

CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010



Jensen & Keddington, P.C.
Certified Public Accountants

**CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
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For The Fiscal Year Ended June 30, 2010**

Jonsson & Kiedingman, P.C.
Underwriters

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

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified one deficiency in internal control over financial reporting that we considered to be a material weakness, as defined above, described in finding number one in the accompanying *Schedule of Findings and Questioned Costs*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orem'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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *State of Utah Legal Compliance Schedule of Findings and Recommendations* as findings one and two.



Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA
Gregory B. White, CPA

**INDEPENDENT AUDITOR'S 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 as of and for the year ended June 30, 2010, which collectively comprise the City of Orem's basic financial statements, and have issued our report thereon dated December 14, 2010. 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 of Orem'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 of Orem's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Orem's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified one deficiency in internal control over financial reporting that we considered to be a material weakness, as defined above, described in finding number one in the accompanying *Schedule of Findings and Questioned Costs*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orem'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *State of Utah Legal Compliance Schedule of Findings and Recommendations* as findings one and two.

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

Jensen & Keddington

December 14, 2010

Members of the City Council
City of Orem, Utah

Compliance

We have audited the compliance of the City of Orem 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, 2010. The City of Orem'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 of Orem's management. Our responsibility is to express an opinion on management'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, Audit of States, Local Governments, and Non-Profit Organizations. These 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 of Orem'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 of Orem's compliance with these requirements.

In our opinion, the City of Orem 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, 2010.

Internal Control Over Compliance

The management of the City of Orem is responsible for establishing and maintaining effective internal control over compliance with its compliance requirements referred to above. In planning and performing our audit, we considered the City of Orem'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 and to the extent and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Orem's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that internal noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this report and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.



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

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA
Gregory B. White, CPA

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

Compliance

We have audited the compliance of the City of Orem 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, 2010. The City of Orem'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 of Orem's management. Our responsibility is to express an opinion on management'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 of Orem'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 of Orem's compliance with those requirements.

In our opinion, The City of Orem 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, 2010.

Internal Control Over Compliance

The management of the City of Orem is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Orem's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Orem's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

CITY OF OREM, UTAH
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

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 of Orem as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 the Mayor, City Council and management of the City of Orem, the Utah State Auditor's Office, 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.

Total Department of Planning and Urban Development	14,200	14,200	14,200
<i>Janson & Keddington</i>			
December 14, 2010			
Passed through Department of Community and Culture			
ADDC Serving the Arts Today Grant (2009)	21,000	21,000	21,000
Library Development Technology Act (LDTA)	25,000	25,000	25,000
Passed through Institutional Programs & Library Services			
National Learning Week	45,000	45,000	45,000
Total National Periodicals on the Arts and the Mountains			91,000
Environmental Protection Agency			
Passed through Department of Environmental Quality			
Construction Grants to Clean Water State Revolving Funds - (CWSRF)	48,000	48,000	48,000
Total Environmental Protection Agency			48,000
Department of Energy			
Energy Efficiency & Conservation Block Grant Program (EECBGP) - (2009)	24,000	24,000	24,000
Total Department of Energy			24,000
Department of Homeland Security			
Passed through Department of Public Safety Director			
Emergency Services and Homeland Security			
Emergency Management Performance Grant (EMPG)	27,000	27,000	27,000
State Homeland Security Program (SHSP)	27,000	27,000	27,000
Baffle Box Production Grant	27,000	27,000	27,000
Total Department of Homeland Security			81,000
Department of Justice			
Passed through Commission on Criminal and Juvenile Justice			
NIECE Grant Program	7,000	7,000	7,000
NIECE Grant Program	7,000	7,000	7,000
Violence against Women Act Grant (VAWA)	22,000	22,000	22,000
Violence against Women Act Grant (VAWA)	22,000	22,000	22,000
Crime Victims Reparation Grant (CVRG)	22,000	22,000	22,000
Futures of Crime Act Grant (FCAG)	22,000	22,000	22,000
Total Department of Justice			100,000
Total Federal Financial Assistance			3,100,000

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Department of Commerce			
Direct Program:			
Economic Adjustment Assistance	11.307	05-39-02234	\$ 80,000
Total Department of Commerce			<u>80,000</u>
Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grant	14.218	B-05-MC-49-0002	590,403
Direct Program:			
Community Development Block Grant ARRA Entitlement Grants	14.253	B-09-MY-49-0002	164,094
Total Department of Housing and Urban Development			<u>754,497</u>
National Foundation on the Arts and the Humanities			
Passed through Arts Midwest:			
The Big Read	45.024	54696	12,000
Passed through Department of Community and Culture:			
ARRA Saving the Arts Today Grant (STAT)	45.025	101200	15,000
Library Services and Technology Act (LSTA)	45.310	LS-00-08-0045-08	9,750
Passed through Institute of Museum & Library Services:			
National Leadership Grant	45.312	CL-00-08-0020-08	20,208
Total National Foundation on the Arts and the Humanities			<u>56,958</u>
Environmental Protection Agency			
Passed through Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	2W-97882501	1,796,105
Total Environmental Protection Agency			<u>1,796,105</u>
Department of Energy			
Direct Program:			
Energy Efficiency & Conservation Block Grant Program (EECBG) - ARRA	81.128	DE-SC0001751	58,933
Total Department of Energy			<u>58,933</u>
Department of Homeland Security			
Passed through Department of Public Safety Division of			
Emergency Services and Homeland Security:			
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2010-HLS-060	5,000
State Homeland Security Program (LEPC)	97.073	DES-2007-SHSP-002	42,895
Buffer Zone Protection Grant	97.078	BZPP-2007-001	170,713
Total Department of Homeland Security			<u>218,608</u>
Department of Justice			
Passed through Commission on Criminal and Juvenal Justice:			
HIDTA Grant Program	7.9999	G-09-RM0030A	77,005
HIDTA Grant Program	7.9999	G-10-RM0030A	45,028
Violence against Women Act Grant (VAWA)	16.588	08-VAWA-17	5,081
Violence against Women Act Grant (VAWA)	16.588	09-VAWA-06	12,162
Crime Victims Reparation Grant (CVR)	16.588	10-WREC-16	26,294
Victims of Crime Act Grant (VOCA)	16.575	09-VOCA-37	53,791
Total Department of Justice			<u>219,361</u>
Total Federal Financial Assistance			<u>\$ 3,184,462</u>

