



GROVE, MUELLER & SWANK, P.C.

Certified Public Accountants and Consultants

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February 6, 2023

City Council
City of Sweet Home
3225 Main Street
Sweet Home, Oregon 97386

The following represents our understanding of the services we will provide the City of Sweet Home (hereafter referenced as City).

You have requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sweet Home (the City), as of June 30, 2022 and for the year then ended, and the related notes, which collectively comprise the City's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

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

- 1) Management's Discussion and Analysis.
- 2) Individual fund budgetary schedules for the general fund and major special revenue funds. Due to Oregon law, this RSI will receive an "in-relation-to" opinion.
- 3) Schedules related to OPEB liabilities.
- 4) Schedules related to PERS liabilities.

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

- 1) Combining fund statements.
- 2) Individual fund budgetary schedules other than general fund and major special revenue funds.
- 3) Other financial schedules, as applicable.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS and the Minimum Standards for Audits of Oregon Municipal Corporations. As part of an audit in accordance with U.S. GAAS and Minimum Standards for Audits of Oregon Municipal Corporations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and the Minimum Standards for Audits of Oregon Municipal Corporations.

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

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

Management's Responsibilities

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

- 1) For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- 2) For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- 3) To provide us with:
 - a) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements, such as records, documentation, and other matters;
 - b) Additional information that we may request from management for the purpose of the audit; and
 - c) Unrestricted access to persons within City from whom we determine it necessary to obtain audit evidence;
- 4) For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
- 5) For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- 6) For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole;
- 7) For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- 8) For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- 9) For informing us of any known or suspected fraud affecting City involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials;
- 10) For the accuracy and completeness of all information provided;
- 11) For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
- 12) For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

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

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

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

Nonattest Services

With respect to any non-attest services we perform, including the preparation of the financial statements of the City, we will not assume management responsibilities on behalf of the City. However, we will provide advice and recommendations to assist management of the City in performing its responsibilities.

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

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

- 1) We will perform the services in accordance with applicable professional standards.
- 2) The nonattest services are limited to the preparation of the financial statements, as previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Reporting

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

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

Other

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

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

Our fee for these services will not exceed \$47,500. This fee does not include any attest services related to the ARPA funding. Our invoices for these fees will be rendered as work progresses and are payable net 30 days terms upon City's acceptance of work or services performed. The estimated fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you before we incur the additional costs.

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

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

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

The audit documentation for this engagement is the property of Grove, Mueller & Swank, P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Grove, Mueller & Swank, P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

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

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

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

At the conclusion of our audit engagement, we will communicate to the board the following significant findings from the audit:

- 1) Our view about the qualitative aspects of City's significant accounting practices;
- 2) Significant difficulties, if any, encountered during the audit;
- 3) Uncorrected misstatements, other than those we believe are trivial, if any;
- 4) Disagreements with management, if any;
- 5) Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- 6) Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- 7) Representations we requested from management;
- 8) Management's consultations with other accountants, if any; and
- 9) Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

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

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

Very truly yours,

Grove, Mueller & Swank, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

RESPONSE:

This letter correctly sets forth the understanding of the City of Sweet Home.

Management signature: Matthew Brown

Title: Finance Director

Date: 2/12/2023

Governance signature: Jim Ca

Title: Mayor of Sweet Home

Date: 2/28/2023