

CITY OF OREM, UTAH
SINGLE AUDIT AND STATE LEGAL
COMPLIANCE REPORTS

June 30, 2009

WISAN, SMITH, RACKER & PRESCOTT^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS

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WISAN, SMITH, RACKER & PRESCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

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MEMBER
UTAH ASSOCIATION OF
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the City in a separate letter dated December 15, 2009.

This report is intended solely for the information and use of management, City Council, the Utah State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wisam Smith Rahn & Prescott, LLP

Salt Lake City, Utah
December 15, 2009

WISAN, SMITH, RACKER & PRESCOTT^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Orem, Utah (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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MEMBER
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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, Utah State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wisan Smith Racker #Prescott, LLP

Salt Lake City, Utah

December 15, 2009

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditure
Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grant	14.218	B-05-MC-49-002	\$ 871,589
Total Department of Housing and Urban Development			<u>871,589</u>
Department of Commerce			
Direct Program:			
Economic Adjustment Assistance	11.307	05-39-02234	10,000
Total Department of Commerce			<u>10,000</u>
National Foundation on the Arts and the Humanities			
Passed through Arts Midwest:			
The Big Read	45.024	34781	8,000
Passed through Department of Community and Culture:			
Library Services and Technology Act (LSTA)	45.310	LS-00-07-0045-07	10,000
Passed through Institute of Museum & Library Services:			
National Leadership Grant	45.312	CL-00-08-0020-08	222,477
Total National Foundation on the Arts and the Humanities			<u>240,477</u>
Department of the Interior			
Passed through Department of Community and Culture:			
Historic Preservation Fund Grant (CLG)	15.904	82031	3,000
Total Department of the Interior			<u>3,000</u>
Environmental Protection Agency			
Passed through Department of Environmental Quality:			
Safe Drinking Water State Revolving Fund	66.468	FS-998784-04	50,000
Total Environmental Protection Agency			<u>50,000</u>
Department of Homeland Security			
Passed through Department of Public Safety Division of Emergency Services and Homeland Security:			
2005 Pre-Disaster Mitigation Competitive Grant	97.017	EMD-2005-PC-0005-OREM	75,000
State Homeland Security Program (LEPC)	97.073	DES-2007-SHSP-002	35,503
Buffer Zone Protection Grant	97.078	BZPP-2007-001	16,417
Total Department of Homeland Security			<u>126,920</u>
Department of Justice			
Passed through Commission on Criminal and Juvenal Justice:			
Justice Assistance Grant (JAG)	16.579	9F05	244,568
Bulletproof Vest Partnership Grant	16.607	6B06	4,634
Violence against Women Act Grant (VAWA)	16.588	07-VAWA-19	4,734
Violence against Women Act Grant (VAWA)	16.588	08-VAWA-17	18,396
Victims of Crime Act Grant (VOCA)	16.575	08-VOCA-35	52,042
HIDTA Grant Program	7.9999	I6-PRMP595Z	12,285
HIDTA Grant Program	7.9999	I7-PRMP595Z	24,960
HIDTA Grant Program	7.9999	I8-PRMP595Z	106,434
HIDTA Grant Program	7.9999	G-09-RM0030A	40,980
Total Department of Justice			<u>509,033</u>
Total Federal Financial Assistance			<u>\$ 1,811,019</u>

See notes to the Supplementary Schedule of Expenditures of Federal Awards.

CITY OF OREM, UTAH
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year ended June 30, 2009

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

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

CITY OF OREM, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2009

SUMMARY OF AUDITOR'S RESULTS

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

No material weaknesses identified.
No significant deficiencies identified that are not considered to be material weaknesses are reported.
3. No instances of noncompliance considered to be material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed by the audit.
4. Internal Control over major programs:

No material weaknesses identified.
No significant deficiencies identified that are not considered to be material weaknesses are reported.
5. The auditor's report on compliance with requirements applicable to major federal award programs expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Community Development Block Grant CFDA number 14.218
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City did qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

None

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (the City), for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. As a part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah:

- B & C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements. (However, these programs were subject to testwork as part of the audit of the City's financial statements):

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

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

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

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination of the City's compliance with these requirements.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, City of Orem, Utah complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.

This report is intended solely for the information and use of management, City Council, Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wison Smith Rahn & Prescott, LLP

Salt Lake City, Utah
December 15, 2009