



CENTERVILLE CITY COUNCIL AGENDA

Public meetings will be held electronically via Zoom in accordance with Executive Order 2020-5 Suspending the Enforcement of Provisions of Utah Code 52-4-202 and 52-4-207 due to Infectious Disease COVID-19, issued by Governor Herbert on March 18, 2020. *Public meetings conducted via Zoom may be terminated at any time due to hackers or inappropriate content* AMENDED AGENDA TO INCLUDE ITEM #3

NOTICE IS HEREBY GIVEN THAT THE CENTERVILLE CITY COUNCIL WILL HOLD A SPECIAL PUBLIC MEETING AT 5:30 PM ON JUNE 26, 2020 AT THE ELECTRONIC ZOOM MEETING, CENTERVILLE, UTAH. THE AGENDA IS SHOWN BELOW.

Meetings of the City Council of Centerville City may be conducted via electronic means pursuant to Utah Code Ann. 52-4-207, as amended. In such circumstances, contact will be established and maintained via electronic means and the meeting will be conducted pursuant to the Electronic Meetings Policy established by the City Council for electronic meetings.

Centerville City, in compliance with the Americans With Disabilities Act, provides accommodations and auxiliary communicative aids and services for all those citizens in need of assistance, including hearing devices. Persons requesting these accommodations for City-sponsored public meetings, services, programs, or events should call Jacob Smith, Centerville Administrative Services Director, at 801-295-3477, giving at least 24 hours notice prior to the meeting.

The full packet of backup materials can be found at <http://centerville.novusagenda.com/agendapublic>.

A. ROLL CALL

B. BUSINESS

1. Join Zoom Meeting Information

Join Zoom Meeting

[https://zoom.us/j/98749565113?](https://zoom.us/j/98749565113?pwd=cm1BNUc1U2l1WnVITlhGbHRGRi94Zz09)

[pwd=cm1BNUc1U2l1WnVITlhGbHRGRi94Zz09](https://zoom.us/j/98749565113?pwd=cm1BNUc1U2l1WnVITlhGbHRGRi94Zz09)

Dial : +1 346 248 7799 US

Meeting ID: 987 4956 5113

Password: 676796

2. Public Safety Tier II Retirement Contributions - Employer Pick-Up Election

Consider Resolution No. 2020-19 approving the Utah Retirement System employer election to pick up employee contributions for Tier 2 public safety employees under Utah Code § 49-23-301

3. Notice of Award - Audit Services
Notice of Award - Audit Services

C. CLOSED SESSION (Closed Meeting, if necessary, for reasons allowed by State Law, including, but not limited to, the provisions of section 52-4-205 of the Utah Open and Public Meetings Act, and for the Attorney-Client matters that are privileged pursuant to Utah Code ann. 78B-1-137, as amended)

D. ADJOURNMENT

Leah Romero
Centerville City Recorder

CENTERVILLE

Staff Backup Report 6/26/2020

Item No. 1.

Short Title: Join Zoom Meeting Information

Initiated By:

Scheduled Time:

SUBJECT

Join Zoom Meeting

<https://zoom.us/j/98749565113?pwd=cm1BNUc1U2l1WnVITlhGbHRGRi94Zz09>

Dial : +1 346 248 7799 US

Meeting ID: 987 4956 5113

Password: 676796

RECOMMENDATION

BACKGROUND

**CENTERVILLE
CITY COUNCIL
Staff Backup Report
6/26/2020**

Item No. 2.

Short Title: Public Safety Tier II Retirement Contributions - Employer Pick-Up Election

Initiated By:

Scheduled Time:

SUBJECT

Consider Resolution No. 2020-19 approving the Utah Retirement System employer election to pick up employee contributions for Tier 2 public safety employees under Utah Code § 49-23-301

RECOMMENDATION

Approve Resolution No. 2020-19 approving the Utah Retirement System employer election to pick up employee contributions for Tier 2 public safety employees under Utah Code § 49-23-301.

BACKGROUND

On March 31, 2020, the Governor of Utah signed S.B. 56 Public Safety and Firefighter Tier II Retirement Enhancements (2020 General Session), modifying provisions relating to the New Public Safety and Firefighter Tier II Contributory Retirement System by amending certain retirement and death benefits for Tier II public safety employees. Effective July 1, 2020, S.B. 56 implements changes to allow public entity employers to "pick-up" the employee required contributions for public safety employees who are eligible for and participate as members in the New Public Safety and Firefighter Tier II Contributory Retirement System. It is recommended the City agree to pay for and "pick-up" the employee required contributions rather than having the public safety officers have to pay this contribution. In order to make this election, the City Council must approve and submit to the Utah Retirement System the attached Employer Election to Pick-Up Member Contributions for Tier II Public Safety and Firefighter Form. The employer pick-up contributions can only be made prospectively once the City Council has approved the election.

NOTE: New information from URS dated June 25, 2020, makes it clear that if the City elects to pay for "all" the employee contributions as a pick up election (rather than just a percentage of salary), this election will include all future rate increases. The election also appears to be permanent and binding. See attached update from URS. Also attached is a URS Q&A on Retirement Contribution Pick Ups. A few redline changes are recommended to Resolution No. 2020-19 as attached.

ATTACHMENTS:

Description

- ☐ Resolution No. 2020-19
- ☐ SB 56 - Tier II Public Safety Retirement Enhancements
- ☐ IRS Revenue Ruling 2006-43
- ☐ NEW - Resolution No. 2020-19 (Updated with Redlines)

- ▣ NEW - Employer Pick Up Election Form
- ▣ NEW - URS Urgent Update on Employer Pick Up
- ▣ NEW - URS Q&A on Employer Pick Ups

RESOLUTION NO. 2020-19

A RESOLUTION OF THE CENTERVILLE CITY COUNCIL APPROVING THE EMPLOYER ELECTION TO PICK-UP MEMBER CONTRIBUTIONS FOR TIER 2 PUBLIC SAFETY EMPLOYEES

WHEREAS, on March 31, 2020, the Governor of Utah signed S.B. 56 Public Safety and Firefighter Tier II Retirement Enhancements (2020 General Session), modifying provisions relating to the New Public Safety and Firefighter Tier II Contributory Retirement System by amending certain retirement and death benefits; and

WHEREAS, effective July 1, 2020, S.B. 56 implements changes to the employer pick-up of certain required employee contributions of employees who are eligible for and participate as members in the New Public Safety and Firefighter Tier II Contributory Retirement System; and

WHEREAS, the City employs employees who are eligible for and participate as members in the New Public Safety and Firefighter Tier II Contributory Retirement System administered by the Utah Retirement Systems; and

WHEREAS, in accordance with federal and state law, including Section 414(h)(2) of the Internal Revenue Code, employers may take formal action to pick-up required employee contributions, which will be paid by the employer in lieu of employee contributions;

WHEREAS, the City Council is authorized to take this formal action on behalf of the City as a participating employer with the Utah Retirement Systems;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF CENTERVILLE CITY, STATE OF UTAH, AS FOLLOWS:

Section 1. Adoption. The completed Employer Election to Pick-Up Member Contributions Form, attached hereto as Exhibit A, and incorporated herein, is hereby approved by the City Council. The City Council elects to pick up all of the employee contributions required to be paid under Utah Code § 49-23-301(2)(c), as enacted in S.B. 56, for all public safety employees participating in the New Public Safety and Firefighter Tier II Contributory Retirement System. The City Manager is hereby instructed and authorized to submit the Employer Election to Pick-Up Member Contributions Form to Utah Retirement Systems.

Section 2. Requirements. The election to pay for the pick-up contributions as provided herein is subject to federal law, resulting in tax and legal consequences, including limitations about the ability to modify or revoke the election as more particularly set forth in Section 414 of the Internal Revenue Code and IRS Revenue Ruling 2006-43. The election to pay for the employee contributions as provided herein shall constitute an employer pick-up of designated contributions pursuant to Section 414 of the Internal Revenue Code. In order for the pick-up contributions to be considered paid by the employer, and therefore not subject to Social Security and Medicare tax (FICA), the City pick-up contributions: (1) must be mandatory for all employees covered by the New Public Safety and Firefighter Tier II

Contributory Retirement System; and (2) must be a salary supplement and not a salary reduction; i.e. the City must not reduce employee salary to offset the amount designated as employee contributions.

Section 3. Certification. This Resolution represents written documentation and certification that the City has taken formal action to provide that the contributions made on behalf of its covered public safety officer employees in the Tier II Public Safety and Firefighter Contributory Retirement System, although designated as employee contributions, will be made by the City in lieu of employee contributions. This Resolution further represents written documentation and evidence that the City formally elects to prospectively pick-up specified employee contributions in the amount as set forth in the attached Employer Election to Pick-Up Member Contributions Form.

Section 4. Severability. If any section, part or provision of this Resolution is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other portion of this Resolution, and all sections, parts and provisions of this Resolution shall be severable.

Section 5. Effective Date. This Resolution shall become effective immediately upon its approval by the City Council. The desired effective date for the pick-up retirement contributions authorized herein shall be July 1, 2020. As required by URS regulations, the effective date of the pick-up contributions must be after the date that the pick-up election was formally adopted by the City Council as provided herein.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF CENTERVILLE CITY,
STATE OF UTAH, ON THIS 26th DAY OF JUNE, 2020.**

ATTEST:

CENTERVILLE CITY

Leah Romero, City Recorder

By:_____
Mayor Clark A. Wilkinson

CERTIFICATE OF PASSAGE AND EFFECTIVE DATE

According to the provisions of the U.C.A. § 10-3-719, as amended, resolutions may become effective without publication or posting and may take effect on passage or at a later date as the governing body may determine; provided, resolutions may not become effective more than three months from the date of passage. I, the municipal recorder of Centerville City, hereby certify that foregoing resolution was duly passed by the City Council and became effective upon passage or a later date as the governing body directed as more particularly set forth below.

LEAH ROMERO, City Recorder

DATE: _____

EFFECTIVE DATE: ____ day of _____, 2020.

EXHIBIT A

Employer Election to Pick-Up Member Contributions Form

**PUBLIC SAFETY AND FIREFIGHTER TIER II
RETIREMENT ENHANCEMENTS**

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

House Sponsor: Lee B. Perry

LONG TITLE

General Description:

This bill modifies provisions relating to the New Public Safety and Firefighter Tier II Contributory Retirement System by amending certain retirement and death benefits.

Highlighted Provisions:

This bill:

- ▶ creates the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account;

- ▶ provides that a portion of the revenues collected from the tax on the admitted insurers shall be deposited in the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account;

- ▶ provides that funds in the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account shall be used to fund state agency costs associated with the employer pick up for employees that are members of the New Public Safety and Firefighter Tier II Retirement System and the Public Safety and Firefighter Tier II Hybrid Retirement System;

- ▶ requires a participating employer to make an additional nonelective contribution to an employee that is a member of the Public Safety and Firefighter Tier II Defined Contribution Plan, if the participating employer elects to pay the required member contribution as an employer pick up for employees that are members of the Public Safety and Firefighter Tier II Hybrid Retirement System;

amends the line-of-duty death benefits payable to the surviving spouse of an active member of the New Public Safety and Firefighter Tier II Contributory Retirement System; and

makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

49-23-301 (Effective 07/01/20), as last amended by Laws of Utah 2019, Chapter 484

49-23-401 (Effective 07/01/20), as last amended by Laws of Utah 2019, Chapter 484

49-23-503, as last amended by Laws of Utah 2016, Chapter 84

ENACTS:

49-11-904, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **49-11-904** is enacted to read:

49-11-904. New Public Safety and Firefighter Tier II Retirement Benefits

Restricted Account -- Insurance premium tax revenues -- Distribution.

(1) As used in this section, "account" means the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account created in this section.

(2) There is created in the General Fund a restricted account known as the "New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account."

(3) The account shall be funded by:

(a) insurance premium tax revenues deposited into the account in accordance with this section; and

56 (b) interest and earnings on account money.

57 (4) (a) Subject to Subsection (6), and in accordance with this section for a fiscal year
58 beginning on or after July 1, 2021, an amount equal to the growth in the amount of net revenue
59 deposited in the General Fund in the current fiscal year from the annual tax levied, assessed,
60 and collected under Title 59, Chapter 9, Taxation of Admitted Insurers, after all transfers
61 required by state statute have been made, that exceeds the amount of net revenue deposited in
62 the General Fund in the 2015-16 fiscal year from the annual tax levied, assessed, and collected
63 under Title 59, Chapter 9, Taxation of Admitted Insurers, after all transfers required by state
64 statute have been made, shall be deposited into the account.

65 (b) The amount described in Subsection (4)(a) shall be deposited annually.

66 (5) The Legislature may appropriate money in the account to fund:

67 (a) the contributions that state agencies make on behalf of members as an employer
68 pick up under Subsection 49-23-301(2)(c); and

69 (b) nonelective contributions that state agencies make under Subsection
70 49-23-401(1)(b).

71 (6) The amount deposited into the account under Subsection (4) may not exceed the
72 amount required to cover the contributions described in Subsection (5).

73 Section 2. Section **49-23-301 (Effective 07/01/20)** is amended to read:

74 **49-23-301 (Effective 07/01/20). Contributions.**

75 (1) Participating employers and members shall pay the certified contribution rates to
76 the office to maintain the defined benefit portion of this system on a financially and actuarially
77 sound basis in accordance with Subsection (2).

78 (2) (a) A participating employer shall pay up to 14% of compensation toward the
79 certified contribution rate to the office for the defined benefit portion of this system.

80 (b) [A] Except as provided in Subsection (2)(c), a member shall [only] pay to the office
81 the amount, if any, of the certified contribution rate for the defined benefit portion of this
82 system that exceeds the percent of compensation paid by the participating employer under

Subsection (2)(a).

(c) A participating employer may elect to pay all or part of the required member contribution under Subsection (2)(b) on behalf of the member as an employer pick up under 26 U.S.C. Sec. 414(h)(2), in addition to the required participating employer contribution under Subsection (2)(a).

~~[(c)]~~ (d) In addition to the percent specified under Subsection (2)(a), the participating employer shall pay the corresponding Tier I system amortization rate of the employee's compensation to the office to be applied to the employer's corresponding Tier I system liability.

~~[(3) A participating employer may elect to pay all or part of the required member contributions under Subsection (2)(b), in addition to the required participating employer contributions.]~~

~~[(4)]~~ (3) (a) A member contribution is credited by the office to the account of the individual member.

(b) This amount, together with refund interest, is held in trust for the payment of benefits to the member or the member's beneficiaries.

(c) A member contribution is vested and nonforfeitable.

~~[(5)]~~ (4) (a) Each member is considered to consent to payroll deductions of member contributions.

(b) The payment of compensation less these payroll deductions is considered full payment for services rendered by the member.

~~[(6)]~~ (5) Except as provided under Subsection ~~[(7)]~~ (6), benefits provided under the defined benefit portion of the Tier II hybrid retirement system created under this part:

(a) may not be increased unless the actuarial funded ratios of all systems under this title reach 100%; and

(b) may be decreased only in accordance with the provisions of Section 49-23-309.

~~[(7)]~~ (6) (a) The Legislature authorizes ~~[an increase]~~ increases to the death benefit provided to a Tier II public safety service employee or firefighter member's surviving spouse

effective on May 12, 2015, and July 1, 2020, as provided in Section 49-23-503.

(b) (i) The Legislature authorizes an increase to the multiplier for the calculation of the retirement allowance provided to a member of the New Public Safety and Firefighter Tier II hybrid retirement system effective July 1, 2020, as provided in Section 49-23-304.

(ii) The requirements of Section 49-22-310 do not apply to the benefit adjustment described in this Subsection [(7)] (6)(b).

Section 3. Section 49-23-401 (Effective 07/01/20) is amended to read:

49-23-401 (Effective 07/01/20). Contributions -- Rates.

(1) (a) Up to the amount allowed by federal law, the participating employer shall make a nonelective contribution of 14% of the participant's compensation to a defined contribution plan.

(b) In addition to the nonelective contribution described in Subsection (1)(a), if a participating employer elects under Subsection 49-23-301(2)(c) to pay all or part of the required member contribution on behalf of the participating employer's employees that are members covered under Part 3, Tier II Hybrid Retirement System, the participating employer shall make an additional nonelective contribution to an employee that is a member covered under this part at the same percentage rate of the participant's compensation as the participating employer's election to pay required member contributions on behalf of the participating employer's employees that are members covered under Part 3, Tier II Hybrid Retirement System.

(2) (a) The participating employer shall contribute the ~~[14% nonelective contribution]~~ contributions described in Subsection (1) to a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code which:

(i) is sponsored by the board; and

(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of 1986.

(b) The member may make voluntary deferrals to:

(i) the qualified 401(k) plan which receives the employer contribution described in this

Subsection (2); or

(ii) at the member's option, another defined contribution plan established by the participating employer.

(c) In addition to the [~~percent~~] contributions specified under Subsection (2)(a), the participating employer shall pay the corresponding Tier I system amortization rate of the employee's compensation to the office to be applied to the employer's corresponding Tier I system liability.

(3) (a) Except as provided under Subsection (3)(c), the total amount contributed by the participating employer under Subsection (2)(a) vests to the member upon accruing four years of service credit under this title.

(b) The total amount contributed by the member under Subsection (2)(b) vests to the member's benefit immediately and is nonforfeitable.

(c) Upon filing a written request for exemption with the office, an eligible employee is exempt from the vesting requirements of Subsection (3)(a) in accordance with Section 49-23-203.

(d) (i) Years of service credit under Subsection (3)(a) includes any fraction of a year to which the member may be entitled.

(ii) At the time of vesting, if a member's years of service credit is within one-tenth of one year of the total years required for vesting, the member shall be considered to have the total years of service credit required for vesting.

(4) (a) Contributions made by a participating employer under Subsection (2)(a) shall be invested in a default option selected by the board until the member is vested in accordance with Subsection (3)(a).

(b) A member may direct the investment of contributions, including associated investment gains and losses, made by a participating employer under Subsection (2)(a) only after the contributions have vested in accordance with Subsection (3)(a).

(c) A member may direct the investment of contributions made by the member under

Subsection (3)(b).

(5) No loans shall be available from contributions made by a participating employer under Subsection (2)(a).

(6) No hardship distributions shall be available from contributions made by a participating employer under Subsection (2)(a).

(7) (a) Except as provided in Subsection (7)(b), if a member terminates employment with a participating employer prior to the vesting period described in Subsection (3)(a), all contributions made by a participating employer on behalf of the member under Subsection (2)(a), including associated investment gains and losses are subject to forfeiture.

(b) If a member who terminates employment with a participating employer prior to the vesting period described in Subsection (3)(a) subsequently enters employment with the same or another participating employer within 10 years of the termination date of the previous employment:

(i) all contributions made by the previous participating employer on behalf of the member, including associated investment gains and losses, shall be reinstated upon the member's employment as a regular full-time employee; and

(ii) the length of time that the member worked with the previous employer shall be included in determining whether the member has completed the vesting period under Subsection (3)(a).

(c) The office shall establish a forfeiture account and shall specify the uses of the forfeiture account, which may include an offset against administrative costs of employer contributions made under this section.

(8) The office may request from any other qualified 401(k) plan under Subsection (2) any relevant information pertaining to the maintenance of its tax qualification under the Internal Revenue Code.

(9) The office may take any action which in its judgment is necessary to maintain the tax-qualified status of its 401(k) defined contribution plan under federal law.

Section 4. Section **49-23-503** is amended to read:

49-23-503. Death of active member in line of duty -- Payment of benefits.

If an active member of this system dies, benefits are payable as follows:

(1) If the death is classified by the office as a line-of-duty death, benefits are payable as follows:

(a) If the member has accrued less than 20 years of public safety service or firefighter service credit, the surviving spouse shall receive:

(i) a lump sum equal to six months of the active member's final average salary; and

(ii) the greater of:

(A) an allowance equal to 30% of the member's final average monthly salary[-]; or

(B) an allowance equal to 2% of the member's final average monthly salary multiplied by the years of service credit accrued by the member.

(b) If the member has accrued 20 or more years of public safety service or firefighter service credit, the member shall be considered to have retired with an Option One allowance calculated without an actuarial reduction under Section **49-23-304** and the surviving spouse shall receive the allowance that would have been payable to the member.

(2) (a) A volunteer firefighter is eligible for a line-of-duty death benefit under this section if the death results from external force, violence, or disease directly resulting from firefighter service.

(b) The lowest monthly compensation of firefighters of a city of the first class in this state at the time of death shall be considered to be the final average monthly salary of a volunteer firefighter for purposes of computing these benefits.

(c) Each volunteer fire department shall maintain a current roll of all volunteer firefighters which meet the requirements of Subsection **49-23-102**(13) to determine the eligibility for this benefit.

(3) (a) If the death is classified as a line-of-duty death by the office, death benefits are payable under this section and the surviving spouse is not eligible for benefits under Section

218 49-23-502.

219 (b) If the death is not classified as a line-of-duty death by the office, benefits are
220 payable in accordance with Section 49-23-502.

221 (4) (a) A surviving spouse who qualifies for a monthly benefit under this section shall
222 apply in writing to the office.

223 (b) The allowance shall begin on the first day of the month following the month in
224 which the:

225 (i) member or participant died, if the application is received by the office within 90
226 days of the date of death of the member or participant; or

227 (ii) application is received by the office, if the application is received by the office
228 more than 90 days after the date of death of the member or participant.

229 Section 5. **Effective date.**

230 This bill takes effect on July 1, 2020.

Part I

Section 414.—Definitions and Special Rules.

(Also, §7805; 26 CFR 301.7805-1.)

Rev. Rul. 2006-43

ISSUES

What actions are required in order for a State or political subdivision thereof, or an agency or instrumentality of any of the foregoing, to “pick up” employee contributions to a plan qualified under § 401(a) of the Internal Revenue Code so that the contributions are treated as employer contributions pursuant to § 414(h)(2)?

FACTS

Employer M is a political subdivision of State N. Employer M participates in Plan A, a defined benefit pension plan qualified under § 401(a) and established by State N to provide retirement benefits to eligible employees of State N and any political subdivision of State N. Plan A requires each participating employee to make employee contributions to Plan A equal to a specified percentage of the participant’s salary. These amounts, designated as employee contributions under § 414(h)(1), are deducted from the participant’s salary. State N statutes governing Plan A permit any political subdivision to provide that the employee contributions will be paid by the employer in order to be picked up and treated as employer contributions under § 414(h)(2). On March 1, 2006, Employer M amends its governing laws to provide that the amounts

designated as employee contributions under Plan A will be paid by Employer M for all of Employer M's employees in order to be treated as employer contributions under § 414(h)(2), as permitted under the statutes governing Plan A. The amendment is in writing, was adopted by persons authorized to amend Employer M's governing laws, and is effective for periods on or after April 1, 2006. Employer M, thereafter, treats the amounts as employer contributions, instead of as being employee contributions, for federal income tax purposes and does not include these amounts in the participating employees' gross income.

