

CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
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Jensen & Keddington, P.C.
Certified Public Accountants

Jeffery 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, 2011, which collectively comprise the City of Orem's basic financial statements, and have issued our report thereon dated December 12, 2011. 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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.

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 12, 2011



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**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**

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, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 of laws, regulations, contracts, and grants applicable to federal programs. 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 to determine the 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.

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, 2011, and have issued our report thereon dated December 12, 2011. 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.

Jensen & Keddington

December 12, 2011

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Federal Expenditure
Department of Education			
Direct Program:			
Fund for the Improvement of Education	84.215	U215K100173	\$ 69,341
Total Department of Education			<u>69,341</u>
Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grant	14.218	B-10-MC-49-0002	537,510
Total Department of Housing and Urban Development			<u>537,510</u>
National Endowment for the Arts & Humanities			
Direct Program:			
Arts Education Invitational Grants Initiative (AEIGD)	45.024	10-5900-8082	5,500
Passed through Western States Arts Federation:			
TourWest Grant	45.025	TW20090243	1,875
TourWest Grant	45.025	TW20100154	875
TourWest Grant	45.025	TW20100155	1,750
Passed through American Library Association:			
Louisa May Alcott Outreach Project	45.164	LA-50067-11	2,500
Total National Foundation on the Arts and the Humanities			<u>10,000</u>
Environmental Protection Agency			
Passed through Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-49000108	1,000,000
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-49000110	2,533,987
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-49000111	463,756
Total Environmental Protection Agency			<u>3,997,743</u>
Department of Energy			
Direct Program:			
Energy Efficiency & Conservation Block Grant Program (EECBG) - ARRA	81.128	DE-SC0001751	831,867
Total Department of Energy			<u>831,867</u>
Department of Homeland Security			
Passed through Department of Public Safety Division of Emergency Services and Homeland Security:			
Community Emergency Response Team Grant (CERT)	97.042	CERT-2009-SHSP-002	1,458
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2010-HLS-060	5,000
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2011-DEM-041	5,000
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2010-HLS-098	15,442
State Homeland Security Program (LEPC)	97.073	DES-2008-SHSP-002	52,114
Total Department of Homeland Security			<u>79,014</u>
Department of Justice			
Passed through Utah Department of Public Safety:			
Enforcing Underage Drinking Laws Program (Y.A.D.E.T.F.)	16.727	JJP2009 J919	11,000
Passed through Commission on Criminal and Juvenile Justice:			
HIDTA Grant Program	7.9999	G-10-RM0030A	91,827
HIDTA Grant Program	7.9999	G-11-RM0030A	67,968
Violence against Women Act Grant (VAWA)	16.588	09-VAWA-06	11,990
Violence against Women Act Grant (VAWA)	16.588	10-VAWA-07	14,119
Crime Victims Reparation Grant (CVR)	16.588	09-WREC-16	20,875
Victims of Crime Act Grant (VOCA)	16.575	10-VOCA-39	52,779
Total Department of Justice			<u>259,558</u>
Total Federal Financial Assistance			<u>\$ 5,798,533</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.

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 programs were tested as major programs: Community Development Block Grant ARRA Entitlement Grants, CFDA# 14.218; Capitalization Grants for Clean Water State Revolving Funds - ARRA, CFDA# 66.458; Energy Efficiency & Conservation Block Grant Program, CFDA# 81.128.
7. The threshold for distinguishing Types A and B programs was \$300,000
8. The City of Orem qualified as a low-risk auditee.

FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS FINDINGS

None

MAJOR FEDERAL AWARD PROGRAMS AUDIT FINDINGS

None



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

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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 (the City) as of and for the year ended June 30, 2011, which collectively comprise the City of Orem's basic financial statements, and have issued our report thereon dated December 12, 2011. The general compliance requirements applicable to the City are identified as follows:

- | | |
|------------------------------|---------------------------------|
| Public Debt | Cash Management |
| Purchasing Requirements | Budgetary Compliance |
| Truth in Taxation & Property | Liquor Law Enforcement |
| Tax Limitations | Justice Court |
| B & C Road Funds | Special Districts |
| Other General Issues | Uniform Building Code Standards |
| Impact Fees | Asset Forfeiture |
| URS Compliance | Fund Balance |

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

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

Compliance with the requirements referred to above is the responsibility of the City's management. 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; 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 major assistance programs or general compliance requirements identified above. 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, Orem City Corporation 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, 2011.

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. However, the report is a matter of public record and its distribution is not limited.

Jensen & Keddington

December 12, 2011