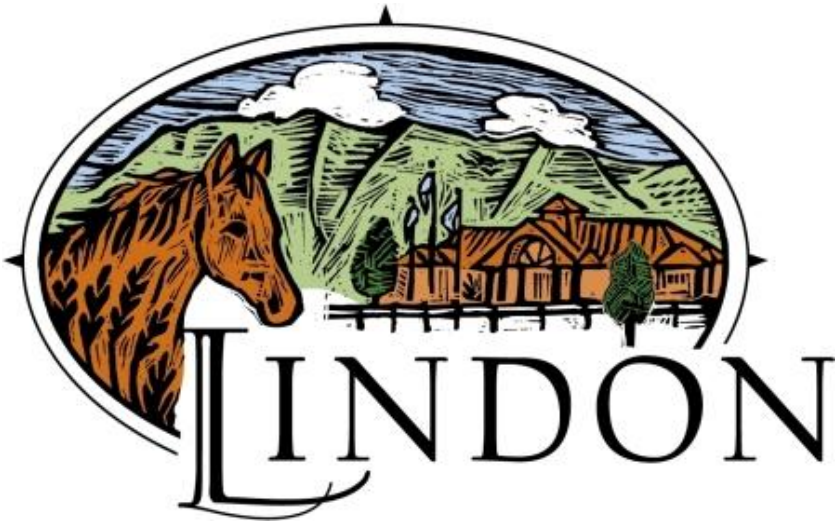
Lindon City Council
Staff Report



The City of Lindon
Administration Department

February 25, 2014

Notice of Meeting of the *Lindon City Council*

The Lindon City Council will hold a special meeting beginning at **6:00 p.m.** on **Tuesday, February 25, 2014** in the Lindon City Center council chambers, 100 North State Street, Lindon, Utah. The agenda will consist of the following:

Scan or click here for link to download agenda & staff report materials:

REGULAR SESSION – 6:00 P.M. - Conducting: Mayor Jeff Acerson

1. **Call to Order / Roll Call** *(Review times are estimates only)*
2. **Presentations and Announcements** *(5 minutes)*
   a) OATH OF OFFICE CEREMONY – The newly appointed Council member, Carolyn Lundberg, will be sworn into office by Mayor Jeff Acerson to fill the remainder of the vacant Council term which will end in January 2016.
   b) Comments / Announcements from Mayor and Council members.
3. **Open Session for Public Comment** *(For items not on the agenda)* *(5 minutes)*
4. **Action Item: Planning Commissioner Appointment** *(5 minutes)*
   The Council will consider the recommendation of Mayor Acerson to appoint Robert (Bob) M. Wily to the Lindon City Planning Commission. If appointed, it is anticipated that Mr. Wily will serve a full term on the Commission ending in February 2017.
5. **Action Item: Financial Audit Report for Fiscal Year 2012-13** *(45 minutes)*
   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 ended June 30, 2013.

Adjourn

This meeting may be held electronically to allow a council member to participate by video conference or teleconference.

Staff Reports and application materials for the agenda items above are available for review at the Lindon City Offices, located at 100 N. State Street, Lindon, UT. For specific questions on agenda items our staff may be contacted directly at (801)785-5043. City Codes and ordinances are available on the City web site found at www.lindoncity.org. The City of Lindon, in compliance with the Americans with Disabilities Act, provides accommodations and auxiliary communicative aids and services for all those citizens in need of assistance. Persons requesting these accommodations for city-sponsored public meetings, services programs or events should call Kathy Moosman at 801-785-5043, giving at least 24 hours notice.

Posted By: Adam Cowie
Time: ~2:00 p.m.
Date: February 21, 2014
Place: Lindon City Center, Lindon Police Dept, Lindon Community Center

REGULAR SESSION – 6:00 P.M. - Conducting: Jeff Acerson, Mayor

Item 1 – Call to Order / Roll Call

February 25, 2014 Lindon City Council meeting.

Jeff Acerson
Matt Bean
Van Broderick
Jake Hoyt
Randi Powell

Staff present: _____

Item 2 – Presentations and Announcements

a) OATH OF OFFICE CEREMONY – The newly appointed Council member, Carolyn Lundberg, will be sworn into office by Mayor Jeff Acerson to fill the remainder of the vacant Council term which will end on the first Monday in January 2016.

b) Comments / Announcements from Mayor and Council members.

Item 3 – Open Session for Public Comment *(For items not on the agenda)*

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_____

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4. Action Item: Planning Commissioner Appointment *(5 minutes)*

The Council will consider the recommendation of Mayor Acerson to appoint Robert (Bob) M. Wily to the Lindon City Planning Commission. If appointed, it is anticipated that Mr. Wily will serve a full term on the Commission ending in February 2017.

As you are aware, Bob Wily was an applicant for the previous Council vacancy. The day after the Council member appointment meeting, Mr. Wily contacted the City with interest to volunteer in other capacities as needed by the City. Mayor Acerson and Council member Matt Bean have spoken with Mr. Wily and indicated that he is able and willing to immediately begin service as a Planning Commissioner.

Staff appreciates Mr. Wily's willingness to serve the City and has contacted him regarding his potential duties. See attached letter of appointment that will be signed if appointed by the Council.

Sample Motion: I move 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.

Lindon City
100 North State Street
Lindon, UT 84042-1808

TEL 801-785-7687
FAX 801-785-7645
www.lindoncity.org

Robert M. Wily
311 North 1130 East
Lindon, Utah 84042

February 25, 2014

Bob,

On February 25, 2014 the Lindon City Council approved the recommendation of Mayor Acerson to appoint you as a member of the Planning Commission for Lindon City. We hope to have you start participating at meetings beginning on February 25, 2014. It is anticipated that you will serve a full three-year term which will expire the last day of February 2017, or until your respective successor has been appointed.

Meetings are typically held on the 2nd and 4th Tuesday of each month, except for meetings that may fall on or near a holiday. A schedule of meetings for 2014 is attached.

We are excited to work with you and appreciate your willingness to serve the City of Lindon and represent the citizens in our community. As a new Planning Commissioner, I would like to meet with you to answer any questions you may have and to review your responsibilities. Please contact me at 801-785-7687 or by email at hvanwagenen@lindoncity.org to set up a quick meeting before your first Planning Commission meeting.

Sincerely,

Hugh Van Wagenen
Planning Director

Jeff Acerson
Mayor

5. Action Item: Financial Audit Report for Fiscal Year 2012-13 *(45 minutes)*

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 ended June 30, 2013.

In accordance with State Law, the City is required to annually have a complete financial audit performed by an independent auditing firm.

Keddington & Christensen, LLP (K&C) was hired by the City last year to perform the audit for the 2012-13 fiscal year ending June 30, 2013. Over the last several months their firm has been reviewing the City's financial records, policies, and procedures. They have completed the audit with findings and recommendations.

Staff recommends that the City Council accept the Fiscal Year 2012-13 audit as presented. Please see attached 2013 Annual Financial Statements and 2013 Supplementary Report. Representatives from K&C and the Lindon City Finance Director will be available to present the report and answer questions.

Sample Motion: I move to accept the audit report as presented for fiscal year ended June 30, 2013.

Adjourn

LINDON CITY CORPORATION
STATE OF UTAH

100 NORTH STATE STREET
LINDON, UT 84042
WWW.LINDONCITY.ORG

ANNUAL FINANCIAL STATEMENTS

For Fiscal Year Ended June 30, 2013

Prepared By:
Kristen Colson, Finance Director

Principal Officials

For the Fiscal Year
July 1, 2012 - June 30, 2013

James A. Dain
Mayor

Jeff Acerson
Councilperson

Matt Bean
Councilperson

Bret Frampton
Councilperson

Randi Powell
Councilperson

Mark L. Walker
Councilperson

Adam Cowie
City Administrator

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K&C

Keddington & Christensen
Certified Public Accountants, LLC

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA
Marcus Arbuckle, CPA
Tyson Beck, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
Lindon City Corporation
Lindon City, Utah

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 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, 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 conformity with accounting principles generally accepted in the United States of America.

Telephone (801) 590-2600
Fax (801) 265-9405

5292 So. College Dr., Suite 102
Salt Lake City, Utah 84123

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as noted on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lindon City Corporation's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund statements, including the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Major Governmental Fund and the schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Nonmajor Governmental Funds listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2014, on our consideration of Lindon City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

February 17, 2014

LINDON CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

This section of Lindon City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government Wide

- The assets of Lindon City exceeded its liabilities as of June 30, 2013 by $64,322,432 (net position). Of this amount, $4,037,229 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased $799,886. Net position of our business-type activities increased $763,194 and the net position of our governmental activities increased $36,692.

Fund Level

- Lindon City's governmental funds reported combined ending fund balances this year of $4,379,872, a decrease of $383,722, most of which was due to road improvement projects.
- The unassigned fund balance for the general fund ended at $1,322,074, or 16.2% of total general fund expenditures.

Long-term Debt

- Lindon City's total debt decreased $958,440 (4.25%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this report have been prepared in compliance with generally accepted accounting principles. The basic financial statements include two kinds of statements that present different views of the City, government-wide financial statements and fund financial statements.

Government-wide financial statements

The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The statements are designed to provide readers with a broad overview of Lindon City's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all of Lindon City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's sales tax base and the condition of the City's roads.

The statement of activities presents information showing how Lindon City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Lindon City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Lindon City include general government, public safety, streets and public improvements, and parks and recreation. The business-type activities of Lindon City include operating the water, sewer, and storm water drainage systems; supervising the solid waste collection; operating the aquatics and community centers; and managing utility accounts for customers paying for telecommunication access through a fiber optic network operated by Utah Infrastructure Agency (UIA).

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements

The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lindon City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lindon City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Lindon City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each major governmental fund and summarized for the non-major funds. Simply put, a non-major fund is less than 10% of all of the governmental funds combined. The three major funds are the general fund, the redevelopment fund, and the debt service fund. The two non-major funds account for the special improvement district and capital projects.

Lindon City adopts an annual appropriated budget for its general fund and other governmental funds. A budgetary comparison statement has been provided for the general fund and the major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary funds. Lindon City maintains six enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Lindon City uses enterprise funds to account for its operation of the water, sewer, and storm water drainage systems, supervision of the solid waste collection, operation of the aquatics center and passthrough billing for the UTOPIA fiber optic telecommunications network.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the four major funds (water, sewer, storm water drainage and aquatics center) and combined information for the non-major funds (solid waste collection and telecommunications).

The basic proprietary fund financial statements can be found on pages 24-29 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-54 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 56-63 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Lindon City, assets exceeded liabilities by $64,322,432 as of June 30, 2013.

As indicated in Table A-1, the largest portion of Lindon City's net position (90.2%) reflects its investment in capital assets (i.e. land, buildings, roads, sidewalks, utility systems, water rights and equipment), less any related debt used to acquire those assets that is still outstanding. Lindon City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lindon City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

LINDON CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

Table A-1
Lindon City's Net Position
(Stated in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Variance
	2012	2013	2012	2013	2012	2013	2012-2013
Current and other assets	$6,474	$7,530	$4,164	$3,443	$10,638	$10,973	3.1%
Capital assets	$29,509	$29,672	$48,105	$49,268	$77,614	$78,940	1.7%
Total Assets	**$35,983**	**$37,202**	**$52,269**	**$52,711**	**$88,252**	**$89,913**	1.9%
Long-term debt outstanding	$3,242	$3,479	$18,043	$18,297	$21,285	$21,776	2.3%
Other liabilities	$2,747	$3,132	$1,259	$683	$4,006	$3,815	-4.8%
Total Liabilities	**$5,989**	**$6,611**	**$19,302**	**$18,980**	**$25,291**	**$25,591**	1.2%
Net Position							
Net investment in capital assets	$25,894	$26,348	$29,440	$31,648	$55,334	$57,996	4.8%
Restricted	$3,356	$1,099	$985	$1,189	$4,341	$2,288	-47.3%
Unrestricted	$744	$3,144	$2,542	$894	$3,286	$4,038	22.9%
Total Net Position	**$29,994**	**$30,591**	**$32,967**	**$33,731**	**$62,961**	**$64,322**	**2.2%**

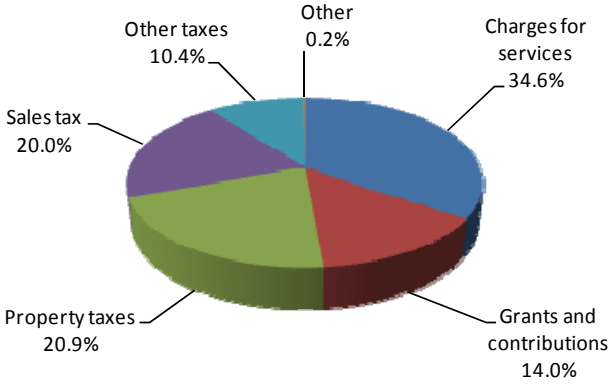
An additional portion of Lindon City's net position (3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $4,037,229 may be used to meet the government's ongoing obligations to citizens and creditors.

