

MINUTES OF A REGULAR CITY COUNCIL MEETING HELD DECEMBER 1, 2011
AT THE CIVIC CENTER, 83 WEST MAIN, HYRUM, UTAH.

CONVENED: 6:30 p.m.

CONDUCTING: Mayor W. Dean Howard

ROLL CALL: Councilmembers Martin L. Felix, Paul C. James, Thomas C. LaBau, Stephanie Miller, and Craig L. Rasmussen present.

CALL TO ORDER: There being five members present and five members representing a quorum, Mayor Howard called the meeting to order.

OTHERS PRESENT: City Treasurer Todd Perkins and three citizens. City Recorder Stephanie Fricke recorded the minutes.

WELCOME: Mayor Howard welcomed everyone in attendance.

PLEDGE OF ALLEGIANCE: Councilmember LaBau led the governing body and the citizens in the Pledge of Allegiance.

INVOCATION: Councilmember Miller

APPROVAL OF MINUTES:

Councilmember Miller recommending amending the minutes on Page 82, Paragraph 9, Sentence 4 and 5 change "call it the Youth Committee rather than Youth Council. Youth leaders would be selected from the Committee..." to "call it the Youth Council rather than Youth Committee. Youth leaders would be selected from the Council...".

ACTION Councilmember Rasmussen made a motion to approve the minutes of a regular meeting held on November 17, 2011 as amended. Councilmember Felix seconded the motion and Councilmembers Felix, James, Miller, and Rasmussen voted aye and Councilmember Labau abstained. The motion passed.

AGENDA ADOPTION: A copy of the notice and agenda for this meeting was faxed to The Herald Journal, mailed to each member of the governing body, and posted at the Civic Center more than forty-eight hours before meeting time.

ACTION Councilmember LaBau made a motion to approve the agenda for December 1, 2011 as written. Councilmember Rasmussen seconded the motion and all five councilmembers voted aye.

AGENDA

8. SCHEDULED DELEGATIONS:
 - A. Fred Burr, Wiggins and Company - To present the 2010-2011 Audit Report.
9. OTHER BUSINESS:
 - A. Mayor and City Council reports.
10. ADJOURNMENT

SCHEDULED DELEGATIONS:**FRED BURR, WIGGINS & COMPANY - TO PRESENT THE 2010-2011 AUDIT REPORT.**

Fred Burr, Wiggins & Company, presented the 2010-2011 audit report. He reviewed revenues and expenses for the general fund and the enterprise funds.

The total net assets of Hyrum City increased by \$1,203,661 totaling \$30,586,313. The governmental net assets increased by \$172,430 and the business type net assets increased by \$1,031,231. The total net assets of governmental and business type activities is \$30,586,313, and is made up of \$24,380,768 in capital assets, such as, land, infrastructure and equipment, and \$6,205,545 in other net assets. The \$6,205,545 in other net assets is made up of \$134,363 which is restricted for capital projects; \$476,275 is restricted for debt service items related to the library, sewer system and water project; and \$782,999 is restricted for impact fees; \$2,224,295 is restricted for ongoing construction projects for the sewer and water funds; and the remaining \$2,539,262 is unrestricted. Total long term liabilities for the City decreased by \$1,753,525. The long term debt for governmental activities decreased by \$174,381. The business-type activities long term debt decreased by \$1,927,906 due to issuance of revenue bonds for water and sewer projects.

The results of the audit process disclosed immaterial instances of noncompliance with the United States Government Auditing Standards. There was a material weakness, a significant deficiency and three state legal compliance findings.

INTERNAL CONTROL OVER FINANCIAL REPORTING MATERIAL WEAKNESSES:

1. YEAR END ACCRUALS - During the audit testwork of accounts payable, he found several invoices of material amounts that were not included in the City's accounts payable at year end. This omission, if not corrected, would have a material effect on the City's financial statements and cause them to be materially misstated.

Recommendation: Invoices be reviewed carefully subsequent to year end to see that obligations for the fiscal year end are properly accrued. If possible, these accruals should be anticipated as early as possible to assist with budgeting and reporting.

Response: The City will review more carefully its invoices at year end, so the City's accounts payable will reflect more accurately the City's finances.

