

**CITY OF SOUTH OGDEN**  
**SUPPLEMENTARY REPORTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CITY OF SOUTH OGDEN  
SUPPLEMENTARY REPORTS  
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**Keddington & Christensen**  
Certified Public Accountants, LLC

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Gary K. Keddington, CPA  
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**INDEPENDENT AUDITORS' 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  
South Ogden City Corporation  
South Ogden, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Ogden City Corporation (City), as of and for the year ended June 30, 2012, which collectively comprise South Ogden City Corporation's basic financial statements and have issued our report thereon dated December 20, 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 South Ogden is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of South Ogden'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 South Ogden's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of South Ogden'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 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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying *Schedule of Findings and Recommendations* that we consider to be significant deficiencies in internal control over financial reporting. 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.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Recommendations* as finding 1.

South Ogden City Corporation's responses to findings identified in our audit are described in the *Schedule of Findings and Recommendations*. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Mayor, City Council and management of South Ogden City Corporation, federal awarding agencies and pass-through entities, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Keddington & Christensen, LLC*

December 20, 2012



**Keddington & Christensen**  
Certified Public Accountants, LLC

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Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Phyl R. Warnock, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE IN ACCORDANCE WITH THE  
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

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

We have audited the City of South Ogden'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	Liquor Law Enforcement
Tax Limitations	Justice Court
B & C Road Funds	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, South Ogden 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, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the *Schedule of Findings and Recommendations* as *Findings 2* through *10*.

Management's response to the findings identified in our audit is described in the accompanying letter to management. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City management, the Board of Trustees, and the Office of the Utah State Auditor 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 20, 2012

**SCHEDULE OF FINDINGS, RECOMMENDATIONS  
& RESPONSES TO FINDINGS  
For The Year Ended June 30, 2012**

**Financial Audit and Government Auditing Standards Finding**

**1. Court Clerk Segregation of Duties – Significant Deficiency Finding**

During the audit we found that in the justice court area the employees performing the court clerk responsibilities have custody of assets (receipting of payments), recording (case dismissal/closing ability), and reconciling responsibilities. This provides the opportunity to see a transaction through the entire accounting process without any supervisory oversight. This weakness in internal controls appears to be the unintended result of consolidating responsibilities.

**Recommendation**

As much as possible, the City should separate the custody of assets (cash receipting) from the record keeping function (case dismissal/closing ability). If this is not possible then a regular supervisory review (employee with the technical knowledge to create the proper oversight) of all clerk adjustments to court cases (i.e. dismissals, accounts receivable adjustments, credits, and voids) should be implemented. This would ensure accurate and balanced accounts and provide a secondary review of court transactions.

**Court Supervisor Response**

I do not take cash payments except in the rare occasion that I am left alone. I will change the process so that the other clerks will not have the capability to change dispositions or close cases. If it is necessary for any clerk to do this, I will have Lisa Smith make the changes and verified by another clerk.

**State of Utah Legal Compliance Findings**

**2. Sewer Fund Impact Fees - State Legal Compliance Finding**

Except as provided in (b), a local political subdivision shall expend or encumber the impact fees for a permissible use within six years of their receipt. (b). A local political subdivision may hold the fees for longer than six years if it identifies, in writing: 1) an extraordinary and compelling reason why the fees should be held longer than six years; and 2) an absolute date by which the fees will be expended. (Utah Code 11-36a-602(2)). During the test work for state and legal compliance we found the City had sewer impact fee money that was over 6 years old and the city did not have an absolute date by which the fees will be expended. State compliance indicates that refunds of impact fee money needs to included interest. The City has estimated that \$87,580 will need to be refunded.

**Recommendation**

The City should ensure that impact fees collected are used within 6 years. If funds are not used within 6 years they need to be refunded with interest.

**Director of Finance Response**

The City is having the Sewer Capital Facility Plan re-done and is planning to refund with interest all the fees that have been collected and held in excess of 6 years. If the study/update of the Plan indicates so, the City will cease from collecting any future sewer impact fees.

**SCHEDULE OF FINDINGS, RECOMMENDATIONS  
& RESPONSES TO FINDINGS (Continued)  
For The Year Ended June 30, 2012**

**3. Court Credits - State Legal 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. During the test work for state and legal compliance we found that one out of five credit dismissed cases tested, proper documentation was not available to support a credit granted by the court. The problem appears to be an oversight of the City's document obtaining and retaining policy.

**Recommendation**

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

**Court Supervisor Response**

While Judge Waterfall was our full-time judge this was an issue. Judge Renstrom has been making very detailed comments on the dockets indicating exactly what his intentions are.