LAW AND ANALYSIS

Section 414(h)(1) provides that any amount contributed to a qualified plan is not treated as having been made by the employer if it is designated as an employee contribution.

Section 414(h)(2) provides a special rule for qualified plans established by a State government or political subdivision thereof, or by any agency or instrumentality of the foregoing. Under this rule, contributions, although designated as employee contributions, are nevertheless treated as employer contributions if the contributions are picked up by the employing unit.

Section 401(k) provides the rules relating to cash or deferred elections. Section 1.401(k)-1(a)(1) of the Income Tax Regulations provides that a plan, other than a profit-sharing, stock bonus, pre-ERISA money purchase pension or rural cooperative plan, does not satisfy the requirements of § 401(a) if the plan includes a cash or deferred arrangement. Thus, a qualified defined benefit plan is not permitted to include a cash or deferred arrangement.

Section 1.401(k)-1(a)(3) generally defines a cash or deferred election as any direct or indirect election (or modification of an earlier election) by an employee to have the employer (i) provide an amount that is not currently available to the employee in the form of cash or some other taxable benefit, or (ii) contribute an amount to a trust or provide an accrual for a plan deferring the receipt of compensation.

Rev. Rul. 77-462, 1977-2 C.B. 358, addresses the income tax treatment of contributions picked up by the employer within the meaning of § 414(h)(2). In Rev. Rul. 77-462, the employer school district agreed to “pick up” and pay the required contributions of the eligible employees under the plan. The revenue ruling holds that the contributions picked up by the school district are excluded from the gross income of employees until such time as they are distributed to the employees.

Rev. Rul. 81-35, 1981-1 C.B. 255, and Rev. Rul. 81-36, 1981-1 C.B. 255, address certain requirements for contributions to be picked up by an employer within the meaning of § 414(h)(2). These revenue rulings establish that the following criteria must be satisfied: (i) the employer must specify that the contributions, although designated as employee contributions, are being paid by the employer in lieu of contributions by the employee; and (ii) the employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the plan. Rev. Rul. 81-35 and Rev. Rul. 81-36 apply even if the employer picks up the contributions through either a reduction in salary or an offset against future salary increases.

Rev. Rul. 87-10, 1987-1 C.B. 136, addresses when contributions designated as employee contributions (designated employee contributions) under § 414(h)(1) to a qualified plan established by a State government (including a political subdivision

thereof, or any agency or instrumentality of the foregoing) are excludable from the gross income of the employee. The ruling concludes that, to satisfy the criteria set forth in Rev. Rul. 81-35 and Rev. Rul. 81-36, the governmental action necessary to effectuate the “pick-up” must be completed before the period to which such contributions relate. Thus, designated employee contributions to a qualified plan established by a State government are excluded from gross income as “pick-up” contributions that are treated as employer contributions only to the extent the contributions relate to compensation for services rendered after the date of the last governmental action necessary to effectuate the “pick-up.”

Based on the foregoing, a contribution to a qualified plan established by a State government will not be treated as picked up by the employing unit under §414(h)(2) unless the employing unit:

(1) Specifies that the contributions, although designated as employee contributions, are being paid by the employer. For this purpose, the employing unit must take formal action to provide that the contributions on behalf of a specific class of employees of the employing unit, although designated as employee contributions, will be paid by the employing unit in lieu of employee contributions. A person duly authorized to take such action with respect to the employing unit must take such action. The action must apply only prospectively and be evidenced by a contemporaneous written document (e.g., minutes of a meeting, a resolution, or an ordinance).

(2) Does not permit a participating employee from and after the date of the “pick-up” to have a cash or deferred election right (within the meaning of § 1.401(k)-1(a)(3)) with respect to designated employee contributions. Thus, for example, participating employees must not be permitted to opt out of the “pick-up”, or to receive the

contributed amounts directly instead of having them paid by the employing unit to the plan.

Employer M has taken formal action which was memorialized in a contemporaneous writing that provides that it will “pick up” all prospective contributions for the Employer M employees who are required to contribute to Plan A. Further, employees are required to participate in Plan A, do not have the option of choosing to receive the contributed amounts directly, and may not make a cash or deferred election with respect to such amounts. Employer M has met the requirements to have the designated employee contributions under Plan A picked up and treated as employer contributions pursuant to § 414(h)(2). Thus, contributions made to Plan A are not includible in a participant's gross income until distributed under § 402.

This revenue ruling applies only for federal income tax purposes. See §§ 3121(a)(5)(A) and 3121(v)(1)(B) of the Federal Insurance Contributions Act (FICA) for the treatment of amounts treated as an employer contributions under § 414(h)(2).

HOLDING

Because an authorized person has taken formal action in writing prospectively to have the employing unit pay previously designated employee contributions to a § 401(a) qualified plan, appropriate actions have been taken for the contributions to be picked up by the employing unit and treated as employer contributions pursuant to § 414(h)(2).

TRANSITION RELIEF FOR PRE-EXISTING “PICK- UPS”

Under the authority of § 7805(b)(8), the Service will not treat any plan that on or before August 28, 2006, includes designated employee contributions that were intended to be picked up as employer contributions pursuant to § 414(h)(2) as failing to meet the

requirements of such section prior to January 1, 2009, solely on account of the failure to satisfy the requirement that the “pick-up” be pursuant to a formal action, by a person duly authorized to take such action with respect to the employing unit, that is evidenced by contemporaneous writing, but only if the following conditions are satisfied: (1) the employing unit has taken contemporaneous action evidencing an intent to establish a “pick-up” (e.g., provided information to employees relating to the establishment of the “pick-up”) and has operated the plan accordingly; and (2) the employing unit takes formal action in writing prior to January 1, 2009, with respect to future contributions to meet the requirements set forth above in paragraph (1) of Law and Analysis in this revenue ruling.

The relief provided above for “pick-ups” implemented prior to August 28, 2006, applies only if the actions taken otherwise complied with Rev. Rul. 81-35, Rev. Rul. 81-36, and Rev. Rul. 87-10, and only if the employing unit has not reported the contributions as wages subject to federal income tax withholding from and after the date of implementation of the intended “pick-up”.

In addition, under the authority of § 7805(b)(8), this revenue ruling does not modify or revoke any private letter ruling issued to any taxpayer prior to August 28, 2006. See § 601.201(l)(4).

EFFECT ON OTHER GUIDANCE

Rev. Rul. 81-35, Rev. Rul. 81-36, and Rev. Rul. 87-10 are amplified and modified.

DRAFTING INFORMATION

The principal drafter of this revenue ruling is Kathleen Herrmann of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding

this revenue ruling, please contact the Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number) between the hours of 8:30 a.m. and 4:30 p.m. Eastern Time, Monday through Friday. Ms. Herrmann may be reached at (202) 283-9888 (not a toll-free number).

RESOLUTION NO. 2020-19

A RESOLUTION OF THE CENTERVILLE CITY COUNCIL APPROVING THE EMPLOYER ELECTION TO PICK-UP MEMBER CONTRIBUTIONS FOR TIER 2 PUBLIC SAFETY EMPLOYEES

WHEREAS, on March 31, 2020, the Governor of Utah signed S.B. 56 Public Safety and Firefighter Tier II Retirement Enhancements (2020 General Session), modifying provisions relating to the New Public Safety and Firefighter Tier II Contributory Retirement System by amending certain retirement and death benefits; and

WHEREAS, effective July 1, 2020, S.B. 56 implements changes to the employer pick-up of certain required employee contributions of employees who are eligible for and participate as members in the New Public Safety and Firefighter Tier II Contributory Retirement System; and

WHEREAS, the City employs employees who are eligible for and participate as members in the New Public Safety and Firefighter Tier II Contributory Retirement System administered by the Utah Retirement Systems; and

WHEREAS, in accordance with federal and state law, including Section 414(h)(2) of the Internal Revenue Code, employers may take formal action to pick-up required employee contributions, which will be paid by the employer in lieu of employee contributions;

WHEREAS, the City Council is authorized to take this formal action on behalf of the City as a participating employer with the Utah Retirement Systems;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF CENTERVILLE CITY, STATE OF UTAH, AS FOLLOWS:

Section 1. Adoption. The completed Employer Election to Pick-Up Member Contributions Form, attached hereto as Exhibit A, and incorporated herein, is hereby approved by the City Council. The City Council elects to prospectively pick up and pay all of the employee contributions required to be paid under Utah Code § 49-23-301(2)(c), as enacted in S.B. 56, for all City public safety employees participating in and members of the New Public Safety and Firefighter Tier II Contributory Retirement System. The City Manager is hereby instructed and authorized to submit the Employer Election to Pick-Up Member Contributions Form to Utah Retirement Systems. The election form must be submitted to the URS by July 1, 2020 in order to be in effect for the new retirement contribution rates that will take effect on July 1, 2020.

Section 2. Requirements. The election to pay for the pick-up contributions as provided herein is subject to federal law, resulting in tax and legal consequences, including limitations about the ability to modify or revoke the election as more particularly set forth in Section 414 of the Internal Revenue Code and IRS Revenue Ruling 2006-43. The election to pay for the employee contributions as provided herein shall constitute an employer pick-up of designated contributions pursuant to Section 414 of the Internal Revenue Code. In order for the pick-up contributions to be considered paid by the employer, and therefore not subject to

Social Security and Medicare tax (FICA), the City pick-up contributions: (1) must be mandatory for all employees covered by the New Public Safety and Firefighter Tier II Contributory Retirement System; and (2) must be a salary supplement and not a salary reduction; i.e. the City must not reduce employee salary to offset the amount designated as employee contributions. From and after the effective date of the pick up contributions, a City public safety employee eligible for the pick up contribution may not have a cash or deferred election right with respect to the designated employee contribution, including that the employee may not be permitted to opt out of the pick up and may not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the City on behalf of its employees.

Section 3. Certification. This Resolution represents written documentation and certification that the City has taken formal action to provide that the contributions made on behalf of its covered public safety officer employees in the Tier II Public Safety and Firefighter Contributory Retirement System, although designated as employee contributions, will be made by the City in lieu of employee contributions. This Resolution further represents written documentation and evidence that the City formally elects to prospectively pick-up specified employee contributions in the amount as set forth in the attached Employer Election to Pick-Up Member Contributions Form.

Section 4. Severability. If any section, part or provision of this Resolution is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other portion of this Resolution, and all sections, parts and provisions of this Resolution shall be severable.

Section 5. Effective Date. This Resolution shall become effective immediately upon its approval by the City Council. The desired effective date for the pick-up retirement contributions authorized herein shall be July 1, 2020. As required by URS regulations, the effective date of the pick-up contributions must be after the date that the pick-up election was formally adopted by the City Council as provided herein.

PASSED AND ADOPTED BY THE CITY COUNCIL OF CENTERVILLE CITY, STATE OF UTAH, ON THIS 26th DAY OF JUNE, 2020.

ATTEST:

CENTERVILLE CITY

Leah Romero, City Recorder

By: _____
Mayor Clark A. Wilkinson

CERTIFICATE OF PASSAGE AND EFFECTIVE DATE

According to the provisions of the U.C.A. § 10-3-719, as amended, resolutions may become effective without publication or posting and may take effect on passage or at a later date as the governing body may determine; provided, resolutions may not become effective more than three months from the date of passage. I, the municipal recorder of Centerville City, hereby certify that foregoing resolution was duly passed by the City Council and became effective upon passage or a later date as the governing body directed as more particularly set forth below.

LEAH ROMERO, City Recorder

DATE: _____

EFFECTIVE DATE: ____ day of _____, 2020.

EXHIBIT A

Employer Election to Pick-Up Member Contributions Form



Utah Retirement Systems
PO Box 1590
Salt Lake City, UT 84110-1590
801-366-7318 | 800-753-7318
www.urs.org

Employer Election to Pick-Up Member Contributions Tier 2 Public Safety and Firefighter

Instructions:

1. This form is designed to notify Utah Retirement Systems (URS) of an Employer's formal election to "pick-up" retirement contributions.
2. This form and accompanying documentation must be returned to URS for processing.
3. A pick-up election is subject to federal law, resulting in tax and legal consequences, including limitations about the ability to modify or revoke the election. For information regarding employer pick-up contributions, please refer to federal law and guidance, including Internal Revenue Code Section 414 and IRS Revenue Ruling 2006-43.
4. An Employer should consult its legal, financial, and tax advisors if it has any questions concerning the consequences of Member contribution "pick-ups" and submitting this form.

SECTION A » EMPLOYER INFORMATION

Employer Name CENTREVILLE CITY	Employer Number 323	Date 06-26-2020
Desired Effective Date: 07-01-2020 (The effective date must be after the date that the pick-up election was formally adopted as provided in the attached documentation.)		

SECTION B » PICK-UP AMOUNT(S)

The above-named Employer certifies that it has taken formal action to provide that the contributions on behalf of its covered employees in the following URS System, although designated as employee contributions, will be paid by the employer in lieu of employee contributions. (Please check the box and fill in the portion of employee contributions picked-up for each class of employees below. For example, mark "ALL" for a pick-up of all employee contributions for that system or a percentage of salary for a pick-up of a portion of employee contributions.)

Please also attach written documentation to this form that provides evidence that the Employer formally elected to prospectively pick-up specified employee contributions. (For example, ordinance, resolution, governing body meeting minutes, etc.)

Note: If you are picking-up contributions for both public safety and firefighter employees, check both boxes

- ☒ Tier 2 Public Safety and Firefighter Contributory Retirement System, with the following pick-up election that will be paid by the Employer in lieu of employee contributions for members serving as a **Public Safety Officer**:
- ☒ ALL (this includes any potential future increases to employee contributions); OR
- ☐ % of salary.
- ☐ Tier 2 Public Safety and Firefighter Contributory Retirement System, with the following pick-up election that will be paid by the Employer in lieu of employee contributions for members serving as a **Firefighter**:
- ☐ ALL (this includes any potential future increases to employee contributions); OR
- ☐ % of salary.

SECTION C » CERTIFICATION AND SIGNATURE

I acknowledge and certify the following:

- I represent and have the authority to sign and submit this form on behalf of the participating employer;
- That Employer has taken all appropriate and necessary actions to make a formal Employer pick-up regarding employee contributions on behalf of its employees;
- The election to pay for the Employee contributions shall constitute an Employer pick-up of designated contributions pursuant to Internal Revenue Code Section 414;
- From and after the date of the pick-up election, an Employee may not: 1) have a cash or deferred election right with respect to designated Employee contributions; 2) be permitted to opt out of the pick-up; or 3) have the option of choosing to receive or receiving the contributed amounts directly instead of having them paid by the Employer to the specified system/plan;
- In order for contributions to be considered paid by the employer, and therefore not subject to Social Security and Medicare tax (FICA), the Employer contributions: 1) Must be mandatory for all Employees covered by the retirement system; and 2) Must be a salary supplement and not a salary reduction—In other words, the Employer must not reduce employee salary to offset the amount designated as employee contributions;
- Future modifications to this Employer election may be disallowed or limited;
- The election authorized to be taken by the foregoing is not contrary to any governing provisions of the Employer;
- I understand that URS is not providing the Employer legal, financial, or tax advice relating to making a "pick-up" election or submitting this form; and
- The information provided on this form and attached documentation is correct and can be relied upon by URS.

Printed Name of Employer Representative (Binding Official) BRANT T. HANSON	Signature of Binding Official Brant T. Hanson	Title City Manager
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Urgent Update: Employer Pick-Up Elections

Many organizations are considering, or have already elected, to “pick-up” some of the, or the entire (“All”), employee portion of the retirement contribution under the Tier 2 Public Safety & Firefighter Retirement system that goes into effect on July 1, 2020 (see *Pick-Ups: Questions & Answers* in the [Spring 2020 Inside Story](#)).

We are aware that some employers selected “All” on the [Employer Election To Pick-Up Member Contributions: Tier 2 Public Safety and Firefighter form](#). If your organization made this election, please understand that by choosing “All” you agree to pick-up member contributions including any future rate increases.

If your organization:

- Has not completed the initial form, but desires to do so in the future, [complete the revised form](#), submitting applicable supporting documentation.
- Already completed/submitted the initial form (with supporting documentation), and selected “All” and want to revise the election based upon understanding that your organization is committing to potential future rate increases, you must [complete a revised form](#) and submit to URS before your first payroll for July 1, 2020.

Send [the completed form](#), and any applicable supporting documentation, through the [URS Employer Portal’s Message Center](#) (choose the Contribution Reporting option).

If you have questions, please contact us at 801-366-7318 or 800-753-7318.

Trust, Commitment, Value, Innovation, Excellence

Tier 2 Public Safety & Firefighter Enhancements

Pick-Ups: Questions & Answers

Enhancements to Tier 2 Public Safety & Firefighter retirement benefits will take effect beginning July 1, 2020. They apply to new and current employees in the Tier 2 Public Safety & Firefighter Retirement system for benefits earned on or after July 1, 2020.

Due to the cost of the plan enhancements, contributions to the Tier 2 Public Safety & Firefighter Hybrid plan will be made by the employer (14%) and the employee (2.27%) for a total of 16.27%.

However, an employer may “pick-up” the employee’s portion of the retirement contribution and treat it as an employer contribution under [IRS Code Section 414\(h\)\(2\)](#).

These changes do not open a new window for employees who have worked beyond a year to change their selections between the [Hybrid Option](#) and [401\(k\) Option](#). The choice that is made during the first year remains irrevocable.

Helpful Links About Employer “Pick-Ups”

» [IRS Guidance on Employer “Pick-Up” Contributions to Benefit Plans](#)

» [Revenue Ruling 2006-43](#)

» [Section 414\(h\)\(2\) of IRS Code](#)

» [Senate Bill 129 \(2019\)](#)

» [Senate Bill 56 \(2020\)](#)

IRS Guidance

The IRS provides guidance regarding [Employer “Pick-Up” Contributions to Benefit Plans](#). The following are some key points from the IRS guidance:

What is a “pick-up”?

» An employer may elect to pay the employee contributions on behalf of the employee. If an employer decides to pay the employee contributions on behalf of the employee, it is considered a “pick-up”.

How does an employer “pick-up” the contributions?

1. Formal action must be taken. If an employer wishes to take formal action so the employee does not pay contributions beginning with the new rates on July 1, 2020, the action must be completed by July 1. If an employer does not wish to “pick-up” employee contributions by July 1, they may do so at a later date, but may only “pick-up” prospective contributions.

2. The formal action must be noted through contemporaneous documentation (e.g. resolution, minutes, etc.).

a. The formal documentation must show that the “pick-up” is not offered as a cash or deferred election.

b. It must be mandatory for all employees in the select group affected.

See ‘PICK-UPS’, Page 4

'PICK-UPS'

Continued from Page 3

3. An employer must complete and submit the URS ["Employer Election To Pick-Up Member Contributions: Tier 2 Public Safety and Firefighter" form](#).

What are the tax considerations?

Employee contributions to a defined benefit plan are treated as after-tax contributions, which are subject to income tax and social security and Medicare tax (FICA) purposes.

» If an employer "picks-up" the employee contributions and certain tests are met, then the employee contributions are considered employer contributions and excludable from gross income. The IRS looks for a couple of tests to be met to meet this consideration:

- › The employer specifies that the contributions, although designated as employee contributions are being paid by the employer. For this purpose, the employer must take formal action to show that the contributions on behalf

Webinar: Understanding Pick Ups

Join us for a [webinar](#) at 10 a.m., Wednesday, April 15, 2020, about the Tier 2 Public Safety & Firefighters' Employer Pickup Elections. If you're unable to join us, the recorded webinar will be available in the [Employer Knowledge Corner](#) within two days following the live presentation.

of a specific class of employees will be paid by the employer.

- › There is no cash or deferred election right with respect to designated employee contributions.

» As long as the "pick-up" is not part of a salary reduction arrangement, it may be excluded from FICA taxes. The "pick-up" must be a salary supplement.

» [See IRS: Employer "Pick-Up" Contributions to Benefit Plans](#) for additional information.

Other Information

What does this mean for employees who have chosen the 401(k) Option?

» [1st Substitute Senate Bill 56 \(2020\)](#), "Public Safety and Firefighter Tier II Retirement Enhancements" states that an employer who elects to "pick-up" contributions for members who have selected the Hybrid Option must also make an additional non-elective contribution to members who have selected the 401(k) Option equal to the "pick-up" amount.

Do you have a sample resolution?

» The state's formal action as an employer is one example. [H.C.R. 9 – "Concurrent Resolution Authorizing State Pick Up of Public Safety and Firefighter Employee Retirement Contributions"](#) is from the 2020 legislative General Session.

This article is intended for general information purposes only and does not and is not intended to constitute legal or tax advice. Consult with legal counsel to determine how laws or decisions discussed herein apply to your specific circumstances. ■

CENTERVILLE

Staff Backup Report 6/26/2020

Item No. 3.

Short Title: Notice of Award - Audit Services

Initiated By:

Scheduled Time:

SUBJECT

Notice of Award - Audit Services

RECOMMENDATION

Approve Notice of Award for Audit Services to Larson Certified Public Accountants for the amount of \$16,500

BACKGROUND

On May 18, 2020, Centerville City issued a request for proposals to provide audit services. Proposals were due June 5, 2020 by 5:00pm. We received five proposals from the following firms:

	Audit Service Fee
Larson CPAs	16500
HBME CPAs	18950
HintonBurdick CPAs	20400
Ulrich & Associates, PC	20450
Squire Higher Perspective	25000

The Audit Committee reviewed all of the proposals on June 24, 2020. All agree that all the firms were qualified, met the requirements outlined within the request for proposal document, had good references and had the experience to effectively conduct audit services for the City. It came down to cost as the main determiner. The Audit Committee unanimously agreed the City should use Larson CPAs for audit services.

