

**CITY OF OREM, UTAH  
SUPPLEMENTARY REPORTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**



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Est. 1974

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**CITY OF OREM, UTAH  
 SUPPLEMENTARY REPORTS  
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# GILBERT & STEWART

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A PROFESSIONAL CORPORATION  
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## 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  
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 (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2015

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Orem'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control which 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 misstatements, 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The 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.

*Gilbert & Stewart*

GILBERT & STEWART, CPA PC  
December 1, 2015



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**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  
Orem, Utah

**Report on Compliance for Each Major Federal Program**

We have audited the City of Orem's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. 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.

***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 compliance for each of the City's major federal programs 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Orem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of 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.

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 the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Gilbert & Stewart*

GILBERT & STEWART, CPA PC

December 1, 2015

City of Orem, Utah  
 Supplementary Schedule of Expenditures of Federal Awards  
 For Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Federal Expenditure
<b>Department of Commerce</b>			
Direct Program:			
Economic Adjustment Assistance <sup>3</sup>	11.307	05-39-02234	\$ 234,481
<b>Total Department of Commerce</b>			<u>234,481</u>
<b>Department of Housing and Urban Development</b>			
Direct Program:			
Community Development Block Grant	14.218	B-12-MC-49-0002	991,002
<b>Total Department of Housing and Urban Development</b>			<u>991,002</u>
<b>National Endowment for the Arts &amp; Humanities</b>			
Passed through Department of Heritage and Arts:			
Local Arts Agency Grant	45.025	150773	2,500
Library Services and Technology Act (LSTA)	45.310	USL15-0023	10,968
<b>Total National Endowment for the Arts &amp; Humanities</b>			<u>13,468</u>
<b>Department of Homeland Security</b>			
Passed through Department of Public Safety Division of Emergency Services and Homeland Security:			
Emergency Management Performance Grant (EMPG)	97.042	EMPG PROJECT-2014-DEM-C	400
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2014-DEM-046	8,750
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2015-DEM-046	8,750
State Homeland Security Program (LEPC)	97.073	DES-2013-SHSP-001	11,896
<b>Total Department of Homeland Security</b>			<u>29,796</u>
<b>Department of Justice</b>			
Passed through Commission on Criminal and Juvenile Justice:			
Violence against Women Act Grant (VAWA)	16.588	13-VAWA-19	323
Violence against Women Act Grant (VAWA)	16.588	14-VAWA-07	18,383
Victims of Crime Act Grant (VOCA)	16.575	14-VOCA-43	51,999
Justice Assistance Grant (JAG)	16.738	14A198	8,704
<b>Total Department of Justice</b>			<u>79,409</u>
<b>Department of Transportation</b>			
Passed through Utah Department of Transportation (UDOT):			
Federal-Aid Highway Program Grant	20.205	LC49127 TOC	911,114
<b>Total Department of Transportation</b>			<u>911,114</u>
<b>Executive Office of the President</b>			
Direct Program:			
HIDTA Grant Program	95.001	G-14-RM0030A	52,000
HIDTA Grant Program	95.001	G-15-RM0030A	132,596
<b>Total Executive Office of the President</b>			<u>184,596</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,443,866</u>

See notes to the 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 CFDA 11.307**  
**as of and for the Fiscal Year Ended June 30, 2015**

Balance of Revolving Loan Funds (RLF) outstanding:	\$	238,753
Cash and investment balance in the RLF		147,048
Administrative expenses paid out of RLF income during the fiscal year		5,000
Unpaid principal of all loans written off during the fiscal year		-
Total EDA RLF	\$	390,801
Federal share of RLF		60%
Federal expenditures of the Economic Adjustment RLF	\$	234,481

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 \$5,000 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 unmodified 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 unmodified opinion on the major federal program.
5. There are no audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133
6. The following program was tested as a major program: Highway Planning and Construction, CFDA # 20.205
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

**FINDINGS—FINANCIAL STATEMENT AUDIT**

None

**FINDINGS—PRIOR YEAR AUDIT**

None



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**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE*  
*AUDIT GUIDE ON: COMPLIANCE WITH GENERAL STATE COMPLIANCE*  
REQUIREMENTS COMPLIANCE FOR  
EACH MAJOR STATE PROGRAM, INTERNAL CONTROL OVER COMPLIANCE  
AND SCHEDULE OF EXPENDITURES OF STATE AWARDS**