SIGNIFICANT DEFICIENCIES:

1. REVIEW OF JOURNAL ENTRIES AND THE GENERAL LEDGER - In testwork, he found that the journal entries were not independently reviewed by someone other than the preparer or signed by the preparer. Several journal entries were made in error and the supporting documentation did not agree to the account balances being adjusted. In a few, there was no support accompanying the journal entries. This is a continuing finding. As he performed testwork, he noted that many times the account balances were incorrect. There was no indication that the general ledger had been reviewed by someone other than the preparer.

Recommendation: Someone other than the preparer review the journal entries along with the supporting documentation. Both the preparer and the reviewer should sign and date the entries. The accounts adjusted should then be reviewed to further check that the adjustment was correct and the account balance agrees to subsidiary records. Someone other than the Treasurer review the general ledger on at least a quarterly basis. A second look at the City records is an important factor in the City's internal control over financial reporting.

Response: The City Administrator will review and sign off on all journal entries.

STATE LEGAL COMPLIANCE FINDINGS:

1. FUND BALANCE COMPLIANCE - Utah Code 10-6-116(4) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. We found that the final unreserved fund balance in the City's general fund was in excess of 18%. This is a continuing finding.

Recommendation: The City take the action necessary to bring fund balance of the City's general fund into compliance.

Response: The City will review what percent it is over

throughout the year so at year-end it can adjust the transfers from the Enterprise funds to the General fund

2. PROPERTY - During audit testwork of the City's checking accounts, he noted that all the accounts had checks that were more than one year old. *Utah Code 67-4a-210 and 301* requires a government entity, holding intangible property for more than one year after the property became payable or distributable, to report and remit the property to the State Treasurer's Office, Division of Unclaimed Property, by November 1 of each year as of the preceding June 30. The City remitted the form, but did not include any of the above-mentioned payments.

Recommendation: The City should review its bank reconciliations for the stale dated checks. It should research whether replacement payments were issued, or whether the amount is still outstanding. If the amounts are still owed, the City should remit them to the Utah State Treasurer as required by statute.

Response: It will review the bank reconciliations for stale dated checks and make the appropriate report to the Utah State Treasurer.

3. BUDGETERY COMPLIANCE - Utah Statute states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. He noted that following departments/funds that were in excess of budgeted amounts: Judicial; Administration; Culture, Parks and Recreation; Community progress; and Debt Service fund.

Recommendation: The City monitor the budgets that have been approved and review the monthly reports carefully so that, as actual results approach appropriated amounts, department heads will be warned and, if necessary, adjustments can be approved by the City Council prior to year end.

Response: The City will watch more carefully the budgets as we make our year end adjustments. The City will also talk to Department heads to anticipate any additional expenditure needs.

ACTION

Councilmember Felix made a motion to approve the 2010-2011 Audit Report. Councilmember James seconded the motion and all five councilmembers voted aye.

MAYOR AND CITY COUNCIL REPORTS.

Councilmember LaBau said he is serving on the Board of Trustees for the Cache Mosquito Abatement District. Since he is no longer going to be serving on the Hyrum City Council, it is up to the Mayor and City Council to determine if they want to replace him or continue to allow him to serve on the Board of Trustees. He expressed his interest in staying on the Board if the Mayor and City Council approved it.

Mayor Howard recommended Councilmember LaBau continue to represent Hyrum City on the Cache Mosquito Abatement District Board of Trustees through 2013 and Councilmembers Felix, James, Miller, and Rasmussen agreed.

Councilmember James said he posted the City's snow removal policy on the City's website and hopes to have the reservations for the City's buildings and park on-line by next month.

Councilmember Miller said Hyrum's Holidays at Hardware Ranch is on Saturday, December 10 from 11:00 a.m. to 2:00 p.m. She has arranged for sleigh rides, treats, photographs, and Santa Claus.

Mayor Howard said he held a telephone conference with UAMPS regarding E.A. Miller's cogeneration project. After discussing the project and options available to Hyrum City UAMPS agreed to work with E.A. Miller directly rather than through Hyrum City.

A special City Council Meeting will need to be held in the next two weeks to finalize the purchase of Hawns Lounge.

ADJOURNMENT:

**ACTION There being no further business before the City
 Council, the Council Meeting adjourned at 6:55 p.m.**

W. Dean Howard
Mayor

ATTEST:

Stephanie Fricke
City Recorder

Approved: January 5, 2012

As written