Lindon City's net position increased 2.2%. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in net position

Sales and property taxes account for 40.9% of the City's revenue (see Figure A-1) with 51 cents of every dollar raised coming from some type of tax. Grants and contributions amounted to 14.0% of this year's changes in net position. Another 34.6% comes from fees charged for services, and most of the remaining miscellaneous revenue is made up of impact fees and interest earnings.

Figure A-1
Lindon City
Sources of Revenue for Fiscal Year 2013



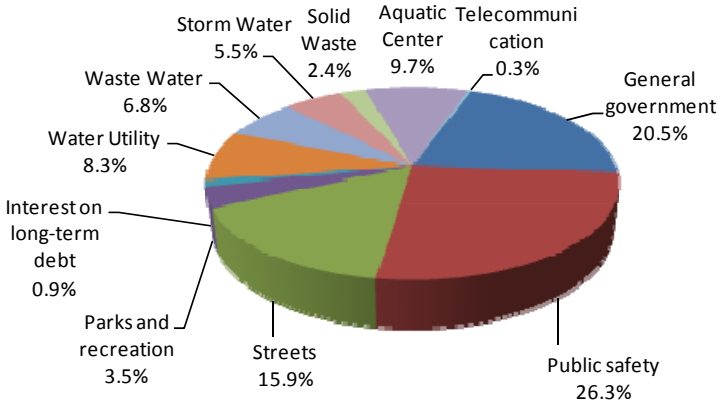
LINDON CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

The City's expenses cover a range of services, with 67.1% from governmental activities and 32.9% from business-type activities. Public safety, a major portion of general government activities, encompassed 26.3% of the City's total expenses. (See Figure A-2.)

Figure A-2
Lindon City
Functional Expenses for Fiscal Year 2013



Governmental Activities

As indicated in Table A-2, the cost of all governmental activities this year was $9,493,669. Some of the costs were paid by those who directly benefitted from the City's services ($1,017,570), or other governmental organizations that subsidized certain programs with grants and contributions ($1,046,415). However, the amount of taxes that were required to subsidize these activities was $7,429,684, the net cost of the governmental functions. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. The City paid for the remaining "public benefit" portion with tax revenue.

Property tax revenue increased by 6.7%. Sales tax revenue increased by 7.9% compared to the prior year.

Business-type Activities

The cost of all business-type activities this year was $4,663,067. The program revenues exceeded costs by $538,191.

LINDON CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

Table A-2
Lindon City's Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Variance
	2012	2013	2012	2013	2012	2013	2012-2013
Revenues							
Program revenues							
Charges for services	$ 769	$ 1,018	$ 3,978	$ 4,160	$ 4,747	$ 5,178	9.1%
Grants and contributions	697	1,046	282	1,041	979	2,087	113.2%
General revenues							
Property taxes	2,930	3,125	-	-	2,930	3,125	6.7%
Sales tax	2,771	2,989	-	-	2,771	2,989	7.9%
Net investment in capital assets	1,472	1,548	-	-	1,472	1,548	5.2%
Other	138	27	6	2	144	29	-79.9%
Total revenues	**8,777**	**9,753**	**4,266**	**5,203**	**13,043**	**14,956**	**14.7%**
Expenses							
General government	2,739	2,904	-	-	2,739	2,904	6.0%
Public safety	3,571	3,719	-	-	3,571	3,719	4.1%
Streets	2,330	2,250	-	-	2,330	2,250	-3.4%
Parks and recreation	440	491	-	-	440	491	11.6%
Interest on long-term debt	165	130	-	-	165	130	-21.2%
Water Utility	-	-	1,032	1,175	1,032	1,175	13.9%
Waste Water	-	-	944	960	944	960	1.7%
Storm Water	-	-	493	775	493	775	57.2%
Solid Waste	-	-	340	339	340	339	-0.3%
Aquatic Center	-	-	1,298	1,370	1,298	1,370	5.5%
Telecommunication	-	-	15	44	15	44	193.3%
Total expenses	**9,245**	**9,494**	**4,122**	**4,663**	**13,367**	**14,157**	**5.9%**
Excess (deficiency) before transfers	(468)	259	144	540	(324)	799	346.6%
Transfers	(244)	(223)	244	223	-	-	n/a
Increase (decrease) in net assets	**$ (712)**	**$ 36**	**$ 388**	**$ 763**	**$ (324)**	**$ 799**	**346.6%**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, Lindon City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The largest changes in major funds were:

- The General Fund's fund balance was decreased by $399,222, most of which was due to road improvement projects.
- The Redevelopment Agency's fund balance increased by $53,322.

Proprietary funds

The largest changes in major funds were:

- The Water Fund's fund balance increased by $454,582; largely due to capital contributions of $242,422.
- The Waste Water's fund balance increased by $186,747; largely due to capital contributions of $87,890.

General Fund Budgetary Highlights

- The General Fund amended budget was $29,526 less than the original budget.
- The General Fund amended budget showed an increase in sales tax revenue of $133,250.
- The General Fund amended budget showed an increase in engineering expenses of $100,000 due to increase in development occurring in Lindon City.
- Additional minor variances between the General Fund's original budget and amended budgets may be seen on page 21.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As indicated in Table A-3, at the end of fiscal 2013, the City had invested $78,939,737 net of accumulated depreciation in a broad range of capital assets, including land, buildings, improvements, equipment, roads, sidewalks, water, sewer and storm water lines. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

This year's major capital asset additions included:

- Subdivision and infrastructure contributions amounted to $675.58 in the governmental funds and $494,067 in the business-type funds.
- The waste water collection system was upgraded, increasing the fund's assets by $2,432,431.

LINDON CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

Table A-3
Lindon City's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Variance
	2012	2013	2012	2013	2012	2013	2012-2013
Land	$ 5,881	$ 6,034	$ 1,359	$ 1,359	$ 7,240	$ 7,393	2.1%
Water Stock	-	-	9,795	9,890	9,795	9,890	1.0%
Buildings	2,681	2,637	9,598	9,338	12,279	11,975	-2.5%
Infrastructure	16,577	16,273	-	-	16,577	16,273	-1.8%
Water System	-	-	9,317	9,240	9,317	9,240	-0.8%
Sewage System	-	-	4,880	7,144	4,880	7,144	46.4%
Storm Drain System	-	-	8,529	8,489	8,529	8,489	-0.5%
Net investment in capital assets	3,868	3,658	-	-	3,868	3,658	-5.4%
Equipment	211	239	79	62	290	301	3.8%
Vehicles	292	451	1	30	293	481	64.2%
Construction in Progress	-	380	5,089	3,715	5,089	4,095	-19.5%
Total	**$ 29,510**	**$ 29,672**	**$ 48,647**	**$ 49,267**	**$ 78,157**	**$ 78,939**	**1.0%**

Long-term Debt

As indicated in Table A-4, at the year-end the City had $21,598,983 in bonds (including unamortized premiums), notes, and capital leases outstanding. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements. Lindon City does not have any general obligation bonds. There are three bonds which are paid with tax revenue. The first was issued in June 2005 for $3.7 million and secured by sales tax revenue for the extension of 700 North. The other two, totaling $10,365,000 were issued in 2008 and 2009 for the construction of the Aquatics Center.

Table A-4
Lindon City's Outstanding Debt
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Variance
	2012	2013	2012	2013	2012	2013	2012-2013
Revenue Bonds	$ 3,323	$ 2,902	$ 16,135	$ 15,490	$ 19,458	$ 18,392	-5.5%
SID Bonds	$ 30	$ -	$ -	$ -	30	-	-100.0%
Notes Payable	-	90	2,494	2,513	2,494	2,603	4.4%
Leases	262	365	313	239	575	604	5.0%
Total	**$ 3,615**	**$ 3,357**	**$ 18,942**	**$ 18,242**	**$ 22,557**	**$ 21,599**	**-4.2%**

Lindon City's total debt decreased $958,440 (4.2%) during the current fiscal year. The major factors for changes in debt are:

- Regularly scheduled principal payments on existing debt.

LINDON CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- For June 2013, the unemployment rate for Utah County was 4.4%, lower than the state average of 4.7%, and the national average of 7.6%.
- A 1.9% average annual increase in the Consumer Price Index from March 2012 to February 2013, provided by the U.S. Department of Labor, was considered in preparing the 2014 budget.

These indicators were taken into account when adopting the budget for fiscal 2014. Sales and property tax revenues are still expected to increase due to increasing consumer confidence and new growth that continues to come to Lindon. The increased tax revenues will be used for capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Lindon City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Lindon City, 100 North State Street, Lindon, UT 84042.

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BASIC FINANCIAL STATEMENTS

LINDON CITY CORPORATION

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 3,090,946	$ 397,067	$ 3,488,013
Receivables:			
Accounts, net	-	437,522	437,522
Taxes	2,741,760	-	2,741,760
Intergovernmental	566,774	-	566,774
Other	257,897	-	257,897
Prepaids	124,457	194,457	318,914
Internal balances	(411,888)	411,888	-
Costs of issuance	34,121	215,551	249,672
Note receivable	-	406,063	406,063
Restricted assets:			
Cash and cash equivalents	1,125,842	1,380,532	2,506,374
Capital assets not being depreciated:			
Land and collectibles	6,034,419	1,359,243	7,393,662
Water stock and rights	-	9,889,901	9,889,901
Construction in progress	380,367	3,714,596	4,094,963
Capital assets, net of accumulated depreciation:			
Buildings	2,636,786	9,338,379	11,975,165
Infrastructure	16,272,896	-	16,272,896
Water distribution system	-	9,240,087	9,240,087
Waste water collection system	-	7,144,236	7,144,236
Storm water drainage system	-	8,488,852	8,488,852
Improvements other than buildings	3,657,591	-	3,657,591
Machinery and equipment	239,172	62,208	301,380
Vehicles	450,576	30,428	481,004
Total Assets	$ 37,201,716	$ 52,711,010	$ 89,912,726

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF NET POSITION (Continued)

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Liabilities:			
Accounts payable	$ 203,399	$ 385,448	$ 588,847
Accrued liabilities	-	33,442	33,442
Accrued interest payable	15,908	52,373	68,281
Retainage payable from restricted assets	10,473		10,473
Liabilities payable from restricted assets	-	191,279	191,279
Unearned revenue	-	11,615	11,615
Deferred revenue, property taxes	2,685,407	-	2,685,407
Developer and customer deposits	216,638	8,900	225,538
Noncurrent liabilities			
Due within one year	619,789	915,678	1,535,467
Due in more than one year	2,858,862	17,381,083	20,239,945
Total Liabilities	6,610,476	18,979,818	25,590,294
Net Position:			
Net investment in capital assets	26,348,062	31,648,427	57,996,489
Restricted for:			
Impact fees	133,878	722,919	856,797
Debt Service	313,186	466,334	779,520
Future development	652,397	-	652,397
Unrestricted	3,143,717	893,512	4,037,229
Total Net Position	30,591,240	33,731,192	64,322,432
Total Liabilities and Net Position	$ 37,201,716	$ 52,711,010	$ 89,912,726

