



July 9, 2019

To the City Council and Management
City of South Salt Lake
220 East Morris Avenue
South Salt Lake City, UT 84115

We are pleased to confirm our understanding of the services we are to provide City of South Salt Lake (the City).

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of South Salt Lake as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

We will also audit the City's compliance over major federal award programs and state compliance requirements for the period ended June 30, 2019.

Our audits will be conducted with the objective of our expressing an opinion on each opinion unit and opinions on compliance regarding the City's compliance over major federal award programs and state compliance requirements.

Accounting standards generally accepted in the United States of America expect that required supplementary information (RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's discussion and analysis
- Budgetary comparison schedules
- Schedules of the City's proportionate share of the net pension liability – Utah Retirement Systems
- Schedules of City pension contributions – Utah Retirement Systems

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Schedule of expenditures of federal awards
- Combining nonmajor fund financial statements
- Budgetary comparison information for nonmajor and capital project funds

Also, the following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements:

- Introductory section
- Statistical section

As part of the financial audit, we will also provide the following nonaudit services:

- Propose adjustments and reclassifications
- Assist with the preparation of financial statements and related note disclosures
- Upload the Data Collection Form and financial reporting package to the Federal Audit Clearinghouse
- Upload the Transparency Compliance Reporting Form to the Utah Public Finance Website

Engagement Administration and Fees

The timing of our audit will be scheduled for performance on approximately September 16, 2019. We plan to issue our reports no later than November 30, 2019. Also, the Data Collection Form is required to be submitted to the Federal Audit Clearinghouse within 30 days of the issuance of our reports.

Daniel T. Barlow, CPA is the engagement partner for the audit services specified in this letter. The engagement partner's responsibilities include supervising our services performed as part of this engagement and signing the audit reports.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$35,000. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audits. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Finance charges of 1½ percent per month will be assessed on unpaid balances over 30 days old.

Events that might affect our fee include *changes* in the following areas:

- City accounting procedures, policies, or principles;
- City personnel and assignments;
- City operations or level of activities;
- Degree of assistance from City management and accounting personnel;
- Accounting, auditing, and reporting standards;
- Regulatory or industry requirements, including federal and state audit requirements; and/or
- Expected risk of material misstatement due to fraud.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of

any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

If any difference arises between the City and our firm related to services performed by us that cannot be resolved, you and we agree first to try in good faith to settle the difference by mediation. Costs of any mediation proceeding shall be shared equally by all parties.

Audit of the Financial Statements

We will conduct our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*. Please note that the determination of abuse is subjective, and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that

testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audits of Federal and State Compliance

Our audit of the City's compliance over major federal award programs will be conducted in accordance with the requirements of the Single Audit Act, as amended, and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and will include tests of accounting records, a determination of major federal programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express an opinion on compliance over federal award programs and to render the required reports. Our audit of the City's compliance over state compliance requirements will be conducted in accordance with the requirements of the *State Compliance Audit Guide* issued by the Office of the Utah State Auditor and will consist of performing the applicable procedures described in the *State Compliance Audit Guide* to enable us to express an opinion on compliance over state compliance requirements and to render the required reports. We cannot provide assurance that unmodified opinions on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on the each of the City's major federal award programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major federal programs in our reports on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the City's major federal award programs. Also, as required by the *State Compliance Audit Guide*, we will obtain an understanding of the Company's internal control over applicable state compliance requirements. However, our tests will be less in scope than would be necessary to render opinions on these controls and, accordingly, no opinion will be expressed in our report.