ATTACHMENTS:

Description

- ☐ 2020 RFP for Audit Services - Centerville City
- ☐ Centerville Audit Proposal 2020 - Ulrich
- ☐ Centerville City 2020 Audit Proposal - Squire
- ☐ Centerville City Proposal 2020 - Larson
- ☐ Centerville RFP - 2020-2022 - HBME
- ☐ HintonBurdick - Centerville City Audit Proposal

REQUEST FOR PROPOSAL TO PROVIDE
AUDIT SERVICES FOR
Centerville City, Utah
May 18, 2020



I. BACKGROUND INFORMATION

Centerville City was incorporated in 1915 and covers approximately 6 square miles. The City provides a full range of municipal services: administration, court, planning and zoning, police, parks, recreation, arts and museum, street maintenance, cemetery and utility services (water, storm water, sanitation collection).

The City currently has the following fund types: General, Enterprise, Special Revenue, Capital Projects, Debt Service and RDA: Total government-wide revenue for all funds was \$16,659,226 for the fiscal year ended June 2019. Centerville City uses Caselle Connect software for its accounting applications which is supported by PC-based, Windows-compatible computer hardware.

Centerville City is required by State law to provide an annual audit of its financial statements by a Certified Public Accountant in accordance with generally accepted audited standards. This audit must be submitted to the State Auditor's Office within six months after the end of the fiscal year.

II. OBJECTIVE AND SCOPE

A financial audit is requested for the fiscal year ending June 30, 2020. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the *AICPA Audits of State and Local Governmental Units* audit and accounting guide; and the *Government Auditing Standards*, published by the U.S. General Accounting Office. The external auditor will be involved in drafting, typing, and printing financial statements.

The financial statements and audit must be completed, and the report issued prior to October 30th of 2020. The external auditor must deliver 8 paper copies and one electronic copy to Centerville City, who in turn will be responsible for delivering one copy of the report to the State Auditor's Office and other mandatory or interested parties.

III. REPORT REQUIREMENTS

For financial audits, the external auditor shall examine the financial statements and records of the entity and shall issue an auditor's opinion on the entity's financial statements with an in-relation-to opinion on combining and supplementary information, if any. Such financial statements shall be prepared in conformity with generally accepted accounting principles.

The external auditor shall issue a compliance report based on an audit of general purpose or basic financial statements and a report on the internal control structure; both in accordance with *Government Auditing Standards*.

The external auditor shall prepare and include a statement expressing positive assurance of compliance with State fiscal laws identified by the State Auditor and other financial issues related to the expenditure of funds received from Federal, State, or local governments.

The external auditor shall include the written responses from Centerville City for each recommendation included in the state compliance letter and the management letter required by the *State of Utah Legal Compliance Audit Guide*.

IV AUDIT TERM

If the selected certified public accounting firm performs satisfactorily for the June 30, 2020 audit, it is anticipated that the same firm will be engaged to perform the audit for the succeeding two years, subject to an annual evaluation and Centerville City Council appropriation. The term may be extended beyond the total three year engagement, based on mutual written agreement by and between the external auditor and Centerville City.

V. PROPOSAL QUALIFICATION REQUIREMENTS

Interested certified public accounting firms should include the following information in their proposal to perform the audit of the fiscal year ending June 30, 2020:

A. Profile of the Independent Auditor

The profile of the proposers should provide general background information. This should include:

1. The organization and size of the proposer, whether it is local, regional, national or international in operations.
2. The locations of the office from which the work is to be done and the number of professional staff, by staff level, employed at the office.
3. A statement on the proposer's staff capability to audit computerized systems.
4. A positive statement that the following mandatory criteria are satisfied:
 - (a) An affirmation that the proposer is properly licensed for practice as a certified public accountant in the State of Utah.
 - (b) An affirmation that the proposer meets the independence requirements of the American Institute of Certified Public Accountants and the *Government Auditing Standards* published by the U.S. General Accounting Office.
 - (c) An affirmation that the firm meets the continuing education and external quality control review requirements contained in the *Government Auditing Standards* published by the U.S. General Accounting Office.

B. Proposer's Qualifications

1. Identify the audit partners, audit managers, field supervisors and other staff who will work on the audit, including staff from other than the local office. Resumes including relevant experience and continuing education for the staff auditors up to the individual with final responsibility for the engagement should be included.

2. List and describe the recent municipal auditing experience similar to the type of audit requested.
 3. Describe experience working with Caselle accounting software.
- C. Proposer's Approach to the Examination
Submit a general audit work plan to accomplish the scope defined in these guidelines. The audit work plan should demonstrate an understanding of the audit requirements and the audit tests and procedures to be applied in completing the audit plan. The plan should detail the expected number of audit hours by staff level. The planned use of specialists should also be specified.
- D. Time Requirements
Detail how the reporting deadline requirements of the audit will be met.
- E. Fees
Provide a "not-to-exceed" fee for the audit, inclusive of travel, per diem and all other out-of-pocket expenses. As noted in section IV, it is expected that if the selected certified public accounting firm performs satisfactorily for the June 30, 2020 audit, it will be engaged to perform the audit for the succeeding two years. Therefore, the not-to-exceed fee information requested above should be provided on an annual basis for three years. Along with a "not-to-exceed" fee option, the proposer may provide additional fee structure options for consideration.
- F. Non-discrimination Clause
Affirm that the firm does not discriminate against any individual because of race, religion, sex, color, age, handicap or national origin, and that these shall not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

VI. CONTRACTUAL ARRANGEMENTS

- A. Audit programs, work papers and reports must be retained for a period of three years after the completion of the audit and made available for inspection by the Centerville City or government auditor's if requested by them.
- B. Payment for the audit will be made upon receipt of the audit reports required in Section III.
- C. Centerville City staff will be available to prepare schedules, trial balances, and provide documentation to assist the auditor to the best of their ability and as their schedules permit during the course of the audit.

VII. EVALUATION OF PROPOSALS

The following criteria will be considered when making an evaluation of the proposals:

- A. Technical Factors

1. Responsiveness of the proposal in clearly stating an understanding of the audit services to be performed.
 - (a) Appropriateness and adequacy of proposed procedures.
 - (b) Reasonableness of time estimates and total audit hours.
 - (c) Appropriateness of assigned staff levels.
2. Technical experience of the firm.
3. Qualifications of staff.
4. Size and structure of firm, considering the scope of the audit.
5. Geographic location of key personnel and responsible office.
6. Municipal client references (please provide).

B. Cost of the Audit

C. Right to Reject

Centerville City reserves the right to reject any and all proposals submitted and to request additional information from all proposers. Any contract awarded will be made to the independent certified public accounting firm who, based on evaluation of all responses, applying all criteria and oral interviews, if necessary, is determined to be the best to perform the audit.

VIII. SUBMISSION OF PROPOSALS

All proposals are due June 5, 2020 by 5:00pm. The preferred method of submitting your proposal is electronically in PDF format to jacobs@centervilleut.com; however, if you choose to submit hard copies, two copies of your proposal must be submitted to Jacob Smith, Centerville City Finance Director at 250 N Main St., Centerville UT 84014. No proposal will be considered that is not received at or prior to the above time and date.

IX. SOURCES OF INFORMATION

The individual listed below may be contacted for information. However, before making contact we request you review the City's prior year financial and auditor's reports which can be found on the Office of the Utah State Auditor's website.

Marcus Arbuckle, CPA
marcus@kcccpaoffice.com
801-590-2600

Ulrich & Associates, PC

Certified Public Accountants

4991 South Harrison
Ogden, Utah 84403

(801) 627-2100

ulrichcpa.com

Centerville City

Proposal to Perform Audit Services

For the Fiscal Year Ending
June 30, 2020



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Ulrich & Associates, PC

Certified Public Accountants

June 3, 2020

Centerville City
250 North Main
Centerville, Utah 84014-1824

As a firm, we appreciate the opportunity to submit for your consideration our proposal to perform audit and other services for Centerville City (the "City") as described in your request for proposal for the fiscal year ending June 30, 2020. Ulrich & Associates is a distinguished audit firm with the technical resources, relevant experience, and personal interactions to add value to the audit process and the wellbeing of your organization. We have specialized in performing audit services for government and non-profit entities for more than 30 years.

We are confident that our firm will be the right fit for you and you will realize the additional benefits of our high-value services, including:

- (1) A thorough and complete audit plan that will involve a risk-based approach covering relevant aspects of your organization's financial reporting and internal control systems;
- (2) Execution of the audit plan by experienced and well-trained government financial auditors who know governmental fund accounting and are familiar with and know how to solve technical problems and issues;
- (3) Expert training for your accounting staff as the audit progresses, which means your personnel will learn best practice approaches and procedures for handling the financial transactions they face. Your staff will be more effective, more efficient, and more confident in their jobs;
- (4) Ongoing access to a team of experts to answer questions and provide support as the need arises; and
- (5) Detailed recommendations to improve procedures and internal control systems that will reduce the risk of loss and the potential for public embarrassment.

The services of Ulrich & Associates will help preserve the financial health and credibility of your organization. Our government auditing experience allows us to deliver services and guidance beyond what you would expect from an auditor. We want to work with you and develop a trusting relationship with your team. Please contact me personally at heather@ulrichcpa.com or (801) 627-2100 if you would like to discuss any aspect of this proposal.

Sincerely,



Heather Christopherson, CPA
Officer & Shareholder

Firm Profile

Ulrich & Associates, PC is a local CPA firm with its office at 4991 South Harrison in Ogden, Utah. The firm emerged from an original sole-proprietorship which was started by Charles E. Ulrich, CPA (retired), who, in 1986, branched out after having worked some 8 years with national and local CPA firms. As a result of opportunities to combine efforts with other CPAs, the firm grew into various entities, becoming Ulrich & Associates, PC, Certified Public Accountants in 1994. In 1999, Michael Ulrich, CPA, became an Owner & Shareholder in the firm. Heather Christopherson, CPA, became the third Owner & Shareholder in 2013. Today, the firm has three CPAs, four accountants, four para-professionals, and two administrative assistants.

As evidenced by the client list attached, our firm specializes in government and non-profit accounting and auditing. We have enjoyed long and healthy relationships with many of these clients which we believe evidences our commitment to quality and professional service. As a firm, we have chosen to be selective in terms of the audit proposals we respond to. Centerville City represents a near ideal fit in terms of the types of audit clients we seek to obtain. The City's size, proximity, and level of sophistication match our firm's ability to provide the necessary expertise in a timely and professional manner. We are anxious to have the opportunity to work with Centerville City.

Our audit procedures are designed to consider the processing aspects of computerized accounting systems as well as the control environment used by respective clients to make changes, modify programs, or correct data. Many of our clients utilize Caselle accounting systems and, as such, we feel we are specially qualified to audit Caselle systems as well as all other computerized accounting systems.

We affirm that we are licensed for practice as Certified Public Accountants in the State of Utah.

We affirm that we are independent with respect to Centerville City based on the requirements of the AICPA and the GAO's Government Auditing Standards, published by the U.S. General Accounting Office.

We affirm that we meet the continuing education requirements and external quality control review requirements contained in the GAO's *Government Auditing Standards* and Uniform Guidance.

Audit Team

Professional Education

Our audit team training focuses entirely on government and nonprofit subjects. As such, each year we attend training on a variety of topics relevant to developments in the governmental sector. We also subscribe to various publications to keep us apprised of new pronouncements and standards that may be applicable to our clients. These items are reviewed on a regular basis as part of our ongoing effort to aid our existing and future clients. Staff training includes (but are not limited to) the following:

- Annual UACPA State & Local Government Conference
- General Auditing Procedures – Level I – AICPA
- Single Audits in Governments & Nonprofits – AICPA
- Perfecting Analytical Procedures – PPC
- Frauds in Governments & Nonprofits – PPC
- Government & Nonprofit Update – PPC
- Auditing Standards Annual Update – PPC

As a firm we understand the importance of providing one-on-one service. A close working relationship with each client has enabled us to meet more directly those needs unique to each situation. It is our commitment to personalized attention that has been the key to our success both individually and collectively. As you will note in this proposal, Centerville City would receive the benefit of this personalized attention and would have an owner directly involved in all phases of the audit.

The following individuals may be assigned to the audit:

Michael Ulrich, CPA	Audit Partner
Heather Christopherson, CPA	Audit Partner
Kaela Cornwell, CPA	Audit Manager
Rebecca Bishop, MAcc	Staff Auditor
Danielle Whiting, MTAX	Staff Auditor
Dallen Brooks, MTAX	Staff Auditor

Audit Team Profiles

The following is a brief summary of the experience for each of the audit team members that may be assigned to the Centerville City audit. These auditors have had various levels of responsibility with each of the audits performed by Ulrich & Associates, PC as listed on Page 10 of this proposal. Each member of the audit staff has completed specific training courses that meet or exceed continuing education requirements under Yellow Book standards.

Michael E. Ulrich, CPA **Partner**

Michael ("Mike") graduated with a Bachelor's and Master's of Accountancy Degree from Weber State University in 1991. He began his career with Tanner & Company, in Salt Lake City. His experience included numerous audits of public companies and government entities. He also worked a year for a private company as an assistant controller. In 1994 he joined Ulrich & Associates where he focused more specifically on the needs of governmental and non-profit audits. He has since been heavily involved in the conduct of hundreds of government audits including cities, counties, special service districts and school districts. He is attentive to detail and provides effective analysis of critical audit issues.



Heather A. Christopherson, CPA **Partner**

Heather graduated with a Master's of Accountancy Degree from Weber State University in 2002 after having completed an undergraduate degree from the University of Montana in 2000. She began her accounting career with Galusha, Higgins, & Galusha in Montana and later moved to Utah and worked for Haynie & Company in Salt Lake. Her experience with these firms included audits of governmental entities. She joined Ulrich & Associates in 2003. Heather has been performing government audits and a broad range of other assurance services for over 20 years. Heather's specialized auditing expertise includes a detailed knowledge of state legal compliance requirements, Single Audits, risk assessment, engagement management abilities, and fund accounting.



**Kaela C. Cornwell, CPA
Manager**

Kaela graduated with a Master's Degree in Taxation in 2012 and a Bachelor's degree in accounting in 2011, both from Weber State University. She began her accounting career with HJ & Associates in Salt Lake City working with taxes and accounting for small businesses. She joined Ulrich & Associates in 2013. She has a strong technical and working knowledge of governmental accounting principles and audit standards and is effective in implementing the changes involved. She strives to enhance the benefits clients receive during the audit process and is effective in working with client staff at all levels of competency.

**Rebecca C. Bishop, MAcc
Staff Auditor**

Rebecca joined the Ulrich & Associates team in 2017 as a staff accountant and auditor. Rebecca has a breadth of experience in the accounting profession including tax preparation and auditing, reviews, and compilations. She graduated from Brigham Young University-Idaho in 2015 with a Bachelor's Degree in Accounting and obtained a Master's of Accountancy Degree from Southern Utah University in 2016. Rebecca practiced with a firm in Boise, Idaho for two years prior to moving to Utah and joining Ulrich & Associates. Rebecca has audit experience with both governmental and non-profit entities including, counties, cities, special service districts, and public charities.

**Danielle L. Whiting, MTAX
Staff Auditor**

Danielle Whiting started working at Ulrich & Associates as an intern during the 2017 tax season and continued to use her accounting skills thereafter as support for the Firm's bookkeeping and audit services. She rightfully earned a permanent place with the Firm as a staff accountant following her graduation from Weber State University with a Masters of Taxation Degree in 2018. Danielle's prior experience includes seven years as an Accounting Clerk for a retail business. Her ability to navigate and manage accounting systems make her adept at analyzing data and improving the accounting practices of clients in both tax and auditing contexts.



Dallen G. Brooks, MTAX
Staff Auditor

Dallen Brooks came to Ulrich & Associates in 2019 with substantial experience in the field of taxation for individuals and businesses. Dallen earned his Bachelor's Degree with honors in Accounting at Weber State University in 2017 and he went on to complete a Masters of Taxation Degree there in 2019. During his undergraduate work, he was an Associate Tax Preparer for five years at Nielsen Brooks & Associates, PC and also worked as an Assistant Controller for an international security company. Dallen is fluent in Spanish, making him a valuable resource in translating the "language of accounting" for English-speakers and Spanish-speakers alike.



Based on the qualifications of our staff, we believe we have the experience and expertise necessary to complete the audit and other services without the need for outside auditors or specialists.

Scope of Services

We will audit the financial statements of Centerville City for the fiscal year ended June 30, 2020, and will issue all associated audit reports. The audit will be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the AICPA Audits of State and Local Governmental Units Audit and Accounting Guide; and the Government Auditing Standards, published by the U.S. General Accounting Office.

We will assist Centerville City Management in preparing the basic financial statements and accompanying schedules. Management will be responsible for producing detail information supporting the financial statements and disclosures.

We will examine the financial statements and records of Centerville City and will issue an auditors' opinion on the City's financial statements with an in-relation-to opinion on combining and supplementary information.

We will prepare and include a statement expressing positive assurance of compliance with State fiscal laws identified by the state auditor and other financial issues related to the expenditure of funds received from Federal, State, or local governments.

We will prepare a comprehensive management letter including our findings and recommendations relative to the internal accounting and administrative controls, compliance with laws and regulations as applicable and adherence to generally accepted accounting principles. This letter, in draft form, will be provided to management prior to the exit conference and presentation of the financial statements. In addition, as issues or concerns arise, we will discuss these issues with the responsible party and management. This discussion and subsequent corrective action plan will be acknowledged by all parties and documented as such.

We will require that management sign a management representation letter prior to the release of the audit report. This letter will detail the representations made by management. We will provide management with a draft of this letter at least one week prior to the release of the report. Any items that are unclear to management will be discussed and written more clearly prior to the signing of the document.

Engagement Approach, Proposed Timing & Fees

	Description	Hourly Rates	Estimated Hours	Estimated Cost
By Appointment through August 15	Engagement planning, review of prior auditors' work papers, preliminary work paper set up, identification of confirmations to be sent, discussions with management regarding schedules to be prepared by City Staff, review & testing of internal controls, and fraud interviews.	Partner \$250	5	\$1,250
		Manager \$175	12	\$2,100
		Staff \$100	13	\$1,300
			30	\$4,650
When Available (Preferably by September 5th)	Receipt of Trial Balance from City Staff and preliminary analytical review.	Manager \$175	3	\$525
		Staff \$100	10	\$1,000
			13	\$1,525
September 15– October 15	Field Work, including test of accounts and balances, draft reports, and compliance testing.	Partner \$250	5	\$1,250
		Manager \$175	35	\$6,125
		Staff \$100	40	\$4,000
			80	\$11,375
October 1– October 15	Review draft reports with management, review journal entries, discuss management letter comments.	Partner \$250	3	\$750
		Manager \$175	3	\$525
			6	\$1,275
Prior to October 30	Issue audit reports & financial statements and present to council.	Partner \$250	4	\$1,000
		Manager \$175	3	\$525
			7	\$1,525
	Out-of-Pocket (travel, postage, printing, etc.)			\$100
	TOTALS		136	\$20,450

Engagement Approach, Proposed Timing & Fees (Continued)

It is anticipated that fees for subsequent years would increase by approximately 3% as follows:

2021	\$21,065
2022	\$21,700

Our fee covers auditing the financial statements, including supplemental information and all footnote disclosures required by *Government Auditing Standards*.

The above fees and expenses are based on the assumption that City Personnel will be available to assist us in preparing confirmations and trial balances, pulling invoices and other supporting documents, and preparing supporting schedules for each fund. Other circumstances encountered during the audit (such as significant breakdown in internal controls or loss of key financial personnel) would be subject to fee adjustments made as a result of discussions with the City's management regarding the effect of such circumstances on the audit.

Additional Work

Additional work may be required to provide the assurances contemplated in performing an audit. Additional work will be discussed with management as the audit progresses, but will be billed at an agreed upon rate or amount prior to incurring the additional costs.

Non-Discrimination Clause

We specifically affirm that the firm does not discriminate against any individual because of race, religion, sex, color, age, handicap, or national origin, and that these shall not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

Governmental Client List

Attest Type		Entity Type		Entity		Financial Software		Since Year Ending		Contact		Other
Audit		Municipality		Clearfield City		Tyler		1993		Rich Knapp, Finance Director 801-525-2720		GFOA Certificate
Audit		Municipality		Farmington City		Caselle		1987		Greg Davis, Finance Director 801-939-9204		GFOA Certificate
Audit		Municipality		Huntsville Town		QuickBooks		1989				
Audit		Municipality		Oakley City		Pelorus		1994				
Audit		Municipality		Providence City		Pelorus		2015				
AUP		Municipality		Town of Stockton		Pelorus		1999				
Audit		Municipality		West Point City		Caselle		2011				
AUP		Municipality		Town of Woodruff		QuickBooks		1993				
AUP		Municipality		Randolph Town		QuickBooks		2003				
AUP		Municipality		Rush Valley Town		QuickBooks		2004				
Audit		Municipality		West Haven City		QuickBooks		2019				
Audit		County		Rich County		Caselle		1988		Bill Cox, Commissioner 435-757-8248		
Audit		County		Summit County		Caselle		2005		Matt Leavitt, Finance Officer 435-336-3017		Single Audit
Other	**	County		Tooele County		Caselle		2013		Alison McCoy, Auditor 435-843-3311		
Audit		County		Box Elder County		Tyler		2014				
Audit		County		Davis County		Other		2015				Single Audit
Audit		District		North Davis Fire District		QuickBooks		2018				
Audit		District		South Summit Fire District		QuickBooks		1989				
AUP		District		Upper Colorado River		QuickBooks		1995				
Audit		District		West Haven SSD		QuickBooks		2019				
AUP		District		Mountain Green Fire District		QuickBooks		2007				

All reports are available through the Office of the Utah State Auditor Website (<http://www.auditor.utah.gov>).

** We are providing consulting services that include the drafting for year-end financial statements.

AUP Agreed Upon Procedures or Self-Evaluation with Compilation

Attachment A – Peer Review Report

Poulsen VanLeuven & Catmull PA **Certified Public Accountants**

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Jeffrey D. Poulsen, CPA
Darren B. VanLeuven, CPA
Jacob H. Catmull, CPA

Report on the Firm's System of Quality Control

August 22, 2019

To the Owners of Ulrich & Associates, PC
and the Peer Review Committee of the Nevada Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Ulrich & Associates, PC (the firm) in effect for the year ended December 31, 2018. 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*, which included a compliance audit under the Single Audit Act.

As a part of our 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 Ulrich & Associates, PC in effect for the year ended December 31, 2018, 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*. Ulrich & Associates, PC has received a peer review rating of *pass*.