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
General government	$ 2,903,618	$ 956,700	$ -	$ -	$ (1,946,918)	$ -	$ (1,946,918)
Public safety	3,718,666	-	10,730	-	(3,707,936)	-	(3,707,936)
Highway and public improvements	2,250,021	-	675,589	360,096	(1,214,336)	-	(1,214,336)
Parks and recreation	490,908	60,870	-	-	(430,038)	-	(430,038)
Interest and issuance costs on long-term debt	130,456	-	-	-	(130,456)	-	(130,456)
Total Governmental Activities	9,493,669	1,017,570	686,319	360,096	(7,429,684)	-	(7,429,684)
Business-type Activities:							
Water utility	1,175,460	1,625,822	-	284,734	-	735,096	735,096
Waster water	959,522	1,211,931	-	171,941	-	424,350	424,350
Storm water	775,143	415,580	-	584,105	-	224,542	224,542
Solid Waste	338,739	382,234	-	-	-	43,495	43,495
Recreation	1,369,782	483,042	-	-	-	(886,740)	(886,740)
Telecommunications	44,421	41,869	-	-	-	(2,552)	(2,552)
Total Business-type Activities	4,663,067	4,160,478	-	1,040,780	-	538,191	538,191
Total Government	$ 14,156,736	$ 5,178,048	$ 686,319	$ 1,400,876	(7,429,684)	538,191	(6,891,493)
General Revenues:							
Property taxes					3,124,819	-	3,124,819
Sales taxes					2,989,353	-	2,989,353
Franchise taxes					1,547,616	-	1,547,616
Unrestricted investment earnings					21,727	2,223	23,950
Other revenues					5,641	-	5,641
Transfers					(222,780)	222,780	-
Total General Revenues and Transfers					7,466,376	225,003	7,691,379
Changes in Net Position					36,692	763,194	799,886
Net Position, Beginning, Restated					30,554,548	32,967,998	63,522,546
Net Position, Ending					$ 30,591,240	$ 33,731,192	$ 64,322,432

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

	General	Redevelopment Agency	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 384,003	$ 2,583,944	$ -	$ 122,999	$ 3,090,946
Receivables:					
Accounts, net	111,262	-	-	-	111,262
Property tax	1,671,760	1,070,000	-	-	2,741,760
Sales tax	566,774	-	-	-	566,774
Franchise tax	146,635	-	-	-	146,635
Prepaids	57,285	-	67,172	-	124,457
Due from other funds	2,254,286	-	-	-	2,254,286
Restricted cash and cash equivalents	743,176	309,500	-	73,166	1,125,842
Total Assets	$ 5,935,181	$ 3,963,444	$ 67,172	$ 196,165	$ 10,161,962
Liabilities					
Accounts payable	$ 201,341	$ 90	$ -	$ 1,967	$ 203,398
Developer and customer deposits	216,638	-	-	-	216,638
Retainage payable from restricted assets	10,473	-	-	-	10,473
Due to other funds	1,779,260	819,742	67,172	-	2,666,174
Deferred revenue, property taxes	1,615,407	1,070,000	-	-	2,685,407
Total Liabilities	3,823,119	1,889,832	67,172	1,967	5,782,090
Fund Balances:					
Nonspendable:					
Prepaid items	57,285	-	-	-	57,285
Restricted for:					
Impact fees	60,712	-	-	73,166	133,878
Debt service	19,594	309,500	-	-	329,094
Future development	652,397	-	-	-	652,397
Assigned for:					
Redevelopment agency	-	1,764,112	-	-	1,764,112
Capital projects	-	-	-	121,032	121,032
Unassigned:					
General fund	1,322,074	-	-	-	1,322,074
Total Fund Balances	2,112,062	2,073,612	-	194,198	4,379,872
Total Liabilities and Fund Balances	$ 5,935,181	$ 3,963,444	$ 67,172	$ 196,165	$ 10,161,962

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

REONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2013

Amounts reported for governmental activities in the statement of net position are

Total Fund Balance - Governmental Funds	$	4,379,872
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		29,671,807
Interest expense is not due and payable in the current period and therefore is not recorded in the funds.		(15,908)
Long-term liabilities, including bonds, capital leases, notes, termination benefits, workers' compensation, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(3,478,652)
Deferred charges for long term debt are not financial resources and, therefore, are not reported in the funds.		34,121
Total Net Position - Governmental Activities	$	30,591,240

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General	Redevelopment Agency	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 6,492,624	$ 1,169,443	$ -	$ -	$ 7,662,067
Licenses and permits	224,767	-	-	-	224,767
Intergovernmental	370,826	-	-	-	370,826
Charges for services	105,761	-	-	-	105,761
Fines and forfeitures	339,795	-	-	-	339,795
Impact fees	5,260	-	-	138,000	143,260
Interest	11,666	17,293	-	385	29,344
Miscellaneous	195,081	5,848	-	1,011	201,940
Total Revenues	7,745,780	1,192,584	-	139,396	9,077,760
Expenditures:					
Current:					
General government	2,016,430	-	395,126	-	2,411,556
Public safety	3,999,640	-	-	-	3,999,640
Highways and public improvements	1,324,125	-	-	-	1,324,125
Parks and recreation	496,469	-	-	-	496,469
Redevelopment Agency	-	374,902	-	-	374,902
Debt service:					
Principal	328,418	-	450,455	10,000	788,873
Interest	-	-	131,423	-	131,423
Capital outlay	-	277,192	-	197,314	474,506
Total Expenditures	8,165,082	652,094	977,004	207,314	10,001,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	(419,302)	540,490	(977,004)	(67,918)	(923,734)
Other Financing Sources (Uses):					
Issuance of new debt	428,029	-	-	100,000	528,029
Sale of capital assets	234,763	-	-	-	234,763
Transfers in	856,858	2,085	977,004	-	1,835,947
Transfers out	(1,499,570)	(489,253)	-	(69,904)	(2,058,727)
Total Other Financing Sources (Uses)	20,080	(487,168)	977,004	30,096	540,012
Net Change in Fund Balances	(399,222)	53,322	-	(37,822)	(383,722)
Fund Balances, Beginning, Restated	2,511,284	2,020,290	-	232,020	4,763,594
Fund Balances, Ending	$ 2,112,062	$ 2,073,612	$ -	$ 194,198	$ 4,379,872

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	$	(383,722)
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		(1,740,911)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the Statement of Net Position.		2,138,281
The Statement of Activities reports the gain or loss on the disposal of capital assets, while the governmental funds report the proceeds from the disposal of capital assets.		(234,970)
In the Statement of Activities interest is accrued on noncurrent liabilities, whereas in governmental funds, interest expense is reported when due.		4,619
Repayment of noncurrent liabilities' principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		785,221
Net proceeds from issuance of noncurrent liabilities is recorded as income in the governmental funds. However, the issuance of noncurrent liabilities is recorded as a liability in the Statement of Net Position.		(528,029)
Some expenses, including accrued termination benefits, reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(3,797)
Change in Net Position - Governmental Activities	$	36,692

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 6,074,025	$ 6,207,275	$ 6,492,624	$ 285,349
Licenses and permits	197,300	214,300	224,767	10,467
Intergovernmental	572,000	369,000	370,826	1,826
Charges for services	56,500	94,300	105,761	11,461
Fines and forfeitures	385,000	350,000	339,795	(10,205)
Impact fees	1,850	4,000	5,260	1,260
Interest	12,800	11,800	11,666	(134)
Miscellaneous	85,500	187,900	195,081	7,181
Total Revenues	7,384,975	7,438,575	7,745,780	307,205
Expenditures:				
Current:				
General government:				
Mayor and council	97,286	100,186	94,288	5,898
Judicial	522,640	471,935	449,452	22,483
Administrative	824,510	849,000	849,353	(353)
Elections	1,000	-	-	-
Buildings	164,700	203,200	150,861	52,339
Planning and zoning	396,410	430,697	373,626	57,071
Grants and contributions	46,200	102,510	98,850	3,660
Public Safety:				
Law enforcement	2,087,497	2,063,102	2,479,182	(416,080)
Fire protection	1,293,146	1,291,346	1,269,477	21,869
Protective inpsections	229,140	232,520	231,654	866
Animal controls	22,250	22,250	19,327	2,923
Highways and public improvements				
Streets	1,140,102	1,152,834	1,001,459	151,375
Public works administration	318,915	323,945	322,666	1,279
Parks and recreation				
Parks	575,310	467,145	457,669	9,476
Cemetery	14,400	9,810	8,984	826
Recreation and culture	27,000	27,000	29,816	(2,816)
Debt service:				
Principal	111,500	95,000	328,418	(233,418)
Total Expenditures	7,872,006	7,842,480	8,165,082	(322,602)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(487,031)	(403,905)	(419,302)	(15,397)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	428,029	428,029
Transfers in	1,765,147	1,579,766	856,858	(722,908)
Transfers out	(1,649,011)	(1,651,006)	(1,499,570)	151,436
Sale of capital assets	-	-	234,763	234,763
Total Other Financing Sources (Uses)	116,136	(71,240)	20,080	91,320
Net Change in Fund Balances	(370,895)	(475,145)	(399,222)	75,923
Fund Balances, Beginning, Restated	2,511,284	2,511,284	2,511,284	-
Fund Balances, Ending	$ 2,140,389	$ 2,036,139	$ 2,112,062	$ 75,923

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – REDEVELOPMENT AGENCY SPECIAL REVENUE FUND

For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 1,090,000	$ 1,158,000	$ 1,169,443	$ 11,443
Interest	10,000	10,000	17,293	7,293
Miscellaneous	-	-	5,848	5,848
Total Revenues	1,100,000	1,168,000	1,192,584	24,584
Expenditures:				
Materials, supplies and services	325,200	634,700	374,902	259,798
Capital outlay	951,157	278,750	277,192	1,558
Total Expenditures	1,276,357	913,450	652,094	261,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,357)	254,550	540,490	285,940
Other Financing Sources (Uses):				
Transfers in	2,400	2,400	2,085	(315)
Transfers out	(489,253)	(489,253)	(489,253)	-
Total Other Financing Sources (Uses)	(486,853)	(486,853)	(487,168)	(315)
Net Change in Fund Balances	(663,210)	(232,303)	53,322	285,625
Fund Balances, Beginning	2,020,290	2,020,290	2,020,290	-
Fund Balances, Ending	$ 1,357,080	$ 1,787,987	$ 2,073,612	$ 285,625

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LINDON CITY CORPORATION

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Waste Water	Storm Water	Recreation	Non-major Funds	Total
Assets						
Current Assets:						
Cash and cash equivalents	$ 342,715	$ -	$ -	$ -	$ 54,352	$ 397,067
Accounts receivable, net	212,856	140,495	38,552	3,642	41,977	437,522
Prepaids	52,287	29,602	40,048	69,007	3,513	194,457
Due from other funds	700,000	1,079,260	-	-	-	1,779,260
Restricted cash and cash equivalents	432,600	288,204	3,295	656,433	-	1,380,532
Total Current Assets	1,740,458	1,537,561	81,895	729,082	99,842	4,188,838
Noncurrent Assets:						
Costs of Issuance	4,770	-	9,167	201,614	-	215,551
Notes receivable	-	-	-	-	406,063	406,063
Capital assets, net of accumulated depreciation:						
Land	428,610	107,392	823,241	-	-	1,359,243
Water stock and rights	9,889,901	-	-	-	-	9,889,901
Construction in Process	162,751	3,283,392	268,453	-	-	3,714,596
Buildings	-	-	-	9,338,379	-	9,338,379
Water distribution system	9,240,087	-	-	-	-	9,240,087
Waste water collection system	-	7,144,236	-	-	-	7,144,236
Storm water drainage system	-	-	8,488,852	-	-	8,488,852
Machinery and equipment	14,004	38,595	-	9,609	-	62,208
Vehicles	8,908	-	21,520	-	-	30,428
Capital assets, net	19,744,261	10,573,615	9,602,066	9,347,988	-	49,267,930
Total Noncurrent Assets	19,749,031	10,573,615	9,611,233	9,549,602	406,063	49,889,544
Total Assets	$ 21,489,489	$ 12,111,176	$ 9,693,128	$ 10,278,684	$ 505,905	$ 54,078,382

