

2 The Lindon City Council held a special meeting beginning at 6:00 p.m. on **Tuesday,**
3 **February 25, 2014** in the Lindon City Center, City Council Chambers, 100 North State
4 Street, Lindon, Utah.

6 **REGULAR SESSION** – 7:00 P.M.

8 Conducting: Jeff Acerson, Mayor

10 **PRESENT**

ABSENT

10 Jeff Acerson, Mayor
11 Matt Bean, Councilmember
12 Randi Powell, Councilmember
13 Van Broderick, Councilmember
14 Jacob Hoyt, Councilmember
15 Carolyn Lundberg, Councilmember
16 Adam Cowie, City Administrator
17 Kathryn Moosman, City Recorder

18 **1. Call to Order/Roll Call** – The meeting was called to order at 7:05 p.m.

20 **2. Presentations/Announcements** –

22 a) **Oath of Office Ceremony** – The newly appointed Councilmember,
23 Carolyn Lundberg, was sworn into office by Mayor Jeff Acerson to fill the
24 remainder of the vacant Council term which will end in January 2016. Mayor
25 Acerson and the Council welcomed Councilmember Lundberg and expressed
26 their congratulations to her and their appreciation for her willingness to serve
27 the citizens of Lindon.

28 b) **Mayor/Council Comments** – There were no comments at this meeting.

30 **3. Open Session for Public Comment** – Mayor Acerson called for any public comment
32 not listed as an agenda item. There were no public comments.

34 **CURRENT BUSINESS**

36 **4. Action Item** – *Planning Commissioner Appointment.* The Council will consider the
37 recommendation of Mayor Acerson to appoint Robert (Bob) Wily to the Lindon City
38 Planning Commission. If appointed, it is anticipated that Mr. Wily will serve a full
39 term on the Commission ending in February 2017.

40 Adam Cowie, City Administrator, gave a brief summary of this agenda item
41 explaining that Bob Wily was an applicant for the previous vacant Council seat. Mr.
42 Cowie noted that the day after the Council member appointment meeting, Mr. Wily
43 contacted the City with an interest to volunteer in other capacities in the City. Mr. Cowie
44 further explained that Mayor Acerson and Councilmember Bean have spoken with Mr.
45 Wily and they have indicated that he is able and eager to begin serving as a Planning
46

Commissioner. Mr. Cowie stated that staff appreciates Mr. Wily's willingness to serve the City and noted that he has been contacted regarding his potential duties. Mr. Cowie then referenced Mr. Wily's letter of appointment that will be signed by the Mayor if appointed by the Council tonight.

Mayor Acerson called for any further discussion or comments. Hearing none he called for a motion.

COUNCILMEMBER POWELL MOVED TO APPROVE MAYOR ACERSON'S RECOMMENDATION TO APPOINT ROBERT M. WILY TO THE LINDON CITY PLANNING COMMISSION TO SERVE A THREE-YEAR TERM ENDING ON THE LAST DAY OF FEBRUARY 2017, OR UNTIL HIS SUCCESSOR HAS BEEN APPOINTED. COUNCILMEMBER BRODERICK SECONDED THE MOTION. THE VOTE WAS RECORDED AS FOLLOWS:

COUNCILMEMBER POWELL	AYE
COUNCILMEMBER BEAN	AYE
COUNCILMEMBER BRODERICK	AYE
COUNCILMEMBER LUNDBERG	AYE
COUNCILMEMBER HOYT	AYE

THE MOTION CARRIED UNANIMOUSLY.

5. Action Item – *Financial Audit Report for Fiscal Year 2012-2013*. Representatives from Keddington & Christensen, LLP and Lindon City Finance Director, Kristen Colson will present for the Mayor and Council's acceptance, the city's annual financial audit report for fiscal year ending June 30, 2013.

Adam Cowie, City Administrator, gave a brief summary of this agenda item. He explained that the audit was performed by an independent auditing firm. Keddington & Christensen, LLP (K&C) who was hired by the City last year to perform the audit for the 2012-13 fiscal year ending June 30, 2013. Mr. Cowie noted that over the last several months their firm has been reviewing the City's financial records, policies, and procedures. Mr. Cowie stated that they have now completed the audit including their findings and recommendations.

Mr. Cowie noted that Staff recommends that the City Council accept the Fiscal Year 2012-13 audit as presented. He directed the Council to reference the 2013 Annual Financial Statements and 2013 Supplementary Report (included in council packets). Mr. Cowie noted that representatives from Keddington & Christensen, Brent Christensen and Angie Broadhead are in attendance along with Kristen Colson, the Lindon City Finance Director to present the report and to answer any questions the Council may have.

Mr. Christensen opened the discussion by stating that part of their jobs, as auditors, is to talk to and educate the Council, as the auditors hired by the City Council, who is the governance of the City, and who has the responsibility for the financial report that is going out to the citizens is good and correct. He noted that Lindon has good internal controls and with some fine tuning is a very functional city. We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation as of and for the year ended June 30, 2013, and the related notes to the

2 financial statements, which collectively comprise the City's basic financial statements as
listed in the table of contents.

