

CITY OF OREM, UTAH
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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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, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orem, Utah (City of Orem) as of and for the year ended June 30, 2012, which collectively comprise the City of Orem's basic financial statements, and have issued our report thereon dated December 6, 2012. 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

Management of the City of Orem is responsible for establishing and maintaining effective 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 weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Keddington & Christensen, LLC

December 6, 2012



Keddington & Christensen, LLC
Certified Public Accountants

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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, Utah (City of Orem) 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 of Orem's major federal programs for the year ended June 30, 2012. 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 the City of Orem'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 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, 2012.

Internal Control Over Compliance

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, Utah'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, 2012, and have issued our report thereon dated December 6, 2012, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 federal awards is fairly stated in all material respects in relation to the financial statements 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.

Keddington & Christensen, LLC

December 6, 2012

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2012

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	\$ 325,784 ^{See Note 3}
Total Department of Commerce			<u>325,784</u>
Department of Education			
Direct Program:			
Fund for the Improvement of Education	84.215	U215K100173	30,659
Total Department of Education			<u>30,659</u>
Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grant	14.218	B-10-MC-49-0002	\$ 844,334
Total Department of Housing and Urban Development			<u>844,334</u>
Department of the Interior			
Passed through Department of Community and Culture:			
Historic Preservation Fund Grant (CLG)	15.904	122116	1,500
Total Department of the Interior			<u>1,500</u>
National Endowment for the Arts & Humanities			
Passed through Western States Arts Federation:			
TourWest Grant	45.025	TW20110294	1,750
Total National Foundation on the Arts and the Humanities			<u>1,750</u>
Environmental Protection Agency			
Passed through Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-49000111	2,481,000
Total Environmental Protection Agency			<u>2,481,000</u>
Department of Energy			
Direct Program:			
Energy Efficiency & Conservation Block Grant Program (EECBG)	81.128	DE-SC0001751	73,665
Total Department of Energy			<u>73,665</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-041	5,000
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2012-DEM-043	8,750
Emergency Management Performance Grant (EMPG)	97.042	EMPG-2010-HLS-098	4,915
State Homeland Security Program (LEPC)	97.073	DES-2010-SHSP-001	77,799
Total Department of Homeland Security			<u>96,464</u>

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

CITY OF OREM, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Federal Expenditure
Department of Justice			
Passed through Utah Department of Public Safety:			
Enforcing Underage Drinking Laws Program (Y.A.D.E.T.F.)	16.727	JJP2012 J1012	15,000
Passed through Commission on Criminal and Juvenile Justice:			
Violence against Women Act Grant (VAWA)	16.588	10-VAWA-07	5,846
Violence against Women Act Grant (VAWA)	16.588	11-VAWA-07	19,163
Crime Victims Reparation Grant (CVR)	16.588	09-WREC-16	3,476
Victims of Crime Act Grant (VOCA)	16.575	11-VOCA-42	53,162
Bulletproof Vest Partnership Grant	16.607	6B06	10,425
Total Department of Justice			<u>107,072</u>
Executive Office of the President			
Direct Program:			
HIDTA Grant Program	95.001	G-11-RM0030A	82,417
HIDTA Grant Program	95.001	G-12-RM0030A	94,421
Total Executive Office of the President			<u>176,838</u>
Total Federal Financial Assistance			<u>\$ 4,139,066</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 Expenditures 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, 2012	
Balance of Revolving Loan Funds (RLF) outstanding:	\$ 344,521
Cash and investment balance in the RLF	190,202
Administrative expenses paid out of RLF income during the fiscal year	8,250
Unpaid principal of all loans written off during the fiscal year	-
Total EDA RLF	542,973
Federal share of RLF	60%
Federal expenditures of the Economic Adjustment RLF	\$ 325,784

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 \$8,250 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 programs were tested as major programs: Capitalization Grants for Clean Water State Revolving Funds, CFDA# 66.458; HIDTA Grant, CFDA# 95.001.
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



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**INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE 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's 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, 2012. The general compliance requirements applicable to the City are identified as follows:

- | | |
|---|---------------------------------|
| Public Debt | Cash Management |
| Purchasing Requirements | Budgetary Compliance |
| Truth in Taxation & Property
Tax Limitations | Liquor Law Enforcement |
| B & C Road Funds | Justice Court |
| Other General Issues | Special Districts |
| Impact Fees | Uniform Building Code Standards |
| URS Compliance | Asset Forfeiture |
| | 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, the City of Orem, Utah, 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, 2012.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Orem, Utah, 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.

Keddington & Christensen, LLC

December 6, 2012