



**CITY OF WHEELER**

Report to the City Council  
for the Year Ended June 30, 2023

September 26, 2023



**Accuity**

*Where accuracy meets integrity*

**CERTIFIED PUBLIC ACCOUNTANTS**

436 1<sup>st</sup> Avenue W • PO Box 1072  
Albany, Oregon 97321 • (541) 223-5555

**CITY OF WHEELER**  
**Tillamook County, Oregon**

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September 26, 2023

The Honorable Mayor and City Council  
City of Wheeler  
Tillamook County, Oregon

We are pleased to present this report related to our audit of the modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of City of Wheeler, Tillamook County, Oregon, for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process. Also included, is a summary of recently issued accounting standards that may affect future financial reporting by the City.

This report is intended solely for the information and use of the City Council and management of the City, and it is not intended to be used, and should not be used, by anyone other than these specified parties.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.

Very truly yours,

Accuity, LLC  
Certified Public Accountants  
Albany, Oregon



September 26, 2023

The Honorable Mayor and City Council  
City of Wheeler  
Tillamook County, Oregon

In planning and performing our audit of the modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wheeler, as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Wheeler's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wheeler's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wheeler's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control that we consider to be significant deficiencies, as described in the accompanying schedules as items 2023-001 through 2023-006.

**CITY OF WHEELER**  
**Tillamook County, Oregon**

June 30, 2023

<b>Finding Number</b>	<b>2023-001 (Repeat finding)</b>
<b>Finding Title</b>	Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures, which mitigate this condition to some extent.
<b>Type of Finding</b>	Significant Deficiency
<b>Criteria</b>	Ideally, staffing levels should allow for all areas of accounting responsibility (authorization or approval, custody of assets, recording transactions and reconciliations) to be performed independent of each other.
<b>Condition</b>	Due to limited staffing, complete segregation is not possible within the City.
<b>Cause of Condition</b>	Finance staff is competent, capable and performs daily and monthly functions very well. Due to the size of the City, adding finance staff is not a feasible option, so the finding is created.
<b>Potential Effect of Condition</b>	There is a greater opportunity for misstatements in financial records, whether from fraud or error, to occur.
<b>Prevalence</b>	Systemic
<b>Recommendation</b>	We do not recommend any changes in staffing, but the City Council should be aware of this deficiency and remain involved in mitigating controls that have been put into place.

**CITY OF WHEELER**  
**Tillamook County, Oregon**

June 30, 2023

<b>Finding Number</b>	<b>2023-002 (Repeat finding)</b>
<b>Finding Title</b>	City staff lacks the ability to draft financial statements in accordance with the modified cash basis of accounting including note disclosures and required schedules
<b>Type of Finding</b>	Significant Deficiency
<b>Criteria</b>	Preparing the financial statements prior to the commencement of a financial audit can be a valuable internal control to prevent misstatements in the preparation and disclosure of the financial statements.
<b>Condition</b>	Finance staff does not prepare their own financial statements, and instead has contracted with our office to prepare the financial statements.
<b>Cause of Condition</b>	Finance staff is competent, capable and performs daily and monthly functions very well. However, their experience in preparing modified cash basis financial statements and related disclosures is limited.
<b>Potential Effect of Condition</b>	Finance staff may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Missatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by the cash basis of accounting.
<b>Prevalence</b>	Systemic
<b>Recommendation</b>	We do not recommend any changes in the preparation and disclosure of the financial statements, but the City Council and management of the City should be aware of this deficiency and stress the importance of a thorough review of the financial statements prior to approval of the audit.

**CITY OF WHEELER**  
**Tillamook County, Oregon**

June 30, 2023

<b>Finding Number</b>	<b>2023-003</b>
<b>Finding Title</b>	Review and approval of monthly timesheets
<b>Type of Finding</b>	Significant Deficiency
<b>Criteria</b>	Employee timesheets should be reviewed and approved by a supervisor or a member of management to ensure the accuracy of time charged.
<b>Condition</b>	Lack of review and approval of monthly timesheets by a supervisor or management.
<b>Cause of Condition</b>	Lack of knowledge of internal control best practices.
<b>Potential Effect of Condition</b>	A lack of supervisory approval can allow errors in the time charges and allocated between funds to pass undetected.
<b>Prevalence</b>	Systemic
<b>Recommendation</b>	We recommend that all timesheets be signed by the employee and approved by a supervisor or management.