4 Mr. Christensen stated that nothing tonight will come as a shock to the Council,
and noted if they had found anything wrong they would have let the Council know by
now. Mr. Christensen commented that they take management integrity very seriously and
6 they look at all of the controls going in and going out of the city and they also look at the
money moving around the city. Mr. Christensen commented that they do take fraud very
8 seriously. He mentioned that they also audit for Utopia and UIA, which is controversial
but very transparent, and they recently completed a thorough audit of Utopia and have
10 not found, in the last few years, any issues or major problems and they feel that Utopia is
on board.

12 Mr. Christensen stated that the audit took a little longer than anticipated but there
were some valid reasons. He added that he doesn't feel there will be any problems next
14 year with the timing. They felt that everything went smoothly and management was
straightforward with their information and were not hiding anything and handled
16 everything with integrity. They tested the City's internal controls to understand what is
happening and make sure the city is not at risk in any area. And to also to design how
18 many procedures are in place. For the most part, they feel that Lindon has good internal
controls and anything mentioned will just be "fine tuning" of a very functioning
20 organization. Mr. Christensen stated that they design their auditing procedures to a point
that they can give an opinion that overall the city financial statements can be relied upon.
22 Our responsibility is to express opinions on these financial statements based on our audit.

24 Mr. Christensen re-iterated that if they had found anything wrong the Council
would have been notified already. He noted that there were not any disagreements with
management and gave the information requested in a timely manner. Management is
26 responsible for the preparation and fair presentation of these financial statements. Mr.
Christensen stated that their audit was conducted for the purpose of forming opinions on
28 the financial statements that collectively comprise Lindon City Corporation's financial
statements as a whole. Mr. Christensen then referenced their opinion as follows:

30 **Opinion**

32 In our opinion, the financial statements referred to above present fairly, in all material
respects, the respective financial position of the governmental activities, the business
34 type-activities, each major fund, and the aggregate remaining fund information of Lindon
City Corporation as of June 30, 2013, and the respective changes in financial position,
36 and, where applicable, cash flows thereof and the respective budgetary comparison for
the General Fund and the Major Special Revenue Fund for the year then ended in
38 conformity with accounting principles generally accepted in the United States of
America.

40 Ms. Broadhead addressed the Council at this time. She noted they have audited
42 Lindon City with the general and major state program compliance requirements for the
year ending June 30, 2013. Ms. Broadhead stated that their responsibility, as auditors, is
44 to express an opinion on the City's compliance based on their audit. She noted this audit
was conducted in accordance with applicable financial auditing standards. Those
46 standards require that they perform the audit in order to obtain reasonable assurance

2 about whether noncompliance with the compliance requirements could have a material
4 effect on the major assistance programs or general compliance requirements. An audit
6 includes examining evidence about the City's compliance with these requirements and
8 performing such other procedures as considered necessary in the circumstances. Ms.
Broadhead stated that they believe their audit provides a reasonable basis for their
opinion, however, their audit does not provide a legal determination of the City's
compliance with those requirements.

Ms. Broadhead then presented the findings and audit opinion as follows:

Opinion

In our opinion, the City complied, in all material respects, with the general compliance requirements for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed 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 accompany *Schedule of Findings and Recommendations* as items 3, 4, and 5.

Report on Internal Control Over Compliance

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, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing 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 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 compliance requirement 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 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Recommendations* as finding 3 that we considered to be a significant deficiency.

City's Response to Findings

2 The City's response to the findings identified in our audit is described in the
3 accompanying *Schedule of Responses to Auditor's Findings*. The City's response was not
4 subjected to the auditing procedures applied in the audit of the financial statements, and,
5 accordingly, we express no opinion on it.

6 **Purpose of Report**

7 This report is intended solely to describe the scope of our testing of internal control and
8 compliance and the results of that testing, and not to provide an opinion on the
9 effectiveness of the City's intern

10 Ms. Broadhead then gave the Financial Audit and Government Auditing Standards
11 Findings as follows:

12 **1. Misstatements in the Financial Statements (Material Weakness)**

13 **Finding**

14 During our audit, we noted misstatements in the financial statements that were not
15 prevented or detected and corrected by the City's internal control. Among these
16 misstatements were errors affecting prior periods resulting in adjustments to general fund
17 balance and governmental activities net position of \$394,586 and \$560,336, respectively.
18 During the audit, we proposed the following adjustments that were material to the
19 financial statements as follows:

- 20 a) Revenues relating to the year under audit that had not been received as of year-end
21 had not been recognized in the financial statements as revenues and receivables.
22 Adjustments included state B&C roads funds of \$77,120, Franchise taxes of \$8,658,
23 and other miscellaneous taxes for \$24,255. This adjustment also resulted in sales tax
24 revenue, B&C roads funds, and other tax revenues that were recognized during the
25 fiscal year that belonged in the prior fiscal year, resulting in a prior period adjustment
26 to the General Fund's fund balance and governmental activities' net position of
27 \$394,586.
- 28 b) Property tax levies were not recorded as accounts receivable and deferred revenue in
29 accordance with GASB 33 *Accounting and Financial Reporting for Non-exchange*
30 *Transactions*. Adjustments were made to the General Fund and the Redevelopment
31 Agency Fund for \$1,615,407 and \$1,070,000, respectively.
- 32 c) A grant received by the City and subsequently disbursed to Orem City for the Lindon
33 Hollow Creek Realignment Project had not been properly accounted for. The
34 disbursement was fully capitalized as an asset when \$267,703 of the disbursement
35 should have been recorded as an expenditure for the City, in order to properly account
36 for the grant.
- 37 d) Invoices relating to the fiscal year under audit had not been accrued as payable and
38 expense in the amount of \$138,661.
- 39 e) Compensated absence accruals previously included all accrued employee sick leave.
40 Adjustments to correct compensated absence accruals to reflect the balance that
41 should be accrued in accordance with governmental accounting standards totaled
42 \$165,750, which was also a prior period adjustment to the governmental activities'
43 net position.
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- 2 f) Notes payable to Utah Infrastructure Agency and the corresponding notes receivable
4 were not recorded in the Telecommunications fund in the amount of \$406,063 as of
6 the end of the fiscal year. The amount not reported as notes payable and notes
8 receivable in the prior fiscal year totaled \$277,200.
- 10 g) Capital outlays for police vehicles of \$428,029 and the Lindon View Park property
12 purchase of \$100,000, as well as the related financing in the same amounts, were not
14 recorded as the full expenditure and other financing source in the governmental fund
16 financial statements. Because the budgets were not prepared in accordance with
generally accepted accounting principles, these adjustments caused fund expenditures
to be over budget for both the General Fund and the Capital Projects Fund.
- 18 h) An escrow account held by Orem City with funds contributed by Lindon City in fiscal
20 year 2011 of \$540,375 was still being reported on the financial statements as the
City's cash. The money held in escrow had been spent by Orem City in fiscal year
2012 and should have been reported as construction in progress in that year.

Recommendation

22 We recommend that the City implement internal control procedures to prevent or detect
24 material misstatements.

2. Signed Checks Returned To Check Preparer (Significant Deficiency)

Finding

26 During our audit, we noted that the accounts payable clerk prepares the checks and mails
28 them once they have been signed. This employee has custody of assets (checks) and
recording responsibilities. This provides the opportunity for the employee to reroute
checks from the City for personal benefit and subsequently adjust accounts payable to
hide the theft.

Recommendation

32 We recommend that the City arrange to have a person separate from the accounts payable
process be responsible for mailing the checks once they have been signed.

34 There was then some general discussion regarding the audit findings.
36 Councilmember Hoyt inquired when the audit is due and how does Lindon City compare
to other cities. Mr. Christensen stated that the audit is due December 31st and there can
be penalties imposed if late. He stated that they find errors 95% of the time in most cities
38 because they spend so much time on the audit and have the experience to detect the
errors.

40 Councilmember Bean asked about the finding related to the police vehicles and did
42 the lease rules change recently. Mr. Christensen explained that it is a Capital lease and it
was not set up properly. Councilmember Bean also asked about an interlocal agreement
and to make sure we are tracking it. Mr. Christensen stated that the payments are made
44 to them, as a loan to them, and then the State Auditors allow the cities to write it off and
it is being tracked.

2 Mr. Cowie expressed his appreciation to the auditors and Ms. Colson for their hard
work and for the valuable information presented. Mayor Acerson called for any further
discussion or comments. Hearing none he called for a motion.

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6 COUNCILMEMBER HOYT MOVED TO ACCEPT THE AUDIT REPORT AS
PRESENTED FOR FISCAL YEAR ENDING JUNE 30, 2013. COUNCILMEMBER
BRODERICK SECONDED THE MOTION. THE VOTE WAS RECORDED AS
8 FOLLOWS:

10 COUNCILMEMBER POWELL AYE
COUNCILMEMBER BEAN AYE
12 COUNCILMEMBER BRODERICK AYE
COUNCILMEMBER HOYT AYE
COUNCILMEMBER LUNDBERG AYE
14 THE MOTION CARRIED UNANIMOUSLY.

16 Mayor Acerson called for any further comments or discussion from the Council.
Hearing none he called for a motion to adjourn.

18 **Adjourn** –

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22 COUNCILMEMBER POWELL MOVED TO ADJOURN THE MEETING AT
6:45 P.M. COUNCILMEMBER LUNDBERG SECONDED THE MOTION. ALL
PRESENT VOTED IN FAVOR. THE MOTION CARRIED.

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26 Approved – March 18, 2014

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Kathryn Moosman, City Recorder

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Jeff Acerson, Mayor