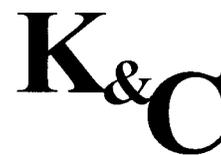

CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013



Keddington & Christensen, LLC
Certified Public Accountants

CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
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Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, 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, in accordance with the 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, the 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) as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

December 3, 2013



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2013. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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'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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and have issued our report thereon dated December 3, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen, LLC

December 3, 2013

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Grantor's Number | Federal Expenditure |
|---|---------------------------|---------------------|----------------------------------|
| Department of Commerce | | | |
| Direct Program: | | | |
| Economic Adjustment Assistance | 11.307 | 05-39-02234 | \$ 327,754 ^{See Note 3} |
| Total Department of Commerce | | | <u>327,754</u> |
| Department of Housing and Urban Development | | | |
| Direct Program: | | | |
| Community Development Block Grant | 14.218 | B-12-MC-49-0002 | \$ 452,818 |
| Total Department of Housing and Urban Development | | | <u>452,818</u> |
| Department of the Interior | | | |
| Passed through Department of Community and Culture: | | | |
| Historic Preservation Fund Grant (CLG) | 15.904 | 122116 | 1,400 |
| Total Department of the Interior | | | <u>1,400</u> |
| National Endowment for the Arts & Humanities | | | |
| Direct Program: | | | |
| Promotion of the Arts Grant | 45.024 | 10-5900-8082 | 10,000 |
| Passed through Western States Arts Federation: | | | |
| TourWest Grant | 45.025 | TW20120265 | 600 |
| TourWest Grant | 45.025 | TW20120338 | 2,000 |
| IMTour Grant | 45.025 | IMTP0023 | 2,500 |
| Total National Endowment for the Arts & Humanities | | | <u>15,100</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-2011-DEM-013 | 11,250 |
| Emergency Management Performance Grant (EMPG) | 97.042 | EMPG-2011-DEM-014 | 10,087 |
| Emergency Management Performance Grant (EMPG) | 97.042 | EMPG-2012-DEM-043 | 8,750 |
| Emergency Management Performance Grant (EMPG) | 97.042 | EMPG-2013-DEM-046 | 8,750 |
| State Homeland Security Program (LEPC) | 97.073 | DES-2010-SHSP-001 | 17,728 |
| State Homeland Security Program (LEPC) | 97.073 | DES-2011-SHSP-001 | 105,000 |
| Total Department of Homeland Security | | | <u>161,565</u> |
| Department of Justice | | | |
| Passed through Utah Department of Public Safety: | | | |
| Enforcing Underage Drinking Laws Program (Y.A.D.E.T.F.) | 16.727 | JJP20121J1111 | 6,200 |
| Passed through Commission on Criminal and Juvenile Justice: | | | |
| Violence against Women Act Grant (VAWA) | 16.588 | 11-VAWA-07 | 360 |
| Violence against Women Act Grant (VAWA) | 16.588 | 12-VAWA-06 | 14,253 |
| Victims of Crime Act Grant (VOCA) | 16.575 | 12-VOCA-41 | 52,630 |
| Total Department of Justice | | | <u>73,444</u> |

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

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2013

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Grantor's Number | Federal Expenditure |
|--|---------------------------|---------------------|------------------------|
| Environmental Protection Agency | | | |
| Direct Program: | | | |
| Congressionally Mandated Projects | 66.202 | 96816001 | 198,267 |
| Total Environmental Protection Agency | | | <u>198,267</u> |
| Executive Office of the President | | | |
| Direct Program: | | | |
| HIDTA Grant Program | 95.001 | G-12-RM0030A | 57,275 |
| HIDTA Grant Program | 95.001 | G-13-RM0030A | 126,708 |
| Total Executive Office of the President | | | <u>183,983</u> |
| Total Federal Financial Assistance | | | <u>\$ 1,414,331</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

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.
3. The Economic Adjustment Assistance amount reported as expenditures in the *Schedule of Expenditure of Federal Awards* is defined by the *OMB Circular A-133 Compliance Supplement* as follows, and is required to be reported in the aforementioned schedule:

| Economic Adjustment Assistance Revolving Loan Funds | |
|--|------------|
| as of and for the Fiscal Year Ended June 30, 2013 | |
| Balance of Revolving Loan Funds (RLF) outstanding: | \$ 250,951 |
| Cash and investment balance in the RLF | 287,680 |
| Administrative expenses paid out of RLF income during the fiscal year | 7,625 |
| Unpaid principal of all loans written off during the fiscal year | - |
| Total EDA RLF | 546,256 |
| Federal share of RLF | 60% |
| Federal expenditures of the Economic Adjustment RLF | \$ 327,754 |

The above calculated federal expenditure is not deemed to be a major federal program as the amount does not represent actual expenditures of the Revolving Loan Funds by the City. Actual expenditures of the City in relation to the RLF were \$7,625 during the year, which were less than the major federal program threshold.

**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. 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.
3. No significant deficiencies in internal control over the major federal award programs were reported in this schedule.
4. 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.
5. There are no audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133.
6. The following program was tested as a major program: Community Development Block, CFDA# 14.218.
7. The threshold for distinguishing Types A and B programs was \$300,000
8. The City of Orem qualified as a low-risk auditee.

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROLS
OVER COMPLIANCE IN ACCORDANCE WITH THE
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

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

We have audited the City of Orem, Utah's (City) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

- | | |
|---|---------------------------|
| Cash Management | Budgetary Compliance |
| Fund Balance | Justice Courts |
| Impact Fees | URS Compliance |
| Transfers from Utility Enterprise Funds | Government Records Access |
| Conflicts of Interest | Management Act (GRAMA) |

The City received the following major assistance programs from the State of Utah:

- B & C Road Funds (Department of Transportation)
- State Task Force Grant (Commission on Criminal & Juvenile Justice)

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit 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 the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the City and its major programs 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.

Opinion

In our opinion, the City, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City 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's internal control over compliance to determine the 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 *deficiency in 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 and correct, noncompliance 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 compliance requirement 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

December 3, 2013