DAVIS COUNTY AUDIT COMMITTEE MEETING MINUTES
BOARD OF DAVIS COUNTY COMMISSIONERS

The Davis County Audit Committee met in room 306 of the Davis County Administration Building located at 61 S Main Street, Farmington, UT 84025 on Monday, August 31, 2020, at 3:00 PM. Notice of this meeting was given under the requirements of Utah Code Annotated §52-4-202.

Davis County Audit Committee present:
Commissioner Stevenson; Commissioner Elliott, Commissioner Kamalu, Tracy Probert – via telephone and John Nixon – via telephone

Davis County staff present:
Curtis Koch, Clerk/Auditor; Blake Woodall, Internal Auditor; Neal Geddes, Chief Deputy Civil Attorney; Doug Stone, Lead Reporting Auditor; and Janet Hanson, Commission Office.

Public present: Michael Ulrich, Ulrich & Associates, PC, CPAs

Agenda as posted:

PUBLIC NOTICE is hereby given that the Board of Davis County Commissioners, Farmington, Utah, will hold an Internal Audit Committee Meeting at the Davis County Administration Building, 61 South Main Street, Suite 306, Farmington, Utah, commencing at **3:00 PM on Monday, August 31, 2020.**

AGENDA:

1. Michael Ulrich, Ulrich & Associates, PC, CPAs, presenting:
   2019 Comprehensive Annual Financial Report of Davis County
2. Meeting Minutes: June 1, 2020
3. Next meeting: Dec. 7, 2020 at 3:00 PM

CLOSED SESSION:

Motion to adjourn to closed session, if necessary, for reasons permitted under UCA 52-4-205.

1. County Risk Assessments
2. Pending Audits
3. Fraud & Ethics Hotline

RECONVENE

Action taken, if any, regarding matters discussed in closed session.

Disclaimer:
The meeting was an open dialogue. Critical points in the discussion have only been briefly summarized. The reader may refer to the audio recording and the publicly distributed materials for further clarification of content. Timestamps have been noted in the minutes to aid in locating points of discussion in the audio recording.

All documents from this meeting are on file in the Davis County (DC) Commission Office.

The meeting commenced at 3:00 pm

Commissioner Stevenson expressed his appreciation of everyone's participation and making this a functioning Audit Committee.

1. Meeting Minutes: June 1, 2020 (01:20)
   Commissioner Elliott made a motion to approve. Commissioner Kamalu seconded the motion. All voted aye.

2. **2019 Comprehensive Annual Financial Report of Davis County: (aka CAFR) (minute 01:55) -**
   - Michael Ulrich, Ulrich & Associates, PC, CPA

Ulrich & Associates perform the independent audit on Davis County, as they have done the previous four years. There were no "findings" this year, which is good. Their "Independent Auditor's Report" is found on page 18 in the CAFR (Attachment 1A). It is considered an unqualified opinion, which means there was nothing they found in these financial statements that are not materially incorrect. Another letter from Ulrich & Associates, PC addressed to the Davis County Commissioners and Curtis Koch, Clerk/Auditor was also provided to the Audit Committee (Attachment 2A). (The 2019 CAFR is stored in the Davis County Clerk/Auditor's Office or can be viewed online at: https://drive.google.com/file/d/15a40xr4PNLDaliN7iflBcmW9_TtcFDIe/view.)

Mr. Ulrich highlighted the following items within the CAFR (page numbers using the electronic version of the CAFR are one page next):

Page 38 (minutes 03:53) – Summary of the governmental fund balance sheets. They are all in a positive position. It means that there are assets that are going to cover the liabilities.

Page 40 (minute 07:57) – Major Special Revenue Funds

John Nixon joined the meeting via telephone. (minute 12:00)

Page 89 (minute 13:45) – Transportation Special Revenue Fund

Page 40 (minute 15:50) – returned to discuss Major Special Revenue Funds

Page 44 (minute 17:00) - Proprietary Funds – discussed golf courses

Page 84 – page 87 (minute 25:20) - Budget and Actual– kept expenditures within budget, except for paramedics (Paramedic Fund is on page 109, explained by Curtis Koch minute 33:00).