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (Continued)

June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Waste Water	Storm Water	Recreation	Non-major Funds	Total
Liabilities:						
Current Liabilities:						
Accounts payable	$ 203,923	$ 114,191	$ 22,151	$ 11,448	$ 33,735	$ 385,448
Accrued liabilities	3,292	2,143	2,782	25,225	-	33,442
Accrued interest payable	52,373	-	-	-	-	52,373
Liabilities payable from restricted assets	-	-	1,180	190,099	-	191,279
Unearned revenue	-	-	-	11,615	-	11,615
Developer and customer deposits	8,900	-	-	-	-	8,900
Due to other funds	-	175,732	326,027	855,442	10,171	1,367,372
Compensated absences	17,687	14,455	12,049	4,819	-	49,010
Current portion of long-term debt	161,998	233,778	25,411	432,000	13,481	866,668
Total Current Liabilities	448,173	540,299	389,600	1,530,648	57,387	2,966,107
Noncurrent Liability:						
Compensated absences, net	3,343	1,579	1,712	-	-	6,634
Long-term debt, net of current portion	3,249,391	4,635,685	351,439	8,745,352	392,582	17,374,449
Total Noncurrent Liability	3,252,734	4,637,264	353,151	8,745,352	392,582	17,381,083
Total Liabilities	3,700,907	5,177,563	742,751	10,276,000	449,969	20,347,190
Net Position:						
Net investment in capital assets	16,337,642	5,704,152	9,234,383	372,250	-	31,648,427
Restricted for:						
Impact fees	432,600	288,204	2,115	-	-	722,919
Debt service reserves	-	-	-	466,334	-	466,334
Unrestricted	1,018,340	941,257	(286,121)	(835,900)	55,936	893,512
Total Net Position	17,788,582	6,933,613	8,950,377	2,684	55,936	33,731,192
Total Liabilities and Net Position	$ 21,489,489	$ 12,111,176	$ 9,693,128	$ 10,278,684	$ 505,905	$ 54,078,382

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Waste Water	Storm Water	Recreation	Non-major Funds	Total
Operating Revenues:						
Service fees	$ 1,544,120	$ 1,190,398	$ 404,939	$ 482,298	$ 424,103	$ 4,045,858
Other fees	28,301	1,028	-	-	-	29,329
Miscellaneous	53,401	20,505	10,641	744	-	85,291
Total Operating Revenues	1,625,822	1,211,931	415,580	483,042	424,103	4,160,478
Operating Expenses:						
Salaries and wages	127,972	82,396	111,501	352,315	-	674,184
Employee benefits	72,568	47,103	61,350	47,970	-	228,991
Materials, supplies and services	563,024	575,105	345,703	286,666	383,160	2,153,658
Depreciation	295,995	182,843	241,036	261,023	-	980,897
Total Operating Expenses	1,059,559	887,447	759,590	947,974	383,160	4,037,730
Operating Income (Loss)	$ 566,263	$ 324,484	$ (344,010)	$ (464,932)	$ 40,943	$ 122,748

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Waste Water	Storm Water	Recreation	Non-major Funds	Total
Nonoperating Income (Expense):						
Intergovernmental revenue	$ -	$ -	$ 395,192	$ -	$ -	$ 395,192
Interest income	582	1,031	-	610	-	2,223
Interest expense	(115,901)	(72,075)	(15,553)	(421,808)	-	(625,337)
Total Nonoperating Income (Expense)	(115,319)	(71,044)	379,639	(421,198)	-	(227,922)
Income (Loss) Before Transfers and Capital Contributions	450,944	253,440	35,629	(886,130)	40,943	(105,174)
Capital contributions	242,422	87,890	163,755	-	-	494,067
Impact fee contributions	42,312	84,051	25,158	-	-	151,521
Transfers in	-	-	-	888,814	-	888,814
Transfers out	(281,096)	(238,634)	(129,224)	-	(17,080)	(666,034)
Changes in Net Position	454,582	186,747	95,318	2,684	23,863	763,194
Net Position, Beginning, Restated	17,334,000	6,746,866	8,855,059	-	32,073	32,967,998
Net Position, Ending	$ 17,788,582	$ 6,933,613	$ 8,950,377	$ 2,684	$ 55,936	$ 33,731,192

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Waste Water	Storm Water	Recreation	Non-major Funds	Total
Cash Flows From Operating Activities:						
Receipts from customers and users	$ 1,597,973	$ 1,200,348	$ 412,592	$ 495,324	$ 421,781	$ 4,128,018
Payments to suppliers	(465,612)	(617,415)	(363,842)	(163,571)	(405,033)	(2,015,473)
Payments to employees and related benefits	(215,874)	(150,439)	(179,982)	(394,322)	-	(940,617)
Deposits received (refunded)	(325)	-	-	-	-	(325)
Net cash from operating activities	916,162	432,494	(131,232)	(62,569)	16,748	1,171,603
Cash Flows From Capital and Related Financing Activities:						
Purchase of property and equipment	(237,758)	(544,658)	(325,943)	-	-	(1,108,359)
Receipt of impact fees	42,312	84,051	25,158	-	-	151,521
Principal paid on bonds and capital lease	(156,258)	(230,779)	(24,519)	(416,000)	-	(827,556)
Interest paid on bonds and capital lease	(119,153)	(72,075)	(16,231)	(612,369)	-	(819,828)
Net cash from capital and related financing activities	(470,857)	(763,461)	(341,535)	(1,028,369)	-	(2,604,222)
Cash Flows From Non-Capital Financing Activities:						
Cash subsidy from federal grants	-	-	395,192	-	-	395,192
Loans from (payments to) other funds	-	(4,007)	206,797	226,015	9,344	438,149
Payments received on note from residents	-	-	-	-	18,437	18,437
Principal paid on note for residential connections	-	-	-	-	(18,437)	(18,437)
Transfers from (to) other funds	(281,096)	(238,634)	(129,224)	888,814	(17,080)	222,780
Net cash from non-capital financing activities	$ (281,096)	$ (242,641)	$ 472,765	$ 1,114,829	$ (7,736)	$ 1,056,121

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Waste Water	Storm Water	Recreation	Non-major Funds	Total
Cash Flows From Investing Activity:						
Interest on investments	$ 582	$ 1,031	$ -	$ 610	$ -	$ 2,223
Net cash from investing activity	582	1,031	-	610	-	2,223
Net Increase (Decrease) In Cash	164,791	(572,577)	(2)	24,501	9,012	(374,275)
Cash and Cash Equivalents At Beginning Of Year, Restated	610,524	860,781	3,297	631,932	45,340	2,151,874
Cash and Cash Equivalents At End Of Year	$ 775,315	$ 288,204	$ 3,295	$ 656,433	$ 54,352	$ 1,777,599
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	$ 566,263	$ 324,484	$ (344,010)	$ (464,932)	$ 40,943	$ 122,748
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation expense	295,995	182,843	241,036	261,023	-	980,897
(Increase) Decrease in accounts receivables	(28,224)	(11,583)	(2,988)	667	(2,322)	(44,450)
(Increase) Decrease in other receivable	375	-	-	-	-	375
(Increase) Decrease in prepaids	(52,287)	(29,602)	(40,048)	(66,397)	(3,513)	(191,847)
Increase (Decrease) in accounts payable	149,699	19,658	21,909	189,492	(18,360)	362,398
Increase (Decrease) in retainage	-	(32,366)	-	-	-	(32,366)
Increase (Decrease) in accrued liabilities	177	(201)	(193)	5,246	-	5,029
Increase (Decrease) in compensated absences	(15,511)	(20,739)	(6,938)	717	-	(42,471)
Increase (Decrease) in deferred revenue	-	-	-	11,615	-	11,615
Increase (Decrease) in deposits	(325)	-	-	-	-	(325)
Net cash from operating activities	$ 916,162	$ 432,494	$ (131,232)	$ (62,569)	$ 16,748	$ 1,171,603
Noncash investing, capital, and financing activities:						
Contributions from developers	$ 242,422	$ 87,890	$ 163,755	$ -	$ -	$ 494,067

The notes to the basic financial statements are an integral part of this statement.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Lindon City Corporation (the City) was incorporated in March of 1924, as a fourth class city, under the provisions of the Utah State Code.

The City operates under a six member council form of government and provides services authorized by its charter, including public safety, (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Some of these services are provided under contract with other entities.

B. Reporting Entity

Lindon City Corporation is a political subdivision of the State of Utah. It is governed by an elected mayor and five council members. The accompanying financial statements present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of and for the year ended June 30, 2013.

For financial reporting purposes, Lindon City Corporation has included all funds, account groups, and component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria in GASB Statement No. 14 to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the City.

As required by generally accepted accounting principles, this report presents the financial information of both Lindon City Corporation (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of the component unit's operational or financial relationships with the City.

Component Units

These component units are entities, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provide services almost entirely to Lindon City. They are reported as funds of the City. These organizations for which Lindon City is financially accountable, and the relationship with Lindon City is significant enough that exclusion would possibly lead to misleading or incomplete financial statements. To obtain separate individual component unit financial statements please send requests to Lindon City, c/o the City Administrator, 100 North State Street, Lindon, Utah 84042.

Lindon City Redevelopment Agency. The Agency was established for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment and economic development projects within the area in which it is authorized to act. The Agency is reported as a special revenue fund.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental services, public safety, highways and streets, planning and engineering, parks, and redevelopment are classified as governmental activities. The City's water, waste water, storm water, recreation, waste collection, and telecommunication funds are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City and its blended component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they became available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than expenditures in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (generally within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency special revenue fund reports the activities of the Agency as described previously.

The Debt Service fund reports the payments of long term debt.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the city's water utility. The city operates a water distribution system.

The Waste Water Fund accounts for the activities of the city's sewer utility.

The Storm Water Fund accounts for the activities of the city's storm drain utility.

The Recreation Fund accounts for the activities at the city's swimming pool and community center.

Additionally, the City reports the following non-major funds:

The Special Improvement District (SID) Fund (a special revenue fund) records the receipts and associated payments on the SID bonds.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government.

The Waste Collection Fund (an enterprise fund) accounts for the service fees and expenses associated with garbage collection in the City.

The Telecommunications Fund (an enterprise fund) accounts for the receivables and associated debt and the collections on those receivables for resident connections to the Utah Infrastructure Agency fiber optic network.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, Liabilities, and Net Position

1. Deposits and Investments

Cash and cash equivalents consists of amounts in demand and certificates of deposit and all highly liquid investments maturing within three months. Cash balances are invested to the extent available. Investments are held in Utah Public Treasurers' Investment Fund (PTIF). Investments are stated at cost.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown net of an allowance for uncollectible. The allowance for doubtful accounts for all funds is $6,700 and is concentrated in the enterprise funds.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position (Continued)

4. Restricted Assets

Cash and investments are often restricted to a particular use due to statutory, budgetary or legal requirements and are therefore classified as "restricted" on the City's balance sheets. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Capital Assets

Capital assets, which include property, land, buildings, water/sewer/storm systems, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than $5,000. Purchased or constructed assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Years
Buildings	20 to 40
Infrastructure	20 to 40
Water distribution system	25 to 50
Waste water collection system	3 to 10
Storm water drainage system	5 to 10
Improvements other than buildings	5 to 20
Machinery and equipment	5 to 10
Vehicles	5

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

6. Unearned Revenue

Unearned revenue arises when resources are received by the City before it has earned them, as when grant monies or donations are received prior to the incurrence of qualifying expenditures. In subsequent periods when the City has earned the resources, the revenue is recognized.