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

**Report on Compliance with General State Compliance requirements and for Each Major State Program**

We have audited the City of Orem's (the City) compliance with applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Tax Levy Revenue Recognition
- Restricted Tax
- Open and Public Meetings
- Cash Management
- Nepotism

The City received state funding from the following programs classified as major programs for the year ended June 30, 2015:

B&C Road Funds (Department of Transportation)

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit of the 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 the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City and its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, the City of Orem complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on its major state programs for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Audit Guide* and which is described in the accompanying Schedule of State Compliance Findings and Recommendations as item 2015-1. Our opinion on compliance was not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of State Compliance Findings and Recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report of 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 of compliance, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 general state or major state program compliance requirement 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 general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement 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, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide***

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* 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 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 state awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Gilbert & Stewart*

GILBERT & STEWART  
*Certified Public Accountants*  
December 1, 2015

City of Orem, Utah  
 Schedule of Expenditures of State Grants, Contracts, and Loan Funds  
 For Year Ended June 30, 2015

Grant Name	Award/Contract Number	Year of Last Audit	State Expenditure
<b>Department of Heritage and Arts</b>			
State Library Divison:			
Community Library Enhancement Fund (CLEF) Grant	USL15-0163		\$ 20,163
Division of Arts and Museums:			
Onstage in Utah Grant	151004		<u>1,750</u>
<b>Total Department of Heritage and Arts</b>			<u>21,913</u>
<b>Department of Health</b>			
Bureau of Emergency Medical Services and Preparedness:			
Emergency Medical Services (EMS) Dispatch Grant	N/A		<u>288</u>
<b>Total Department of Health</b>			<u>288</u>
<b>Department of Transportation</b>			
Direct Program:			
B&C Road Funds	N/A	2015	<u>2,503,625</u>
<b>Total Department of Transportation</b>			<u>2,503,625</u>
<b>Commission on Criminal &amp; Juvenile Justice (CCJJ)</b>			
Direct Program:			
State Asset Forfeiture Grant (SAFG)	15N05	2014	126,343
State Task Force Grant (STFG)	15F05		<u>165,957</u>
<b>Total Commission on Criminal &amp; Juvenile Justice (CCJJ)</b>			<u>292,300</u>
<b>Office of the Utah Attorney General</b>			
Investigations Division:			
Internet Crimes Against Children Grant (ICAC)	ICAC-00001-15		<u>15,420</u>
<b>Total Office of the Utah Attorney General</b>			<u>15,420</u>
<b>Department of Public Safety</b>			
Utah Highway Patrol:			
Alcohol and Drug Fee Committee Grant	N/A		<u>9,608</u>
<b>Total Department of Public Safety</b>			<u>9,608</u>
<b>Department of Natural Resources</b>			
Division of Wildlife Resources:			
Community Youth Fishing Program Grant	N/A		<u>500</u>
<b>Total Department of Natural Resources</b>			<u>500</u>
<b>State Office of Education</b>			
Direct Program:			
Professional Outreach Program in the Schools Grant	AF150085		<u>64,925</u>
<b>Total State Office of Education</b>			<u>64,925</u>
<b>Total Grant, Contract, and Loan Fund Expenditures</b>			<u>\$ 2,908,579</u>

**CITY OF OREM, UTAH**  
SCHEDULE OF STATE COMPLIANCE FINDINGS AND RECOMENDATIONS  
JUNE 30, 2015

**STATE COMPLIANCE FINDING – PRIOR YEAR**

2014-1. OPEN AND PUBLIC MEETINGS ACT

Finding:

Utah Code Section 52-4-203(4) (e) requires that within three (3) days of approval of written minutes, those minutes be uploaded. In the prior year, certain minutes tested were not uploaded within the required time frame.

Current Status:

The City is now in compliance with the Open and Public Meetings Act.

**STATE COMPLIANCE FINDING – CURRENT YEAR**

2015-1. FUND BALANCE REQUIREMENTS

Finding:

Utah State Code Section 10-6-116 (2) states that the committed, assigned and unassigned fund balance of the general fund not exceed 25% of the total revenue of the general fund for the fiscal year under audit. During our testing we noted that the City's committed, assigned and unassigned fund balance in the general fund exceeded the 25% limit.

Recommendation:

We recommend that the City review the fund balances and current year revenues, and make necessary budget adjustments to be in compliance with the State compliance requirement.

City's Response:

The City is aware of exceeding the 25% limit and has plans to appropriate the necessary amount of fund balance through a budget amendment which is to take place in February 2016.

