



December 27, 2013

Honorable Mayor and Members of the City Council  
Salt Lake City Corporation

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Salt Lake City Corporation as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Salt Lake City Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Salt Lake City Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Salt Lake City Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 discussed below, we identified certain deficiencies in internal control that we consider to be 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 following deficiency in Salt Lake City Corporation's internal control to be a significant deficiency:

As part of closing the year end balances the City performs a search for unrecorded accounts payable. This involves reviewing all invoices received after year end over a certain threshold to determine the proper year to record the various expenditures. As part of our audit procedures, we identified approximately \$925,000 of expenditures that were recorded as FY 2014, but should have been included as FY 2013 expenditures. This has been corrected. The effect of this transaction would understate expenses in FY 2013 and overstate expenditures in FY 2014.

This communication is intended solely for the information and use of management, members of the City Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Eide Bailly LLP

[www.eidebailly.com](http://www.eidebailly.com)



December 27, 2013

Honorable Mayor and Members of the City Council  
Salt Lake City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Salt Lake City Corporation (the City) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 28, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were as follows:

- Useful lives of capital assets used to calculate depreciation expense
- Fair value of the City's investments
- Collectability of accounts receivable used to estimate the allowance for doubtful accounts
- Valuation of Other Post Employment Benefits
- Valuation of Environmental Remediation Liability

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures of Long-Term Obligations and Other Post Employment Benefits in Notes 6 and 13, respectively, to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Professional standards also require us to accumulate all material, corrected misstatements that were brought to the attention of management as a result of audit procedures. The following material misstatements detected as a result of audit procedures were corrected by management:

- Unrecorded liabilities were understated by approx. \$925k

In addition, the following summarizes uncorrected misstatements of the financial statements, for which management has determined that their effects are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

*Payment on several bonds accelerated in error*

Cash	\$189,665
Bond Principal	\$189,665

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 27, 2013.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United

States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The financial statements include the financial statements of the Department of Airports, Water Utility Fund and Sewer Utility Fund, departments of Salt Lake City, the Redevelopment Agency Fund and Local Building Authority, blended component units of the City, and the Salt Lake City Library, a discretely presented component unit of the City. We consider these entities to be a significant components of the financial statements. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the above organizations and there environments, including internal control, sufficient to assess the risks of material misstatement of the financial statements of Salt Lake City and completion of further audit procedures.

The financial statements include the equity method investment in the Joint Venture City/County Landfill with Salt Lake County, which we considered to be a significant component of the financial statements of Salt Lake City. The financial statements of Salt Lake County were audited by other auditors. We assumed responsibility for the audit of the financial statements of Salt Lake County and no reference is made in the auditor's report to the other auditor. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the Salt Lake County and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of the Joint Ventures with Salt Lake City and completion of further audit procedures. Additionally, our audit procedures included, obtaining and reading their auditor's report and the related financial statements, and other procedures as considered necessary.

The financial statements include the equity method investment in the joint venture between Salt Lake City and Salt Lake County as well as the Arts Council, which for the purpose of our audit, we did not consider to be a significant component of the financial statements of Salt Lake City. The financial statements of Salt Lake County and the Arts Council were audited by other auditors. Eide Bailly has assumed responsibility for the audit of the financial statements of Salt Lake County and the Arts Council and no reference is be made in the auditor's report to the other auditor. Consistent with the audit of the financial statements as a whole, our audit included obtaining an understanding of the investment in Salt Lake County and the Arts Council, sufficient to assess the risks of material misstatement of the financial statements of Salt Lake City and completion of further audit procedures, as determined to be necessary.

### **Conclusion**

This information is intended solely for the use of the Mayor and Members of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Eide Bailly LLP".

**Eide Bailly LLP**