

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

November 18, 2015

To the Honorable Mayor and Members of the City Council
City of Holladay

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holladay (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *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 July 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. As noted in Note S to the financial statements, the City changed accounting policies related to pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, "Accounting and Financial Reporting for Pensions" in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenues, Expenses and Changes in Net Position. We noted no transactions entered into by the City 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.

Significant Accounting Estimates

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 governmental activities were:

Management's estimate of the net pension liability is based on information provided by Utah Retirement Systems (URS). The net pension liability was calculated by actuaries hired by URS, and details about it and the related deferred inflows and outflows of resources were included in the URS annual report as of December 31, 2014. We traced the information to the URS annual report, as well as to specific other data provided by URS to the City. We also noted that URS engaged its auditor to issue a Service Organization Controls (SOC 1) Type 2 report on the design and operating effectiveness regarding census data maintained by URS. This report was intended to meet the needs

of the participating employers and their auditors in evaluating the effectiveness of the controls at URS on the URS financial statement assertions. We noted that the opinion of the URS auditors in the SOC 1 Type 2 report contained a modified opinion, with an emphasis of a matter paragraph. This paragraph indicated that the auditor was not able to perform any tests of the design or operating effectiveness of controls related to the control objective, "Controls provide reasonable assurance that management monitors the actuary's activities over the net pension liability for accuracy, completeness and timeliness."

Management's estimate of the depreciation methods and useful lives of the City's capital assets is based on management's determination of the rate at which the usefulness of the capital assets is expected to deteriorate. We have compared the lives and methods used by the City to independent expectations we have established and have concluded they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note G regarding long-term debt outstanding at June 30, 2015 and Note H regarding pledged revenues are significant to financial statement users because they can be used to understand how the City will keep up with its debt obligations.

Note L regarding commitments at June 30, 2015 is significant to financial statement users because it gives an idea of the resources that are already committed for the coming fiscal year.

Note P regarding deficit net assets at June 30, 2015 is significant to financial statement users because it discussed how the deficit fund balance in the Redevelopment Agency is expected to be reduced.

The financial statement disclosures are neutral, consistent and clear.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 November 18, 2015.

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 City'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 City'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*Required Supplementary Information*

We applied certain limited procedures to the Management's Discussion and Analysis and Pension Information, which are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the 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.

Very truly yours,
OSBORNE ROBBINS & BUHLER PLLC



Ian J Robbins
Managing Member

City of Holladay

SUMMARY OF AUDIT DIFFERENCES Governmental Activities

Year Ended June 30, 2015

Current year
Over (Under) Statement

Statement of Activities

Accrued payroll not recorded	\$ 25,824
Effect of prior year differences	-
	<u>\$ 25,824</u>

Statement of Net Assets

Current assets	\$ -
Total assets	\$ -
Current liabilities	\$ (25,824)
Total liabilities	\$ (25,824)
Net assets:	
Beginning	\$ -
Ending	\$ 25,824

City of Holladay

SUMMARY OF AUDIT DIFFERENCES General Fund

Year Ended June 30, 2015

	<u>Current year Over (Under) Statement</u>
General Fund	
Statement of revenues, expenditures and changes in fund balance differences	
Accrued payroll not recorded	\$ 25,824
Effect of prior year differences	-
	<u>\$ 25,824</u>
Balance sheet misstatements	
Current assets	\$ -
Total assets	\$ -
Current liabilities	\$ (25,824)
Total liabilities	\$ (25,824)
Net assets:	
Beginning	\$ -
Ending	\$ 25,824