

City of Orem, Utah
Supplementary Reports
For the Year Ended June 30, 2022

CITY OF OREM, UTAH
Supplementary Reports

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For the year ended June 30, 2022

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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***

The Honorable Mayor and
Members of the City Council
Orem City, UT

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 Orem City (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Orem City’s basic financial statements and have issued our report thereon dated December 12, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orem 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 Orem City’s internal control. Accordingly, we do not express an opinion on the effectiveness of Orem 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 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 Orem City’s financial statements are free from 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

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.

Larson & Company, PC

Larson & Company, PC
Spanish Fork, Utah
December 12, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Honorable Mayor and
Members of the City Council
Orem City, UT

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Orem City's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. Orem City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards general accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Governments Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Orem City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Orem City's major federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Orem City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Orem City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Orem City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Orem City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies in material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2022, 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 the Uniform Guidance 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.

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
December 12, 2022

OREM CITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Grantor's Number | Federal Expenditures | Expenditures to Subrecipients |
|---|----------------------------|-----------------------------|---------------------------------|--|
| Department of Commerce | | | | |
| Economic Development Cluster | | | | |
| Direct Program: | | | | |
| Economic Adjustment Assistance 3 | 11.307 | 05-39-02234 | \$ 97,314 | |
| COVID-19 Economic Adjustment Assistance | 11.307 | 05-79-05985 | 14,512 | |
| Total Economic Development Cluster | | | 97,314 | |
| Total Department of Commerce | | | 111,826 | |
| Department of Housing and Urban Development | | | | |
| CDBG Entitlement Grant Cluster | | | | |
| Direct Program: | | | | |
| * Community Development Block Grant | 14.218 | B-21-MC-49-0002 | 520,022 | 72,204 |
| * COVID-19 Community Development Block Grant | 14.218 | B-20-MC-49-0002 | 262,801 | 131,505 |
| Total Entitlement Grant Cluster | | | 782,823 | 203,709 |
| Total Department of Housing and Urban Development | | | 782,823 | 203,709 |
| Department of the Interior | | | | |
| Passed through Bureau of Reclamation: | | | | |
| WaterSMART (Sustain and Manage America's Resources for Tomorrow) | 15.507 | R20AP00098 | 378,813 | |
| Total Department of the Interior | | | 378,813 | |
| Department of Justice | | | | |
| Passed through Commission on Criminal and Juvenile Justice: | | | | |
| Victims of Crime Act Grant (VOCA) | 16.575 | 21VOCA044 | 111,279 | |
| Equitable Sharing Program Grant | 16.922 | UT0250300 | 62,958 | |
| Direct Program: | | | | |
| Public Safety Partnership & Community Policing Grants (C | 16.71 | 2020UMWX0250 | 123,063 | |
| Total Department of Justice | | | 297,300 | |
| Department of Transportation | | | | |
| Highway Safety Cluster | | | | |
| Passed through Utah Department of Public Safety: | | | | |
| State and Community Highway Safety Grant | 20.6 | DD190805 | 1,611 | |
| Total Highway Safety Cluster | | | 1,611 | |
| Total Department of Transportation | | | 1,611 | |
| Department of the Treasury | | | | |
| Direct Program: | | | | |
| COVID-19 Coronavirus State & Local Fiscal Recovery Fund | 21.027 | 07-298-8710 | 400,972 | |
| Total Department of the Treasury | | | 400,972 | |
| National Endowment for the Arts & Humanities | | | | |
| Passed through Western States Arts Federation: | | | | |
| Promotion of the Arts Partnership Agreement | 45.025 | TW20200121 | 1,800 | |
| Passed through Department of Heritage and Arts: | | | | |
| Promotion of the Arts Partnership Agreement | 45.025 | 220913 | 4,000 | |
| Grants to States | 45.310 | 203511 | | |
| Total National Endowment for the Arts & Humanities | | | 5,800 | |
| Institute of Museum and Library Services | | | | |
| Passed through Department of Cultural & Community Engagement: | | | | |
| Grants to States | 45.310 | 212781 | 16,065 | |
| Grants to States | 45.310 | 220119 | 68,530 | |
| Grants to States | 45.310 | 221497 | 1,988 | |
| Total Institute of Museum and Library Services | | | 86,583 | |
| Environmental Protection Agency | | | | |
| Direct Program: | | | | |
| Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | 66.818 | 96896201 | 51,533 | |
| Total Environmental Protection Agency | | | 51,533 | |
| Executive Office of the President | | | | |
| Direct Program: | | | | |
| High Intensity Drug Trafficking Areas (HIDTA) Program | 95.001 | G-21-RM0030A | 190,082 | |
| High Intensity Drug Trafficking Areas (HIDTA) Program | 95.001 | G-22-RM0030A | 142,224 | |
| Total Executive Office of the President | | | 332,306 | |
| 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-2021-DEM-01 | 32,500 | |
| Total Department of Homeland Security | | | 32,500 | |
| Total Federal Financial Assistance | | | \$ 2,482,067 | \$ 203,709 |
| <i>*Major Program</i> | | | | |

CITY OF OREM, UTAH
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Orem City (the City). The City's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements.

3. NON-CASH ASSISTANCE

The City did not receive any non-cash assistance.

4. LOANS OUTSTANDING

The City does not have federally insured loans outstanding at year end.

