



RESOLUTION NO. 2022-14

A RESOLUTION AUTHORIZING THE ENGAGEMENT OF SERVICES FOR THE ANNUAL MUNICIPAL AUDIT AND AUTHORIZING THE MAYOR TO SIGN LETTER OF ENGAGEMENT ON BEHALF OF THE CITY OF MONROE

WHEREAS, The City of Monroe has established financial policies implementing financial transparency in the trust of public funds which they manage; and

WHEREAS, an annual audit is a required and appropriate element of that adopted financial policy; and

WHEREAS, all completed audits are made available for public review during normal business hours at Monroe City Hall or online at the Oregon Secretary State's Office; and

WHEREAS, ORS 297.425 states that the accounts and fiscal affairs of every municipal corporation shall be audited and reviewed at least once each calendar or fiscal year, and more often if considered advisable by the governing body or managing or executive officer of the municipal corporation. The audits and reviews shall be made by accountants pursuant to contracts entered into by the governing body, or managing or executive officer, and accountants, or by the Secretary of State pursuant to a duly adopted ordinance or resolution. Upon request of the secretary, the governing body, or managing or executive officer, shall provide the secretary with a copy of the contract entered into or an ordinance or resolution adopted under this section; and

WHEREAS, any member of the public can access the annual audits for the City of Monroe from 2004 through 2021 online at <https://secure.sos.state.or.us/muni/public.do> ; now

THEREFORE IT IS HEREBY RESOLVED that the City of Monroe by and through its elected Council having reviewed the attached Letter of Engagement concur with staff's recommendation to approve the engagement of services for the annual municipal audit and authorize the Mayor to sign the document on behalf of the City.

Adopted by the City Council this 27th day of June, 2022.

APPROVED:



Dan Sheets, Mayor



Date

ATTEST:



Steve Martinenko, City Recorder



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

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June 27, 2022

Management and City Council
City of Monroe
664 Commercial Street
Monroe, Oregon 97456

The following represents our understanding of the services we will provide the City of Monroe, Oregon (the City).

You have requested that we audit the modified cash basis governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and for the year then ended and the related notes, which collectively comprise the City's basic financial statements as listed in the table of contents.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), *Government Auditing Standards*, and the Minimum Standards for Audits of Oregon Municipal Corporations will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Supplementary information 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 the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information "in-relation-to" the basic financial statements as a whole:

- 1) Combining fund statements (modified cash basis)
- 2) Schedules of revenues, expenditures and changes in fund balances (modified cash basis) – budget to actual

Management's discussion and analysis accompanying the financial statements is considered other information and will not be subjected to the auditing procedures applied our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS; in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the Minimum Standards for Audits of Oregon Municipal Corporation. As part of an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Minimum Standards for Audits of Oregon Municipal Corporations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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.
- 3) Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 4) Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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 may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and in accordance with the Minimum Standards for Audits of Oregon Municipal Corporations. Please note that the determination of abuse is subjective, and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Management Responsibilities

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

- 1) For the preparation and fair presentation of the basic financial statements in accordance with the modified cash basis of accounting;
- 2) For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
- 3) To provide us with:
 - a) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements, such as records, documentation, and other matters;
 - b) Additional information that we may request from management for the purpose of the audit;
 - c) Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence;
 - d) A written acknowledgment of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and

- e) A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- 4) For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole;
- 5) For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- 6) For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- 7) For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials;
- 8) For the accuracy and completeness of all information provided;
- 9) For taking reasonable measures to safeguard protected personally identifiable and other sensitive information;
- 10) For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include 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 (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic 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.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference 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.

Nonattest Services

With respect to any nonattest services we perform, the preparation of the modified cash basis financial statements, we will not assume management responsibilities on behalf of the City. However, we will provide advice and recommendations to assist management of the City in performing its responsibilities.

The City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- a. We will perform the services in accordance with applicable professional standards.

- b. The nonattest services are limited to the financial statement preparation services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Reporting

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. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this 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.

We also will issue a written report on compliance with the Minimum Standards for Audits of Oregon Municipal Corporations upon completion of our audit.