Poulsen VanLeuven & Catmull

Poulsen VanLeuven & Catmull PA

1360 Albion Avenue • Burley, Idaho 83318 • (208) 678-1300 • Fax (208) 678-1301 • www.pvccpas.com

CENTERVILLE CITY

PROPOSAL FOR AUDIT SERVICES
JUNE 5, 2020



215 South State Street, Suite 850 • Salt Lake City, UT 84111 • (801) 533-0409

Prepared by:

Danny Barlow, CPA



LETTER OF TRANSMITTAL

June 5, 2020

Centerville City
Jacob Smith, Finance Director
250 North Main Street
Centerville, UT 84014

We are pleased that Centerville City (the City) is considering Squire & Company, PC (Squire) to provide auditing services for the period ending June 30, 2020.

Our responsibility as independent auditors is to issue our opinions (based on evidence obtained and an understanding of internal controls) on the City's financial statements and the City's compliance with applicable laws and funding requirements. The users of the City's financial statements rely on those statements to make informed decisions. They also expect that City resources are protected and trust that compliance requirements are satisfied.

Squire will provide the highest level of specialized expertise available and needed to perform quality audits for the City. Providing audit services for governments (including school districts) requires a unique understanding of governmental accounting and reporting and government auditing standards plus years of experience serving governments.

Following are highlights of items and interest about Squire:

- Squire is an active member of the AICPA Center for Audit Quality and a member of the AICPA Governmental Audit Quality Center.
- We provide financial audit services for many local governments throughout Utah. We currently audit the City of South Salt Lake, the City of Wendover, Salt Lake County, Summit County, Kane County, and Carbon County, seventeen school districts, Mountainland Association of Governments, municipal golf courses, special service districts, local district, metropolitan water districts, commissions, and other local governments.
- We are actively involved in training and supporting local governments in implementing new accounting and reporting standards. We also provide assistance in evaluating, designing, and implementing internal controls.
- Our governmental audit teams are well trained, attend annual governmental training and updates, and have the capacity to audit the City in a timely manner.
- Supplemental consultation is available to you throughout the year at no additional fee.
- Auditing local governments is a passion, not a supplemental activity, for us at Squire.

We understand governmental accounting and reporting. We have extensive experience auditing local governments as well as auditing federal and state compliance. We will apply that knowledge, understanding, and experience in our audit of the City, efficiently and effectively. The result of our audit will be useful reports and valuable recommendations.

We assist our clients and others in the community in understanding and implementing new accounting and reporting standards through training programs, consultation, and committee assignments. Our experience with similar governmental entities (in addition to the availability of our staff) allows us to give Centerville City the professional service needed to comply with accounting, auditing, and reporting standards. We desire to be your valued resource.

Respectfully,

A handwritten signature in blue ink that reads "Squire & Company, PC". The script is cursive and fluid, with the letters "S", "C", and "P" being particularly large and stylized.

Squire & Company, PC

A. PROFILE OF THE FIRM

Since 1973, Squire & Company, PC, a locally owned and managed firm of certified public accountants, has provided a full range of professional services in auditing, accounting, and taxes, as well as information technology and management advisory services for a variety of industries and entities. Our firm has two offices: one in Orem, Utah, and one in Salt Lake City, Utah. Personnel consists of 60 certified public accountants. Our current professional and support staff is summarized as follows:

Squire - Personnel		
	Total Personnel	Government Personnel
Partners	24	3
Managers	25	3
Professional accountants	55	8
Interns and seasonal	8	0
Secretaries and administrators	18	2
Total personnel	130	16

We are freely accessible to City personnel throughout the year and will be able to respond quickly to requests.

Address: Squire & Company, PC
215 South State Street, Suite 850
Salt Lake City, Utah 84111

Telephone: (801) 533-0409
Facsimile: (801) 533-0414
Web: www.squire.com

Your contacts: Danny Barlow, CPA, engagement partner
dannyb@squire.com
(385) 215-2804

Matthew Geddes, CPA, engagement quality control partner
mattg@squire.com
(801) 494-6003

All of the certified public accountants at Squire are currently licensed to practice in the State of Utah. In relation to the City, our firm meets the independence requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards, 2018 Revision*.

We are freely accessible to your personnel throughout the year and will be able to respond quickly to requests.

The audit practice area at Squire has grown an average of ten percent in each of the past ten years. We have hired, and continue to hire, graduates with Master of Accountancy degrees from nearby universities. We currently have 25 full-time individuals working in the audit practice area. Although most of our audit partners and managers have been with us for more than ten years, two of our auditors has sought a new career elsewhere in the last three years. We attribute our low turnover rate to a good working environment and highly motivated teams. Where possible, we commit to assign the same individuals to the audit engagement over the next three years. We will also honor and requests for changes in personnel.

Also, Squire has been voted one of the best places to work in Utah. This recognition reflects our proactive compensation and benefits offered to our well-educated professionals.

Detailed in the chart below are local government client references:

Squire - Government Clients Similar to Centerville City			
Client	Location	Contact	Phone
Municipalities:			
City of South Salt Lake	South Salt Lake	Kyle Kershaw	801-464-6756
City of Wendover	Wendover	Lori Palafox	435-665-7771
Other Governments:			
Jordanelle Special Service District	Heber	Kierstan Smith	435-654-9233
Salt Lake County	Salt Lake	Shanell Beecher	385-768-7102
Summit County	Coalville	Michael Howard	435-336-3254
North Fork Special Service District	Sundance	Candace Strong	801-225-7263
Mountainland Association of Governments	Orem	Steve Johnson	801-229-3800
Annual services provided for these entities include:			
Audit of basic financial statements			
Audit of federal programs as required by the Single Audit Act			
Audit of state programs as required by the <i>State Compliance Audit Guide</i>			
Assistance with preparation of Comprehensive Annual Financial Report			
Assistance with implementation of accounting and reporting standards			

Squire also provides audit services for a variety of private commercial entities, some equal to or larger than (in size and complexity) to the governmental audit clients listed above.

We have assisted our governmental audit clients in the implementation of new accounting and reporting standards, from GASB Statement No. 1 through 95. We have also provided training and resources for many other governments throughout the state and nation to implement standards as they become effective.

We are familiar with auditing computer-based accounting systems. Where warranted, we use computer-aided audit tools and work with client information systems personnel to help us with the audit process. Our firm information technology specialists will assist with audit planning, understanding the accounting

system, and assessing risks, and tests of transactions. We use CCH ProSystemfx Engagement as a trial balance management tool which provides the ability to link balances to the financial statements and related notes.

Each of our auditors responsible for planning, directing, conducting, or reporting on government engagements have completed annually over 40 hours of continuing education and training with at least 12 of those hours in subjects directly related to the government environment and to government accounting and auditing.

Members of this governmental audit team have completed continuing educational training sponsored by the AICPA, UACPA, Utah State Auditor's Office, and GFOA as follows:

- Audits of State and Local Governmental Units
- Annual AICPA Government and Nonprofit Conference
- Governmental Accounting and Auditing Update
- Annual UACPA State and Local Government Conference
- Auditing Under the Single Audit Act
- Governmental Accounting and Auditing Certificate of Educational Achievement Program
- State Auditor's Office Annual Government Auditing Update
- Solving Complex Single Audit Issues for Governmental and Nonprofit Organizations
- GFOA's Annual Governmental GAAP Update

The firm also subscribes to a comprehensive professional library which includes current GASB and AICPA pronouncements. We also subscribe to monthly newsletters and practice aids: *GAAFR Review* and *PPC Government Update*, as well as to the *Guide to Audits of Local Governments*, *Guide to Preparing Governmental Financial Statements*, and *Guide to Single Audits*.

Squire is an active member of the AICPA Center for Audit Quality and the AICPA Governmental Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services.

Squire & Company, PC has an appropriate internal control system in place and participates in an external quality control review program. Our established internal quality control system provides reasonable assurance that we have established, and are following, adequate audit policies and procedures and have adopted, and are following, applicable audit standards. Also, every three years, we undergo an external quality control review that determines that our internal quality control system is in place and operating effectively and established policies and procedures and applicable accounting standards are being followed in our audit work.

Since the 1980s, Squire has undergone periodic reviews of our accounting and auditing practice. Peer reviews are designed to improve the quality of accounting and auditing services provided by CPAs as well as providing public protection. Our most recent peer review report can be found in the AICPA public file at www.aicpa.org.

B. QUALIFICATIONS

The professionals directly assigned to work on this engagement include the following:

Danny Barlow, CPA – Engagement Partner

Danny joined the firm in 1999 shortly after receiving his bachelor's degree in accounting from the University of Utah. Danny received his Master of Professional Accounting degree from Weber State University in May 2001. Danny has over twenty years of experience in public accounting. Danny has been an integral part of supervising audits, including governmental entity, nonprofit organization, and for-profit entities audits. Danny is a member of the American Institute of Certified Public Accountants and the Utah Association of Certified Public Accountants.

Matthew Geddes, CPA – Engagement Quality Control Review Partner

Matt joined the firm in 2008 shortly after receiving a Master of Accountancy degree from Utah State University. He is involved in managing audits of for-profit entities, local governments, and employee benefit plans. Matt's primary area of emphasis is providing audit and related services to local government entities. Matt volunteered to serve as a lead adopter to the AICPA's Single Audit Certificate and was among the first in the nation to be awarded a certificate which demonstrates his technical expertise in performing single audits in accordance with *Uniform Guidance*. He is a member of the Government Finance Officers Association (GFOA) and evaluates government's comprehensive annual financial reports (CAFRs) submitted to the GFOA's award programs. Matt is also a member of the American Institute of Certified Public Accountants and the Utah Association of Certified Public Accountants.

Jason Wheeler, CPA – Engagement Manager

Jason joined the firm in 1998 after receiving his bachelor's degree in accounting from Weber State University. Jason received his Master of Business Administration from Utah State University in May 2001. Jason has twenty years of experience in public accounting and has been involved with the audits of government entities and nonprofit organizations. Jason is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Utah Association of Certified Public Accountants.

Other firm professionals will be available as needed to review audit documentation, assist with information technology issues, review and research accounting and audit matters, etc.

We do not anticipate using the services of any other audit firm in the audit.

C. APPROACH TO THE EXAMINATION

We will audit the financial statements of the City for the year ending June 30, 2020. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions contained in the *State Compliance Audit Guide*.

We use practice aids developed to provide an efficient, technically sound audit approach for local governments. We will tailor our audit to address the risks associated with your individual audit; a risk assessment approach provides a method to identify higher-risk areas so that audit effort can be focused on those areas.

Our audit approach can be divided into the following broad steps:

1. Perform procedures regarding acceptance/continuance of the client relationship, evaluate compliance with ethical requirements (including independence), and establish an understanding with the client in an engagement letter.
2. Establish planning materiality for each opinion unit and perform risk assessment procedures to gather information about the government and its environment that may be relevant in identifying risks of material misstatement of the financial statements. In accordance with the AICPA Audit and Accounting Guide for State and Local Governments, multiple measures of materiality for an individual opinion unit will be used and a lower materiality level will be established for particular items.
3. Gather the information to understand and evaluate the design and implementation of the government's internal control system.
4. Synthesize the information gathered, identify risks (both overall and specific) that could result in material misstatement of the financial statements, and develop an overall audit strategy for each audit area (for example, substantive procedures or a combined approach of substantive procedures and tests of controls).
5. Assess the risks of material misstatement of the government's financial statements.
6. Develop and perform appropriate responses (further audit procedures) to the assessed risks of material misstatement of the financial statements considering the overall audit strategy and planning materiality. These audit procedures will include tests of transactions (revenues, receipts, disbursements, purchasing, payroll, adjustments, and inventories), summaries, estimates, and disclosures.
7. Evaluate audit findings and evidence.
8. Prepare required reports and communications.

We work as a team on our audit engagements and involve you in the process to ensure you are satisfied with our approach and the results of the audit. We communicate with management continually throughout the process to ensure the audit progresses efficiently and questions are resolved quickly. We do not plan to use the services of specialists in our audit.

The number of estimated hours by level is provided in Section D.

D. TIME REQUIREMENTS

Based upon our knowledge of the City, our review of the City's financial statements and budget, and our experience with similar engagements, we anticipate approximately 150 hours will be required to complete the audit for the period ending June 30, 2020. Our anticipated audit timing is detailed below.

Centerville City	
Audit Calendar	Anticipated
Year Ended June 30, 2020	Date
Planning	July 2020
Understanding of controls and compliance:	August 2020
Understanding system and test	
State compliance tests	
Performance:	September/ October 2020
Audit year-end accounts and balances	
Review results with management	
Reporting:	October 2020
Draft financial and other reports and schedules	
Deliver reports to Board	

Time for the year ending June 30, 2020 is detailed in the following chart.

Centerville City Audit Time Budget Year Ended June 30, 2020			
Audit Area	Hours		
	Partner	Professional	Secretary
Planning: Prepare files State compliance: Identify and understand major federal and state programs Select test samples Understand entity and accounting system Preliminary analytical review, materiality, risk Engagement letter and meet with management <i>Total audit planning</i>			
	5	20	2
Audit Performance: Financial statement accounts: Cash and investments Taxes receivable and revenue Other assets and liabilities Capital assets, depreciation Accounts payable, expenses Payroll and related payables and benefits Long-term liabilities, net position State compliance audit Minutes and contracts Evaluate accounting estimates Identify and review related party transactions Confirmations and requests for representations Commitments, contingencies, and subsequent events <i>Total audit performance</i>			
	15	60	2
Audit Conclusion: Evaluate audit differences Assist with draft of financial other reports Financial statement disclosure checklists Summarize deficiencies and findings Prepare state compliance reports Prepare federal data collection form Review audit files and approve issuance of auditor's reports Deliver reports to Board <i>Total audit conclusion</i>			
	15	25	6
Partner total Professional total Secretarial total <i>Overall audit hours</i>	35	105	10
	150		

E. FEES

Our not-to-exceed fees for the audit and related services (assistance with preparing the annual financial report and state compliance audit) will be \$25,000 for the year ending June 30, 2020.

We anticipate that we will provide audit services for the following two years. For those years, we will maintain our fee with an annual cost-of-living increase. Accordingly, our fees for the years ending June 30, 2021 and 2022 would be \$26,500 and \$28,000, respectively. Our proposal anticipates moderate growth and no substantial changes in the City, audit and accounting and reporting standards, or major federal and state awards. Our fee includes travel and other audit-related costs.

Other accounting services and consultation are available upon your written approval at our average rates or at a negotiated fee.

F. NON-DISCRIMINATION CLAUSE

We affirm that Squire does not discriminate against any individual because of race, religion, gender, color, age, disability, or national origin, and that these shall not be a factor in consideration for employment, selection for training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

G. PEER REVIEW

Our most recent quality control letter received at the conclusion of our most recent peer review (conducted July 2018) is attached. Additional information relating to our most recent peer review is located in the public file at www.aicpa.org.

Report on the Firm's System of Quality Control

July 13, 2018

To the Shareholders
Squire & Company, P.C.
and the Peer Review Committee of the Nevada Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Squire & Company, P.C. (the firm) in effect for the year ended December 31, 2017. 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

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 Squire & Company, P.C. in effect for the year ended December 31, 2017 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*. Squire & Company, P.C. has received a peer review rating of *pass*.

Watson Coon Ryan, LLC

Watson Coon Ryan LLC



CENTERVILLE CITY

PROPOSAL FOR AUDIT SERVICES



Larson
CERTIFIED PUBLIC ACCOUNTANTS

JON HADERLIE, CPA, AUDIT PARTNER
765 NORTH MAIN, SPANISH FORK, UT 84660
TEL: 801-798-3545 FAX: 801-798-3678
jhaderlie@larsco.com



June 5, 2020

Centerville City
35 East 100 North
Centerville City, Utah 84761

Management of Centerville City:

Thank you for giving us the opportunity to submit an audit services proposal for Centerville City. We have great regard for your organization and look forward to the prospect of working alongside you to safeguard your public funds by entering an agreement for audit services.

Our Qualifications. Larson & Company, PC (a Utah corporation) has been auditing government entities since our inception in 1975, 45 years ago. We have since become known as one of the premiere providers of auditing services to government entities in the State of Utah, and in that time we have worked with over 50 government entities of various sizes. We understand you require professionals experienced in auditing municipal entities and possessing an understanding of the unique operating characteristics of a City in Utah. You also require experienced professionals who will be available as a resource to you year-round as questions or concerns may arise. Our specialists can offer proactive advice as a matter of course, including issues related to:

- application of GASB statements
- best practices related to Cities in Utah
- emerging regulatory issues, including transparency standards
- analyzing internal controls processes for possible weaknesses regarding fraud

You want your accounting professionals to be familiar with your organization, understand your mission, and remain accessible to discuss important issues facing Centerville City in the future. Because of our knowledge of government regulations, our municipal clients are served by a knowledgeable, experienced staff for a reasonable fee with no surprises. In fact, some of our government clients have remained with Larson & Company for over 30 years.

A Winning Combination. Our government auditing experience with territories, counties, cities, and small government entities allows us to deliver not only the services required in your RFP, but far more guidance and service than you would expect from an auditor. We can offer friendly service with a combination of quality and price that matches the value you seek.

We look forward to working with Centerville City. If you have any questions or require additional information, please contact me at (801) 798-3545 or jhaderlie@larsco.com.

Sincerely,

Larson & Company, Certified Public Accountants

A handwritten signature in blue ink that reads "Jon Haderlie, CPA".

Jon Haderlie, CPA
Partner



At Larson & Company, we believe our experience gives you the security to safeguard funding.

A. FIRM'S QUALIFICATIONS

Firm Organization and Locations Larson & Company is a privately owned, regional accounting firm comprised of 106 employees, including 33 CPAs, 13 partners, and 54 professional staff. We operate from four offices throughout Utah, including Salt Lake City, Spanish Fork, Moab, and St. George.

Audit Office Information

Your audit will be conducted from our Spanish Fork office, which employs a government staff of highly qualified individuals, utilizing additional staff from our Salt Lake office, if needed. All of our staff are full-time employees and many are licensed CPAs. We have a policy of being available to our clients whenever you need us, not just during the course of the audit. We expect questions throughout the year, so call us anytime. We typically do not bill for routine phone conversations, but we view these as ancillary services that add value to your audit, not additional time we can bill.

Exceeding Mandatory Criteria

The requirements for competent government auditors are strict. We pride ourselves on maintaining the highest standards of excellence within our profession. We not only meet the criteria in your RFP, we exceed it.

- Our firm is properly licensed for practice as certified public accountants in the state of Utah.
- Larson & Company meets all the requirements for independence and experience as promulgated by the AICPA Rule 101 and the *Government Auditing Standards*. We have heretofore not entered into any professional relationships or contracts with Centerville City within the last five years, and we do not deem a conflict of interest relative to performing the audit to exist.
- The training received by our government audit personnel is of high caliber. Each CPA on staff is licensed to practice in the State of Utah. Each member of the audit team assigned to your audit has received extensive training in current government auditing standards and regulations and meets the continuing education requirements. We also meet the external quality control review requirements contained in the *Government Auditing Standards*.
- No disciplinary action has been taken against a member of our firm in the 45 year history of the firm.
- The most current quality control review report can be found at the end of this proposal. We have received a passing report with no letter of comments attached, indicating a clean quality control history. This external quality control review included a specific review of government engagements.
- The Office of the Utah State Auditor performed a review of our workpapers and issued a report in August of 2018. The results of that review is a "pass" as noted on their website.



A big part of the value of our service is our people. We are committing a highly qualified team to lead your engagement, with over 35 years of combined service experience.

B. STAFF QUALIFICATIONS

Staff Resumes

As a professional services firm, the skills of our people are a big part of the value of our services. You want to work with knowledgeable individuals and decision makers that can get the job done. You want to get to know your team and expect continuity in the relationship with your team. We do, too. The professionals we are committing to Centerville City are experienced and well trained in audit issues affecting government entities and intend to be there to assist you on a long-term basis.

Staffing Approach

We have included the resumes for our lead government audit partner, concurring audit partner, and senior staff auditor. All staff assigned to this audit are seasoned government specialists with the training and experience that will give Centerville City the most qualified team to complete their audit in a timely, efficient manner. The training our audit staff receives complies with all government standards and requirements for continuing education. This ensures you have the most current information for your organization every year during your audit.

The key members of the engagement team consist of:



*Jon Haderlie, CPA,
Lead Audit Partner*



*Russell Olsen, CPA,
Concurring Partner*



*Cody Powell,
Senior Auditor*



JON HADERLIE, CPA

LEAD AUDIT PARTNER

Jon is one of our most experienced government auditors and has worked with government entities of all sizes, including special service districts, cities and towns, counties, universities, territories, and charter schools. He is well known in the government community and his knowledge of government reporting requirements is unmatched in our organization. Jon is known for assisting his clients in understanding, identifying, and implementing internal controls necessary to maintaining a healthy organization. His approach is common sense, and he has the ability to connect with his clients on every level, from staff to management and governance. His expertise includes all accounting and auditing standards and regulations as specified by the AICPA, GASB, FASB, GAAS, and GAS. Jon is licensed to practice as a CPA in the State of Utah.

CONTACT INFORMATION:

jhaderlie@larsco.com

801-798-3545

765 North Main
Spanish Fork, UT
84660

www.larsco.com

Jon's academic and professional accomplishments include the following:

- MBA, Utah State University, 2009
- Bachelor of Science, Accounting, Utah Valley University 2003
- Member, Utah Association of Certified Public Accountants (UACPA)
- Controller, private industry, 2004-2007
- AICPA Not-for-Profit Certification
- Committee Chair – NextGen CPAmerica
- Committee member – UACPA Local Governments
- Utah Association of Counties presenter on Internal Controls

Jon's Recent Government Continuing Education Courses Completed:

- UACPA Government Conference
- Utah State Auditor's Office Governmental Auditing Update
- Guide to Audits of Local Government
- Audits of States, Local Governments, and Non-Profit Organizations
- GASB 54: Fund Balance Reporting and Governmental Fund
- Staff Audit Training
- AICPA Not-for-Profit Certification
- Uniform Guidance



RUSSELL OLSEN, CPA

CONCURRING AUDIT PARTNER

Russell has specialized in preparing and presenting audits for an extensive array of government entities since 1996, when he joined the firm. The combination of his experience and expertise has made him aware of the specific needs of the clients he serves. Russell's friendly demeanor and approachability make him a client favorite, and he can frequently be found answering questions throughout the year, not just during the audit.

