



December 27, 2023

To the Members of the City Council  
City of Sandy, Utah

We have audited the financial statements of Sandy City (the City) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 27, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards***

As communicated in our letter dated October 27, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a significant control deficiency during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 27, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. As described in Note 1, the City changed accounting policies related to accounting for right-to-use subscription assets to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are the estimate of the net pension liability/asset.

Management's estimate of the net pension liability/asset is based on actuarially determined amounts prepared by a qualified actuary. We evaluated the key factors and assumptions used to develop the net pension liability/asset and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgement.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The attached schedule includes the misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Governmental Activities**

Understated of Capital Assets Net	\$482,000
Overstatement of Depreciation Expense	482,000

**Business-Type Activities**

Understated of Capital Assets Net	\$157,000
Overstatement of Depreciation Expense	157,000

**Water Fund**

Understated of Capital Assets Net	\$170,000
Overstatement of Depreciation Expense	170,000

**Aggregate Remaining Fund**

Understated of Capital Assets Net	\$167,000
Overstatement of Depreciation Expense	167,000

In addition, the prior year there was an unamortized bond premium not recorded for \$1,431,332 that was recorded in the current year with an offset to interest expense. The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2023, is as follows:

- Understatement of change in net position (governmental activities) of approximately \$1,931,000, and understatement of net position (governmental) of approximately \$482,000.
- Understatement of change in net position (business-type activities) of approximately \$157,000, and understatement of net position (business-type activities) of approximately \$157,000.
- Understatement of change in net position (water fund) of approximately \$324,000, and understatement of net position (water fund) of approximately \$324,000.
- Understatement of change in net position (Aggregate Remaining) of approximately \$167,000, and understatement of net position (Aggregate Remaining) of approximately \$167,000.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the the City’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

## **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. The form and content was affected by the following: 1) An emphasis of matter regarding the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* to describe the implementation of the new standard and 2) An emphasis of matter to describe the correction of an error related to lease receivable and deferred inflows of resources on the general fund, debt service fund and capital projects funds.

## **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 27, 2023.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

## **Other Information Included in Annual Reports**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor**

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.

The misstatement relates to lease receivables and deferred inflows related to leases which were not previously recorded on the general fund, capital projects fund and debt service fund. As a result, the client has restated beginning fund balances on those funds. The current year audit report includes an emphasis of matter regarding this, however, since the previous financial statements are not presented, there is not other impact noted.

This report is intended solely for the information and use 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.

*Eide Bailly LLP*

Salt Lake City, Utah

## Schedule of Audit Adjustments

Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To record conversion entry for Riverdale loan receivable			
82-0000-0000-0000000001	Loan Receivable - Riverdale LC	1,630,253.00	
82-0000-0000-0000000002	Remove Riverdale Expense		1,630,253.00
<b>Total</b>		<b><u>1,630,253.00</u></b>	<b><u>1,630,253.00</u></b>
Adjusting Journal Entries JE # 2			
To remove an infrastructure item that was incorrectly capitalized in the CY			
82-8200-0000-2767000000	Infrastructure	3,362,969.00	
82-8200-0000-1611100000	Land		873,967.00
82-8200-0000-1611700000	Infrastructure		2,489,002.00
<b>Total</b>		<b><u>3,362,969.00</u></b>	<b><u>3,362,969.00</u></b>
Adjusting Journal Entries JE # 6			
To adjust receivable balance for cell tower lease due to interest rate adjustment			
84-8400-0000-1139100000	Accrued lease interest receivable	2,195.00	
84-8400-0000-2118920000	Deferred inflow related to leases	97,112.00	
84-8400-0000-3149300000	Building Rental	1,641.00	
84-8400-0000-1149210000	Current lease receivable		11,000.00
84-8400-0000-1149220000	Lease receivable		81,133.00
84-8400-0000-3161100000	Interest Income		8,815.00
<b>Total</b>		<b><u>100,948.00</u></b>	<b><u>100,948.00</u></b>
Adjusting Journal Entries JE # 7			
To record previously acquired asset			
61-6100-3610-4382000000	Fire Truck Account EB	23,005.00	
61-6110-0000-1111990000	Cash Eqty-Pooled Cash	23,005.00	
61-6110-0000-1612300000	Automobiles & Trucks	990,000.00	
61-6110-0000-1622300000	Automobiles & Trucks	10,935.00	
61-6110-0000-2127500000	Fire Truck Long-Term Debt	146,455.00	
61-6110-3620-3392000000	Fire Truck Adjustment	3,524.00	
61-6110-3620-3393000000	Gain on Sale of Assets	3,523.00	
61-6110-3620-4200000000	Depreciation	99,000.00	
61-6100-0000-1111990000	Cash Eqty-Pooled Cash		23,005.00
61-6110-0000-1612300000	Automobiles & Trucks		164,030.00
61-6110-0000-1622300000	Automobiles & Trucks		396,000.00
61-6110-0000-1622300000	Automobiles & Trucks		99,000.00
61-6110-0000-2117500000	Fire Truck Current Portion		141,026.00
61-6110-0000-2117500000	Fire Truck Current Portion		5,429.00
61-6110-0000-2127500000	Fire Truck Long-Term Debt		456,498.00
61-6110-3620-3392000000	Fire Truck Adjustment		3,524.00
61-6110-3620-4200000000	Depreciation		10,935.00
<b>Total</b>		<b><u>1,299,447.00</u></b>	<b><u>1,299,447.00</u></b>