**CITY OF WHEELER  
Tillamook County, Oregon**

June 30, 2023

<b>Finding Number</b>	<b>2023-004</b>
<b>Finding Title</b>	Utility billing rates were not updated to current year rates for the entirety of the 2022-2023 fiscal year.
<b>Type of Finding</b>	Significant Deficiency
<b>Criteria</b>	Utility billing rates used to bill customers should agree to Council approved rates each fiscal year.
<b>Condition</b>	The finance director is responsible for updating rates within the billing system. There is no review process to ensure the rates are updated annually.
<b>Cause of Condition</b>	Changeover in staffing, lack of awareness of annual changes in ordinance.
<b>Potential Effect of Condition</b>	Under billing of customers, revenue shortfalls in water funds.
<b>Prevalence</b>	Isolated - appears to have been missed only during the 22/23 fiscal year.
<b>Recommendation</b>	We recommend the City update billing rates, and implement an annual process to ensure review of billing rates within the system is occurring.



**CITY OF WHEELER**  
**Tillamook County, Oregon**

June 30, 2023

<b>Finding Number</b>	<b>2023-005</b>
<b>Finding Title</b>	Credit card receipts missing
<b>Type of Finding</b>	Significant Deficiency
<b>Criteria</b>	Proper internal controls require each use of the credit card to be supported by receipts, as well as review and approval of reconciliations that contain all receipts.
<b>Condition</b>	During audit testing, no review was noted on multiple credit card statements as well as missing receipts.
<b>Cause of Condition</b>	Internal controls were not operating as designed.
<b>Potential Effect of Condition</b>	There is a greater opportunity for misstatements in financial records, whether from fraud or error, to occur.
<b>Prevalence</b>	Systemic
<b>Recommendation</b>	We recommend that City staff review internal controls over credit cards and ensure controls are operating as designed.

**CITY OF WHEELER**  
**Tillamook County, Oregon**

June 30, 2023

<b>Finding Number</b>	<b>2023-006</b>
<b>Finding Title</b>	Late fees being assessed and paid on credit card bills
<b>Type of Finding</b>	Significant Deficiency
<b>Criteria</b>	The City should be timely in its payment of bills.
<b>Condition</b>	Credit card late fees were noted as paid in multiple months during the fiscal year.
<b>Cause of Condition</b>	The City's process for bill payment caused delays resulting in late fees.
<b>Potential Effect of Condition</b>	Taxpayer dollars being used to pay late fees is not prudent fiscal management.
<b>Prevalence</b>	Systemic
<b>Recommendation</b>	We recommend the City update its bill pay process to allow for credit card payments to be made timely.

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, that are opportunities to strengthen internal controls and operating efficiencies:

***Compliance with Oregon Revised Statutes:***

*Excess of Expenditures Over Appropriations*

During our audit, we noted that the City expended funds in excess of appropriations in multiple funds and multiple budget categories, which lead to noncompliance with Oregon budget law. We recommend that the City implement procedures to closely monitor and review, on a routine basis, the budgeted amounts to the general ledger amounts, in order to prevent future reoccurrences.

*Resolution Adopting the Budget - Mathematical Errors*

During our audit, we noted that the resolution adopting the 2023-2024 budget did not mathematically foot, which lead to budget law noncompliance. We recommend that the City be more diligent in preparation and review of all budget resolutions moving forward, in order to mitigate future reoccurrences.

*Footpaths and Bicycle Trails Noncompliance*

The City did not expend the appropriate 1% of state highway funds received during the fiscal year on footpaths and bicycle trails, which is in noncompliance with Oregon Revised Statutes relating to state highway funds. We recommend that the City adopt a resolution for an exception to ORS366.514, due to the cost outweighing the value of any minor improvements made, in order to avoid future noncompliance.

***Staff Training***

During our audit, we noted that the new City Manager and Finance Director need additional accounting-related training in order to adequately perform accounting and reporting functions for the City. We recommend the City register the City Manager and Finance Director in accounting and budgeting courses in order to better meet the needs of the City.

***Lack of Service Contract***

During our audit, we noted that the City utilizes a specific service contractor, Timothy Grossnickle, for all repair needs of the City; however, there is not a contract currently in place for services being performed, which could lead to overpayment due to fraud or error. We recommend that the City draft a contract, to be signed by both the City and the contractor, covering all services to be performed and any related details and limitations of the service agreement, if both parties desire to continue services.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive style with a large initial 'A' and a stylized 'C'.