7. Deposits

Developer and customer deposits are principally deposits from developers that are held by the City until building projects and developments receive the required City inspections and are in compliance with all City ordinances.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position (Continued)

8. Compensated Absences

Accumulated vacation leave that is due and payable at year-end is reported as an expenditure and a fund liability for governmental funds. Amounts of accumulated vacation leave that are not reported as a current period expenditure in the governmental funds are reported on the government-wide financial statements as a noncurrent liability. Accumulated vacation in business-type funds is recorded as an expense and a liability as employees earn these benefits. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges over the term of the related debt.

In the fund financial statements, governmental fund types recognize other financing sources or uses for bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Balances

In the fund financial statements, governmental funds report classifications of fund balances based on a hierarchy that shows the level or form of constraints on fund balance resources, and the extent to which the City is bound to honor those constraints. Fund balance classifications are:

Nonspendable – includes fund balance amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact. Fund balances related to inventory, long term portions of notes receivable and prepaid expenditures are classified as nonspendable.

Restricted – includes fund balance amounts that are subject to external constraints that have been placed on the use of the resources imposed by either a) creditors, grantors, contributors, or laws and regulations of other governments, or b) law through constitutional provisions or enabling legislation. Restricted fund balances include unspent tax revenues for specific purposes.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position (Continued)

Committed – the portion of unrestricted fund balance that can only be used for specific purposes as established by formal action of the Mayor and City Council. Fund balance commitments can only be removed or changed by the same action of the mayor and city council. Committed resources also include any contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – the portion of unrestricted fund balance that the City intends to be used for a specific purpose but are neither restricted or committed. These are established by the City Council. It includes all remaining positive fund balance amounts that are reported in governmental funds, other than the General Fund, which have specific purposes and that are not classified as one of the previous classifications.

Unassigned – remaining unrestricted funds in excess of other categories in the General Fund and any residual deficits in any fund.

F. Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before August 17. All property taxes levied by the City are assessed and collected by Utah County.

Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by telephone, mobile phone, natural gas, electric utilities, and cable television companies and remitted to the City periodically.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are prepared and adopted, in accordance with State law, by the City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Funds and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of General Fund balance until unrestricted fund balance (the total of committed, assigned, and unassigned fund balance) exceeds 5% of the General Fund revenues. Additionally, unrestricted fund balance is limited to 25% of the current year revenues not including any appropriations of fund balance.

The City follows these procedures in accordance with Utah Code in establishing the budgetary data reflected in the financial statements:

- The City prepares its budgets on a GAAP basis.
- On or before the first regularly scheduled meeting of the Mayor and City Council in May, the finance director prepares a tentative budget for the ensuing fiscal year.
- The tentative budget as adopted by the Mayor and City Council is then made available to the public for inspection for a period of at least ten days prior to the adoption of the final budget.
- Prior to June 22, the budget is legally enacted through passage of a resolution.
- The City Council approves, by resolution, total budget appropriations only. The finance director is authorized to transfer any unexpended appropriation balances from one expenditure account to another within departments during the budget year. The originally adopted budget may be amended during the year. The City Council by resolution may transfer any unexpended appropriation balance form one department to another within the same fund. In order to increase expenditures in any fund the City must hold a public hearing in addition to passing a resolution.
- Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year on June 30.
- Unused capital project fund appropriations are carried into the subsequent fiscal year.

For the year ended June 30, 2013, the following funds reported expenditures in excess of budgeted appropriations of the following amounts:

General Fund	$	322,602
Capital Projects Fund	$	47,103

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost, which approximate fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" which also includes cash accounts that are separately held by several of the City's funds.

Deposits – Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Investments – The City's investment policies are governed by State statutes. The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

Deposits - Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires that deposits be in a qualified depository whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the City at June 30, 2013 were $1,273,459. Of these, $773,459 were exposed to custodial credit risk because they were uninsured and uncollateralized.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments – Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments – Credit Risk – The City follows the requirements of the Utah Money Management Act (Section 51, Chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurer's Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. Agency Issues, high-grade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The City has no other investment policy that would further limit its investment choices.

Investments - Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

As of June 30, 2013, the City had the following deposits and investments:

	Fair Value	Carrying Amount	Credit Rating (1)	Weighted Average Years to Maturity (2)
Cash on Deposit	$ 963,770	$ 963,770	N/A	N/A
Total cash on hand and deposit	$ 963,770	$ 963,770		
Investments (3):				
Utah State Treasurer's Investment Pool	$ 5,055,879	$ 5,030,617	N/A	NA
Total investments	$ 5,055,879	$ 5,030,617		
Total cash and cash equivalents	$ 6,019,649	$ 5,994,387		
Portfolio weighted average maturity				N/A

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.
(2) **Interest Rate Risk** is estimated using the weighted average days to maturity.
(3) All investments are considered cash equivalents on the financial statements.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 – NOTES RECEIVABLE

Notes receivable consist of many individual notes with residents who have financed installation of fiber optic lines to their home from Utah Infrastructure Agency (UIA). Notes between the residents and the City were signed simultaneously with notes between the City and UIA. The notes receivable from the residents and the notes payable to UIA were both $406,063 at June 30, 2013.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from Other Funds

Loans made between funds are reflected as "due to" or "due from" on the respective funds' Balance Sheet (governmental funds) and/or Statement of Net Position (business-type funds). As of June 30, 2013 due to and due from other funds were as follows:

	Receivable	Payable
Governmental Activities		
General Fund	$ 2,254,286	$ 1,779,260
Redevelopment Agency	-	819,742
Debt Service	-	67,172
Business-type Activities		
Water	700,000	-
Waste Water	1,079,260	175,732
Storm Water	-	326,027
Recreation	-	855,442
Non major business-type funds	-	10,171
	$ 4,033,546	$ 4,033,546

All loans are either payable or receivable to the General Fund. The above amounts will be repaid by the respective funds, with exception of the amounts payable by the General Fund to the Water and Waste Water Fund as repayment has not yet been determined.

Intergovernmental Transfers

The City's intergovernmental transfers for the year ended June 30, 2013 were:

	Transfers In	Transfers Out
Governmental Activities		
General Fund	$ 856,858	$ 1,499,570
Redevelopment Agency	2,085	489,253
Debt Service	977,004	-
Non major governmental funds	-	69,904
Business-type Activities		
Water	-	281,096
Waste Water	-	238,634
Storm Water	-	129,224
Recreation	888,814	-
Non major business-type funds	-	17,080
	$ 2,724,761	$ 2,724,761

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The City's intergovernmental transfers are the result of the allocation of administrative costs from the general fund to the other funds, in addition to transfers to the Debt Service fund to meet debt service obligations.

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land and collectibles	$ 5,880,533	$ 153,886	$ -	$ 6,034,419
Construction in progress	-	380,367	-	380,367
Total capital assets, not being depreciated	5,880,533	534,253	-	6,414,786
Capital assets, being depreciated:				
Buildings	3,477,351	45,380	-	3,522,731
Infrastructure	32,000,733	895,117	-	32,895,850
Improvements other than buildings	4,869,407	52,940	-	4,922,347
Machinery and equipment	1,686,199	141,072	(142,422)	1,684,849
Vehicles	836,000	469,518	(424,508)	881,010
Total capital assets, being depreciated	42,869,690	1,604,027	(566,930)	43,906,787
Less accumulated depreciation for:				
Buildings	(796,390)	(89,555)	-	(885,945)
Infrastructure	(15,423,277)	(1,199,677)	-	(16,622,954)
Improvements other than buildings	(1,001,166)	(263,590)	-	(1,264,756)
Machinery and equipment	(1,475,671)	(112,388)	142,382	(1,445,677)
Vehicles	(544,311)	(75,701)	189,578	(430,434)
Total accumulated depreciation	(19,240,815)	(1,740,911)	331,960	(20,649,766)
Total capital assets being depreciated, net	23,628,875	(136,884)	(234,970)	23,257,021
Governmental Activities capital assets, net	$ 29,509,408	$ 397,369	$ (234,970)	$ 29,671,807

Depreciation expense was charged to functions/programs for the year ended June 30, 2013 is as follows:

Governmental Activities:	
General government	$ 183,487
Public safety	136,612
Highways and public improvements	1,420,812
Total depreciation expense - governmental activities	$ 1,740,911

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 1,359,243	$ -	$ -	$ 1,359,243
Water Stock	9,795,439	94,462	-	9,889,901
Construction in progress	5,088,678	877,256	(2,251,338)	3,714,596
Total capital assets, not being depreciated	16,243,360	971,718	(2,251,338)	14,963,740
Capital assets, being depreciated:				
Buildings	10,376,893	-	-	10,376,893
Water system	14,351,414	214,842	-	14,566,256
Waste water system	7,640,368	2,432,431	-	10,072,799
Storm water system	10,939,230	199,726	-	11,138,956
Equipment	783,985	4,619	-	788,604
Vehicles	228,165	30,427	-	258,592
Total capital assets, being depreciated	44,320,055	2,882,045	-	47,202,100
Less accumulated depreciation for:				
Buildings	(779,093)	(259,421)	-	(1,038,514)
Water system	(5,034,277)	(291,892)	-	(5,326,169)
Waste water system	(2,760,211)	(168,352)	-	(2,928,563)
Storm water system	(2,410,718)	(239,386)	-	(2,650,104)
Equipment	(708,371)	(18,025)	-	(726,396)
Vehicles	(224,343)	(3,821)	-	(228,164)
Total accumulated depreciation	(11,917,013)	(980,897)	-	(12,897,910)
Total capital assets being depreciated, net	32,403,042	1,901,148	-	34,304,190
Business-type Activities capital assets, net	$ 48,646,402	$ 2,872,866	$ (2,251,338)	$ 49,267,930

Depreciation expense was charged to functions/programs for the year ended June 30, 2013 is as follows:

Business-type Activities	
Water	$ 295,995
Waste water	182,843
Storm drain	241,036
Aquatics	261,023
Total depreciation expense - business-type activities	$ 980,897

NOTE 7 – DEFERRED REVENUE – PROPERTY TAXES

In conjunction with GASB pronouncement 33, “Accounting and Financial Reporting for Nonexchange Transactions” the City has accrued property tax receivable and an deferred property tax revenue in the General Fund and Redevelopment Agency in the amounts of $1,615,407 and $1,070,000, respectively.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the June 30, 2013:

	June 30, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
Governmental Activities:					
Bonds payable:					
Revenue bonds	$ 3,322,887	$ -	$ (420,455)	$ 2,902,432	$ 437,236
Special improvement district bonds	30,000	-	(30,000)	-	-
Total bonds payable	3,352,887	-	(450,455)	2,902,432	437,236
Notes payable and capital leases:					
Notes payable	-	100,000	(10,000)	90,000	10,000
Capital leases	262,171	428,029	(324,766)	365,434	84,178
Total notes payable and capital leases	262,171	528,029	(334,766)	455,434	94,178
Other liabilities:					
Compensated absences	116,988	237,064	(233,267)	120,785	88,375
Total other liabilities	116,988	237,064	(233,267)	120,785	88,375
Total Governmental activities long-term liabilities	3,732,046	765,093	(1,018,488)	3,478,651	619,789
Business-type Activities:					
Bonds payable:					
Revenue bonds	16,075,746	-	(642,454)	15,433,292	665,485
Plus: unamortized premiums	58,912	-	(2,561)	56,351	-
Total bonds payable	16,134,658	-	(645,015)	15,489,643	665,485
Notes payable and capital leases:					
Notes payable	2,494,441	147,300	(129,210)	2,512,531	124,259
Capital leases	313,266	-	(74,323)	238,943	76,924
Total notes payable and capital leases	2,807,707	147,300	(203,533)	2,751,474	201,183
Other liabilities:					
Compensated absences	98,115	24,656	(67,127)	55,644	49,010
Total other liabilities	98,115	24,656	(67,127)	55,644	49,010
Total Business-type activities long-term liabilities	19,040,480	171,956	(915,675)	18,296,761	915,678
Total Liabilities	$ 22,772,526	$ 937,049	$ (1,934,163)	$ 21,775,412	$ 1,535,467