## Schedule of Audit Adjustments (Continued)

Adjusting Journal Entries JE # 10			
To correct original SBITA entry			
51-5100-0000-1622400000	Right-to-Use Amortization	40,098.00	
51-5100-0000-2113910000	Accrued Interest Payable	6,769.00	
51-5100-0000-2119930000	Current lease liability	41,035.00	
51-5100-0000-2129930000	Lease liability	143,905.00	
51-5100-6500-4131310000	Software Maintenance	46,795.00	
64-6400-0000-1622400000	Right-to-Use Amortization	232,728.00	
64-6400-0000-2113910000	Accrued Interest Payable	21,097.00	
64-6400-0000-2119930000	Current lease liability	173,601.00	
64-6400-0000-2129930000	Lease liability	571,244.00	
64-6400-1724-4131310000	Granicus	362,630.00	
51-5100-0000-1612400000	Subscription IT Asset		222,822.00
51-5100-6500-4220000000	Depreciation		40,098.00
51-5100-6500-4382000000	Interest		15,682.00
64-6400-0000-1612400000	Subscription IT Asset		1,064,880.00
64-6400-1724-4220000000	Depreciation		232,728.00
64-6400-1724-4382000000	Interest		63,692.00
<b>Total</b>		<b><u>1,639,902.00</u></b>	<b><u>1,639,902.00</u></b>

Adjusting Journal Entries JE # 11			
To move lease receivable out of government funds into separate government fund funds			
01-0001-0000-1139100000	Accrued lease interest receivable	79,300.00	
01-0001-0000-1149210000	Current lease receivable	667,284.00	
01-0001-0000-1149220000	Lease receivable	7,677,600.00	
03-3120-0000-1139100000	Accrued lease interest receivable	487,476.00	
03-3120-0000-1149210000	Current lease receivable	906,854.00	
03-3120-0000-1149220000	Lease receivable	36,641,043.00	
04-4150-0000-1139100000	Accrued lease interest receivable	3,168.00	
04-4150-0000-1149210000	Current lease receivable	140,462.00	
04-4150-0000-1149220000	Lease receivable	1,055,328.00	
84-8400-0000-2118920000	Deferred inflow related to leases	46,171,649.00	
84-8400-0000-2898000000	Unreserved Fund Balance	791,405.00	
84-8400-0000-3161100000	Interest Income	695,461.00	
01-0001-0000-2118920000	Deferred inflow related to leases		8,102,125.00
01-0001-0000-2898000000	Unreserved Fund Balance		172,572.00
01-0001-0000-3161100000	Interest Income		149,487.00
03-3120-0000-2118920000	Deferred inflow related to leases		36,917,850.00
03-3120-0000-2898000000	Fund Balance		584,300.00
03-3120-0000-3161100000	Interest Income		533,223.00
04-4150-0000-2118920000	Deferred inflow related to leases		1,151,674.00
04-4150-0000-2898000000	Fund Balance		34,533.00
04-4150-0000-3161100000	Interest Income		12,751.00
84-8400-0000-1139100000	Accrued lease interest receivable	569,944.00	
84-8400-0000-1149210000	Current lease receivable	1,714,600.00	
84-8400-0000-1149220000	Lease receivable	45,373,971.00	
<b>Total</b>		<b><u>95,317,030.00</u></b>	<b><u>95,317,030.00</u></b>