Page 130 (minute 28:50) - Net Position by Component – Last Ten Fiscal Years – historical information

Page 109 – Paramedic Fund (33:00) Curtis explained the revenue fund vs the department fund which made up for the over expenditure and therefore did not go over budget.

Request approval of Audit Report (minute 35:39)

Commissioner Kamalu made a motion to accept the independent audit report. Commissioner Elliott seconded the motion. All voted aye.

3. Next meeting: December 7, 2020

(minute 36:53)
Curtis expressed his appreciation to Ulrich and Associates, who performed audits for the past five years. It is now time for a Davis County for a RFP (request for proposal) for an independent auditor. Curtis clarified that the RFP responses will need to be reviewed by the Audit Committee prior to the December meeting. Doug Stone can sit in on the review of RFP's to lend his expertise.

Closed Session: (minute 39:25)
Commissioner Elliott made a motion to move to a closed session as permitted under Utah Code Annotated §52-4-205. Commissioner Kamalu seconded the motion. All voted Aye.

Meeting Reconvened:

No action was taken regarding matters discussed in closed session.

Adjourn (minute 40:08)
Commissioner Kamalu made a motion to adjourn the meeting. Commissioner Elliott seconded the motion. All voted aye.

The audio recording for this meeting is available based upon the County's current retention schedule.

All publicly distributed materials associated with this meeting are on file in the Davis County Commission Office, and attachments are noted as follows:

Attachments:

- 1A: Independent Auditor's Report
- 2A: Letter from Ulrich & Associates, PC addressed to the Davis County Commissioners and Curtis Koch, Clerk/Auditor

Minutes prepared by:
Janet Hanson
Commission Office

Approved on: 12/7/2020

Bob J Stevenson, Audit Committee Chair

Ulrich & Associates, PC
Certified Public Accountants

ATTACHMENT 1A

June 25, 2020

To the Honorable County Commission

Davis County, Utah

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 Davis County, Utah for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 January 10, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Davis County, Utah are described in Note 1 to the financial statements. We noted no transactions entered into by Davis County, Utah 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 estimate(s) affecting Davis County's financial statements was:

> Management's estimate of depreciation is based on estimated useful life. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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 June 25, 2020.

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 Davis County'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 Davis County'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

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of contributions, schedule of the proportionate share of the net pension liability, and information about other post employment benefits, which are required supplementary information (RSI) 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.

We were engaged to report on the combining and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

We were not engaged to report on introductory section, or the statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of county commission and management of Davis County, Utah and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ulrich & Associates, P.C.

Ulrich & Associates, PC
Certified Public Accountants

ATTACHMENT 2A

June 25, 2020

Davis County Commissioners,
Curtis Koch, Clerk/Auditor
Davis County, Utah

We appreciate the opportunity of serving as the independent auditors for Davis County. We commend your staff for their cooperation and assistance during the audit, especially with the challenges of COVID -19 restrictions. This management letter is for internal use only.

We found that policies and procedures are being followed and the controls effective. Employees are conscientious of their responsibility to follow internal control procedures and apply them consistently.

Compliance with State Laws

During the audit we are required to test compliance with state laws. Our tests showed that Davis County is in compliance with the state laws that were required to be tested for the current year.

New General Ledger System

As part of our audit we assess and test the internal controls of the County. During the year 2019, the county started a new general ledger system. Our testing did not disclose any problems or issues with the new system. We were able to trace transactions and get proper documentation to substantiate the transactions that we tested. Our testing was not designed nor comprehensive enough for us to give an opinion on the internal controls, however nothing came to our attention that would require us to report to management.

As part of our responsibility to investigate the risk of fraud, we conducted interviews of selected employees. During these interviews, nothing was brought to our attention that required us to change our audit plan.

Sincerely,

Michael E. Ulrich, CPA
Ulrich & Associates, PC