

**CITY OF OREM, UTAH  
SUPPLEMENTARY REPORTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**



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SUPPLEMENTARY REPORTS  
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# GILBERT & STEWART

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  
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, 2020, 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, 2020.

### 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 city'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 city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

### **Gilbert & Stewart**

GILBERT & STEWART, CPA's  
Provo, Utah  
December 1, 2020



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

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 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, 2020. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 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). Those standards and the Uniform Guidance 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, 2020.

## **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 the Uniform Guidance, 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 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, 2020, 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, 2020 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.

## **Gilbert & Stewart**

GILBERT & STEWART, CPA's

Provo, Utah

December 1, 2020

City of Orem  
Supplementary Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Federal Expenditures	Expenditures to Subrecipients
<b>Department of Commerce</b>				
Economic Development Cluster				
Direct Program:				
Economic Adjustment Assistance <sup>3</sup>	11.307	05-39-02234	\$ 210,982	\$ -
Total Economic Development Cluster			210,982	-
<b>Total Department of Commerce</b>			210,982	-
<b>Department of Housing and Urban Development</b>				
CDBG Entitlement Grant Cluster				
Direct Program:				
Community Development Block Grant	14.218	B-19-MC-49-0002	972,038	114,194
Total Entitlement Grant Cluster			972,038	114,194
<b>Total Department of Housing and Urban Development</b>			972,038	114,194
<b>National Endowment for the Arts &amp; Humanities</b>				
Passed through Department of Heritage and Arts:				
Promotion of the Arts Partnership Agreement	45.025	200332	3,500	-
<b>Total National Endowment for the Arts &amp; Humanities</b>			3,500	-
<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-2019-DEM-013	20,000	-
Homeland Security Grant Program	97.067	16-SHSP-REG2	14,170	-
<b>Total Department of Homeland Security</b>			34,170	-
<b>Department of Justice</b>				
Passed through Commission on Criminal and Juvenile Justice:				
Victims of Crime Act Grant (VOCA)	16.575	GT-VOCA1-072	88,371	-
Bulletproof Vest Partnership Program Grant	16.607	6B06	12,881	-
Equitable Sharing Program Grant	16.922	UT0250300	22,100	-
<b>Total Department of Justice</b>			123,352	-
<b>Department of Transportation</b>				
Highway Safety Cluster				
Passed through Utah Department of Public Safety:				
State and Community Highway Safety Grant	20.600	DD190805	10,574	-
Total Highway Safety Cluster			10,574	-
<b>Total Department of Transportation</b>			10,574	-
<b>Department of the Treasury</b>				
Passed through Commission on Criminal and Juvenile Justice:				
Equitable Sharing Program Grant	21.016	UT0250300	8,647	-
Passed through Utah County:				
COVID-19 Coronavirus Relief Fund Grant	21.019	2020-432	4,861,276	-
<b>Total Department of the Treasury</b>			4,869,923	-
<b>Environmental Protection Agency</b>				
Direct Program:				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	96896201	23,593	-
<b>Total Environmental Protection Agency</b>			23,593	-
<b>Executive Office of the President</b>				
Direct Program:				
High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	G-19-RM0030A	87,911	-
High Intensity Drug Trafficking Areas (HIDTA) Program	95.001	G-20-RM0030A	104,548	-
<b>Total Executive Office of the President</b>			192,459	-
<b>Total Federal Financial Assistance</b>			\$ 6,440,591	\$ 114,194

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



**CITY OF OREM**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City of Orem under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of activities related to the City expenditure of Federal awards. The schedule has been prepared on the same basis of accounting as the financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of Federal funds are made, revenue is recognized. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Orem does not use the 10% de minimis cost rate as allowed under Uniform Guidance

**NOTE C - ACCOUNTS RECEIVABLE**

The financial statements include accounts receivable from Federal programs. These receivables are recorded according to the same basis of accounting as the financial statements. The receivables reflect Federal awards that have been expended by yearend and not yet reimbursed.

**NOTE D**

The Economic Adjustment Assistance amount reported as expenditures in the *Schedule of Expenditures of Federal Awards* is defined by the *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, 2020**

Balance of Revolving Loan Funds (RLF) outstanding:	\$ 181,304
Cash and investment balance in the RLF	165,333
Administrative expenses paid out of RLF income during the fiscal year	5,000
Unpaid principal of all loans written off during the fiscal year	<u>-</u>
Total EDA RLF	\$ 351,637
Federal share of RLF	<u>60%</u>
Federal expenditures of the Economic Adjustment RLF	<u><u>\$ 210,982</u></u>

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.

**NOTE E**

Community Development Block Grant Funds have been used to setup revolving loan funds to assist eligible individuals and businesses. The outstanding loan balances at year end are:

Individual Loans	\$ 170,972
Business Loans	125,441

# **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 2CFR Section 200.516(a).
6. The following program was tested as a major program: Coronavirus Relief Fund Grant, CFDA# 21.019.
7. The threshold for distinguishing Types A and B programs was \$750,000.
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 ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE*

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

### Report On Compliance

We have audited Orem City's ("the City") compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

Budgetary Compliance  
Utah Retirement Systems  
Justice Court  
Restricted Taxes and Related Revenues  
Open and Public Meetings Act  
Treasurer's Bond  
Tax Levy Recognition  
Cash Management

### *Management's Responsibility*

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

### *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 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 state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

### *Opinion on General State Compliance Requirements*

In our opinion, Orem City, complied, in all material respects, with the compliance requirements identified above for the year ended June 30, 2020.

## ***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 findings and recommendations as 2020-1. 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 findings and recommendations as 2020-1. 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 on Internal Control over Financial Reporting***

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with 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 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 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.

## **Gilbert & Stewart**

Gilbert & Stewart, CPA's

Provo, Utah

December 1, 2020

**CITY OF OREM, UTAH**  
**SCHEDULE OF STATE COMPLIANCE FINDINGS AND RECOMENDATIONS**  
**JUNE 30, 2020**

**STATE COMPLIANCE FINDING – CURRENT YEAR**

**2020-1. 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 to 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 taken steps to be in compliance with the prior year findings. Revenues of the City exceeded budget amounts in the current year, and the city plans to appropriate the necessary amount of fund balance through a budget amendment.

**STATE COMPLIANCE FINDING – PRIOR YEAR**

**2019-1. 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 to 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:**

See response in current year finding 2020-1.