5. DE MINIMIS INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate

CITY OF OREM, UTAH
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

SUMMARY OF AUDIT RESULTS

1. The independent auditor’s report expresses an unqualified opinion on the basic financial statements of Orem City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditor’s Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Orem City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The independent auditor’s report on compliance for the major federal award programs for the Orem City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under 2 CFR section 200.516(a).
7. The program tested as a major program include:

| | |
|-----------------------------------|--------------|
| Community Development Block Grant | CFDA# 14.218 |
|-----------------------------------|--------------|
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Orem City was determined to be a low-risk auditee.

SUMMARY OF CURRENT YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

FINANCIAL STATEMENT FINDINGS

No findings noted during current audit

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

No findings noted during prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

The Honorable Mayor and
Members of the City Council
Orem City, UT

Report on Compliance with General State Compliance Requirements

We have audited Orem City’s compliance with the applicable general state 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 Orem City for the year ended June 30, 2022.

State compliance requirements were tested for the year ended June 30, 2022 in the following areas:

- | | |
|---|------------------------------|
| Budgetary Compliance | Fund Balance |
| Fraud Risk Assessment | Governmental Fees |
| Justice Court | Cash Management |
| Enterprise Fund Transfers, Reimbursements, Loans, and Service | Tax Levy Recognition |
| Impact Fees | Utah Retirement Systems |
| Public Treasurer’s Bond | Open and Public Meetings Act |

Management’s Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor’s Responsibility

Our responsibility is to express an opinion on Orem City’s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about Orem 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 state compliance requirement referred to above. However, our audit does not provide a legal determination of Orem City’s compliance with those requirements.

Opinion on Compliance

In our opinion, Orem City complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2022.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*, and which are described in the accompanying schedule of state compliance findings and recommendations. Our opinion on compliance is 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Orem City's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 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 state 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 state 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 state 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. 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.

Larson & Company, PC

Spanish Fork, Utah
December 12, 2022

State Compliance – Current Year

SC 2022.1 Deficit Fund Balance

Criteria: *Utah State Code 10-6-117-(2)* states that if there is a deficit fund balance in a fund at the close of the last completed fiscal year, the governing body of a city shall include an item of appropriation for the deficit in the current budget of the fund equal to (a) at least 5% of the total revenue of the fund in the last completed fiscal year; or (b) if the deficit is equal to less than 5% of the total revenue of the fund in the last completed fiscal year, the entire amount of the deficit.

Condition: The City has a deficit fund balance in the Facilities Maintenance Fund. In the amended and subsequent budgets, there were no appropriations to retire at least 5% of the deficit fund balance.

Cause of condition: Oversight on the management and staff

Potential effect of condition: Non-compliance with Utah State Code

Recommendation: We recommend that the City and its management review prior year fund balances. If a deficit has occurred, we recommend that the City ensure that there is a line item with an appropriation to retire an amount equal to or greater than 5% of the total revenue of the fund while preparing the current year budget.

City's response: The Facilities Maintenance internal service fund was new in FY 2021 and various costs were higher than anticipated in FY 2022. The additional costs were incorporated into the fund's charges to other funds in the FY 2023 budget. The Governmental Accounting Standards Board (GASB) has indicated that internal service funds operate on a "break-even" bases over time.

SC 2022.2 Cash Management

Criteria: *Utah State Code 51-7-15-(3)(b)* states that the report shall contain the information about the deposits and investments of that public treasurer during the preceding six months ending December 31 and June 30, respectively, that the council requires by rule.

Condition: Three Public Treasurer's Investment Fund (PTIF) accounts were not reported in the Deposit and Investment (D&I) Report submitted for FY2022.

Cause of condition: Oversight on the management and staff

Potential effect of condition: Non-compliance with Utah State Code

Recommendation: We recommend that the City reconcile and report the institutional balances when submitting the D&I report.

City's response: The City identified what caused the error in reporting and has put procedures in place to avoid this error from occurring in the future.

SC 2022.3 Fund Balance General Fund Requirement

Criteria: *Utah State Code 10-6-116-(2)* states that the accumulation of a fund balance in the city general fund may not exceed 35% of the total revenue of the city general fund for the current fiscal period.

Condition: The City's unrestricted general fund balance exceeded 35% of the total revenue of the general fund.

Cause of condition: Oversight on the management and staff.

Potential effect of condition: Non-compliance with Utah State Code

Recommendation: We recommend that the City review general fund balances for excess. If the city is accumulating fund for future projects, those monies should be moved to other funds. The city should maintain less than 35% of the general fund revenues for future appropriation to be in compliance with the Utah State Code.

City's response: Due to higher than expected sales tax revenues in FY 2022, the City believed it was possible that it would have a fund balance exceeding the state fund balance limitation. The City will appropriate the needed amount in FY 2023 through a budget amendment and transfer it to its Capital Projects Fund in order to be below the maximum unrestricted fund balance limitation.

Internal Control – Current Year

None noted

Status of Findings – Prior Year

State Compliance

SC 2021.1 Fund Balance Requirements

Criteria: Utah State Code Section 10-6-116 (2) states that the committed, assigned, and unassigned fund balance of the general fund not to exceed 35% of the total revenue of the general fund for the fiscal year under audit.

Condition: The City's committed, assigned, and unassigned fund balance in the general fund exceeded the 35% limit.

Status of finding: Finding substantially repeated. See current year finding SC-2022.3

Management response to status of finding: See response to current year finding SC-2022.3

Internal Control

None noted