Russell's academic and professional accomplishments include the following:

- MBA (Accounting Emphasis) Utah State University, 2000
- Bachelor of Science, Business Management (Accounting Emphasis), Utah Valley University, 1998
- Shareholder and Executive Committee Member, Larson & Company
- Member, American Institute of Certified Public Accountants (AICPA)
- Member, Utah Association of Certified Public Accountants (UACPA)
- Member, Finance Committee, Spanish Fork City

CONTACT INFORMATION:

rolsen@larsco.com

801-798-3545

765 North Main
Spanish Fork, UT
84660

www.larsco.com



CODY POWELL

SENIOR AUDITOR

Cody has become one of our most in-demand employees since he joined the firm in 2013. He is proficient in testing and auditing government entities of all sizes and types, including counties, cities, special service districts, charter schools, and others. His audit proficiency has earned him a spot working on our largest government clients. Cody is known for quickly completing audit processes and his clients appreciate his easygoing personality.

Cody's academic and professional accomplishments include the following:

- Masters of Accountancy, Westminster College, 2013

Cody's Recent Government Continuing Education Courses Completed:

- UACPA Government Conference
- Utah State Auditor's Office Governmental Auditing Update
- Guide to Audits of Local Government
- Audits of States, Local Governments, and Non-Profit Organizations
- GASB 54: Fund Balance Reporting and Governmental Fund
- Staff Audit Training

CONTACT INFORMATION:

cpowell@larsco.com

801-798-3545

765 North Main
Spanish Fork, UT
84660

www.larsco.com



We think you will find our clients are exceptionally pleased with our services. Please contact any of these reference for more information.

C. CLIENT REFERENCES

The best and most valuable proof of our ability to deliver the services you require and deserve is evidenced by the fact that we continually serve over 50 governmental entities. The following four clients are those for whom we have performed financial statements audits and/or single audits over the last several years. We encourage you to contact these clients and ask about the quality of service provided by Larson & Company.

Ivins City

Lane Mecham, Finance Director

lmecham@ivins.com

435-634-7704

Audit Partner: Jon Haderlie, CPA

Millard County

Bonnie Gehre, County Auditor

BGehre@co.millard.ut.us

435-743-5227

Audit Partner: Jon Haderlie, CPA

Price City

Lisa Richens, Finance Director

lisar@priceutah.net

435-636-3167

Audit Partner: Jon Haderlie, CPA

Santaquin City

Ben Reeves, City Manager

breeves@santaquin.org

801-754-3211

Audit Partner: Jon S Haderlie, CPA

Similar Engagements with Other Government Entities

We serve a wide range of governmental entities, including the following similar clients:

Other Governmental Clients:

American Samoa Government

Tooele County

Cottonwood Heights City

Midvale City

Nephi City

Mt. Pleasant City

Summit County Service Area #3

Park City Fire District

Utah Counties Indemnity Pool

Utah Association of Counties

Wasatch County Special Service District #9

Wasatch County Special Service Area #1

Implementation of new GASB Pronouncements

As new standards are implemented, we strive to educate and assist our clients in understanding the standard. We stand ready at any time to clarify how the standards apply to each specific client. With the recent implementation of GASB 68, we met individually with each client to explain the meaning and ramifications of implementation.



Larson & Company understands the nature of your organization. We can begin to work right away, and you will not have to spend time each year training our staff.

D. PROPOSED APPROACH

Understanding of Scope of Work

We understand from your RFP document that the scope of your audit includes the following for each fiscal year of the contract period:

- Financial Report: Audited Financial Statements and Records of Centerville City and the accompanying opinion on these statements in accordance with Yellow Book;
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters in accordance with GAS;
- Reports Required for the Single Audit under the Uniform Guidance (if applicable), and Reporting Required by the Office of the Utah State Auditor;
- Management Letter;
- All reports and bound copies with an electronic copy of each will be submitted to Centerville City **before the requested deadline**.
- These shall all be performed in accordance with:
 - Auditing standards generally accepted in the United States of America, as promulgated by the American Institute of Certified Public Accountants (AICPA);
 - The *AICPA Audits of State and Local Governmental Units* audit and accounting guide;
 - *Government Auditing Standards*, 2011 revision, published by the U.S. Government Accountability Office;
 - The *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor;
 - The Single Audit Act; *Audits of States, Local Governments, and Non-Profit Organizations* under the uniform guidance (as applicable).

Specific Audit Approach

In order to understand our audit approach, it is necessary to understand the underlying philosophy of Larson & Company. Our mission statement is "Achievement Through Constant Improvement." Our founder, Dennis Larson, demonstrated to us that we are inherently happier when we are improving. Each employee is required to set goals each year that involve both business and personal aspirations. Our firm makes a constant effort to help provide everything necessary for our employees to achieve their goals. As we all strive to make improvements to our lives that we each have chosen for ourselves, we are happier. We abide by the idea that a happy employee is a productive employee. This philosophy of constant improvement carries over to our clients. We know that if we can assist you in achieving your goals, you will value our relationship, and both you and our firm will be rewarded.

When it comes to the accounting standard of professional skepticism, we believe there is a broad range within which to operate. We approach management and board of trustees in a non-adversarial way. Our process consists of testing and verification rather than challenge and confrontation. During the entire process, we understand that communication is key your success and the success of our firm. We have found that properly communicating with our clients adds value to the services we provide and ensures a lengthy, mutually beneficial, relationship.



Larson & Company
makes every effort
to create as little
disruption as
possible in your
day-to-day
activities.

E. PROJECT SCHEDULE

In order to achieve an efficient and effective audit, we will tailor our audit approach to fit the nature of your business and operations focusing on the likelihood of a material misstatement in the financial statements. In order to do so, it is essential for us to understand clients' needs and concerns. With this understanding, we will be better able to direct our emphasis to the areas of higher risk, focusing on the unique characteristics of your operating environment, the effectiveness of your internal control, and your financial statement amounts and disclosures.

Based on our understanding of the timetable and accounting department staffing, we propose the following tentative schedule for the audit of Centerville City's financial statements:

Initial Meetings with Management – Upon award of contract

The goal of these initial meetings is to establish effective two-way communication between auditor and management. We will discuss our overall assessments and the scope of our audit testing. Additionally we will discuss both management's responsibilities as well as our own responsibilities. Input from the audit committee will be explored in developing our understanding of the risks facing Centerville City and identifying the sources of evidence and information about specific transactions. We will also establish dates for the next phases of the audits.

Preliminary Audit Procedures – August/September 2020

During this planning phase, we will review and evaluate the internal controls of Centerville City to determine the timing and extent of our testing. We will review activity to date, update our initial risk assessments, and discuss any concerns regarding our audit procedures. We will also communicate with staff to coordinate the preparation of work papers and confirmations.

Audit Fieldwork – August/September 2020

During the testing phase we will verify asset balances, determine the completeness of liabilities and conclude our detailed examination of your financial cycles. After our fieldwork and before the issuance of our report, we will request certain representations from management in a *management representation letter*. A draft of this letter will be made available at least one week in advance of our anticipated date of signing. We are available to explain any language in the letter that is not clear to governing officials.

Issue Audited Financial Statements – October 2020

The reporting phase will begin as soon as our testing is complete. Our auditors will compile preliminary draft reports for review after fieldwork ends. We will make our reports available to management and will be available to discuss any of our findings at this time. We will issue the audit reports and letters by Centerville City's requested deadline to allow management to have it to the Office of the Utah State Auditor prior to the deadline.

We will be available to meet with the audit committee during any of the above audit phases to discuss our progress. Should we encounter any significant adjustments or material weaknesses, we will discuss them with management and/or the audit committee, as appropriate, as soon as they come to our attention.

We find delays in the final report sometimes occurs as a result of not receiving timely information from third parties. We will be proactive in keeping you informed about issues remaining and may ask your assistance in receiving information from third parties to avoid delays in issuing our report.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the oversight agencies. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

Deliverables

A list of expected deliverables in connection with Centerville City's annual audit include:

1. Financial Statement Audit Report
2. Single Audit Report (when applicable)
3. Government Auditing Standards Report
4. Report on Compliance and Internal Control required by Utah State Auditor
5. Communication with Those Charged with Governance

Communication Process

Great emphasis is placed on the personal relationships we have built with our clients. Partners and managers take pride in their ability to proactively assist clients and will reach out to Centerville City to communicate any issues that might arise. You can feel confident in contacting the professionals at Larson & Company without the worry of incurring additional expense.



Larson & Company understands the pressures placed on organizations to manage costs and we believe you will find we provide an incomparable level of service at very competitive rates.

F: PROPOSED FEES

Our fee estimate is based on the complexity of the work required and considers our understanding of your present internal control and procedures together with an understanding that Centerville City will provide us with substantial assistance, including account analysis, workpaper schedules, confirmations, documentation of internal and financial controls, etc. We have also assumed that the City will draft the financial statements.

The “not to exceed” fee for regular assurance services for the years ending June 30, 2020-2022, is estimated below.

These Financial Statement Audit fee and Single Audit fees (if applicable) are based on the estimated hours and our discounted governmental billing rates of various staff levels as follows:

Level	Rate	Estimated Hours
Partner	\$300	17
Manager	\$125	25
Staff	\$110	79

Year	Financial Statement Audit	Single Audit (if applicable)
2020	\$16,500	\$4,000
2021	\$17,000	\$4,000
2022	\$17,500	\$4,000

The **Single Audit fees** are separated from the financial statement audit fees as they would **only apply** in years where required.

We know you don’t like fee surprises. Neither do we. We strive to be truthful, straightforward and up front in our fee discussions so there are no surprises.

Billing Issues Throughout the Year

We view our relationship with Centerville City as long-term. Additionally, we are available to you, on an ongoing basis, to discuss matters of audit, compliance, financial reporting, or anything that concerns you. We view these routine consultations as ancillary services that add value to your audit and compliance needs, not additional time that we can bill.

Any significant matters, needing exhaustive research or resources will be discussed with you and agreed upon before the work is performed. This eliminates the surprise “nickel and dime” billing you may see from accounting firms with unusually low fee quotes. These services will be billed at our standard hourly rates disclosed above.



G: NON-DISCRIMINATION CLAUSE

Larson & Company does not discriminate against any individual because of race, religion, sex, color, age, handicap, or national origin, and these are not a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

H: OUR COMMITMENT TO YOU

We are committed to placing Larson & Company's financial assurance and consulting resources at your service. Our experience auditing municipalities and other governmental entities will assist you in meeting your compliance requirements.

Our goal is to provide you with practical, timely and affordable solutions to your financial and operational needs. Ultimately, our good name and reputation rest on how well our services work for organizations like yours. Please contact us if you have questions regarding this proposal. We look forward to working with you soon.

I: PEER REVIEW REPORT

A copy of Larson & Company's most recent peer review report may be downloaded from the AICPA using the following address: https://peerreview.aicpa.org/public_file_search.html. A copy has also been attached at the end of this document. No management letter was issued in conjunction with the report, indicating a clear record with no quality control issues.

J: CONTACT INFORMATION

Jon Haderlie, CPA
Lead Audit Partner
765 North Main
Spanish Fork, UT 84660
801-798-3545
jhaderlie@larsco.com



PEER REVIEW REPORT



Gregory, Sharer & Stuart, P.A.
Certified Public Accountants and Business Consultants

Report on the Firm's System of Quality Control

September 9, 2017

To the Partners of Larson & Company, P.C.
And the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Larson & Company, P.C. (the firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended April 30, 2017. 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 an engagement performed under *Government Auditing Standards* including compliance audits under the Single Audit Act; audits of employee benefit plans, and an examination of service organizations [SOC 1 engagements].

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 Larson & Company, P.C., applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended April 30, 2017, 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*. Larson & Company, P.C. has received a peer review rating of *pass*.

Gregory, Sharer & Stuart, P.A.

Gregory, Sharer & Stuart, P.A.

100 Second Avenue South, Suite 600 | St. Petersburg, Florida 33701-4336
(727) 821-6161 | Fax (727) 822-4573 | gsscpa.com | info@gsscpa.com

CENTERVILLE CITY

**PROPOSAL FOR PROFESSIONAL
AUDITING SERVICES**

JUNE 30, 2020 – JUNE 30, 2022

HBME

CERTIFIED PUBLIC ACCOUNTANTS

CENTERVILLE CITY
PROPOSAL FOR PROFESSIONAL
AUDITING SERVICES
JUNE 30, 2020 – JUNE 30, 2022

HBME, LLC
559 West 500 South
Bountiful, UT 84010
(801) 296-0200
(801) 296-1218 (fax)

Contact Person – Robert Wood, CPA
Email Address: rwood@hbme.com
www.hbme.com

June 5, 2020

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COMMITTED. EXPERIENCED. TRUSTED

**CERTIFIED PUBLIC
ACCOUNTANTS**

E. LYNN HANSEN, CPA
CLARKE R. BRADSHAW, CPA
GARY E. MALMROSE, CPA
EDWIN L. ERICKSON, CPA
MICHAEL L. SMITH, CPA
JASON L. TANNER, CPA
ROBERT D. WOOD, CPA
AARON R. HIXSON, CPA
TED C. GARDINER, CPA
JEFFREY B. MILES, CPA
SHAWN F. MARTIN, CPA

June 5, 2020

Centerville City
250 N. Main St.
Centerville, UT 84014

To Whom It May Concern:

Thank you for inviting us to submit a proposal to provide audited financial statements to Centerville City ("the City"). We appreciate the information you sent to us and the time your staff spent explaining your current needs. You would be an especially important client to our firm. The services we perform for you will receive our highest priority. We believe we have the means to provide a quality audit with vital knowledge and superior staffing to meet your needs.

We would be very pleased to serve as your independent accounting firm, and we hope that our proposal conveys our desire and qualifications to fulfill your current and future professional needs.

You will benefit from our services in the following ways:

- **EXPERIENCED PROFESSIONALS:** Six of our professionals are partners and six are directors or managers, out of a total of 21 personnel. At HBME, our partners and managers work closely with clients. As a result, you will have our personal attention whenever needed. We also will give you the continuity of service you expect.
- **MUNICIPAL GOVERNMENT AUDIT EXPERIENCE:** Collectively and individually, our audit team has many years' experience in performing and managing governmental entity audits, including Federal Single Audits and Utah State Compliance Audits. Some of our current clients include Layton City, Draper City, Murray City, Taylorsville City, Riverton City, Kaysville City, Provo City, Springville City, Bluffdale City, and others. Our audit professionals have experience ranging from 4-20 years.
- **TIMELINESS:** We will meet your deadlines. Our professionals are trained to anticipate, identify and respond to your needs in a timely manner. We will work closely with your management team to optimize our audit services to your needs. We believe in clear, up-front and open communication with no surprises. We understand and will comply with the schedules and scope for the audit, as outlined in your Request for Proposal, and will perform all work within the time frames outlined. We understand the transition from one professional services firm to another can be the cause of some inconvenience to the City's management and staff. We understand this dynamic and realize the decision to

change service providers is not one to be taken lightly. Our goal is to make the transition as smooth as possible. We will manage the transition to minimize time demands on your employees and ensure a timely first year audit in accordance with professional standards.

- FEES: We can provide you with timely, high-quality professional work at a reasonable fee. We have proposed fees that reflect our sensitivity to the budget constraints the City is facing. The fee for the audit includes routine phone calls and meetings during the year. Prior to performing any specialized services, we will discuss an estimate of the fee and obtain your approval before commencing work on special projects. The choice of services is always yours, and you always have control over fees.
- VALUE: We value our business relationships and demonstrates this through our partner and manager involvement. Our senior level professionals are involved with our clients and are accessible throughout the year. They do not delegate all tasks to staff, but rather stay involved onsite during fieldwork as well as staying connected throughout the year. This approach delivers the greatest benefit to our clients in that we are able to stay abreast of changes in and updates to our client's operating environment and partner with them to achieve optimal results. Our clients offer a wealth of knowledge and information about their organization and communicating with them as a business partner ultimately produces the best outcome.

These key benefits will become a reality as we work closely with you. We hope we have given you some additional insight into the manner in which HBME, LLC professionals serve our clients.

We look forward to serving you.

Sincerely,

A handwritten signature in blue ink that reads "Robert Wood".

Robert D. Wood, CPA
Partner

Proposal to Serve Centerville City

PROFILE OF HBME, LLC

BACKGROUND OF FIRM

HBME, LLC (HBME) was formed in April 1980 and is a local firm located in Bountiful, Utah. The firm currently has six partners with a total of 21 employees. We have tailored our practice to serve local governments and small-to-medium size organizations. We work hard to keep current with our clients' needs and make sure their organizational plans become realities.

Our CPA practice is very much a firm; not just practitioners sharing office space. Each professional has an area of specific emphasis; therefore, giving clients the benefits of experts in areas of service. The composition of our staff is as follows:

Partners	6
Director	1
Managers	5
Seniors	2
Staff/Administrative	<u>7</u>
Total	<u>21</u>

We are unique in our approach to client service. Our partners and managers work directly with each engagement and function as in-charge accountants, rather than merely reviewing the final product. As a result, your engagement is conducted by professionals with extensive years' experience, rather than recent college graduates. Each of the auditors also have extensive governmental auditing experience, ranging from 4 to 20 years. We also have other professional staff who participate in audit engagements, as needed, and we will use administrative staff to assist the audit team, as applicable.

COMMITMENT TO STAFF CONTINUITY

We take pride in the low amount of staff turnover our firm has experienced over the years. During the past five years, we have had two employees leave our firm. We understand the importance our clients place on continuity of service and commit to you that the partners, managers and staff assigned to your engagement will not be reassigned to other clients.

COMPUTER AUDITING AND OTHER SOFTWARE CAPABILITIES

All of our personnel have significant computer experience. We have experience in using various audit software packages of local governments, including Caselle, Tyler Munis, Tyler Incode, and in using micro-computers to enhance audit efficiency. We also have assisted various governmental clients in general ledger and ERP software transitions. We recognize the many complexities of this significant change, especially relating to the external reporting process, and believe our staff can help ease the stresses as they relate to the audit. Many of our current and former cities and special districts use Caselle as their accounting software, so we are familiar with this program and auditing from it.

PROFESSIONAL LICENSES

We affirm that HBME (a Professional Corporation) is properly licensed to practice as certified public accountants in the State of Utah.

Proposal to Serve Centerville City

PROFILE OF HBME, LLC

INDEPENDENCE

We affirm that HBME personnel are independent in relation to Centerville City, as defined by the American Institute of Certified Public Accountants and by the Government Auditing Standards, 2018 revision, published by the U.S. General Accounting Office. Furthermore, HBME has not engaged in any professional relationships involving Centerville City for the past five years.

CONTINUING EDUCATION AND QUALITY REVIEW

All partners and professional staff of HBME receive a minimum of 80 hours of continuing education every two years. All personnel who will be assigned to the City's engagement have received specialized governmental accounting and auditing training, including requirements with Federal Single Audit, Uniform Grant Guidance. We affirm that HBME meets the continuing education requirements contained in Government Auditing Standards, 2018 revision, published by the U.S. General Accounting Office.

As a member of the AICPA Private Companies Practice Section, we are required to undergo a peer review every three years. We successfully completed our last peer review in January 2018 and received an unmodified opinion. A copy of our last peer review report and letter of comments is included at page 22, as required by Government Auditing Standards, 2018 revision. We affirm that we comply with the quality control review requirements in Government Auditing Standards, 2018 revision.

LIABILITY INSURANCE

We affirm that HBME carries professional liability insurance.

AFFIRMATIVE ACTION

We also state that during the course of the audit, those employees associated with HBME will not discriminate against any employee who is employed in the work covered by the contract, or against any applicant for such employment because of race, religion, sex, color, age, handicap, or national origin. In addition, these items will not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion or separation.

Proposal to Serve Centerville City

QUALIFICATIONS AND EXPERTISE OF STAFF

ENGAGEMENT TEAM

A key element in your selection of a public accounting firm is the people you will work with on the engagement. HBME, LLC professionals have served organizations such as yours throughout their careers. They understand your needs and are highly motivated to help you make your organization even more successful. Shown below are brief descriptions of the responsibilities of those who will be serving you on-site. Their resumes are further detailed on the following pages.

Robert D. Wood, CPA, Partner, in charge of Accounting & Auditing Services, will be responsible for coordinating and performing all audit services provided, and for the review of all reports. He will help coordinate the drafting of the financial statements and all applicable reports. He will also be closely involved in any special services requested.

Aaron R. Hixson, CPA, Partner, will be responsible for the final review of all reports and assistance with any technical issues.

Shawn F. Martin, CPA, Manager, will be the on-site lead supervisor. He will oversee all areas of the audit and will perform technical review of fieldwork and work closely with the Finance Department in drafting and reviewing the financial statements.

Todd H. Sullivan, Senior, will assist with the performance of audit fieldwork.

FORMAL INVESTIGATION AND OTHER CLAIMS

HBME, LLC, its partners and professionals, are not the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings related to attestation services.

FEDERAL OR STATE REVIEWS OF AUDITS

HBME has had no desk or field reviews of its audits by any federal auditors or federal regulators during the past three years. During 2014 and 2017, the Utah State Auditor's Office conducted a field review at our office. HBME received a PASS, based on a PASS/NEEDS IMPROVEMENT/FAIL grade. A copy of this review letter is available upon request.

Proposal to Serve Centerville City

QUALIFICATIONS AND EXPERTISE OF STAFF

ROBERT D. WOOD, CPA
Audit Partner
HBME, LLC

Mr. Wood has been practicing as a Certified Public Accountant for over 20 years. He has had significant experience with several cities, and other government entities, including Layton City, Draper City, Riverton City, Murray City, Provo City, Taylorville City, Springville City, Kaysville City, Holladay City, Midvale City, Herriman, City, and others. He worked at the Utah State Auditor's Office for over 5 years, working on audits of various State agencies and State universities and colleges. He currently supervises managers and staff during all phases of audit engagements for private businesses, nonprofit organizations, and governmental entities.

Mr. Wood is responsible for audit and review engagements performed by the firm. He also has assisted several Cities and Counties in Utah with their initial conversion to GASB 34 compliant financial statements.

