HINTON BURDICK
CPAs & ADVISORS

August 3, 2023

Honorable Mayor, Town Council, and Management
Town of Apple Valley
1777 North Meadowlark Drive
Apple Valley, UT 84737

Purpose of Letter

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Town of Apple Valley. This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement.

Requested Procedures and Responsibilities

We will apply the agreed-upon procedures to Town of Apple Valley's accounting records, Financial Survey, and compliance with applicable state laws for the year ended June 30, 2023, in accordance with *Utah Code* 51-2a-201 and as enumerated in the *Guide for Agreed-Upon Procedures Engagements for Local Governments Entities with Annual Revenues or Expenditures Greater Than $350,000 and Less Than $1 million*, issued by the Office of the Utah State Auditor. These procedures will be applied for the purpose of reporting our findings as a result of the procedures performed. The procedures we will perform have been agreed to by the specified parties to this engagement, which are the Mayor, Town Council and Management and the Office of the Utah State Auditor.

Applicable Standards

Our engagement to apply agreed-upon procedures will be conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States (which standards incorporate by reference the American Institute of Certified Public Accountants general attestation standard on criteria, the field work and reporting attestation standards, and the corresponding statements on standards for attestation engagements). The sufficiency of the procedures is solely the responsibility of the specified parties listed above. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Reporting on Agreed-upon Procedures

The agreed-upon procedures listed in the attached schedule are not designed to constitute an audit or review of Town of Apple Valley's accounting records or the Financial Survey. Also, the agreed-upon procedures are not designed to constitute an examination or review of Town of Apple Valley's compliance with applicable state laws. Therefore, we will not express and opinion or conclusion on these matters. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

Report Distribution

We will present a written report listing the procedures performed and our findings. This report is intended solely for the use of the specified parties as identified above and should not be used by anyone other than these specified parties. In accordance with *Government Auditing Standards*, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant your attention. Additionally, we will report on any matter that comes to our attention that causes us to believe that amounts reported on the Financial Survey should be adjusted by more than 5% of total revenues.

Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. You will be given the opportunity to review a draft of the report and prepare a corrective action plan in response to identified internal control deficiencies and noncompliance matters.

Documentation Ownership and Retention

The attest documentation for this engagement is the property of HintonBurdick, PLLC and constitutes confidential information. However, we may be requested to make certain attest documentation available to the Office of the Utah State Auditor pursuant to authority given to it by law or regulation. If requested, access to such attest documentation will be provided under the supervision of HintonBurdick, PLLC personnel. Furthermore, upon request, we may provide copies of selected attest documentation to the Office of the Utah State Auditor who may intend, or decide, to distribute copies of information contained therein to others, including other governmental agencies.

Peer Review Report

In accordance with the requirements of *Government Auditing Standards,* we have published on our website a copy of the latest external peer review report of our firm for your consideration.

Management

- ***Responsibilities***

  Our engagement will be conducted on the basis that Town of Apple Valley's management acknowledge and understand that they have responsibility for:
  - Designing, implementing, and maintaining internal control relevant to the Town of Apple Valley's accounting records, accuracy and completeness of the Financial Survey, and compliance with applicable state laws;
  - Selecting and determining the suitability and appropriateness of the criteria upon which the accounting records and the Financial Survey will be evaluated;
  - Compliance with applicable state laws;
  - Providing us with:
    - Access to all information of which management is aware that is relevant to the Town of Apple Valley's accounting records, Financial Survey, and compliance, such as records, documentation, and other matters (management is responsible for the accuracy and completeness of such information);
    - Additional information that we may request from management for the purpose of performing the agreed-upon procedures; and

- – Unrestricted access to persons within the entity from whom we determine it necessary to obtain attest evidence.
- Submitting our report to the Office of the Utah State Auditor.

- ***Representations***

  At the conclusion of our engagement, we will require from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the agreed-upon procedures.

Engagement Administration and Fees

Our engagement is scheduled for performance beginning November 2023 and, unless unforeseeable problems are encountered, the engagement should be completed by December 31, 2023.

R. McKay Hall, CPA, is the engagement partner for the services specified in this letter and is responsible for supervising the engagement and signing the report.

Our estimated price for these services, including out-of-pocket costs (such as report reproduction, word processing, postage, travel, etc.) will not exceed $4,650.

The above estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. If requested or required, fees for additional accounting, consultation and any other services will be billed separately and will be dependent on the level of service provided.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. Interim billings may be submitted as work progresses and expenses are incurred. In the event any statement or invoice rendered by us to you is not paid within thirty (30) days of the date of the invoice, a late charge shall be accrued on the unpaid balance at the rate of 1.5 percent per month until paid. If billings are not paid within thirty (30) days of the invoice date, at our election, we may stop all work until your account is brought current or we may withdraw from this engagement. You acknowledge and agree that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Our liability shall be limited to the period covered by our engagement and shall not extend to periods for which we are not engaged.