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

CITY OF OREM, UTAH
NOTES TO THE SCHEDULE OF EXENDITURES OF FEDERAL AWARDS

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.

4. No significant deficiencies in internal control over the agency's financial program were reported in this schedule.

5. The auditor's report on compliance for the major federal award program for the City of Orem expressed an unqualified opinion on the major federal program.

6. There are no audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133.

7. The following programs were listed as major programs: Community Development Block Grant-ARRA Equipment Grant, CPTIA# 14253, Capitalization Grant for Clean Water State Revolving Funds - ARRA, CPTIA# 05-010, Buffer Zone Protection Grant, CPTIA# 05-010.

8. The threshold for distinguishing Type A and B programs was \$100,000.

9. The City of Orem qualified as a low-risk auditee.

FINDING - FINANCIAL STATEMENT AUDIT AND GOVERNMENT AUDITING STANDARDS

Utility Billing Prior Period Adjustment (Material Weakness)

Finding

During our audit, we observed that certain utility bills that occurred after fiscal year end with service dates within the current fiscal year were not accrued. This resulted in a prior period adjustment to increase accounts receivable and fund balances/asset of \$952,174.

Recommendation

We recommend the City ensure that revenues are recorded in the period that the revenues occurred.

Management's Response

Utility billings will be accrued into the proper fiscal period based upon the billed service dates.

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF OREM, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. One significant deficiency was disclosed during the audit of the financial statements, which is also reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were reported in this schedule.
5. The auditor's report on compliance for the major federal award program for the City of Orem expressed an unqualified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133.
7. The following programs were tested as major programs: Community Development Block Grant ARRA Entitlement Grants, CFDA# 14.253; Capitalization Grants for Clean Water State Revolving Funds - ARRA, CFDA# 66.458; Buffer Zone Protection Grant, CFDA# 97.078.
8. The threshold for distinguishing Types A and B programs was \$300,000
9. The City of Orem qualified as a low-risk auditee.

FINDING - FINANCIAL STATEMENT AUDIT AND GOVERNMENT AUDITING STANDARDS

Utility Billings Prior Period Adjustment (Material Weakness)

Finding

During our audit, we observed that certain utility billings that occurred after fiscal year end with service dates within the current fiscal year were not accrued. This resulted in a prior period adjustment to increase accounts receivable and fund balance/net assets of \$902,174.

Recommendation

We recommend the City ensure that revenues are recorded in the period that the revenues occurred.

Management's Response

Utility billings will be accrued into the proper fiscal period based upon the billed service dates.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



**INDEPENDENT AUDITOR'S REPORT
ON STATE OF UTAH
LEGAL COMPLIANCE**

Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA
Gregory B. White, CPA

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, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (the City), for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. As 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; 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, 2010. The City received the following major State assistance program 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.)

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:

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

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.

CITY OF OREM, UTAH
STATE OF UTAH LEGAL COUNSEL'S
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2010

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

The results of our audit procedures disclosed two immaterial instances of noncompliance with the requirements referred to above, which are described in the *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion, which is expressed in the following paragraph.

In our opinion, The 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, 2010.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Orem, the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

December 14, 2010

1. Fund Balance - State Level Compliance
Finding

Utah State Code 10-6-116(2) states that "The accumulation of a fund balance in the General Fund may not exceed 18% of the total estimated revenue of the General Fund." We noted that the City's General Fund exceeded 18% of total estimated revenue.

Recommendation

We recommend that the City ensure that they are compliant with Utah Code 10-6-116(2).

Management's Response

We will budget the required reduction in unrestricted fund balance in the General Fund and anticipate reducing fund balance to the appropriate level by June of 2011.

CITY OF OREM, UTAH
STATE OF UTAH LEGAL COMPLIANCE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended June 30, 2010

1. Expenditures in Excess of Budget – State Legal Compliance

Finding

Utah State Code 10-6-123 states that “City officers may not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or as subsequently amended.” The City’s expenditures exceeded the budget in the Friends of the Library fund by \$6,845.

Recommendation

We recommend that the City closely monitor expenditures in all departments to ensure compliance with the Utah State Code 10-6-123.

Management’s Response

The City will closely monitor expenditures in the Friends of the Library Fund to ensure it does not exceed budgeted amounts.

2. Fund Balance – State Legal Compliance

Finding

Utah State Code 10-6-116(2) states that “The accumulation of a fund balance in the General Fund may not exceed 18% of the total estimated revenue of the General Fund.” We noted that the City’s General Fund exceeded 18% of total estimated revenue.

Recommendation

We recommend that the City ensure that they are compliant with Utah Code 10-6-116(2).

Management’s Response

We will budget the required reduction in unrestricted fund balance in the General Fund and anticipate reducing fund balance to the appropriate level by June of 2011.