



**Findings, Recommendations and Responses
For the Fiscal Year Ended June 30, 2022**

The Honorable Mayor and
City Council
Herriman City, Utah

In planning and performing our audit of the financial statements of Herriman City, Utah (the City), as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses 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 a significant deficiency.

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 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.

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 deficiencies in internal control as listed below to be significant deficiencies.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None Noted

Significant Deficiencies:

2019-001 Year End Accounting and Financial Statement Controls – Reissued, Reworded

Criteria: Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a significant deficiency in the City's internal controls over financial reporting.

Condition: A few significant adjustments related to capital assets were required that were not initially identified by the City's internal controls.

Cause: The City's process of tracking and updating the capital asset list appear to have been on an annual basis which, given the size and volume of the City's capital assets, has made proper and accurate reporting difficult.

Effect: The City's financial statements would not have been fairly stated in all material respects without the adjustments.

Recommendation: The City has begun making changes in this area, but we recommend management continue to review its internal controls to see what process adjustments are needed to note and record activity and capital assets more regularly throughout the year.

COMPLIANCE AND OTHER MATTERS:

2019-002 Budgetary Compliance – Reissued, Reworded

Criteria: Utah Code Section 10.6.123 states a City may not make or incur expenditures in excess of total appropriations adopted in the budget.

Condition: During fiscal year 2022, the City had the following departments and funds with expenditures in excess of budgeted amounts:

- Public Safety Department by \$309,311
- Herriman City Fire Service Area Fund by \$28,610
- Debt Service Fund by \$51,299
- Anthem CRA Fund by \$103,972
- Storm Drain Impact Fee Fund by \$44,200
- Street Light Fee Fund by \$289,407
- Street Sign Fee Fund by \$30,140

Cause: The City did not limit expenditures within authorized limits or amend its budget during the year when events arose causing certain funds to exceed their budget.

Effect: The City is not in compliance with state budgeting requirements.

Recommendation: We recommend the City continue to establish and follow procedures to limit expenditures within authorized limits or amend its budget during the year when events arise causing certain funds to exceed the budget.

It has been a pleasure to be of service to the City this year. We would like to express special thanks to all those who assisted in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

HintonBurdick, PLLC
December 27, 2022



**Other Items Communicated to Management
For the Year Ended June 30, 2022**

Kyle Maurer
Finance Analyst
Herriman City, Utah

During our audit of the funds of the City of Herriman for the fiscal year ended June 30, 2022, we noted a few other items that we wish to communicate to management. These items have not been included with our findings and recommendations letter since they are only related to suggestions for improvements to accounting functions or they may be deemed to be less significant and/or management is aware of the findings and are working on resolutions.

2022-001 Deficit Fund Balance

Finding/Recommendation

The Capital Projects Fund began the year with a fund deficit of \$6,469,722. While the fund ended with a net income and positive fund balance for the year ending June 30, 2022, that was due to proceeds from the bond issued in the current year. If the bond hadn't been issued, the fund deficit would have grown. Once the bond proceeds are spent the Capital Projects Fund will likely be back to a deficit fund balance again. As the Capital Projects Fund has a significant inter-fund loan being repaid over the next few years, the City needs to be mindful of the resources available in the fund and make sure it has the money to repay its loan as that loan comes due.

We recommend the City review the fund balance and activity in the Capital Projects Fund periodically through the year and establish a plan for gathering the resources needed to repay the inter-fund loan and to keep a positive fund balance.

2021-003 Operating Account Bank Reconciliation – Reissued, Reworded

Finding/Recommendation

The bank reconciliation for the general operating account was prepared at year-end timely; however, we noted that there were outstanding checks dating back to January 2020.

We recommend these outstanding items are investigated and resolved by either voiding or reissuing them in fiscal year 2023.

Sincerely,

HintonBurdick, PLLC
December 27, 2022