538	5,439	6,016
Traffic Citations	14,238	16,128	9,762	15,009	10,042
Fire Protection:					
Emergency Responses	4,650	4,350	5,230	6,556	7,628
Ambulance Transports	3,246	2,780	2,514	2,500	2,320
Other Public Safety Services:					
Emergency Dispatch Calls	38,043	40,187	41,253	39,443	39,405
Highways and Public Improvements:					
Asphalt Used - Streets (Tons)	4,290	4,615	5,047	5,903	5,965
Concrete Used - Sidewalks (Yards)	1,443	1,344	1,164	1,134	1,020
Parks and Recreation:					
Recreation Programs Participants	14,059	15,054	17,331	16,790	16,700
Library - Volumes in Collection (approx.)	297,067	295,029	297,376	313,001	320,703
Cemetery - Interments	303	266	267	297	294
Economic and Physical Development:					
Public Service Organizations Assisted	13	15	16	14	16
Housing Rehab/RLF Loans/Grants Added	7	7	9	14	11
Major Project Improvements Completed	1	1	0	1	1
Water:					
Number of Consumers	21,197	21,543	21,626	21,807	21,965
Average Daily Consumption (MGD)	25.0	23.0	23.3	24.2	26.7
Water Reclamation:					
Number of Service Connections	20,678	20,678	20,678	20,678	21,088
Average Daily Treated (MGD)	8.5	8.5	8.2	8.2	8.2
Storm Water:					
Number of Sumps Added	24	8	17	0	8
New Infrastructure (Feet)	12,144	7,669	13,727	0	40,656
Recreation:					
Fitness Center Admissions	442,281	359,844	367,941	378,543	384,895
Fitness Center Class Participants	5,515	4,923	4,466	4,231	3,926
Scera Park Pool Admissions	34,468	47,778	48,045	46,999	43,183
Scera Park Pool Class Participants	2,461	2,455	1,848	1,768	1,661
Solid Waste:					
Annual Waste Tonnage	26,566	26,924	25,631	25,436	24,832
Avg Annual Waste per Household (Tons)	1.45	1.45	1.37	1.44	1.25
Street Lighting:					
Number of Street Lights Added	149	75	67	93	88

Source: Various city departments

Fiscal Year				
2013	2014	2015	2016	2017
817	1,064	1,301	1,429	1,518
4,338	3,335	3,621	3,842	4,145
16,042	18,116	12,487	12,064	12,022
9,058	8,105	9,448	10,442	10,471
2,434	2,461	2,709	2,963	2,949
37,867	24,906	27,251	28,023	27,024
5,287	4,725	4,332	4,060	3,633
796	821	805	750	575
12,276	12,984	12,486	12,702	13,974
326,253	329,204	366,500	374,190	368,754
252	322	323	333	344
16	16	16	22	16
6	6	4	2	5
1	0	2	0	0
22,107	22,176	22,492	22,771	22,949
26.9	24.7	24.7	24.5	24.3
21,226	23,232	23,670	24,723	24,422
7.9	7.9	7.9	8.2	8.6
4	3	0	1	2
29,040	0	250	450	0
369,068	353,657	304,020	326,726	361,575
4,236	5,051	3,188	2,596	2,822
39,545	39,286	47,785	42,434	40,517
3,180	2,912	2,786	1,360	1,481
26,527	28,503	27,636	29,008	28,986
1.39	1.36	1.38	1.46	1.45
1	29	13	36	409

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General Government:					
Vehicles	176	175	169	171	170
Public Safety:					
Police Protection:					
Stations	1	1	1	1	1
Vehicles	121	116	111	115	113
Fire Protection:					
Stations	3	4	4	4	4
Vehicles	26	27	27	29	29
Highways and Public Improvements:					
Streets (miles)	239	241	241	241	241
Traffic Signals	26	32	32	34	34
Parks and Recreation:					
Parks	22	22	22	22	22
Parks Acreage	333	333	333	333	350
Playgrounds	18	18	18	18	18
Walking/Jogging Trails (miles)	35.5	35.5	35.5	35.5	40.0
Libraries	1	1	1	1	1
Cemeteries	1	1	1	1	1
Water:					
Water Mains (miles)	349	349	351	351	351
Water Service Lines (miles)	101	101	101	101	101
Wells	8	8	8	8	9
Storage Capacity (thousands of gallons)	22,440	22,440	22,440	22,440	22,440
Water Reclamation:					
Sewer Lines (miles)	280	280	280	280	281
Treatment Capacity (MGD)	12.3	12.3	12.3	12.3	13.5
Storm Water:					
Storm Water Lines (miles)	68.2	69.8	70.8	70.8	78.5
Sumps	1,711	1,715	1,732	1,732	1,783
Recreation:					
Fitness Centers	1	1	1	1	1
Pools	2	2	2	2	2
Baseball / Softball Diamonds	18	18	18	18	18
Soccer / Football Fields	18	18	18	18	18
Street Lighting:					
Street Lights	4,890	4,926	4,993	5,086	5,174

Source: Various city departments

Fiscal Year				
2013	2014	2015	2016	2017
165	172	169	168	168
1	1	1	1	1
122	107	127	125	127
4	4	4	4	4
30	28	29	28	29
241	242	242	243	243
34	34	34	34	36
22	25	26	26	27
350	363	385	385	388
18	18	19	19	20
40.0	40.0	40.8	40.8	40.8
1	1	1	1	1
1	1	1	1	1
374	374	374	382	382
103	103	103	103	103
9	9	9	9	9
22,440	22,440	22,490	21,990	21,950
286	288	291	294	331
13.5	13.5	13.5	13.5	13.5
84.0	84.0	87.1	88.5	88.5
1,755	1,759	1,759	1,746	1,748
1	1	1	1	1
2	2	2	2	2
18	18	18	18	18
18	18	21	21	21
5,175	5,204	5,217	5,253	5,662

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#7 Happiest City in America - Gallup & National Geographic

#14 Best City in America - Money Magazine

#47 Most Livable City in America - USA TODAY