PROFESSIONAL EXPERIENCE:

2005 - Present	HBME, LLC (formerly Hansen, Bradshaw, Malmrose & Erickson, P.C.)
2000 - 2005	Utah State Auditor's Office

INDUSTRY EXPERIENCE:

City and County governments	Professional service companies
Special districts	Manufacturing
Colleges and Universities	Wholesale and retail companies
State government	Construction
Nonprofit organizations	

SPECIALIZED TRAINING:

- GFOA Advanced Governmental Accounting Seminar
- Utah Association of CPAs State and Local Government Update Conferences
- Utah Government Finance Officers Conference
- Local Office Governmental Accounting and Auditing Training
- Utah State Auditor's Office Local Government Annual Updates

ACADEMIC EXPERIENCE:

B.S.	Weber State University
MACC - Audit	Weber State University

OTHER:

Member	Utah Association of Government Finance Officers
Member	American Institute of CPAs
Member	Utah Association of CPAs
Member	Government Finance Officers Association

Proposal to Serve Centerville City

QUALIFICATIONS AND EXPERTISE OF STAFF

AARON R. HIXSON, CPA
Audit Partner
HBME, LLC

Mr. Hixson has been in auditing for over 18 years. He has had extensive experience with a variety of governmental audit and attestation engagements for Provo City, Kaysville City, Riverton City, Pleasant Grove City, Logan City, Midvale City, Bluffdale City, Provo City School District, Jordan Valley Water Conservancy District, and others. He specializes in supervising, planning and conducting financial and compliance audits of several cities, special districts, and school districts.

Mr. Hixson is very proficient in IT matters, and is charged with all the software used during fieldwork, including specialized auditing tools.

PROFESSIONAL EXPERIENCE:

2007 - Present	HBME, LLC (formerly Hansen, Bradshaw, Malmrose & Erickson, P.C.)
2004 - 2007	Eide Bailly LLP (Boise, ID office)
2002 – 2004	Ernst & Young LLP (Seattle, WA office)

INDUSTRY EXPERIENCE:

City governments	Colleges and Universities
School districts	Small to medium-sized companies
Special districts	Nonprofit organizations
County governments	

SPECIALIZED TRAINING:

- Utah State Auditor's Office Local Government Annual Updates
- GFOA Advanced Governmental Accounting Seminar
- Utah Government Finance Officers Conference

ACADEMIC EXPERIENCE:

MBA	University of Utah
B.S. - Accounting	Brigham Young University

OTHER:

Member	Utah Association of Certified Public Accountants
Member	American Institute of Certified Public Accountants
Member	Utah Association of Government Finance Officers

Proposal to Serve Centerville City

QUALIFICATIONS AND EXPERTISE OF STAFF

SHAWN F. MARTIN, CPA
Audit Manager
HBME, LLC

Mr. Martin has experience in public accounting for over seven years and as a Controller in industry for three years. His responsibilities include performance of audits for counties, cities, nonprofit, and other organizations, including Layton City, Kaysville City, Provo City School District, Unified Police Department, United Way of Northern Utah, YMCA of Northern Utah, Morgan County, Provo City, Pleasant Grove City, Riverton City, Taylorsville City, Bluffdale City, and more.

PROFESSIONAL EXPERIENCE:

2019 – Present	HBME, LLC, Audit Manager
2017 – 2019	PW Companies, Controller
2016 – 2017	Valley Behavioral Health, Assistant Controller
2013 - 2016	Hansen, Bradshaw, Malmrose & Erickson, P.C., Senior Audit Associate
2010 - 2013	Jones Simkins, LLC, Audit Associate

INDUSTRY EXPERIENCE:

- Nonprofit organizations
- City governments
- County governments
- School districts
- Small to medium-sized companies

ACADEMIC EXPERIENCE:

MAcc	Weber State University
B.S. - Psychology	Weber State University

OTHER:

Member	American Institute of Certified Public Accountants
Member	Utah Association of Certified Public Accountants

Proposal to Serve Centerville City

EXPERIENCE OF HBME, LLC

We have significant experience with government entities, including financial and single compliance audits.

Similar Engagements with Other Governmental Entities

HBME has been engaged to perform the year-end financial audit services for the following Utah municipalities through and for the year ended June 30, 2019. The completion date for all of the clients listed were within the six-month time frame, as required by Utah State Law. All required submissions were on-time. See contact information in the references section.

Client	Scope of Engagement*	Years Served	Service Through Date	Engagement Partner	Engagement Manager
<u>Municipalities</u>					
Draper City	Financial Audit	6 years	6/30/2019	Robert Wood	Robert Wood
Layton City	Financial Audit	17 years	6/30/2019	Robert Wood	Robert Wood
Provo City	Financial Audit	13 years	6/30/2019	Jeff Miles	Jeff Miles
Riverton City	Financial Audit	8 years	6/30/2019	Aaron Hixson	Aaron Hixson
Taylorsville City	Financial Audit	11 years	6/30/2019	Robert Wood	Robert Wood
Murray City	Financial Audit	1 year	6/30/2019	Robert Wood	Robert Wood
Holladay City	Financial Audit	3 years	6/30/2019	Robert Wood	Jeff Miles
Kaysville City	Financial Audit	7 years	6/30/2019	Aaron Hixson	Aaron Hixson
Pleasant Grove City	Financial Audit	4 years	6/30/2019	Aaron Hixson	Jeff Miles
Springville City	Financial Audit	3 years	6/30/2019	Robert Wood	Jeff Miles
Bluffdale City	Financial Audit	14 years	6/30/2019	Jeff Miles	Jeff Miles
Millcreek City	Financial Audit	3 years	6/30/2019	Jeff Miles	Jeff Miles
Provo City School District	Financial Audit	7 years	6/30/2019	Aaron Hixson	Jeff Miles
<u>Local Districts</u>					
Kearns Improvement District	Financial Audit	7 years	12/31/2019	Robert Wood	Robert Wood
Oquirrh Recreation and Parks District	Financial Audit	12 years	12/31/2019	Robert Wood	Robert Wood
White City Water Improvement District	Financial Audit	13 years	12/31/2019	Jeff Miles	Jeff Miles
South Davis Metro Fire Service Area	Financial Audit	2 years	6/30/2019	Robert Wood	Robert Wood

* Financial audit services include Federal Single Audits and Utah State Compliance requirements, as applicable.

GFOA Certificate of Achievement Experience

Many of the clients listed above prepare a CAFR and submit their financial statements for GFOA certification annually. These entities have successfully been awarded and received the GFOA Certificate of Achievement for Excellence in Financial Reporting for each of the years for which we have been engaged to provide their audit services. HBME assists these clients in ensuring the submitted statements are of the highest possible quality and comply with certificate of achievement requirements.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

At HBME, we promise you a better overall experience. While we recognize that multiple firms are capable of accomplishing the objectives of an audit, HBME appreciates that every situation and every organization is different, and we tailor our approach based on the needs of each governmental client.

Smooth Transition

We understand the transition from one professional services firm to another can be the cause of some inconvenience to the City's management and staff. We understand this dynamic, and realize the decision to change service providers is not one to be taken lightly. Our goal is to make the transition as smooth as possible. We will manage the transition to minimize time demands on your employees and ensure a timely first year audit in accordance with professional standards. We know that the first year's audit hours will be 10-15% higher than the following years. We believe these hours to be an investment in the audit and are not included in our fees. There will be no charges for startup work. Any cost associated with unanticipated work or extra costs will not be charged unless we receive prior approval by the City.

We are experienced in transitioning many clients from predecessor professional service providers. In each case, we worked closely with client personnel and accomplished the transition with minimal disruption of client activities. The following are some of the critical activities we perform to make the transitions successful.

- Spend more time in planning stages of the audit to understand the organization's accounting and operational processes.
- Identify any issues during the planning stage and have them resolved before starting the audit.
- Provide an extensive and detailed prepared by client list of schedules, documents and confirmations needed for the audit.
- Review current auditor's workpapers to help understand what the client provided regarding schedules and other documentation. We modify our requests to match what the client has seen in the past.
- Partners and managers spend more time in the field so when issues are identified they are resolved in the field and not at the end of the audit.
- Meet the client's deadlines.
- Continue ongoing communications with management during the audit process and throughout the year.
- Indicate your requirements for access to working papers and cooperation with predecessors.

As previously noted, accessing the predecessor's audit working papers may help with the transition. We may need access to their working papers, but per auditing standards, we will contact them and inquire of certain areas of the prior audit.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

HBME values its business relationships and demonstrates this through our partner and manager involvement. Our senior level professionals are involved with our clients and are accessible throughout the year. They do not delegate all tasks to staff, but rather stay involved onsite during fieldwork as well as staying connected throughout the year. This approach delivers the greatest benefit to our clients in that we are able to stay abreast of changes in and updates to our client's operating environment and partner with them to achieve optimal results.

Additionally, our clients experience a communication approach that stands apart in both style and frequency. Because we recognize that effective communication is critical throughout the entire audit process, our service approach is one where communication begins with planning and continues through the year. Additionally, we take a collaborative communication approach with our clients and include them in the process as our peers. Our clients offer a wealth of knowledge and information about their organization, and communicating with them as a business partner ultimately produces the best outcome.

During the course of our auditing services, we will hold periodic meetings with your management. This continuous communication ensures you are fully informed and provides us with timely information that will enable us to best serve your organization. Prior to beginning the engagement, we will discuss with management:

- The engagement time line
- The audit approach and process
- Additional considerations that may affect scope, schedules and workpapers to be prepared by your personnel

Sampling

Sampling may be performed for tests of controls, compliance testing and substantive tests of certain accounts and transactions. During our audit of basic financial statements, we will also select various transactions for testing based on materiality assessed at the appropriate level. These transactions may include such items as capital assets additions, expenditures, subsequent disbursements and subsequent receipts. We will be pleased to discuss specific sample sizes and selection methods when they are determined, either during audit planning or during fieldwork. We will select the appropriate sample size to support our conclusions in compliance with laws, regulations, and auditing standards.

We will use confirmations in the areas of cash and investments, debt, state retirement systems and other areas deemed necessary.

We will perform tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. We will assess the risk of material misstatement resulting from violations of laws and regulations having a direct and material effect on the determination of financial statement amounts. These laws and regulations can relate to items such as budgetary compliance, purchasing compliance and cash and investment compliance, as well as single audit compliance, as applicable.

We will combine compliance tests of laws and regulations that involve the inspection of documentation supporting transactions with substantive tests of transactions and tests of control procedures.

Our audit will meet all federal and state requirements, as applicable. Samples will be used to the extent necessary to support our conclusions on compliance with laws and regulations.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

Software

HBME staff utilizes progressive and effective software to streamline the audit process and make it as efficient as possible. The major software products we utilize include:

- **CCH Prosystems Engagement** - Software to facilitate the preparation of audit adjustments and financial statements in a paperless format.
- **Microsoft Excel** - Software to prepare audit workpapers and schedules.
- **Microsoft Word** - Software to generate audit memos, audit correspondence and audit workpapers.
- **CCH Teammate Analytics** – Analytical software to enhance auditing procedures by performing data analysis to identify certain trends or patterns.
- **RIA Checkpoint Research** - Internet access of all accounting and auditing standards. Areas include GASB, FASB, AICPA, and other resource material. We can access this material at any given time and can provide a quick response to any technical questions you may have.

Through the use of our Electronic Data Processing (EDP) software, our audit approach delivers an effective and efficient use of time. We have found that we can achieve this objective by obtaining various reports from the EDP system. During the planning phase, we will review your EDP software to determine control features. Our audit procedures will test these features. We will also meet with your information technology staff to identify the ability of your EDP system to generate reports and information, which we can use throughout the audit to supplement or replace other audit procedures. Potential data to be downloaded from the City's server includes trial balances, disbursement ledgers, and payroll ledgers.

Analytical Procedures

HBME will apply analytical procedures throughout general planning to improve our understanding of your operations and to identify audit areas for increased attention. These will be applied to assist in planning the nature, timing and extent of other procedures. They will be applied to all balance sheet, revenue/receipt and expense/expenditure areas. These procedures include, but are not limited to, the comparison of current year to prior year and budget amounts. Areas that show results different from those anticipated or planned will be further investigated to determine the validity of the variance.

Audit Hour Estimates

Providing our clients with effective and efficient audits services is very important to us. We recognize the importance of ensuring our audit team is assigned to each audit area, based on our risk-based approach. The estimated hours, by staff level, is determined by the partner and managers during the planning phase and is monitored throughout all phases of the audit engagement. Refer to these estimates on pages 20, *Proposed Audit Fees*.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

Internal Controls Approach

The approach we will take to gain an understanding of your internal controls includes:

- Interview City personnel
- Review organizational charts, accounting and procedure manuals and programs
- Complete internal control questionnaires
- Write-up system narratives
- Evaluate items selected for testing
- Review controls over financial information systems

In addition, our engagement approach is based on two key assumptions:

- Observations we believe will help the City achieve its objectives will be shared. We will also be pleased to respond to inquiries you may have about financial or other business matters.
- The assistance to be provided by your personnel, including the preparation of schedules and analyses of accounts, will be discussed with the Finance Department. The timely completion of this work will assist us in performing our work efficiently.

Compliance with Laws and Regulations

During the planning process, we will discuss with the City's management and personnel the laws and regulations to which the City is subject. The object of our discussion will be to determine those laws and regulations that could have a material impact on the financial statements. Pertinent to our discussion will be our knowledge of such laws and regulations, and our knowledge of *Government Auditing Standards*. We are aware of the applicable requirements, and consider them when determining the necessary audit procedures for the City.

Audit Strategy

HBME's strategy for approaching the audit is to deliver value by remaining true to practices that have worked well for our clients in the past:

- Hire only talented individuals with a passion for client care.
- Treat our employees right and provide educational and professional advancement opportunities to minimize turnover.
- Assign highly qualified professionals with government experience.
- Maintain stability on audit teams from year to year to enhance our relationship with our clients, make the best use of their time, and to deliver consistent service.

These core practices are often cited by our clients as the reasons they chose to be and remain as HBME clients.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

Client Responsibilities

The following represents the type of information we request during the audit process:

- Reconciliations of detailed subsidiary ledgers to the general ledger
- Analysis of account balances
- Provide documentation to support balances and transactions
- Preparation of confirmations and internal control and other questionnaires
- Prepare financial statements

Audit Objectives

The primary objective of our audit procedures is to enable us to issue opinions on the City's financial statements.

- A. Our audit procedures are conducted in accordance with auditing standards generally accepted in the United States of American and *Government Auditing Standards* and will include tests of accounting records and other procedures considered necessary to enable the expression of such an opinion.
- B. Our audit procedures are designed to obtain reasonable assurance about whether the financial statements are free of material misstatement using accounting principles generally accepted in the United States of America.
- C. The audit procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit procedures also include discussions with management, an assessment of the quality of the accounting principles used and significant estimates made, as well as evaluating the overall consistency of the financial statements and related disclosures.
- D. The audit procedures also include, when required, testing compliance with the Subpart F of the new Omnibus (OMB) and other federal grant requirements. We will obtain evidence supporting the related revenues and expenditures, and disclosures in the financial statements.

Management Letter Reporting and Communications

There are many ways to say the same thing. We understand that our job is to communicate information to you, regardless of its nature. To build a better client experience, we focus on employing communication styles that are collaborative rather than combative. By keeping our communication positive, friendly and open, we believe we can create positive discussions with our clients.

As we identify issues during the audit, we focus on communicating information as early as possible, which results in concluding the audits without springing surprises on our clients at the end of the process. By keeping the lines of communication open at all times and properly planning the audit, we are able to keep the process moving in an efficient manner.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

Planning

During this phase, we determine the timing of the various procedures, complete logistical arrangements, arrange for assistance to be provided by personnel from the City, and prepare the audit work programs. We believe the planning component is important to the process as it helps properly address changes and concerns prior to commencement of the audit field work. For this reason, we spend a significant amount of our time in the planning phase. We will also complete a risk analysis, develop a better understanding of the City, perform preliminary review procedures, and assess fraud risk factors in accordance with SAS 99 as well as SAS 104-111. In addition, we will perform selected compliance testing and fraud risk documentation.

The following outline summarizes the elements of the planning phase:

1. Assess Risk
 - a. The partners and managers review and identify estimates to determine areas of risk in relation to the financial statements.
 - b. Management override of internal control can significantly impact the financial reporting process. We consider this in our planning and timing of procedures for the City.
2. Identify Issues
 - c. During the planning phase, we will also have pre-engagement planning discussions with the City's management to discuss accounting issues, changes in the financial statements, and other issues affecting the audit process.
 - d. Our audit team will review interim financial statements. This review provides us with information necessary to help plan our audit and develop questions.

3. Document Systems

Through discussions held with personnel from the City and the completion of various questionnaires, we develop an understanding of your financial reporting process and internal controls. We reassess the procedures and controls annually and appropriately plan the audit to address any concerns. We address any concerns identified in connection with this review in our letter of comments to the City Council.

4. Consideration of Fraud

Auditors have a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud (SAS 99). HBME's audit approach has historically addressed many of these issues in accordance with our internal policies. The recent changes have primarily required us to change our documentation policies regarding fraud risk factors and our response to those factors.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

5. Tailor Audit Approach

After considering the above factors, we design audit procedures to address changes and difficult areas. Examples include using data extraction software to analyze various accounts and transactions.

Preparing/Internal Control

During this phase, we will review the internal control systems for the City and review Council minutes. We will also review agreements entered into during the current year. In addition, we will perform some preliminary substantive procedures.

The following outline summarizes the elements of the preparing phase:

1. Communicate Expectations

We will set report delivery time frames for both drafts and final copies of the financial statements and letters to the City Council and Administration.

2. Conduct Preliminary Analytical Review

Our audit team will review interim financial statements to identify significant or unusual variances from the prior year and from the budget. This information will be used to formulate expectations and will also be used in the fraud risk analysis.

3. Tailor Data and Schedule Requests

We will coordinate information requests and timing of our onsite work with management and make arrangements to meet with personnel from the City involved in the audit.

4. Select Samples and Set Scopes

We will begin making sample selections from preliminary financial information to distribute time requirements of personnel from the City during the audit process.

Conducting/Fieldwork

This phase of the audit includes the primary portion of the substantive testing of the financial statements. This testing includes confirming certain accounts and transactions, vouching selected transactions to source documents, analyzing account balances, making inquiries of management and others, and conducting an analytical review of various account balances and the financial statements.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

All of our partners and managers have extensive experience with yellow book audits, including drafting financial statements with GASB 34 adjusting entries. We currently draft or assist in drafting CAFRs for many of our clients. We also have significant experience with OMB Subpart F Single Audits for some of our City and nonprofit clients. We are also aware of the changes which eliminate the OMB Circular A-133 and establish the Uniform Guidance (Federal Single Audit) and are educating our personnel with these changes, beginning in fiscal year 2016.

The following outline summarizes the elements of the conducting phase planned for our audit of the City:

1. Risk-Based Approach

During fieldwork, we continually reevaluate the risk factors identified during the Planning and Preparing Stages. As we will have a partner and a manager on site, we are able to quickly respond to changes and make the necessary modifications in our audit approach.

2. Tests of Balances and Transactions

- Utilize computer assisted auditing tools in sampling accounts receivable and account payable transactions, in the review of general journal entries, and the identification of significant or unusual transactions in specific accounts.
- Vouch to source documents for selected items.
- Review activity subsequent to year-end (to substantiate cut-off as well as substantiate liabilities).
- Confirm balances with external sources, such as financial institutions, investment managers and actuaries.
- Determine proper GASB 40 classifications for the investments.
- Determine proper GASB 63, 65, and 68 compliance for deferred outflows, deferred inflows, and net position.
- Work with City to determine and provide a schedule of when all functions of the City will be audited during the five-year contract (based on need and risk assessment).
- We don't plan to use specialists, unless needed for tasks such as arbitrage rebate calculations.

3. Compliance

We review federal and state statutes to ensure they are being met.

4. Review 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.

Proposal to Serve Centerville City

SPECIFIC AUDIT APPROACH

5. Final Analytical Procedures

We will compare financial statement line items for the current, preceding period and budget amount, analyze the results, and inquire of management and others within the City regarding significant changes. We will also consider whether sufficient audit evidence has been obtained in response to unusual or unexpected balances or relationships. In addition, we will consider whether responses to inquiries throughout the audit about analytical relationships have been vague or implausible or have produced evidence that is inconsistent with other evidential matter accumulated during the audit.

6. Review of Working Papers and Financial Statements

The partner and managers will review the working papers. We believe it is important to complete the majority of the working paper reviews in the field to omit the number of phone calls back to your staff and reduce interruptions. In addition to the review conducted by these individuals, the financial statements will be reviewed by a partner not otherwise associated with the audit of the City to obtain a second opinion on the completeness and adequacy of financial statement disclosures and audit procedures.

7. Hold Exit Conference with Management to Discuss Findings and Reports

This meeting generally occurs on the last day of fieldwork.

Reporting

We will issue the audit reports and other letters to the City's Council and will present these reports to the Council at their regularly scheduled meeting. Our comments will address the City's significant accounting policies, management's judgments and estimates related to the financial statements, and other items related to the conduct of the audit. If our audit procedures disclose the existence of reportable conditions or other matters that we feel should be communicated, we will report those items to the City Council.

Proposal to Serve Centerville City

PROPOSED AUDIT SCHEDULE

We sincerely pride ourselves at HBME of never missing a deadline. We will always ensure that hard deadlines with the State, Federal Government, or any other entity will be met. We will also ensure that the City is aware of the deadlines, so that we can work together to be 100% compliant. Our firm has never missed a reporting deadline as required by State and Federal laws.

The following is our proposed schedule for completing the 2020 audit (subsequent audit years will be modified):

<u>Audit Function</u>	<u>Approximate Dates</u>
Pre-audit conference	Late June/Early July
Confirmations sent on cash accounts, receivables, bonds and other debt, tax revenues, State Retirement System, etc.	July 7 – 15
Review, evaluation and testing of internal control structure, preparation of audit programs, and interim auditing procedures, including state legal compliance testing	July 20 – August 15
Complete interim auditing procedures, year-end financial and compliance auditing procedures, including single audit	September – October 15
Preparation and review of financial statements, yellow book reports, state compliance report and management letters, issuance of all reports	October 15 - 30
Closing conference with City Council	November Council Mtg.

Proposal to Serve Centerville City

PROPOSED AUDIT FEES

Our fees are based on the estimated hours required of our professional staff at all levels, estimated hours required of our support staff, and out-of-pocket expenses. The schedule below contains our estimates of the hours required and the proposed audit fees for 2020 through 2022. The fees quoted are a not-to-exceed fee for the services contained in our proposal, and includes our out-of-pocket expenses.

