

CITY OF SOUTH OGDEN
SUPPLEMENTARY REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**SOUTH OGDEN CITY
SUPPLEMENTARY REPORTS
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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 South Ogden
South Ogden, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Ogden, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of South Ogden's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of South Ogden'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 of South Ogden's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of South Ogden'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 the 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 that might be material weaknesses, 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 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.

Keddington & Christensen, LLC

December 16, 2014



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

Honorable Mayor and
Members of City Council
City of South Ogden
South Ogden, Utah

REPORT ON COMPLIANCE

We have audited the City of South Ogden's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- | | |
|-----------------------------------|--------------------------------------------------|
| Budgetary Compliance | Transfers from Utility Enterprise Funds |
| Fund Balance | Government Records Access Management Act (GRAMA) |
| Justice Court | Open and Public Meetings Act |
| Utah Retirement System Compliance | |

The City did not have any state funding classified as a major program during the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on South Ogden 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 could have a direct and material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

In our opinion, South Ogden City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2014.

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 items 1-4. 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 items 1-4. The city's response was not subject 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 controls 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 our opinion on compliance with general state compliance requirements 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 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 general 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 general 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 requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen, LLC

December 16, 2014

**South Ogden City
Schedule of Findings and Recommendations
For The Year Ended June 30, 2014**

1. Expenditures in Excess of Budget - State Compliance

Finding:

Utah State Code Section 53a-17 states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriations for any department or fund". During our audit we noted that the City's General fund had expenditures that exceeded total budgeted appropriations by \$50,208.

Recommendation:

We recommend that the City closely monitor expenditures in the funds to ensure the City is in compliance with Utah State Code.

City Response:

The City will more closely monitor expenditures to avoid exceeding the budgeted appropriations. This overage was the result of a lease agreement that was over-looked and not incorporated in the City's budget.

2. Transfers in excess of budget - State Compliance

Finding:

Transfers from the General Fund to the Debt Service Fund fund exceeded budget by \$200,000.

Recommendation:

We recommend that all expenditures, including transfers to other funds, are properly appropriated through the budget process as outlined by state laws.

City Response:

The City will be more careful to properly appropriate the transfer of funds through the budget process. In this instance a transfer of funds was made to the Debt Service Fund but was inadvertently left off of the necessary budget amendment to account for the transfer.

3. Deficit Fund Balance - State Compliance

Finding:

"Appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are a violation of state code." (Utah Code 17-36-17; 10-6-117; 10-5-114; & 17B-1-613). During the test work for state and legal compliance it was noted that at the end of June 30, 2014 the City's South Ogden Fund had a deficit fund balance of \$4,569.

Recommendation:

The City should ensure that each fund's operations have sufficient revenues to cover expenses (i.e. maintain a balanced budget).

City Response:

The City will seek to ensure that there are enough revenues to cover expenses in the South Ogden Day's Fund.

South Ogden City
Schedule of Findings and Recommendations (Continued)
For The Year Ended June 30, 2014

4. Court Credits - State Compliance

Finding:

The justice court is required to obtain and retain documentation authorized by the bail schedule (as specified in the Uniform Fine/Bail Schedule) or ordered by the judge (specified in the judicial order or a general court order) to support any case dismissal, credit, or accounts receivable adjustment. Specifically credits are given to defendants for completion of certain actions (showing proof of insurance, community service completion, etc). In one out of five credits tested, proper documentation was not available to support a credit granted by the court.

Recommendation:

We recommend that the City obtain and retain supporting documentation to support the release granted pursuant to judicial order and Utah State Code.

City Response:

It is the policy of the City to retain a copy of all supporting documentation whenever a credit or dismissal is applied to due to bail schedule compliance or court order. These documents are then forwarded to the supervisor for secondary approval. The City will strive to make sure the necessary documentation and authorizations are received when dealing with any court credits.