It is our policy to keep work papers related to this engagement for seven (7) years. Upon the expiration of the seven (7) year period, you agree that we shall be free to destroy our work papers. When records are returned to you, it is your responsibility to retain and protect your records for possible future uses, including potential examination by governmental or regulatory agencies.

In the event of any dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they shall consult and negotiate with each other in good faith and recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the dispute cannot be settled through direct discussions, the parties agree to endeavor first to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to other legal remedies. If the parties are unable to resolve the dispute through mediation within sixty (60) days from the date notice is first given, then they may proceed to resolve the matter by arbitration. Such arbitration shall be binding and final. Any dispute over fees will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. In agreeing to arbitration both parties acknowledge that, in the event of a dispute each party is giving up the right to have the dispute decided in a court of law before a judge or jury and instead are accepting the use of arbitration for resolution. Costs of any mediation proceeding shall be shared equally by all parties. The prevailing party in the arbitration shall be entitled to an award of reasonable attorney's fees and costs incurred in connection with the application of the dispute in an amount to be determined by the arbitrator.

We appreciate the opportunity to be of service to Town of Apple Valley and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Respectfully,

HintonBurdick, PLLC

RESPONSE:

This letter correctly sets forth our understanding. Acknowledged and agreed on behalf of Town of Apple Valley by:

Management's signature: ______________________________

Printed Name: ______________________________

Title:

<u>Attachment</u>

<u>SCHEDULE OF PROCEDURES</u>

LARGE FINANCIAL SURVEY

GENERAL

1. We will obtain a copy of the entity's Financial Survey which was completed by the entity.

2. We will agree amounts reported on the Financial Survey to the entity's general ledger.

REVENUES

3. We will compare each revenue account on the Financial Survey to the corresponding prior period amounts. For changes greater than 5% of total revenues and 10% of the individual line item from the prior year, we will inquire of management and review applicable supporting documentation and determine whether the entity's explanation for the change was in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies as applicable.

DISBURSEMENTS

4. We will compare each expense account on the Financial Survey to the corresponding prior period amounts. For changes greater than 5% of total expenses and 10% of the individual line item from the prior year, we will inquire of management and review applicable supporting documentation to determine whether the entity's explanation for the change was in accordance with the entity's policies and procedures, GAAP, and State and/or federal policies as applicable.

ACCOUNTING RECORDS

GENERAL

5. We will inquire with those charged with governance, the chief administrative officer, and the chief financial officer (as designated in UCA 11-50-202) of any instances of fraud, illegal acts, or noncompliance.

DISBURSEMENTS

6. We will determine whether financial reports were prepared monthly or quarterly as required, and reviewed by the governing body. We will select one financial report and (1) scan the general ledger and determine that all funds are included in the report, and (2) agree the lesser of 10% or 15 line items from the report to the general ledger.

7. We will inquire with the chief administrative officer and the chief financial officer whether there were disbursements to related parties. We will also scan disbursement records for disbursements to related parties and determined who has credit cards or purchasing cards issued by the entity. We will select the lesser of 25 disbursements or 10% of disbursements ensuring that the selection includes disbursements to related parties as

well as credit card or purchase card disbursements made by members of the governing body and executive level of management.

For each transaction selected, we will determine whether the disbursement:

a. Is consistent with the entity's purpose.

b. Agrees to the receipt or invoice supporting the amount and payee.

c. Is authorized consistent with the entity's policies and procedures.

d. Is in compliance with the entity's purchasing policy (bids, quotes, etc.).

e. Is classified and recorded in accordance with the entity's chart of accounts and policies and procedures, GAAP, and State/Federal policies as applicable.

8. For each credit or purchasing card used, we will select one month during the period and determine whether card purchases were reconciled to receipts monthly by someone other than the card holder.

9. Through inquiry with management and scanning receipt records, we will determine what restricted revenue was received by the entity and select the lesser of 10% or 5 disbursements from restricted funds and determine whether the disbursements were in compliance with restrictions placed on the funds.

CASH

10. For each depository account, we will obtain the year-end bank reconciliation and one additional month's bank reconciliation and perform the following:

    a. Trace the bank balance on the reconciliation to the balance per the bank statement.

    b. Trace the reconciled book balance to the general ledger and the amount reported on the Financial Survey.

    c. Test the clerical accuracy of the reconciliation.

    d. For reconciling items greater than 5% of annual revenues, inquire of management and review applicable supporting documentation to determine that the items were consistent with the entity's policies and procedures, GAAP, and State/Federal policies. Trace the lesser of 10% or five reconciling items to a subsequent bank statement.

    e. Trace the lesser of 10% or five deposit transactions and 10% or five disbursement transactions to the general ledger.