**4. Court Accounts Receivable Adjustments - State Legal 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. During the test work for state and legal compliance we found that in one of the five cases tested that had an accounts receivable adjustment, proper documentation was not available to support the adjustment granted by the court. The problem appears to be an oversight of the City's document obtaining and retaining policy.

**Recommendation**

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

**Court Supervisor Response**

While Judge Waterfall was our full-time judge this was an issue. Judge Renstrom has been making very detailed comments on the dockets indicating exactly what his intentions are.

**5. Court Dismissals - State Legal 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. During the test work for state and legal compliance we found that in one out of five cases tested, proper documentation was not available to support a dismissal granted by the court. The problem appears to be an oversight of the City's document obtaining and retaining policy.

**Recommendation**

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

**Court Supervisor Response**

While Judge Waterfall was our full-time judge this was an issue. Judge Renstrom has been making very detailed comments on the dockets indicating exactly what his intentions are.

**SCHEDULE OF FINDINGS, RECOMMENDATIONS  
& RESPONSES TO FINDINGS (Continued)  
For The Year Ended June 30, 2012**

**6. Court Voids - State Legal Compliance**

**Finding**

For each transaction reversal (void) that is initiated by a court cashier it must be approved by a second clerk/employee. During our audit work over the justice court we found that there were no review procedures in place for transaction reversals. This provides the opportunity to commit fraud as court clerks have the ability to receive cash and then void the ticket without any oversight. It was noted during testing of voided transactions that five of five did not have a separate void approval. It was also noted that one of five cash voids tested was not re-entered into the Coris system.

**Recommendation**

We recommend that the City should implement a transaction reversal approving process and ensure that all cash reversals are properly re-entered into Coris. This would ensure accurate and balanced accounts and provide a secondary review of transactions.

**Court Supervisor Response**

I will verify all transactions that have been void. If I am not available, another clerk will verify and I will check each report at the end of the day to verify that these have been valid reversals.

**7. Treasurer Fidelity Bond - State Legal Compliance**

**Finding**

*Utah Code 51-7-15* States that every public treasurer shall secure a fidelity bond based on the previous year's budgeted gross revenues. Based on audit work performed over this area it became apparent that South Ogden City under bonded their treasurer by \$36,633 for the 2012 fiscal year. It appears there has not been a control put in place to calculate the annual fidelity bonding requirement.

**Recommendation**

We recommend that the District put in place a control to ensure that annually the fidelity bonding amount is calculated based on the previous year's budgeted gross revenue, and ensure that the proper amount of fidelity bonding is obtained.

**Director of Finance Response**

The City will take steps to have the Treasurer bonded for the appropriate amount.

**8. Unclaimed Property Report - State Legal Compliance**

**Finding**

*Utah Code* section 67-4a-210 and 301 state: "A government entity holding intangible property for more than one year after the property became payable or distributable must report and remit the property to the State Treasurer's Office, Division of Unclaimed Property, by November 1 of each year as of the preceding June 30". During our audit we noted that the unclaimed property report was not filed with the Division of Unclaimed Property by November 1, 2012 for the fiscal year-ended June 30, 2012.

**Recommendation**

We recommend that the City provide a secondary review to ensure that the unclaimed property report is filed annually with the Division of Unclaimed Property.

**Director of Finance Response**

The City will implement a process to ensure that an annual report is filed with the Division of Unclaimed Property.

**SCHEDULE OF FINDINGS, RECOMMENDATIONS  
& RESPONSES TO FINDINGS (Continued)  
For The Year Ended June 30, 2012**

**9. Deficit Fund Balance - State Legal 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 illegal.” (*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, 2012 the City’s South Ogden Fund had a deficit fund balance of \$2,200. The City’s South Ogden days fiscal year 2012 activities caused the fund balance to end in a deficit position.

**Recommendation**

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

**Director of Finance Response**

The City will take measures in the future to ensure that the South Ogden Days Fund maintains a balanced budget and that expenditures do not exceed the budgeted amounts.

**10. Excess General Fund Balance - State Legal Compliance**

**Finding**

Utah Code 10-6-116 (2) states: The maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. For cities, the total estimated revenue of the general fund is next year’s total general fund budgeted revenue. During the test work for state and legal compliance it was noted that the City’s general fund balance was over the maximum allowable balance by \$211,632.

**Recommendation**

The City should ensure that proper training on regulations is provided, and put in place procedures to promptly comply with the State requirements.

**Director of Finance Response**

The City will incorporate into its 2013 fiscal budget the excess amount above 18% and put into place procedures to maintain a fund balance not to exceed 18%.