<u>Year Ended</u>	<u>Total Estimated Hours</u>	<u>Total Fees</u>
June 30, 2020	130	\$ 18,950
June 30, 2021	120	19,300
June 30, 2022	120	19,700
		<u>\$ 57,950</u>

The above fees for the 2020 audit were determined based on the following rates:

<u>Classification</u>	<u>Estimated Hours</u>	<u>Standard Hourly Rates</u>	<u>Discounted Hourly Rates</u>	<u>Total Fees</u>
Partners	25	\$ 245	\$ 225	\$ 5,625
Managers	45	168	152	6,840
Senior Staff	40	135	121	4,840
Staff Accountants	<u>20</u>	105	95	<u>1,900</u>
	<u>130</u>			\$ 19,205
Additional Discount				<u>(255)</u>
				<u>\$ 18,950</u>

The above fees are based on the nature of the City as it presently exists, and also upon the current governmental accounting standards. They are also based upon our understanding that your personnel will provide certain schedules and other information on a timely basis that will be required during the course of the audit.

Proposal to Serve Centerville City

REFERENCES

<u>Entity</u>	<u>Business</u>	<u>Person(s) to Contact</u>	<u>Phone #</u>	<u>Email</u>
Layton City	Government	Tracy Probert, Finance Director	801-336-3881	tprobert@laytoncity.org
Draper City	Government	Bob Wylie, Finance Director	801-576-6318	bob.wylie@draper.ut.us
Provo City	Government	John Borget, Finance Director	801-852-6504	jborget@provo.utah.gov
Riverton City	Government	Kevin Hicks, Finance Director	801-208-3122	khicks@rivertoncity.com
Kaysville City	Government	Dean Storey, Finance Director	801-546-1235	dstorey@kaysvillecity.com
Taylorsville City	Government	Scott Harrington, CFO	801-955-2004	sharrington@taylorsvilleut.gov
Murray City	Government	Brenda Moore, Finance Director	801-264-2513	bmoore@murray.utah.gov
Springville City	Government	Bruce Riddle, Finance Director	801-489-2708	briddle@springville.org
Bluffdale City	Government	Dave Sanderson, CPA-External FD	801-580-6327	dsaccounting@comcast.net



RUDD & COMPANY^{INC.}

certified public accountants | business consultants

Report on the Firm's System of Quality Control

February 23, 2018

To the Partners of Hansen, Bradshaw, Malmrose, & Erickson, PC and the Peer Review Committee of the Nevada Society of Certified Public Accountants:

We have reviewed the system of quality control for the accounting and auditing practice of Hansen, Bradshaw, Malmrose, & Erickson, PC (the firm) in effect for the year ended August 31, 2017. 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 Institutes of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and 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 a compliance audit under the Single Audit Act and audits of employee benefits plans.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Hansen, Bradshaw, Malmrose, & Erickson, PC in effect for the year ended August 31, 2017, 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*. Hansen, Bradshaw, Malmrose, & Erickson, PC has received a peer review rating of *pass*.



Rudd & Company, *PLLC*



HINTON BURDICK
CPAs & ADVISORS ›

We are **PATHFINDERS**

Professional Audit Services Proposal

CENTERVILLE CITY, UTAH

Proposal Date: June 5, 2020

PARTNER: Michael K. Spilker, CPA

63 South 300 East, Suite 100
St. George, Utah 84770

mspilker@hintonburdick.com

888.566.1277 Ext. 224



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

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PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Transmittal Letter

June 5, 2020

Centerville City
C/O Jacob Smith
250 N. Main St.
Centerville, UT 84014

RE: Proposal for Professional Audit Services

It is with great pleasure that we present this Summary of Qualifications and Firm Profile for Centerville City, Utah to provide auditing services for the years ended June 30, 2020 through June 30, 2022.

In addition to technical services, we will provide commitment, concern, attention and resources to assist you in meeting the many financial reporting requirements of the City. We are dedicated to providing you with **prompt and effective services** that are not only responsive to, but anticipate your needs. We foresee no problems in meeting the deadlines as specified in your request for proposals.

Our firm provides services of the highest quality and value. Our assigned audit team consists of **Partners and Senior Staff**; all of whom are highly trained and have sufficient expertise to meet or exceed your highest expectations. I personally manage the work we do, and see that members of our team are continuously accessible and responsive to your needs. We have included a **Value Proposition** on page 2 which provides a short list of reasons why HintonBurdick is the right fit for Centerville City.

You have been and will continue to be one of our most valued and important clients and I personally commit to you that you will always receive top quality service at very reasonable rates. HintonBurdick currently provides audit services for more than 140 clients. Our **specialization in auditing** has allowed us to develop techniques and procedures which are highly efficient and enable us to provide **more effective audit services at reasonable rates**.

Clients frequently tell us that the **character and personality of our staff** is one of our firm's best qualities. Because of our staff and our proactive approach to solving problems for our clients, we have become one of the largest providers of governmental audits in the areas we serve. If you want a **personal touch and excellent service**, HintonBurdick is the right firm for you.

Very truly yours,
HintonBurdick CPAs & Advisors

Michael K. Spilker, CPA, Partner



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

1. HintonBurdick Profile

Value Proposition

- Services performed by a highly trained, experienced governmental auditing staff. The individuals who work in our audit department **specialize in governmental audits** and perform more than 100 of these type of audits all year round not just as “filler work” in the off – tax season.
- Our assigned audit team consists of a **Partner, Manager, and Senior Level Certified Public Accountants** that have over 40 years of combined extensive experience with municipal audits. We do not assign a team of lower level staff who need to be “trained” by your staff. Our trained specialists provide services to meet your specific needs. You will receive **more value for the dollar spent**.
- Staff size allows assignment of resources to complete the on-site audit work in the shortest possible time to **minimize day-to-day disruption**. Over many years of experience we have experienced **very little staff turnover**.
- The **character and personality of our staff** is one of our biggest strengths. We always receive positive feedback from client’s they work with.
- We have performed Centerville’s audit for the past three years and are **familiar with the City**. All staff assigned to the engagement receive 80 hours or more of audit and accounting continuing education every two years.
- Extensive experience with assisting local governments in obtaining the **GFOA Certificate of Achievement for Excellence in financial Reporting**. Partner is a member of the GFOA Review Committee.
- HintonBurdick is an active member of the AIPCA **Government Audit Quality Center**. Our **experience with providing audits to local governments in multiple states such as Arizona, Colorado, Nevada and Utah** provides us with a background and **broad range of experience** which is **unique** to the majority of firms providing audit services to local governments.
- We audit using the **latest audit software technology**, which has enabled us to keep our audit prices competitive despite the continual changes to auditing and reporting standards. Our **Suralink Professional Document Exchange System** used for the Prepared by Client (PBC) list is a cloud based system that allows the City to monitor all exchanged documents. Staff are experienced in the use of **Caselle** accounting software.
- Receive constructive, practical recommendations for **strengthening over-all management and internal controls** of the City. Audit techniques consistently identify areas of significant **cost savings** for our clients. Our audit presentations highlight key financial trends and are easy to understand.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

License to Practice in Utah

HintonBurdick and key professional staff are properly licensed to practice as Certified Public Accountants in the State of Utah.

Independence

HintonBurdick is independent of Centerville City, Utah as defined by auditing standards generally accepted in the United States and the U.S. General Accounting Office's *Government Auditing Standards*.

Continuing Education

HintonBurdick team members are highly trained and have sufficient expertise to meet or exceed your highest expectations. The team members meet the continuing education requirements contained in *Government Auditing Standards* and receive 80 hours or more of "yellow-book" audit and accounting continuing education every two years and those who plan and/or conduct a substantial portion of the field work or reporting on the audit attend and complete at least 24 hours of continuing education in subjects directly related to government accounting and auditing every two years.

External Quality Control Review

HintonBurdick has never received any disciplinary actions from any federal, state, or other agency. The firm has undergone two mandatory external quality control reviews conducted by the Utah State Auditor's office, as per state law, within the last five years. These reviews were conducted specifically for governmental audits, and resulted in no findings or recommendations.

A copy of our most recent independent peer review report follows. This review included several governmental audit engagements. The report is posted on our firm's website at www.hintonburdick.com for the public accessibility requirement.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Evans Poulsen & Catmull PA Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Edward G. Evans, CPA
Jeffrey D. Poulsen, CPA
Jacob H. Catmull, CPA

Report on the Firm's System of Quality Control

July 26, 2017

To the Owners of
HintonBurdick CPAs & Advisors
and the Peer Review Committee of the Nevada Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of HintonBurdick CPAs & Advisors (the firm) in effect for the year ended March 31, 2017. 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, audits of employee benefit plans, and examinations of service organizations [SOC 1 engagements].

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.

1360 Albion Avenue • Burley, Idaho 83318 • (208) 678-1300 • Fax (208) 678-1301 • www.epccpa.com



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of HintonBurdick CPAs & Advisors, in effect for the year ended March 31, 2017, 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*. HintonBurdick CPAs & Advisors has received a peer review rating of *pass*.

Evans, Poulsen & Catmull
Evans, Poulsen, & Catmull P.A.

2. Firm Qualifications and Experience

For more than 30 years, HintonBurdick has established a reputation for providing quality governmental auditing services to numerous local governments in Arizona, Colorado, Nevada, and Utah. We are dedicated to providing high-quality services to a wide variety of public and private entities. In addition to the audit and accounting work traditionally associated with Certified Public Accounting firms, a broad spectrum of consulting, analysis, and negotiation services are offered. HintonBurdick was recently listed as Utah's seventh largest Certified Public Accounting firm. Our St. George, Gilbert, Cedar City, Richfield and Mesquite offices employ approximately 100 associates, which includes numerous CPA's and professional staff trained to audit various local governments and accounting systems. We will primarily service the needs of the City from our St. George office. This office has 9 partners, 8 managers, 5 senior accountants, 10 staff accountants and various paraprofessional and support staff.

HintonBurdick is currently engaged and has recently performed audits for more than 100 governmental clients that we feel provides us with auditing experience for governmental entities in accordance with the provisions set forth in Generally Accepted Auditing Standards, Government Auditing Standards, issued by the Comptroller General of the United States (the "Yellow Book"), and the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Our experience with providing audits to local governments in multiple states such as Arizona, Colorado, Nevada and Utah provides us with a background and broad range of experience which is unique to the majority of firms providing audit services to local governments. We also provide monthly full-service accounting work, including budgeting, general ledger, payroll, bank reconciliation, billing, cash receipts and cash disbursement procedures, for some of our local government clients. This provides us with an in-depth knowledge of basic accounting systems and procedures for local governments.

We hold educational seminars every year that provide training to elected officials and government accounting staff on accounting, internal control, and compliance issues.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

We have a CPA who is designated as a **certified information systems auditor (CISA)** who supervises a team that provides in-depth auditing and analysis of information and technology systems. We have also recently established a team that provides in-depth analysis of internal controls in relation to **SOC Type I and Type II audits (SSAE 18)**. We have Experience in performing **various rate studies**, payroll studies, impact fee studies and other analysis.

HintonBurdick is an active member of the American Institute of Certified Public Accountants, Utah Association of Certified Public Accountants, **Governmental Finance Officers Association**, Arizona Government Finance Officer Association, and Nevada Government Finance Officers Association and participates in the American Institute of Certified Public Accountants' quality review program. HintonBurdick meets the continuing education and external quality control review requirements contained in *Government Auditing Standards*.

The business and regulatory environment is constantly changing. HintonBurdick is committed to staying on the leading edge and helping our clients cope with change in a positive manner. Our system of **quality control** meets the highest industry standards. We understand that while management is responsible for the success of the organization, independent accounting professionals can provide valuable resources to support management efforts. HintonBurdick considers itself "**on call**" **twenty-four hours a day** and well suited to handle the changing needs of its growing clientele. An on-going dedication to proactive, quality service has built the practice and maintains the growth of HintonBurdick. We normally receive questions during the year from our clients. **We do not bill for casual phone calls and consultations and we encourage you to call on us throughout the year.**

Non-discrimination Clause

HintonBurdick is an equal opportunity employer and does not discriminate against any individual for any reason.

Assistance with GFOA Certificate

We have assisted numerous municipalities in obtaining the **GFOA Certificate** of Achievement in Financial Reporting. All of the clients we have assisted were awarded the certificate; including:

Herriman City, City of El Mirage, City of Fernley, City of Kingman, City of Page, Pinetop Lakeside, City of Safford, City of Sedona, City of Show Low, City of Somerton, St. George City, Town of Taylor, White Pine County and the City of Williams.

Mr. Spilker is also a member of the **GFOA Special Review Committee** which provides him exposure to numerous local government financial statements.



3. Engagement Team Qualifications and Experience

The character and personality of our staff is one of our biggest strengths. We always receive positive feedback from client's they work with. The individuals who work in our audit department specialize in audits and perform more than 140 audits, including more than 100 local government audits, all year round, not just as "filler work" in the off – tax season.

The assigned audit team will include three full-time certified public accountants and one or more full-time support staff. All Certified Public Accountants listed as key staff assigned to the engagement meet the requirements to practice in the state of Utah. All members of the assigned team have several years of audit experience. Collectively they have over 40 years of audit experience. We do not assign a team of lower level staff who need to be "trained" by your staff. The assigned team provides the resources to complete the on-site audit work in the shortest possible time to minimize day-to-day disruption. We do not anticipate rotation of any key staff on the engagement, unless requested by the City. Over many years of experience we have experienced very little staff turnover. The staff that will be assigned to the audit have extensive experience with auditing local governments.

The team members are highly trained and have sufficient expertise to meet or exceed your highest expectations. They are trained and have extensive experience in performing single audits. We have several years of experience in assisting local governments in obtaining the GFOA Certificate of Achievement for Excellence in financial Reporting. Our staff has extensive experience in assisting and training local governments with their financial accounting and fiscal responsibilities.

All staff assigned to the engagement are experienced in the use of various accounting software systems, including Caselle governmental accounting software.

The Partner will personally manage the entire engagement and see that members of our team are continuously accessible and responsive to your needs. The partner will work together with the senior staff to plan the audit and will supervise the on-site audit services. The partner will also be involved and provide supervision for review of audit work papers and the technical review of the financial statements and other reports issued with the engagement.

The planned audit team will consist of professional staff from the St. George office.

Key Staff Assigned

- | | | | |
|---|--------------------|----------------------------------|--------------------------|
| ▪ | Audit Partner | McKay Hall, CPA, CISA, CITP, CFE | over 11 years experience |
| ▪ | Engagement Partner | Michael Spilker, CPA | over 30 years experience |
| ▪ | Audit Manager | Kelli Jones, CPA | over 7 years experience |
| ▪ | Audit Senior | Zane Call, M.Acc | over 3 years experience |



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



R. McKay Hall, C.P.A., CISA, CITP, CFE Audit Partner Specializing in Governmental Audit Services

R. McKay Hall graduated from Southern Utah University with his Masters degree in Accountancy in 2007. He completed his Bachelor of Science in accountancy at Southern Utah University in 2006 and his Bachelor of Arts in computer science in 2000. Mr. Hall has **specialized in audit services** and has over eleven years of experience in providing financial audits for numerous local governments. In addition to his local government experience, he also has a broad range of accounting and related experience in performing rate studies, internal control reviews, information system analysis and installations, MAS court audits, budgeting, compiled and reviewed financial statements, personal financial statements, forecasted/projected financial statements, business planning and general management consulting. Mr. Hall also has experience in the use of various accounting software systems, including *Pelorus* governmental accounting software.

In his employment with HintonBurdick, Mr. Hall has served a wide variety of clientele, including counties, **municipalities**, special districts, utilities, not-for-profit organizations, wholesalers & retailers, construction companies and other business entities.

He has **over eleven years of experience** working with **numerous local governments throughout Utah**. He works with local governments in various states and provides monthly **full-service accounting work**, including budgeting, general ledger, payroll, bank reconciliation, billing, cash receipts and cash disbursement procedures, for some of our local government clients. This provides us with an in-depth knowledge of **accounting systems and procedures for local governments**.

Mr. Hall attends and completes 80 hours or more of audit and accounting continuing professional education (cpe) and more than 24 hours of cpe in subjects directly related to government accounting and auditing every two years. CPE courses regularly attended on an annual basis include training on government accounting and auditing, single audits, statements on auditing standards updates, financial accounting standards, GASB updates including GASB 84, 87, 88 and others, internal control, risk assessment, fraud risks, information systems and technology, ethics, and numerous other courses.

Mr. Hall will be used to assist with any IT procedures and/or issues related to the audit. He is designated as a **certified information systems auditor (CISA)** and **certified information technology professional (CITP)**. He is a member of ISACA and the AICPA Information Technology Section and supervises a team that provides in-depth auditing and analysis of information and technology systems. Mr. Hall is a **Certified Public Accountant** and a member of the American Institute of Certified Public Accountants and the Utah Association of Certified Public Accountants. With his governmental audit experience and a unique background in information systems, he regularly provides instruction at annual local government seminars sponsored by HintonBurdick and periodically serves as adjunct faculty at Dixie State University.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



Michael K. Spilker, B.S., C.P.A.

Audit Partner Specializing in Governmental Audit Services

Mr. Spilker graduated Cum Laude from Utah State University, earning a Bachelor of Science degree with honors in accounting. He had three years of audit experience with Arthur Young & Company, one of the previous "Big Eight" accounting firms prior to joining HintonBurdick in 1987. With **more than 30 years of audit experience**, Mr. Spilker serves as the firm's **Audit Practice Group Leader**. Mr. Spilker has **specialized in governmental audit services** and has extensive experience in providing financial and federal single audits for numerous local governments. In addition to his local government experience, he also has a broad range of accounting and related experience in performing internal control reviews, forensic auditing, MAS court audits, ADEQ procedures, budgeting, compiled and reviewed financial statements, forecasted/projected financial statements, business planning and general management consulting.

Mr. Spilker has served a wide variety of clientele including, **municipalities**, counties, school districts, special service districts, courts, tribal governments, housing authorities, not-for-profit organizations, and utilities. Mr. Spilker has also served a wide range of audit clients ranging in size from the North Slope Borough, Alaska with billions of dollars of transactions to the smallest local government. He currently works with **over 35 local governments** in various states. **A selected list of municipalities** served by him in the last five years includes:

- | | | |
|-------------------------------|------------------------|-------------------------|
| ▪ Centerville City, UT | ▪ Manti City, UT | ▪ City of Show Low, AZ |
| ▪ City of El Mirage, AZ | ▪ Moroni City, UT | ▪ City of Snowflake, AZ |
| ▪ City of Elko, NV | ▪ City of Mesquite, NV | ▪ City of St. Johns, AZ |
| ▪ City of Fernley, NV | ▪ City of Page, AZ | ▪ Washington City, UT |
| ▪ Hildale City, UT | ▪ St. George City, UT | ▪ City of Williams, AZ |

Mr. Spilker has received 80 hours of "yellow-book" audit and accounting continuing professional education (cpe) and has attended and completed more than 24 hours of cpe in subjects directly related to government accounting and auditing every two years. **Relevant cpe courses** attended over the last three years includes training on government accounting and auditing, single audits, statements on auditing standards, preparing a CAFR, FASB standards, GASB updates including GASB 84, 87, 88 and others, internal control, risk assessment, fraud risks, ethics and numerous other courses.

Mr. Spilker is a **Certified Public Accountant** licensed to practice in Arizona, and Utah and has met the license requirements for conducting local government audits in California, Colorado and Nevada. He is a member of the American Institute of Certified Public Accountants, the Utah Association of Certified Public Accountants and the GFOAZ. Mr. Spilker is also a member of the **GFOA Special Review Committee** which provides him exposure to numerous local government financial statements.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



Kelli Jones, BS, MAcc, CPA
Audit Manager

Kelli Jones graduated Summa Cum Laude from Southern Utah University, completing her Bachelor of Science degree in 2009, and her Masters degree in Accountancy in 2010. Ms. Jones has **specialized in governmental audit services** and has extensive experience in providing financial audits for numerous local governments. In addition to her local government experience, she also has a broad range of accounting and related experience in performing internal control reviews, compiled and reviewed financial statements, and general management consulting. Ms. Jones has experience in the use of various accounting software systems.

In her employment with HintonBurdick, Ms. Jones has served a wide variety of clientele, including counties, **municipalities**, school districts, special service districts, not-for-profit organizations, construction and development companies and other business entities.

She works with several municipalities and local governments in various states and has **over seven years of experience** working with **numerous local governments throughout Utah**.

Ms. Jones has received 80 hours of “yellow-book” audit and accounting continuing professional education (CPE) and has attended and completed more than 24 hours of CPE in subjects directly related to government accounting and auditing every two years. Relevant CPE courses attended over the last three years includes training on government accounting and auditing, compilations and reviews, risk assessment, fraud risks, GASB Updates, internal control, ethics and numerous other courses.

Ms. Jones is a **Certified Public Accountant** licensed in Utah and has met the requirements for practicing in the neighboring states of Arizona, California, Colorado, and Nevada. She is also a member of the Utah Association of Certified Public Accountants.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Zane Call, M.Acc Audit Senior

Zane Call graduated from Utah State University, completing his Bachelor of Science degree and his Master of Accountancy degree in 2017. Mr. Call has **specialized in governmental audit services** and has experience in providing financial and compliance audits for numerous tribal governments and local governments. In addition to his tribal government experience, he also has a broad range of accounting and related experience in performing compiled and reviewed financial statements and general management consulting. Mr. Call also has experience in the use of *Tyler Technologies, Caselle, Pelorus* and various other governmental accounting software systems.

In his employment with HintonBurdick, PLLC, Mr. Bauer has served a wide variety of clientele, including tribes, **municipalities**, school districts, special service districts, counties, not-for-profit organizations, construction and development companies and other business entities.

He has **over three years of experience** working with numerous **municipalities similar to Centerville City**. He works with municipalities in various states.

A **selected list of municipalities** served by him in the last five years includes:

- Centerville City, UT
- Hurricane City, UT
- Town of Hayden, CO
- Town of Hot Sulpher Spgs, CO
- Manti City, UT
- Moroni City, UT
- Kanab City, UT
- City of West Wendover, NV

Mr. Call is current with all hours of “yellow-book” audit and accounting continuing professional education (cpe) and has attended and completed cpe in subjects directly related to government accounting and auditing. Relevant cpe courses attended over the last two years includes training on government accounting and auditing, compilations and reviews, risk assessment, fraud risks, GASB Updates, internal control, ethics and numerous other courses.