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

Long-term debt at June 30, 2013, consists of the following:

Governmental Activities:

Revenue Bonds

The Lindon City Redevelopment Agency, Utah Neighborhood Redevelopment Tax Increment Revenue Bonds, Series 2005 were issued by the Lindon City Redevelopment Agency in the amount of $3,095,000 with a coupon rate of 3.92%. Debt service payments are made semi-annually beginning December 2005, with the final payment due in June 2015. The proceeds were deposited in an escrow account to be used to refund the Series 1999 bonds per their bond call requirements. The bonds are repaid from the tax increment revenue of the Redevelopment Agency.	$ 882,000
The Sales Tax Revenue Bonds Series 2005 was issued for $3,700,000 with interest at 3.75%. Debt service payments are made annually beginning December 2005 with the final payment due June 2025. The liability is split between Governmental and Proprietary funds in order to help finance the road, water and storm drain improvements of 700 North west of Geneva Road. The debt service is paid from sales tax revenues of the City.	2,020,432
Total Revenue Bonds - Governmental Activities	$ 2,902,432

Special Improvement District Bonds

The Special Improvement District Bonds (Lindon Gateway Project) No. 00-01 Series 2001 in the amount of $2,400,000 were issued in July 2001 with a coupon rate of 5.60%. The proceeds were used to fund special improvements that benefited property owners in the Lindon Gateway Project area. The property owners are assessed annually to retire the bonds. The bonds were paid off during the fiscal year.	$ -
Total Special Improvement District Bonds - Governmental Activities	$ -

Notes Payable

The 2013 PRWUA Note Payable consisted of $100,000 in debt issued for the purchase of Lindon View Park property. Debt service payments are made annually with interest at 0% from general fund revenues.	$ 90,000
Total Notes Payable - Governmental Activities	$ 90,000

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

Capital Leases

2012 Police Vehicle Lease, original amount of $34,295, lease payments due in annual installments of $6,386 including interest at 3.5% beginning February 2012, with the final payment due February 2016. The principal and interest payments are made from the General Fund revenues.	$	22,500
2013 Police Vehicle Lease, original amount of $428,029, lease payments due in semi-annual installments of $85,096 including interest at 2.38% beginning October 2012, with the final payment due October 2016. The principal and interest payments are made from the General Fund revenues. The lease was used to finance police vehicles and replaced a prior police vehicle lease for vehicles that were traded in.		342,934
Total Capital Leases - Governmental Activities	$	365,434

Business-type Activities

Revenue Bonds

The Water Revenue Bonds Series 2006 consisted of $256,000 with interest at 5.0%. The bonds were issued to finance replacement of the waterline along 400 North Street. Debt service payments are made annually beginning September 2006 with the final payment due September 2016. Debt service payments are made from the revenues of the Water fund.	$	117,560
The City entered into an agreement with the Central Utah Water Conservancy District (CUWCD), Central Utah Project (CUP), in August of 1997 for rights to 1,425 acre feet of water per year for 50 years starting in 1998. In January 2000, Lindon City received a grant of $1,899,011 from CUWCD. As part of the terms of the grant, the City gave back rights to 500 acre feet, leaving the City with rights to 925 acre feet per year. Lindon City had deferred payments for 10 years. Debt service payments are made annually with an interest at 3.222% beginning February 2008 with the final payment due February 2047.		2,916,162
The Sales Tax Revenue Bonds Series 2005 was issued for $3,700,000 with interest at 3.75%. Debt service payments are made annually beginning December 2005 with the final payment due June 2025. The liability is split between Governmental and Proprietary funds in order to help finance the road, water and storm drain improvements of 700 North west of Geneva Road. The debt service is paid from sales tax revenues of the City.		515,570
The Sales Tax Revenue Bonds, Series 2008, were issued in the amount of $9,565,000 with a coupon rate which is currently 3.75% and which will increase to 5.0%. Debt service is due in semi-annual installments beginning in July 2009 with the final payment due July 2033. This bond was issued to pay for the Aquatics Center. Debt service payments are expected to be made from sales tax revenues of the City.		8,780,000

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

The Sales Tax Revenue Bonds, Series 2009, were issued in the amount of $800,000 with a coupon rate of 3.88%. Debt service is due in semi-annual installments beginning July 2010 with the final payment due July 2014. This bond was issued as an additional funding source for the construction of the Aquatics Center which opened Memorial weekend 2009. The unused bond proceeds were applied to the principal balance. Debt service payments are expected to be made from sales tax revenues of the City.	$	341,000
The Waste Water Revenue Bonds Series 2011 consisted of $3,000,000 with interest at 2.5%. The bonds were issued to finance additions and improvements to the waste water system. Debt service payments are made annually beginning July 2011 with the final payment due July 2031. Debt service payments are expected to be made from the Water fund revenues.		2,763,000
Total Revenue Bonds - Business-type Activities	$	15,433,292

Notes Payable

The 2010 Orem Sewer Expansion Note Payable consisted of $2,217,241 principal with interest at 0%. The debt was issued to finance construction to increase waste water discharge capacity related to the expansion of the City of Orem's Water Reclamation Facility, with which the City contracts to process its waste water. Debt service payments are made annually beginning February 2013 with the final payment due February 2032.	$	2,106,468
The UIA Notes Payable consists of $406,063 of debt payable to UIA for hookup costs to Lindon City residents to the fiber optic network, payable in monthly installments of $25-$30 over 10 or 20 years with interest between 6-8%. The City has recorded notes receivable from the Lindon City residents in the same amount. $147,300 of new notes were added during the year under the same terms. The last note comes due in May 2032. The amounts payable to UIA are paid by Lindon City residents.		406,063
Total Notes Payable - Business-type Activities	$	2,512,531

Capital Leases

2011 Water Meter Lease, original amount of $385,075, lease payments due in annual installments totaling $85,287 including interest at 3.5% with payments beginning July 2011, with the final payment due July 2015. The principal and interest payments are made from the Water fund revenues.	$	238,943
Total Capital Leases - Business-type Activities	$	238,943

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, both principal and interest, for long-term debt is as follows:

Year Ending June 30,	Governmental Activities Revenue Bonds Principal	Interest
2014	$ 437,236	$ 110,340
2015	722,813	93,433
2016	146,593	65,339
2017	152,170	59,842
2018	157,747	54,136
2019-2023	884,337	177,169
2024-2028	401,536	22,736
Total	$ 2,902,432	$ 582,994

Year Ending June 30,	Governmental Activities Notes Payable Principal	Interest
2014	$ 10,000	$ -
2015	10,000	-
2016	10,000	-
2017	10,000	-
2018	10,000	-
2019-2022	40,000	-
Total	$ 90,000	$ -

Year Ending June 30,	Governmental Activities Capital Leases
2014	$ 93,128
2015	100,952
2016	100,951
2017	92,920
Total minimum lease payments	387,951
Less: amount representing interest	(22,517)
Present value of net minimum lease payments	$ 365,434

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

Year Ending June 30,	Business-type Activities Revenue Bonds Principal	Interest
2014	$ 665,485	$ 594,404
2015	689,833	570,359
2016	534,095	548,576
2017	551,685	529,159
2018	541,251	508,982
2019-2023	3,012,398	2,235,978
2024-2028	3,462,214	1,622,767
2029-2033	3,746,706	847,364
2034-2038	1,132,134	241,011
2039-2043	570,834	141,186
2044-2047	526,657	43,101
	15,433,292	$ 7,882,887
Plus: unamortized premium	56,351	
Total	$ 15,489,643	

Year Ending June 30,	Business-type Activities Notes Payable Principal	Interest
2014	$ 124,259	$ 30,859
2015	125,267	29,851
2016	126,351	28,767
2017	127,518	27,600
2018	128,774	26,344
2019-2023	656,203	109,697
2024-2028	662,971	70,354
2029-2033	561,188	20,375
	$ 2,512,531	$ 343,847

Year Ending June 30,	Business-type Activities Capital Leases
2014	$ 85,287
2015	85,287
2016	85,287
Total minimum lease payments	255,861
Less: amount representing interest	(16,918)
Present value of net minimum lease payments	$ 238,943

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)

Assets acquired by capital lease for the year ended June 30, 2013, are as follows:

	Governmental Activities
Asset:	
Vehicles	$ 462,324
Less: accumulated depreciation	(63,559)
Total	$ 398,765

	Business-Type Activities
Asset:	
Water Meters	$ 385,078
Less: accumulated depreciation	(19,222)
Total	$ 365,856

Pledges of future revenues

The City has pledged various revenues as part of debts issued by the City. Information concerning the pledge revenues, by type, is shown below for the year ended June 30, 2013:

	Sales Taxes	RDA Tax Increment	Special Improvement District	Water Revenues	Sewer Revenues
Total future revenues pledged over the life of the debts	$ 17,422,491	$ 939,349	$ -	$ 4,974,490	$ 3,465,275
Revenues for the year ended June 30, 2013	$ 2,989,353	$ 1,169,443	$ 385	$ 1,668,134	$ 1,295,982
Payments on debt from pledged revenues for the year ended June 30, 2013	$ 1,104,559	$ 334,904	$ 31,680	$ 175,557	$ 192,075
Percent of current year revenues to total pledged revenues	17%	124%	100%	34%	37%

Conduit Debt

Lindon City has issued two industrial development revenue bonds. These limited-obligation bonds are for the express purpose of providing capital financing for the third parties listed below. Although conduit debt obligations bear the name of Lindon City, the City has no obligation for the debt. The debt service payments are made monthly by the borrower directly to the lender.

Mountain States Project Mountain States Steel borrowed $1,500,000 at an interest rate of 5.07% on May 1, 2008 to fund purchase of equipment. The amount of principal outstanding as of June 30, 2013 is $616,223. These bonds mature on February 1, 2016.

Interstate Gratings Project West Ridge Investments borrowed $3,500,000 at an interest rate of 4.75% on December 19, 2008 to fund the acquisition, construction and equipment of property. The amount of principal outstanding as of June 30, 2013 is $2,973,158. These bonds mature on December 10, 2018.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT PLANS

Cost-Sharing Multi-Employer Defined Benefits Pension Plan

Plan Description

The City contributes to the Local Government Contributory Retirement System (Contributory System), the Local Government Noncontributory Retirement System (Noncontributory System) and the Public Safety Retirement System (Public Safety System), all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide retirement benefits, annual cost-of-living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. The City is required to contribute a percent of covered salary to the respective Systems as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rate
Contributory System:			
Local Government Division Tier 2	-	-	12.740%
Noncontributory System:			
Local Government Division Tier 1	-	-	16.040%
Public Safety System:			
Other Division A Nonontributory Tier 1	-	-	30.450%

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

The contributions were equal to the required contributions for each year. The following illustrates the three year trend analysis of employer and employee contributions to the Utah Retirement System:

System	Year Ended June 30,	Employee paid Contributions	Employer paid for Employee Contributions	Employer Contributions	Salary Subject to Retirement Contributions
Contributory System:					
Local Government Division	2013	$ -	$ -	$ 2,969	$ 34,687
	2012	-	-	1,755	23,117
Noncontributory System:					
Local Government Division Tier 1	2013	-	-	246,507	1,527,793
	2012	-	-	207,373	1,505,980
	2011	-	-	197,411	1,476,519
Public Safety System:					
Other Division A Nonontributory Tier 1	2013	-	-	224,368	881,038
	2012	-	-	178,721	797,285
	2011	-	-	173,513	664,034
Defined Contribution System:					
457 Plan	2013	51,698	-	-	-
	2012	42,779	-	-	-
	2011	46,171	-	-	-
401(k) Plan	2013	140,225	140,224	-	-
	2012	130,563	129,433	-	-
	2011	138,392	125,772	-	-
Roth IRA Plan	2013	9,015	-	-	-
	2012	2,417	-	-	-
	2011	120	-	-	-

Deferred Compensation Plans

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k). All full-time regular employees are eligible to participate in this plan. Although not required by the Systems to contribute to the 401(k), the City contributed 4.5% of salaries for the year ended June 30, 2013. The rate of City participation is determined by the City Council.