11. For each depository bank reconciliation selected above, through inquiry of management and review of the reconciliation, we will determine whether the bank reconciliation was performed by someone who does not have access to receipts or disbursements. If the individual did have access to receipts or disbursements, we will determine whether a separate individual reviewed the completed bank reconciliation.

MEETINGS

12. We will review the governing board's meeting minutes for the period applicable to the engagement through the date of the engagement. For all financial transactions discussed in the minutes exceeding 5% of total revenues, and a sample of the lesser of 10% or 3 less significant financial transactions discussed, we will trace the transactions to the entity's accounting records and determine whether the transactions were recorded and reported in accordance with the entity's policies and procedures, GAAP, and State and/or Federal policies, as applicable.

COMPLIANCE

MEETINGS

13. We will select and obtain the agenda and meeting minutes for two public meetings held during the engagement year and perform the following:

    a. Determine if the entity gave proper notice of the meeting at least 24 hours before each meeting by posting the notice on the Utah Public Notice website.

    b. Determine if the agenda was reasonably specific to enable lay persons to understand the topics to be discussed.

    c. Determine if the public body took any final actions on a topic in the meeting that was not listed under an agenda item.

    d. Determine whether the minutes were posted to the Utah Public Notice Website within three days of the minutes being approved. (Exceptions: Charter schools are required only to make the meeting minutes available to the public within three days of being approved.)

    e. If a portion of the meeting was closed to the public, determine that 1) before the meeting was closed, the reason for holding the closed meeting was documented in the meeting minutes and a roll call vote was taken, 2) the reason for closing the meeting was permitted under statute, and 3) an audio recording of the closed meeting was made.

BUDGET

14. We will determine if a budget was approved before the start of the budget year and if the budget presented to the public and governing body contained the required financial information.

15. We will determine if the entity provided the required 7-day notice for its original and final budget adoption hearing.

16. We will examine the entity's records and financial reports and determine whether the total expenditures by department stayed within the amounts appropriated in the final adopted budget.

FUND BALANCES

17. Deficit Fund Balances: For any fund that had a deficit fund balance in the year under review, we will determine whether the entity included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 5% of the fund's total actual revenue of the year under review.

18. General Fund Balance Limitations:

[Municipalities:] We will determine whether the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 25% for cities or 75% for towns of the total revenue of the general fund for the engagement year.

[Interlocal Entities and Governmental Nonprofits:] We will determine if the maximum unrestricted (committed, assigned, and unassigned) fund balance was restricted to the greater of:

a. 100% of the current year's property tax; or

b. 35% of the total general fund revenues, if the annual general fund budget is greater than $100,000; or

c. 65% of the total general fund revenues, if the annual general fund budget is equal to or less than $100,000.

[Special and Local Service Districts:] We will determine if the maximum unrestricted (committed, assigned, and unassigned) general fund balance is restricted to:

a. 100% of the most recently adopted budget; plus 100% of the current years property tax collections

TRAINING

19. Through inquiry with officials of the entity and observation of meeting agendas, certificates or other relevant evidence, we will determine whether the following training had occurred as applicable:

a. Annual training on the requirements of the Open and Public Meetings Act.

b. Annual online training by the entity's designated records officer on the requirements of GRAMA.

c. [Local and Special Service Districts] – At least once a term, members of a board of trustees of a local district attended training developed by the Office of the Utah State Auditor in cooperation with the Utah Association of Special Districts.

GRAMA (GOVERNMENT RECORDS ACCESS MANAGEMENT ACT)

20. If the entity charges fees for GRAMA requests, we will verify that the entity has adopted a uniform fee structure.

FRAUD RISK ASSESSMENT

21. We will review the entity fraud risk assessment and verify that it was signed by the appropriate officers and discussed by the governing body as represented in the minutes.

TREASURER'S BOND

22. We will determine whether the Treasurer was bonded in accordance with Money Management Council Rule R628-4-4.

GOVERNMENT FEES

23. We will government fees to determine if they were adopted and tracked:

    a) Obtain a schedule of government fees.

    b) Inquire if there are any fees that are not included in the schedule of fees.

    c) Review the minutes and verify that the entity's fees were approved by the governing body.

    d) Select 4 fees from the schedule of fees and perform the following tests (The selection of fees should exclude fees charged in an enterprise fund although the auditor should review transfers from the enterprise fund to ensure they comply with statute).

    e) Are the revenues and expenses tracked for each specific service or regulatory activity for which the fees are charged?

    f) If fee revenue is in excess of expenses does the entity track those excess revenues to only be used for the intended purpose of the fee in subsequent years?

    g) Was a reasonable methodology used to calculate the fee?