Other

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet 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.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and nonfinancial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The timing of our audit will be scheduled for performance and completion to meet the needs of the City.

Ryan T. Pasquarella, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Grove, Mueller & Swank, P.C.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered every two weeks and are payable upon presentation. We estimate that our fee for the audit will not exceed \$16,500. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the City's personnel to

assist in the preparation of schedules and analyses of accounts. This effort could prevent significant additional time requirements and facilitate the timely conclusion of the audit.

The audit documentation for this engagement is the property of Grove, Mueller & Swank, P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation to the State of Oregon or its designee, federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Grove, Mueller & Swank, P.C.'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. We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

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

During the course of 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.

You agree to inform us of facts that may affect the basic 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.

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

- a. Our view about the qualitative aspects of the City's significant accounting practices;
- b. Significant difficulties, if any, encountered during the audit;
- c. Uncorrected misstatements, other than those we believe are trivial, if any;
- d. Disagreements with management, if any;
- e. 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;
- f. Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- g. Representations we requested from management;
- h. Management's consultations with other accountants, if any; and
- i. 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*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.



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

Very truly yours,

Grove, Mueller & Swank, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RESPONSE:

This letter correctly sets forth the understanding of the City of Monroe, Oregon.

Management signature:  Governance signature: 

Title: CITY ADMINISTRATOR Title: MAYOR

Date: 6-27-22 Date: 6/27/22

CITY OF MONROE
CONTRACT FOR SERVICES

THIS CONTRACT, made this 27th day of June 2022, in accordance with the requirements of Oregon Revised Statutes 297.405 through 297.740 between Grove, Mueller & Swank, P.C., Certified Public Accountants of Salem, Oregon, and City of Monroe, Oregon (the City), provides as follows:

It hereby is agreed that Grove, Mueller & Swank, P.C. shall conduct an audit of the accounts and fiscal affairs of the City, for the fiscal year beginning July 1, 2021, and ending June 30, 2022, in accordance with the Minimum Standards for Audits of Municipal Corporations as prescribed by law. The audit shall be undertaken in order to express an opinion upon the financial statements of the City, and to determine if the City has complied substantially with appropriate legal provisions.


Grove, Mueller & Swank, P.C. agrees that the services contracted to perform under this contract shall be rendered by or under personal supervision and that the work will be faithfully performed with care and diligence.

It is understood and agreed that, should unusual conditions arise or be encountered during the course of the audit whereby the services of Grove, Mueller & Swank, P.C. are necessary beyond the extent of the work contemplated, written notification of such unusual conditions shall be delivered to the City, who shall instruct in writing Grove, Mueller & Swank, P.C. concerning such additional services.

The audit shall be started as soon after this contract is executed as is agreeable to the parties hereto and shall be completed and a written report thereon delivered within a reasonable time, but not later than six months, after the close of the audit period covered by this contract (unless agreed to by both parties). Adequate copies of such report shall be delivered to the City, and its form and content shall be in accordance with and not less than that required by the Minimum Standards for Audits of Oregon Municipal Corporations.


It is understood and agreed that the City, is responsible for such financial statements as may be necessary to fully disclose and fairly present the results of operations for the period under audit and the financial condition at the end of that period.

In consideration of the faithful performance of the conditions, covenants, and undertakings herein set forth, the City of Monroe, Oregon hereby agrees to pay Grove, Mueller & Swank, P.C. the fee as described in the audit engagement letter dated June 27, 2022 and the City hereby affirms that proper provision for the payment of such fee has been or will be duly made and that funds for the payment thereof are or will be made legally available.



Ryan T. Pasquarella
Grove, Mueller & Swank, P.C.

June 27, 2022
Date



Authorized Signer
For City of Monroe, Oregon

6/27/2022
Date



Report on the Firm's System of Quality Control

To the Shareholders of
Grove, Mueller & Swank, P.C.
and the Peer Review Committee of the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Grove, Mueller & Swank, P.C. (the firm) in effect for the year ended September 30, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Grove, Mueller & Swank, P.C. in effect for the year ended September 30, 2019 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Grove, Mueller & Swank, P.C. has received a peer review rating of *pass*.

THE RBH Group, LLC

January 30, 2020