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 457. All full-time regular employees are eligible to participate in this plan.

The City sponsors a Roth Individual Retirement Account (Roth IRA) deferred compensation plan administered by Utah Retirement Systems. All full-time regular employees are eligible to participate in this plan.

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 – REDEVELOPMENT AGENCY REQUIRED DISCLOSURES

For the year ended June 30, 2013, the following activity occurred in the Lindon City Redevelopment Agency:

Tax increment collected from other taxing agencies for project areas as follows:		
State Street	$	328,687
West Side		-
District #3		840,756
Total tax increment collected	$	1,169,443
Amounts expended for:		
Site improvements and preparation costs	$	277,192
Administrative costs		170,972
Tax increment paid to other entities		356,530
Debt service		336,653
Total amounts expended by RDA	$	1,141,347
Outstanding bonds and loans to finance RDA projects	$	882,000

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The City has active construction projects as of June 30, 2013. The projects are improvements to the water system. At year end the City's commitments with contractors for water system improvements totaled $233,665.

NOTE 12 – INTERLOCAL AGREEMENTS

The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Agency (UTOPIA), an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate, and maintain an open, wholesale, public and telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City since UTOPIA had a net position deficit balance as of year-end. UTOPIA issues annual audited financial statements which are available either from UTOPIA or the Utah State Auditor.

The City is a pledging member who has pledged sales and use tax revenues to partially guarantee payment of UTOPIA's bonds. In return for the pledge, the City will be among the first cities to receive UTOPIA's services. In December 2011, UTOPIA issued an $185,000,000 revenue refunding bond, which will become due in June 2040. The debt service payments will be made by the 11 pledging members according to their respective percentages up to a specific dollar amount. The City's percentage of the Debt Service Reserve shortfall is 3.071% with a yearly liability limit set at a maximum of $403,029 for the coming year ended June 30, 2014. Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

NOTE 12 – INTERLOCAL AGREEMENTS (Continued)

The City has made the pledged payments to UTOPIA for debt service beginning in fiscal year 2010. Pledge payments made during the years ended June 30, 2013 and 2012, totaled $395,781 and $383,886 respectively. The aggregate amount of pledges paid to UTOPIA totals $1,258,501 as of June 30, 2013. This amount has been recorded as a note payable by UTOPIA to the City. The City believes that repayment is unlikely and has expensed the amounts as incurred.

The City is also one of eight founding members of the Utah Infrastructure Agency (UIA), an interlocal cooperative agreement organized in July of 2010 under the laws of the State of Utah. Like UTOPIA, UIA was organized to provide for acquisition, construction, and installation of advanced communication lines, improvements, and facilities. The City has pledged franchise tax revenues to ensure that UIA fulfills its revenue requirement from the bond agreements, which is that UIA must have revenue equal to the operations and maintenances expenses and the capital costs in a fiscal year. In the event that there is a operations expense (OpEx) shortfall, the City has agreed to lend UIA its franchise tax revenues. The percentage of the City's share of the shortfall pledge is 3.35% with a yearly liability limit set at a maximum of $172,516. During fiscal year 2013, the City agreed by resolution to loan some funding to UIA to cover a portion of their OpEx shortfall. Pledge payments made for the OpEx shortfall during the years ended June 30, 2013 and 2012 totaled $55,810 and $0, respectively. The aggregate amount of OpEx pledges paid to UIA totals $55,810 as of June 30, 2013. This amount has been recorded as a note payable by UIA to the City. The City believes that repayment is unlikely and has expensed the amounts as incurred. UIA's annual audited financial statements are available either from UIA or the Utah State Auditor.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss including third party claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is insured through the Utah Risk Management Mutual Association (URMMA) for liability and claims. The State of Utah Insurance Department regulates URMMA to ensure sound actuarial standards are used. While URMMA pays for any liability and property claims exceeding the deductible amount, these claims are repaid by the City through a five year recapture program. Thus, each year the City pays its annual premium plus a recapture component. There were no settlements in excess of the insurance coverage in any of the three prior years.

Real property is either self-insured or insured through commercial policies. Some vehicles are self-insured (generally those valued at less than $50,000) while the police fleet and those valued over $50,000 are typically insured commercially. Where possible and appropriate, in contractual transactions with other persons or entities, responsibility for damages is transferred to the other party or person(s) that perform work for the City.

The City is insured by Utah Local Government Trust for worker's compensation claims. The coverage is $100,000 per incident with no deductible. No claims exceeded this coverage in any of the three prior years

LINDON CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

In fiscal year 2013, the City identified tax revenues that had not been recognized in prior periods. These revenues were recognized through adjustments to increase general fund balance in the fund financial statements and governmental activities net position in the government-wide financial statements.

In fiscal year 2013, the City determined that the accrued compensated absences were not recorded in accordance with governmental accounting standards. In previous years, the City had accrued half of all accumulated sick leave time. However, according to Governmental Accounting, Auditing, and Financial Reporting, the only portion of sick leave that should be accrued is the portion that can reasonably be expected to be paid out in the next year. Other use of sick leave is contingent on a future event, and so it should not be accrued. The correction resulted in an increase to governmental activities net position on the government-wide statements of $165,750. Because unused leave (compensated absences) is not due and payable at June 30, 2013, no accrual is made in the fund financial statements so no adjustment to fund balance is necessary.

The table below summarizes the adjustments and how the beginning balances have been restated for the corrections mentioned in the previous two paragraphs:

	General Fund Balance	Governmental Activities Net Position	Accrued Compensated Absences (Note 8)
June 30, 2012, as previously reported	$ 2,116,698	$ 29,994,212	$ 282,738
Adjustment for prior period sales taxes	394,586	394,586	-
Adjustment for accrued compensated absences	-	165,750	(165,750)
June 30, 2012, as restated	$ 2,511,284	$ 30,554,548	$ 116,988

In addition, the City discovered that it had not been tracking the notes payable to UIA and notes receivable from Lindon City residents in the financial statements. Since the notes are recorded at the same amount, the June 30, 2012, notes payable to UIA and receivable from residents of $277,200 offset each other and have no effect on net position. The beginning balance of notes payable in Note 8, Long-term Debt, has been restated to show the corrected June 30, 2012, balance of $2,494,441.

The City also discovered that an escrow account in the amount of $540,375 held by Orem City for an expansion of sewer capacity had not been adjusted in prior year to reflect that the money held in escrow had been spent and should have been included in construction in progress. The adjustment has no effect on net position, however the beginning balance of construction in progress in Note 6, Fixed Assets, and the beginning balance of cash and cash equivalents used for the Proprietary Statement of Cash Flows, has been restated to $5,088,678 and $860,781 respectively.

NOTE 15 – SUBSEQUENT EVENTS

On August 14, 2013, Lindon City entered into a capital lease contract for $197,750 to purchase a street sweeper. The interest rate is 2.69 percent and the maturity date is August 14, 2018.

SUPPLEMENTAL INFORMATION

LINDON CITY CORPORATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Special Improvement District	General Capital Projects	
ASSETS			
Cash and cash equivalents	$ -	$ 122,999	$ 122,999
Restricted cash and cash equivalents	-	73,166	73,166
Total Assets	$ -	$ 196,165	$ 196,165
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 1,967	$ 1,967
Total Liabilities	-	1,967	1,967
Fund Balances:			
Restricted for:			
Impact fees	-	73,166	73,166
Assigned, reported in:			
Capital projects	-	121,032	121,032
Total Fund Balances	-	194,198	194,198
Total Liabilities and Fund Balances	$ -	$ 196,165	$ 196,165

LINDON CITY CORPORATION

COMBINING STATEMENT OF REVNEUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Special Improvement District	General Capital Projects	
Revenues:			
Impact fees	$ -	$ 138,000	$ 138,000
Special assessments	385	-	385
Interest	-	1,011	1,011
Total Revenues	385	139,011	139,396
Expenditures:			
Debt service:			
Principal	-	10,000	10,000
Capital outlay	-	197,314	197,314
Total Expenditures	-	207,314	207,314
Excess (Deficiency) of Revenues Over (Under) Expenditures	385	(68,303)	(67,918)
Other Financing Sources (Uses):			
Issuance of of new debt	-	100,000	100,000
Transfers out	(69,904)	-	(69,904)
Total Other Financing Sources (Uses)	(69,904)	100,000	30,096
Net Change in Fund Balances	(69,519)	31,697	(37,822)
Fund Balances, Beginning	69,519	162,501	232,020
Fund Balances, Ending	$ -	$ 194,198	$ 194,198

LINDON CITY CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – MAJOR DEBT SERVICE FUND

For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	$ -	$ -	$ -	$ -
Total Revenues	-	-	-	-
Expenditures:				
General government	395,126	395,126	395,126	-
Debt service:				
Principal	450,455	450,455	450,455	-
Interest	132,851	131,423	131,423	-
Total Expenditures	978,432	977,004	977,004	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(978,432)	(977,004)	(977,004)	-
Other Financing Sources (Uses):				
Transfers in	978,432	977,004	977,004	-
Total Other Financing Sources (Uses)	978,432	977,004	977,004	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	$ -	$ -	$ -	$ -

LINDON CITY CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACUTAL – NON-MAJOR SPECIAL IMPROVEMENT DISTRICT SPECIAL REVENUE FUND

For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
SID Proceeds	$ 2,100	$ 385	$ 385	$ -
Total Revenues	2,100	385	385	-
Other Financing Sources (Uses):				
Transfers out	(33,108)	(69,904)	(69,904)	-
Total Other Financing Sources (Uses)	(33,108)	(69,904)	(69,904)	-
Net Change in Fund Balances	(31,008)	(69,519)	(69,519)	-
Fund Balances, Beginning	69,519	69,519	69,519	-
Fund Balances, Ending	$ 38,511	$ -	$ -	$ -

LINDON CITY CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – NON-MAJOR CAPITAL PROJECTS FUND

For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Impact Fees	$ 30,000	$ 93,000	$ 138,000	$ 45,000
Interest	500	800	1,011	211
Total Revenues	30,500	93,800	139,011	45,211
Expenditures:				
Debt service:				
Principal	-	-	10,000	(10,000)
Capital outlay	145,000	115,000	197,314	(82,314)
Total Expenditures	145,000	115,000	207,314	(92,314)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,500)	(21,200)	(68,303)	(47,103)
Other Financing Sources (Uses):				
Issuance of new debt	-	-	100,000	(100,000)
Total Other Financing Sources (Uses)	-	-	100,000	(100,000)
Net Change in Fund Balances	(114,500)	(21,200)	31,697	(147,103)
Fund Balances, Beginning	162,501	162,501	162,501	-
Fund Balances, Ending	$ 48,001	$ 141,301	$ 194,198	$ (147,103)

LINDON CITY CORPORATION

COMBINING STATEMENT OF NET POSITION – NON-MAJOR PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities - Enterprise Funds		Total Nonmajor Proprietary Funds
	Waste Collection Fund	Telecommunications Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	$ 54,352	$ -	$ 54,352
Accounts receivable, net	37,463	4,514	41,977
Prepaids	-	3,513	3,513
Total Current Assets	91,815	8,027	99,842
Noncurrent Assets:			
Notes receivable	-	406,063	406,063
Total Noncurrent Assets	-	406,063	406,063
Total Assets	$ 91,815	$ 414,090	$ 505,905
Liabilities:			
Current Liabilities:			
Accounts payable	$ 33,735	$ -	$ 33,735
Due to other funds	-	10,171	10,171
Current portion of long-term debt	-	13,481	13,481
Total Current Liabilities	33,735	23,652	57,387
Noncurrent Liability			
Long-term debt, net of current portion	-	392,582	392,582
Total Noncurrent Liability	-	392,582	392,582
Total Liabilities	33,735	416,234	449,969
Net Position:			
Unrestricted	58,080	(2,144)	55,936
Total Net Position	58,080	(2,144)	55,936
Total Liabilities and Net Position	$ 91,815	$ 414,090	$ 505,905