4. Similar Engagements with Other Governmental Entities

The following are five engagements performed in the last year that are similar to the engagement described in your request for proposal.

St. George City, Utah	
Contact Person: Tiffany LaJoice	Phone: (435) 634-5800
Title: Finance Manager	E-Mail Address: tiffany.lajoice@sgcity.org
Address: 175 East 200 North St. George, UT 84770	Reason for inclusion: Large Utah local government audit
Project Size, Complexity, Scope and Duration: 560 hours, 39 funds, (32 Governmental and 7 propriety) Financial (CAFR) Audit and Single Audit for more than 20 years Most Recent Audit Performed: Year ended June 30, 2019	
Washington City, Utah	
Contact Person: Kimberly Ruesch	Phone: (435) 656-6300
Title: Administrative Services Manager	E-Mail Address: kruesch@washingtontcity.org
Address: 111 North 100 East Washington, UT 84780	Reason for inclusion: Utah audit of similar size
Project Size, Complexity, Scope and Duration: 350 hours, 16 funds, (11 Governmental, 5 propriety and 1 internal service) Financial Audit and single audit when applicable for more than 7 years Most Recent Audit Performed: Year ended June 30, 2019	
Herriman City, Utah	
Contact Person: Alan Rae	Phone: (801) 446-5323
Title: Director of Finance	E-Mail Address: arae@herriman.org
Address: 5355 W. Herriman Main St. Herriman, UT 84096	Reason for inclusion: Utah CAFR audit in northern Utah
Project Size, Complexity, Scope and Duration: 350 hours, 16 funds, (13 Governmental and 3 propriety) Financial (CAFR) and Single Audit for one year (first audit of multi-year contract) Most Recent Audit Performed: Year ended June 30, 2019	



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

City of Page, Arizona	
Contact Person: Linda Watson	Phone: (928) 645-4203
Title: Finance Director	E-Mail Address: lwatson@cityofpage.org
Address: P.O. Box 1180 Page, AZ 86040	Reason for inclusion: Large Arizona CAFR audit
Project Size, Complexity, Scope and Duration: 390 hours, 16 funds (11 Governmental, 4 proprietary and 1 other) Financial (CAFR) Audit, Single Audit and ADEQ procedures for more than 10 years Most Recent Audit Performed: Year ended June 30, 2019	
City of Fernley, Nevada	
Contact Person: Denise Lewis	Phone: (775) 784-9843
Title: Finance Director	E-Mail Address: dlewis@cityoffernley.org
Address: 595 Silver Lace Blvd. Fernley, NV 89408	Reason for inclusion: Nevada CAFR audit somewhat similar size
Project Size, Complexity, Scope and Duration: 350 hours, 7 funds (6 Governmental, 2 proprietary and 1 fiduciary) Financial (CAFR) Audit for the past six years Most Recent Audit Performed: Year ended June 30, 2019	

HintonBurdick performs audits for more than 100 local governments on an annual basis.

We also perform numerous non-profit and other audits for a combined total of over 140 audits annually.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Recommendation Letters

Our widely diverse clientele vary in size and complexity, but they have one thing in common; they trust that we will deliver the highest level of client service. If you want a personal touch and excellent service, HintonBurdick is the right firm for you. We have included a few recommendation letters to illustrate this point. We love our job and it shows through our client's comments.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



March 26, 2014

To Whom It May Concern:

Washington City has been using HintonBurdick, PLLC as our independent auditor since 2008. Their vast knowledge, professionalism and friendly staff has made working with HintonBurdick a pleasure.

I have always appreciated their willingness to answer my questions and to assist our efforts in improving our financial reporting. Their staff is very professional and well prepared to address any new governmental accounting practices and the attention, commitment and resources they put forward ensure effective, efficient and timely services.

I highly recommend HintonBurdick, PLLC, to any entity seeking auditing or accounting services.

Sincerely,

Kimberly Ruesch
Administrative Services Manager
Washington City, Utah

111 North 100 East • Washington City • Utah • 84780 Ph: (435) 656-6300 Fax: (435) 656-6370 washingtoncity.org

Mayor: Kenneth F. Neilson

City Manager: Roger Carter

Council Members: Garth E. Nisson • Thad D. Seegmiller • Kress Staheli • Ronald W. Truman • Jeff Turek



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



CITY OF ST. GEORGE

175 East 200 North
St. George, Utah 84770

November 14, 2008

To Whom It May Concern:

The City of St. George has employed Hinton, Burdick, Hall & Spilker, PLLC for more than twenty-five years to perform the audit of the Comprehensive Annual Financial Report. In addition, they have also worked with the City on other issues which has arisen over that time which required their technical expertise and experience.

Our experience with the firm and their auditors has been exceptional. Their auditors are very professional, well prepared, and do not disrupt the operations of the finance department more than is acceptable. They are timely in being here when they say and getting their audit completed in a timely manner.

I highly recommend Hinton, Burdick, Hall & Spilker, PLLC, to any entity seeking audit, accounting and/or consulting services.

Sincerely,

Philip R. Peterson, CPA CGFM
Finance Director
City of St. George

CITY OF ST. GEORGE
175 East 200 North, St. George, Utah 84770
Phone: (435) 627-4000
www.sgcity.org

MAYOR
Daniel D. McArthur

CITY MANAGER
Gary S. Esplin

CITY COUNCIL
Suzanne B. Allen
Gil Almquist, Gail Bunker
Jon Pike, Gloria Shakespeare



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



April 16, 2014

HintonBurdick CPAs & Advisors
Attn: Mike Spilker
63 South 300 East Ste. 100
St. George, UT 84770

To Whom It May Concern:

This letter of recommendation comes with great regard for the firm of HintonBurdick CPAs & Advisors. As the Finance Director for the City of Page, HintonBurdick has always been there to assist me in any accounting question or situation that I might have throughout the year. This firm has seen our organization through some tough transitions in the past, and continues to work for the City by educating us with each audit year they complete. Their staff is very professional and courteous and easy to work with. Thank you, Mike, for your patience and dedication. Your hard work is appreciated and does not go unnoticed.

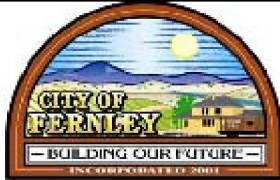
Sincerely,

Linda L. Watson
Finance Director

City of Page
P.O. Box 1180 • 697 Vista Avenue
Page, Arizona 86040
(928) 645-8861 • Fax (928) 645-4244



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS



City of Fernley **Finance** **Department**

Treasury
Budgeting
Accounting
Audit
Payroll
Utility Billing
Collections
Accounts Payable
Debt Management
Investment Management

January 28, 2015

To Whom It May Concern:

It is my pleasure to provide this letter of recommendation for Hinton Burdick CPAs and Advisors ("the Firm"). The City first contracted with the Firm in 2014 to perform the City's annual financial audit and prepare its CAFR for fiscal year 2014. The City also contracted with the Firm in 2014 to provide other agreed upon procedures for the City's Municipal Court.

Prior to, during and even after field work, the Firm's responsiveness, timeliness and professionalism has been impressive. Members of the Firm did an exceptional job planning and preparing for the audit before arriving on site, which saved a significant amount of staff time and made for a more efficient and effective audit. After field work, members of the Firm continued to follow up and ensure they had everything they needed in order to issue the final audit report. The Firm's efforts resulted in the annual financial audit report being issued on time and in accordance with Nevada Revised Statutes.

Even after the audit report has been issued, City staff continues to receive an excellent level of service and continues to be very pleased. Members of the Firm are always very responsive in answering any questions and concerns. It has been a very positive experience working with the Firm and I highly recommend the Firm for financial audits or other agreed upon procedures.

We look forward to working with the Firm for many years to come.

Sincerely,

Denise Lewis
City Treasurer/Director of Finance

595 Silver Lace Blvd. - Fernley, NV 89408 - 775-784-9930 - Fax: 775-784-9988



5. Specific Audit Approach - Detailed Work Plan

Because it is a common service, an audit is sometimes viewed as a commodity to be acquired at the lowest price. Many entities have learned by sad experience that this is a dangerous practice. We believe, and have demonstrated repeatedly, that the annual audit should complement and enhance management, in addition to providing the desired assurances of a thorough, professional examination of the records. We utilize PPC's audit software like many of our competitors but we also use fund based audit programs that are tailored by HintonBurdick specifically for each engagement.

All aspects of the audit planning process, evaluation of controls, audit programs, field work and final analytical procedures are integrated so that the audit is a continuous process. We utilize the latest procedures in our audit tests, as well as using the latest technology to reduce costs and errors. Our firm structure and staff size enables us to provide more value by allowing professional staff to perform tasks that match their expertise level. We are constantly alert during our examination, and it is not uncommon for us to discover situations during the audit which result in savings to entities of thousands of dollars, often much greater than our fee. In addition to auditing financial results, we look at the overall performance and operations of the entity. We develop constructive, practical suggestions for the improvement of internal accounting controls and procedures, as well as for the strengthening of overall management, and will formally communicate these suggestions in a management letter.

We estimate a total of 225 hours to complete the financial and compliance audits. A detailed work plan is provided on the following page.



PROFESSIONAL AUDITING SERVICES PROPOSAL

HINTONBURDICK CPAs & ADVISORS

Detailed Work Plan

	Staff Level:	Supervisory			Total
		Staff	Staff	Partners	
Planning Stage: (May - July)					
Engagement letter					
Entrance conference					
Internal control documentation and review					
Audit approach plan - risk assessments					
Confirmations					
Review of minutes					
Inventory, test of controls and other					
Total planning stage		20	20	5	45
Fieldwork Stage: (August or September)					
Testing of cash and investments					
Testing of capital assets and capital project funds					
Testing of cutoff, current liabilities and payroll					
Testing of long-term debt, OPEB, NPL and debt service funds					
Detailed examination of all funds (GF, SRF, UF, Other)					
Compliance, and other testwork					
Total fieldwork stage		90	40	5	135
Wrap Up Stage: (September - October)					
Review of workpapers					
Final review and analytical procedures					
Financial statements (CAFR)					
Preparation of reports, management letter					
Audit presentation					
Total wrap up stage		10	25	10	45
Totals		120	85	20	225



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Audit Objectives

The AICPA issued a suite of auditing standards related to expanded audit procedures, which we will follow as part of our audit of your financial statements. The primary objective of these risk assessment standards is to enhance auditors' application of the audit risk model in practice by specifying, among other things:

- More in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate those risks.
- More rigorous assessment of the risks of where and how financial statements could be materially misstated based on that understanding.
- Improved linkage between the auditor's assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.
- In addition to the above objectives related to risk assessment the following audit objectives related to assets, liabilities, revenues, expenditures, financial statements and compliance are common to governmental audits and will be utilized based on our assessment of risks and the results of our procedures.
- All cash and investments of the entity are on hand, in transit, or on deposit with third parties in the name of the entity. Cash and investments are stated at the correct amount and reflect a proper cutoff. Depositories are legally acceptable; adequate collateral has been pledged and cash and investment restrictions are appropriate.
- Wages, salaries and benefits disbursements are computed using rates or amounts approved by the governing board and in accordance with laws and regulations and for work performed and authorized.
- Expenditures and cash disbursements are properly recorded for goods or services received and as authorized (in accordance with the budget and grant agreements). Expenditures and related liabilities have been recorded correctly as to account, fund, budget category, period and amount
- All valid revenues have been recorded correctly as to account; fund, budget category, period and amount and billed revenues or charges for services and related receivables have been properly stated at the net realizable amount.
- Account balances and transactions are properly summarized and classified in the financial statements, and related disclosures are adequate.
- GASB34 conversion adjustments for the statement of net assets and statement of activities have been made in accordance with accounting standards in all material respects.
- Federal and state grant revenues and expenditures are administered and recorded in accordance with grant provisions and related laws and regulations.
- Management is aware of federal and state compliance issues and has established procedures for compliance with laws and regulations.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Audit Sampling

Statistical sampling may be deemed to be appropriate or necessary based on the number and type of transactions processed by the City and other cost/benefit considerations; and based upon professional judgment as a result of our audit planning. We normally select numerous samples of transactions for testing various account balances and compliance based on our preliminary analytical procedures and depending on materiality, risk assessments, inquiries of personnel and based on our assessment of internal control, state laws such as HURF expenditure requirements and major programs for the single audit, as applicable.

Analytical Procedures

HintonBurdick utilizes analytical procedures in both the planning stage and the final review stage of the audit in accordance with generally accepted auditing standards accepted in the United States of America. Comparisons will be made between the current year actual and prior year actual activity as well as budget-to-actual comparisons. We will also utilize various other analytical procedures during the field work stage of the audit such as analysis of gross margins, rate analysis, month to month comparisons for service revenues and various other ratios and analysis. We also step back and review the relationship of each fund's balance sheet and statement of income and analyze net income or loss in comparison to the prior year, fund balance appropriations and other expectations. We look for appropriate relationships and analyze expectations based on our knowledge of the City and our numerous years of experience. This analytical approach often reveals problems that may have been missed by simply performing "canned" audit procedures and checklists.

Internal Control Structure

Auditing standards require the auditor to obtain a sufficient understanding of internal control and fraud risk factors in order to plan the audit and to determine the nature, timing and extent of test to be performed. An understanding of the City's financial operations, funding source requirements, transaction cycles, internal control structure and fraud risk factors will be achieved through inquiry, observation, walkthroughs and tests of transactions. We will request the assistance of your accounting staff in preparing a written narrative of significant transaction cycles and we will utilize other resources such as your policies and procedures manual, organizational charts, the budget and other management information systems. Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit. We will also communicate, in writing, constructive, practical suggestions for strengthening overall management and internal accounting controls and procedures.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Laws and Regulations

HintonBurdick utilizes the legal compliance audit guide for the State of Utah which was developed by the Office of the State Auditor to test compliance with state laws. This audit guide, which is updated annually, along with inquiry of your personnel and a review of grant agreements will be performed to determine if management is aware of laws and regulations and to perform compliance test work. We also utilize the OMB Compliance Supplement for testing federal grants in accordance with the single audit act uniform guidance, as applicable.

Audit Samples for Tests of Compliance

During our financial audit test work we normally select numerous samples of transactions for testing various account balances. In order to test compliance with federal and state laws and local ordinances, additional samples will be selected based on prior year's findings, single audit compliance guides and materiality, specific requirements as per our state compliance audit guide and per review of grant agreements, as applicable.

Fund Approach - Departments

We utilize a **"fund" approach** to our audit, which helps us to focus on issues related to each fund rather than overall revenues or expenditures. This approach is **unique from most firms who provide governmental audits**. This approach allows our audit team to focus on the purpose of the fund and the interrelationships between the balance sheet accounts, revenues, expenditures and fund balance. Our audit approach is based on the materiality level of each major fund and the remaining non-major funds. During our new audit engagements, we frequently find that prior auditors have overlooked some departments and transactions. Thus, we make a point to continue this thorough approach from year to year, which enhances the awareness of the audit requirements and **encourages department heads** to follow policies and procedures. As such, you will receive added value from the audit.

Quality Control

HintonBurdick follows professional standards which require an independent peer review and we also conduct annual in-house quality control reviews on a comprehensive selection of audit engagements. Moreover, every audit engagement is subject to quality control procedures performed by the audit engagement partner and manager who are responsible for ensuring that our audit procedures, documentation, and reporting are in compliance with auditing standards, state statutes, OMB Uniform Guidance requirements and firm policies. Technical partner reviews are also performed on various engagements and when deemed appropriate.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Information Technology

HintonBurdick's paperless audit software system enables us to import and analyze your financial data and gives us the ability to analyze, sort, extrapolate and compare your information with prior years, projected results and other expectations so that we can **effectively and efficiently plan and perform the audit**. Documents provided to HintonBurdick should be provided in an electronic format whenever possible. As an integral part of our evaluation of your system of internal controls we will evaluate your electronic data processing (EDP) system and document the system through inquiries and observations. Software for data extraction will be used if applicable as a result of audit planning. System tests for integrity, security, use of computer assisted audit tools, and the use of an IT specialist (see McKay Hall resume) will be applied if deemed necessary based on audit objectives and results of planning and other test work.

Review of Budgets, Manuals, and Other Source Documentation

HintonBurdick utilizes organizational budgets, manuals, organizational charts, and other client developed source materials in the consideration of the organizational structure, controls, and in development of the audit approach and test work.

Review of Reports and Financial Statement Grouping Schedule

HintonBurdick has developed a local government financial statement review checklist that we use in the preparation and/or review of the financial report. The checklist includes numerous recalculations, relationship tests and other procedures that we have developed over the last **30 years of preparing and reviewing local government financial statements**. To ensure all disclosures are properly reported, we utilize GFOA checklists and the PPC Practice Aids Disclosure Checklist for governmental financial statements which is updated every year.

As noted in our detailed work plan, we have allocated several hours to the technical review of the City's Comprehensive Annual Financial Report (CAFR).

We will submit drafts of our opinion letters and our findings and recommendations to management in order to provide the opportunity for comments and clarifications before the reports are finalized.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Time Requirements

HintonBurdick's staff size and experience allows assignment of resources to complete the audit work in the shortest possible time to **minimize day-to-day disruption**. We have conducted countless audits over the last 30 years and have developed an audit process which will allow us to perform the audit and **meet the deadlines as outlined** in your request for proposals. The details of each segment of the audit are proposed as follows:

SEGMENT 1 – PLANNING STAGE (MAY THROUGH JULY):

- Hold entrance conference and review prior year financial statements, accounting records and other information and issue the engagement letter.
- Submit detailed audit plan to the City along with a Prepared by Client (PBC) list.
- Obtain preliminary trial balance, select accounts to confirm and prepare confirmation letters.
- Review prior period audit work papers and review council meeting minutes.
- Prepare internal control narratives and review internal controls, accounting systems and grant management procedures.
- Prepare risk assessments, review compliance issues and develop audit programs.
- Prepare calculations for major fund determination and materiality levels for financial statements.
- Perform inventory observations and tests of controls, as applicable.

CLIENT RESPONSIBILITIES FOR SEGMENT 1:

- Ensure availability of City audit liaison and other City staff for the entrance conference and preliminary planning work as applicable.
- Provide preliminary trial balance and confirmation contact information.
- Update internal control narratives provided by the auditor.
- Assemble information for the PBC list in preparation for the field work stage.
- Coordinate field work dates.

SEGMENT 2 – FIELDWORK STAGE (AUGUST OR SEPTEMBER):

- Hold entrance conference for field work.
- Perform detailed audit procedures based on planning and assessment of internal controls and risk assessments, including procedures for cash and investments, capital assets, cutoff, inter-fund transactions, current liabilities, payroll, long-term debt, detailed examination of all funds and related accounts, compliance testing.
- Hold exit conference with City staff upon completion of field work to summarize the results of field work, review preliminary findings and discuss report deadlines and any unresolved issues.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

CLIENT RESPONSIBILITIES FOR SEGMENT 2:

- Provide various documents and schedules as per the PBC list.
- Ensure that work space is available and that City staff are available to provide assistance, locate supporting documentation and respond to inquiries during the scheduled field work dates.

SEGMENT 3 – WRAP UP STAGE (SEPTEMBER - OCTOBER):

- Conduct partner and manager review of audit work papers and audit programs.
- Conduct final review and analytical review procedures.
- Prepare and submit proposed audit adjustments and draft findings and recommendations.
- Review draft Financial Statements and submit comments to management for review.
- Deliver all applicable reports and communications.
- Prepare presentation and present results of audit to City council.
- Coordinate with the City regarding GFOA correspondence/submission.

CLIENT RESPONSIBILITIES FOR SEGMENT 3:

- Review the proposed audit adjustments and draft findings and recommendations.
- Provide draft CAFR and related documents: transmittal letter, statistical section.
- Provide signed client representation letter to the auditor.
- Coordinate the council meeting or audit committee presentation.
- Submit financial statements and applicable reports to the state and GFOA.

6. Identification of Anticipated Potential Audit Problems

The City will need to anticipate the implementation of significant standards such as GASB 87 *Leases* and possibly others; however, at this time, we do not anticipate any audit problems. Should any audit problems arise, we will immediately discuss the issue with the appropriate level of management and a plan will be implemented to address the problem.



7. Cost Proposal

Cost proposal for financial and compliance audits for the fiscal years ended June 30, 2020 through 2022:

Our combined all-inclusive not-to-exceed price for the financial audit for the year ended June 30, 2020 will not exceed \$20,400 as outlined in the attached Appendix A on the following page. If the work can be done for less, we will bill you less. Assuming that there are no significant changes in the scope of the audits, such as changes to accounting systems, or similarly significant changes, we anticipate that our total price for the financial audit for the years ended June 30, 2021 and 2022 will not exceed \$21,000 and \$21,500, respectively.

We anticipate the scope of the work to include an examination of the funds and activities included in the City's fiscal year 2019 audit and as outlined in your request for proposal. The prices are based upon the assumption that the City will prepare the financial statements and the MD&A, Transmittal Letter and Statistical Schedules. The prices also assume that the City's records are in good, auditable condition and that the City's personnel will be available to assist on a timely basis.

Michael K. Spilker is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City. We appreciate your consideration of HintonBurdick for this engagement and look forward with pleasure to a continued pleasant and mutually beneficial relationship.

Additional Services:

The prices above include a limited amount of assistance with year-end closing entries, if necessary. Other non-audit work such as assistance with bookkeeping, depreciation schedules or other accounting services necessary to bring the records and accounts into auditable condition are not anticipated. We do not bill for casual phone calls and consultations and we encourage you to call on us throughout the year.



PROFESSIONAL AUDITING SERVICES PROPOSAL HINTONBURDICK CPAs & ADVISORS

Appendix A

FY 2020	Hours	Quoted Hourly Rates	Total
Partner	20	\$ 135	\$ 2,700
Supervisory Staff	85	105	8,925
Staff	110	82	9,020
Other (Clerical)	10	45	450
Out of pocket expenses:			
Meals and lodging			-
Transportation			-
Other (specify): Rounding			(695)
Total all inclusive cost for the FY 2020 audit			\$ 20,400

FY 2021			Total
Total all inclusive cost for the FY 2021 audit			\$ 21,000

FY 2022			Total
Total all inclusive cost for the FY 2022 audit			\$ 21,500

Assuming there are no significant changes in the scope of the audit, such as changes in accounting system, significant new funds or similar changes, we anticipate that our price estimates for subsequent audits will not increase by more than 3 percent.