We will issue reports on compliance that will include opinions or disclaimers of opinion regarding the City's compliance over major federal award programs and applicable state compliance requirements and reports on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such reports will not express opinions on internal control.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility for:

- The preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;

- Maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- Taking reasonable measures to safeguard protected personally identifiable and other sensitive information;
- Identifying, in its accounts, all awards received and expended during the period and the programs under which they were received;
- Preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
- The design, implementation, and maintenance of internal control over compliance;
- Identifying and ensuring that the City complies with laws, regulations, and the terms and conditions of award programs and implementing systems designed to achieve compliance with applicable laws, regulations, and the terms and conditions of award programs;
- Resolving and taking corrective actions on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
- Resolving and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
- Submitting the financial reports, schedules, and forms to the appropriate parties;
- Making us aware of any significant contractor relationships where the contractor is responsible for program compliance;
- Adjusting the financial statements to correct material misstatements and confirming to us in the written management representation letter that the effects of any uncorrected misstatements aggregated by us during the audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
- Informing us of any known or suspected fraud affecting the City involving management, employees with significant role in internal control, and others where fraud could have a material effect on compliance;
- The accuracy and completeness of all information provided; and
- Providing us with:
 - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal programs, such as records, documentation, and other matters;
 - Additional information that we may request from management for the audit; and
 - Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

Regarding the supplementary information referred to above, you acknowledge and understand your responsibility for:

- Preparing the supplementary information in accordance with the applicable criteria;
- Providing us with the appropriate written representations regarding supplementary information;
- Including our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and
- Presenting the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

With respect to any nonaudit services we perform, management is responsible for:

- Assuming all management responsibilities;
- Designating an individual who possesses suitable skill, knowledge, and/or experience by overseeing the services;
- Evaluating the adequacy and results of the services performed; and
- Accepting responsibility for the results of the services.

We will also assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and the related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and the related notes and that you have reviewed and approve the financial statements and the related notes prior to their issuance and have accepted responsibility for them.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audits.

The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, you agree to release our firm and its personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of your management.

Other Audit Matters

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We understand that you will assemble or prepare the following items for the audits:

- A trial balance and a detailed general ledger;
- An organizational chart and a list of those charged with governance and management;
- A chart of accounts;
- Minutes of meetings of those charged with governance held during the period under audit;
- The annual budget and amendments;
- All contracts and agreements entered by the City, including loans, leases, and amendments to entity documents;
- Related party transactions;
- List of bank accounts, including bank reconciliations and related bank statements at the end of the period;
- List of investments, including purchases, sales, gains, and losses for the period;
- Schedule of insurance policies;
- Schedule of inventories held at the end of the period;
- Schedule of prepaid items and deposits at the end of the period;
- List of capital assets, including acquisitions and dispositions for the period and allocation of depreciation by function;
- An accounts receivable aging schedule and an unearned/unavailable revenue schedule at the end of the period;
- Schedule of deferred outflows of resources and deferred inflows of resources at the end of the period;

- List of outstanding accounts payable and accrued expenditures/expenses at the end of the period;
- Payroll summaries, including quarterly and annual reports filed with the IRS and state agencies during the period;
- Schedule of outstanding long-term liabilities (bonds, notes, capital lease obligations, compensated absence obligations, other employee benefit obligations, etc.) for the period;
- Names and addresses of attorneys;
- Cash, investment, accounts receivable, debt, and other confirmations we request;
- Documents selected by us for testing;
- Summary of restricted net position and nonspendable, restricted, committed, assigned, and unassigned fund balances at the end of the period;
- Schedule of expenditures of federal awards;
- Correspondence with, or reports to, grantor and cognizant or oversight agencies;
- Audit guides of grantor and regulatory agencies; and
- Allocation of program revenues by function for statement of activities.

The audit documentation for this engagement is the property of Squire & Company, PC and constitutes confidential information. However, we may be requested to make certain audit documentation available to a federal or state agency providing direct or indirect funding, the Office of the Utah State Auditor, and the U.S. Government Accountability Office pursuant to authority given to them by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Squire & Company, PC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

If you intend to publish or otherwise reproduce the financial statements and refer to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for seven years from the date of our report.

At the end of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the City's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;

- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, our most recent external peer review report can be viewed in the public file at www.aicpa.com.

Please sign and return this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audits of the financial statements and compliance over major federal award programs and state compliance requirements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your personnel.

Respectfully,



Squire & Company, PC

RESPONSE:

This letter correctly sets forth our understanding. Acknowledged and agreed on behalf of City of South Salt Lake by:

Signature: _____

Title: _____

Date: _____