LINDON CITY CORPORATION

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NON-MAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		Total Nonmajor Proprietary Funds
	Waste Collection Fund	Telecommunications Fund	
Operating Revenues:			
Service fees	$ 382,234	$ 41,869	$ 424,103
Total Operating Revenues	382,234	41,869	424,103
Operating Expenses:			
Materials, supplies, and services	338,739	44,421	383,160
Total Operating Expenses	338,739	44,421	383,160
Operating Income (loss)	43,495	(2,552)	40,943
Transfers in (out)	(15,080)	(2,000)	(17,080)
Changes in Net Position	28,415	(4,552)	23,863
Net Position, Beginning	29,665	2,408	32,073
Net Position, Ending	$ 58,080	$ (2,144)	$ 55,936

LINDON CITY CORPORATION

COMBINING STATEMENT OF CASH FLOWS – NON-MAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		Total Nonmajor Proprietary Funds
	Waste Collection Fund	Telecommunications Fund	
Cash Flows From Operating Activities:			
Receipts from customers and users	$ 381,191	$ 40,590	$ 421,781
Payments to suppliers	(357,099)	(47,934)	(405,033)
Net cash from operating activities	24,092	(7,344)	16,748
Cash Flows From Non-Capital Financing Activities:			
Loans from (payments to) other funds	-	9,344	9,344
Payments received on note from residents	-	18,437	18,437
Principal paid on note for residential connections	-	(18,437)	(18,437)
Transfers from other funds	(15,080)	(2,000)	(17,080)
Net cash from non-capital financing activities	(15,080)	7,344	(7,736)
Net Increase (Decrease) In Cash	9,012	-	9,012
Cash and Cash Equivalents At Beginning of Year	45,340	-	45,340
Cash and Cash Equivalents At End of Year	$ 54,352	$ -	$ 54,352
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	$ 43,495	$ (2,552)	$ 40,943
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) Decrease in accounts receivable	(1,043)	(1,279)	(2,322)
(Increase) Decrease in prepaids	-	(3,513)	(3,513)
Increase (Decrease) in accounts payable	(18,360)	-	(18,360)
Net cash from operating activities	$ 24,092	$ (7,344)	$ 16,748

LINDON CITY CORPORATION
LINDON CITY, UTAH

SUPPLEMENTARY REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

LINDON CITY CORPORATION
SUPPLEMENTARY REPORTS
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K&C

Keddington & Christensen
Certified Public Accountants, LLC

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA
Marcus Arbuckle, CPA
Tyson Beck, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of City Council
Lindon City Corporation
Lindon City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lindon City Corporation (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 17, 2014.

Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Recommendations*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Recommendations* as finding 1 to be a material weakness.

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. We consider the deficiency described in the accompanying *Schedule of Findings and Recommendations* as finding 2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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Salt Lake City, Utah 84123

City's Response to Findings

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

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 result 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.

Keddington & Christensen, LLC

February 17, 2014

K&C

Keddington & Christensen
Certified Public Accountants, LLC

Gary K. Keddington, CPA
Brent E. Christensen, CPA
Phyl R. Warnock, CPA
Marcus Arbuckle, CPA
Tyson Beck, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE OF UTAH LEGAL COMPLIANCE

Honorable Mayor and
Members of City Council
Lindon City Corporation
Lindon City, Utah

Report on Compliance

We have audited Lindon City Corporation's (the City) compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013. The general compliance requirements applicable to the City are identified as follows:

Cash Management	Transfers from Utility Enterprise Funds
Budgetary Compliance	Government Records Access Management Act
Fund Balance	Conflicts of Interest
Justice Courts	Nepotism
Impact Fees	Utah Public Finance Website
Utah Retirement Systems	Open and Public Meetings Act

The City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance 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 and the *State of Utah Legal 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 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.

Opinion

In our opinion, the City complied, in all material respects, with the general compliance requirements identified above 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.

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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

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

Purpose of Report

This report is intended 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. The 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.

Keddington & Christensen, LLC

February 17, 2014

LINDON CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2013

FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS FINDINGS

1. MISSTATEMENTS IN THE FINANCIAL STATEMENTS (Material Weakness)

Finding

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

a. Revenues relating to the year under audit that had not been received as of year-end had not been recognized in the financial statements as revenues and receivables. Adjustments included state B&C roads funds of $77,120, Franchise taxes of $8,658, and other miscellaneous taxes for $24,255. This adjustment also resulted in sales tax revenue, B&C roads funds, and other tax revenues that were recognized during the fiscal year that belonged in the prior fiscal year, resulting in a prior period adjustment to the General Fund's fund balance and governmental activities' net position of $394,586.

b. Property tax levies were not recorded as accounts receivable and deferred revenue in accordance with GASB 33 *Accounting and Financial Reporting for Non-exchange Transactions.* Adjustments were made to the General Fund and the Redevelopment Agency Fund for $1,615,407 and $1,070,000, respectively.

c. A grant received by the City and subsequently disbursed to Orem City for the Lindon Hollow Creek Realignment Project had not been properly accounted for. The disbursement was fully capitalized as an asset when $267,703 of the disbursement should have been recorded as an expenditure for the City, in order to properly account for the grant.

d. Invoices relating to the fiscal year under audit had not been accrued as payable and expense in the amount of $138,661.

e. Compensated absence accruals previously included all accrued employee sick leave. Adjustments to correct compensated absence accruals to reflect the balance that should be accrued in accordance with governmental accounting standards totaled $165,750, which was also a prior period adjustment to the governmental activities' net position.

f. Notes payable to Utah Infrastructure Agency and the corresponding notes receivable from the City's residents for financing of hookup costs to the fiber optic network were not recorded in the Telecommunications fund in the amount of $406,063 as of the end of the fiscal year. The amount not reported as notes payable and notes receivable in the prior fiscal year totaled $277,200.

g. Capital outlays for police vehicles of $428,029 and the Lindon View Park property purchase of $100,000, as well as the related financing in the same amounts, were not recorded as the full expenditure and other financing source in the governmental fund 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.

LINDON CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2013

FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS FINDINGS (Continued)

1. MISSTATEMENTS IN THE FINANCIAL STATEMENTS (Material Weakness) (Continued)

h. An escrow account held by Orem City with funds contributed by Lindon City in fiscal 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

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

2. SIGNED CHECKS RETURNED TO CHECK PREPARER (Significant Deficiency)

Finding

During our audit, we noted that the accounts payable clerk prepares the checks and mails 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

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.

LINDON CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (Continued)
For the Fiscal Year Ended June 30, 2013

STATE OF UTAH LEGAL COMPLIANCE FINDINGS

3. JUSTICE COURT CONTROLS – VOIDED RECEIPTS

Finding

Utah Code 51-2(a)-301(4) gives authority to the Utah State Auditor's Office to establish guidelines, criteria, and procedures for entities who submit financial reports to the Utah State Auditor's office. One such procedure that has been established by the *State of Utah Legal Compliance Guide* is that voided receipts should be approved by a different clerk than the initiating clerk to compensate for segregation of duties weakness related to the court clerk.

During our audit, we noted that the second approving cashier was always the same as the initiating cashier.

Recommendation

We recommend that a second different clerk approve voided transactions initiated by a different clerk.

4. JUSTICE COURT NONCOMPLIANCE – CREDITS ISSUED

Finding

Utah Code 51-2(a)-301(4) gives authority to the Utah State Auditor's Office to establish guidelines, criteria, and procedures for entities who submit financial reports to the Utah State Auditor's office. One such procedure that has been established by the *State of Utah Legal Compliance Guide* is that all credits issued must be in accordance with the Uniform Bail Schedule or ordered by the judge as specified in a judicial court order or general court order.

During our audit, we noted that the judge has a policy of dismissing fees due that amount to less than $40 at the end of each case. We noted one such case that had interest waived but there was no signed court order by the judge to waive the interest.

Recommendation

We recommend that any charge dismissal that is outside the uniform bail schedule, no matter how small, is dismissed via judicial or general court order.

5. EXPENDITURES IN EXCESS OF BUDGET

Finding

Utah Code 10-6-123 states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any fund.

During our audit, we noted that the City had expenditures in excess of budgeted appropriations in the following funds:

General Fund	$322,602 expenditures in excess of budget
Capital Projects	$47,103 expenditures in excess of budget

Recommendation

We recommend that the City only incur expenditures for which it has legally budgeted in order to be in compliance with Utah State Code.

LINDON CITY CORPORATION
SCHEDULE OF RESPONSES TO AUDITOR'S FINDINGS
For the Fiscal Year Ended June 30, 2013

FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS FINDINGS

1. MISSTATEMENTS IN THE FINANCIAL STATEMENTS (Material Weakness)

a. The City agreed with the Auditors' recommendation to change the accrual period for recognizing revenues. In prior years, Lindon City had only accrued revenue received up to 30 days after the fiscal year end. The Auditors recommended changing this practice so that the City accrued revenue received up to 61 days after the fiscal year end. The City made prior period adjustments to accrue revenue received in August 2012 back to the 2011-2012 fiscal year.

b. The City agreed that property tax levies should be recorded as accounts receivable and deferred revenue in accordance with GASB 33 *Accounting and Financial Reporting for Non-exchange Transactions*. Adjustments were made to the General Fund and the Redevelopment Agency Fund for $1,615,407 and $1,070,000, respectively.

c. The City agreed with the corrected accounting for the grant received and subsequently disbursed to Orem City for the Lindon Hollow Creek Realignment Project.

d. The City agreed that the invoices totaling $138,661, which were inadvertently missed, should be accrued and the adjusting entries have been made to record the payables and expenses.

e. The City agreed with the Auditors' recommendation to change the way sick leave was accrued and has made the prior period adjusting entries totaling $165,750.

f. The City agreed that the notes payable to Utah Infrastructure Agency and the corresponding notes receivable from the City's residents for financing of hookup costs to the fiber optic network should be recorded in the Telecommunications fund. Adjusting entries have been made.

g. The City agreed that capital purchases should be recorded as the full expenditure and other financing source in the governmental fund financial statements. Adjusting entries have been made.

h. The City agreed that the money held in escrow for the Orem City Wastewater Reclamation Facility Expansion Project had been spent by Orem City in fiscal year 2012 and should have been reported as construction in progress in that year.

2. SIGNED CHECKS RETURNED TO CHECK PREPARER (Significant Deficiency)

The City agreed that an additional person in the Accounts Payable process would provide a separation of duties and increase internal controls. A separate person from the Accounts Payable Clerk has been assigned the duty of taking custody of the assets (the printed checks) in order to mail them to the vendors.

LINDON CITY CORPORATION
SCHEDULE OF RESPONSES TO AUDITOR'S FINDINGS (Continued)
For the Fiscal Year Ended June 30, 2013

STATE OF UTAH LEGAL COMPLIANCE FINDINGS

3. JUSTICE COURT CONTROLS – VOIDED RECEIPTS

The City agreed that voided receipts should be approved by a different clerk other than the initiating clerk to compensate for the segregation of duties weakness related to the court clerk. The clerk initiating a void receipt will have another clerk review and approve each voided receipt.

4. JUSTICE COURT NONCOMPLIANCE – CREDITS ISSUED

The City agreed that all credits issued should be in accordance with the Uniform Bail Schedule or ordered by the judge as specified in a judicial court order or general court order. All future credits will be accompanied by a court order signed by the judge.

5. EXPENDITURES IN EXCESS OF BUDGET

The City agreed that the budgets should be prepared in accordance with generally accepted accounting principles and include the full expenditure and other financing sources for capital purchases. The budget for 2012-2013 only included the debt service payments for the police vehicles and park property purchase and did not recognize their full purchase cost and related financing sources. The 2012-2013 expenditures were within budgeted amounts in all other departments. The accounting practice to correct this issue will be implemented in future budgets.