Accuity, LLC



The Honorable Mayor and City Council  
City of Wheeler  
Tillamook County, Oregon

We have audited the modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wheeler, for the year ended June 30, 2023, and issued our report thereon dated September 26, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 9, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Wheeler are described in the financial statements. Four new accounting policies were adopted during the year, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 202*, and Statement No. 101, *Compensated Absences*. The application of existing policies was not changed during the year ended June 30, 2023. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and fair value of the property held for sale and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

- Management's estimate of the possible economic impact of litigation if settled against the City was determined at the date the financial statements were available to be issued. We have evaluated the key factors and assumptions used to develop the estimate and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes material misstatements detected as a result of audit procedures and corrected by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain written representations from management, which are included in the attached letter September 26, 2023.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements.

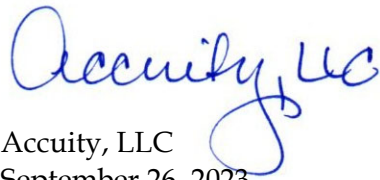
We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the use of the City Council and management of the City of Wheeler, and is not intended to be, and should not be used by anyone other than these specified parties.

### *Restriction on Use*

This report is intended solely for the use of the city council and management of the City of Wheeler, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC  
September 26, 2023

## Recently Issued Accounting Standards June 30, 2023

### New Pronouncements

For the fiscal year ended June 30, 2023, the City implemented the following new accounting standards:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements* – This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to lease implementation, public-private and public-public partnerships and availability payment arrangements, and subscription-based information technology arrangements.

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to financial guarantees and classification of derivatives.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.





June 09, 2023

Pax Broder  
City of Wheeler  
+15033685767

Dear Pax,

We are pleased to confirm our understanding of the services we are to provide City of Wheeler for the year ended June 30, 2023.

### **Audit Scope and Objectives**

We will audit the modified-cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of City of Wheeler as of and for the year ended June 30, 2023.

We have also been engaged to report on supplementary information that accompanies City of Wheeler's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and Major Special Revenue Funds, if any
2. Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for all Nonmajor Governmental Funds, if any
3. Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, if any
4. Schedule of expenditures of federal awards

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 GAAS and *Government Auditing Standards* 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 of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.

### **Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit**

We will conduct our audit in accordance with GAAS, the Minimum Standards for Audits of Oregon Municipal Corporations, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of accounting records, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the



audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS, and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Government's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

We have identified the following significant risk(s) of material misstatement as a part of our audit planning:

1. Organizational Structure - The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the City Council remains involved in the financial affairs of the City to provide oversight and independent review functions.
2. Financial Statement Preparation - The City lacks personnel with the ability to prepare financial statements in accordance with the accounting method selected by the City (modified cash).
3. Reconciliation Between Utility Billing Software and Accounting Software - During our audit procedures for fiscal year 2022, it was noted that there was no indication of reconciliation being performed between the utility billing software and the accounting software, which could lead to misstatement due to fraud or error.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but will remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of the financial statements does not relieve you of your responsibilities.

### **Audit Procedures - Internal Control**

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and



detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. 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, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we express no such opinion. However, during the audit, we will communicate to management and those charged with governance, internal control related matters that are required to be communicated under AICPA professional standards, and *Government Auditing Standards*.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Wheeler's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of City of Wheeler in conformity with the modified cash basis of accounting based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, and related notes services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will also assist with preparation of the capital asset schedule and depreciation calculation in conformity with the applicable basis of accounting.

You agree to assume all management responsibilities for the financial statements, and related notes, and any other nonattest services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, and related notes and that you have reviewed and approved the financial statements, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Responsibilities of Management for the Financial Statements**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, and all accompanying information in conformity with the modified cash basis of accounting; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

You are also responsible for making drafts of financial statements, all financial records and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, and other matters, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and



other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the 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 latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, that we report.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with the modified cash basis of accounting. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting, (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting, (3) the methods of measurement or presentation have not changed from those used in the prior period (or if they have changed, the reasons for such changes), and (4) you have disclosed to us any significant assumptions in interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations that we request, and will locate any documents selected by us for testing, and will prepare schedules requested by us by the dates communicated directly to management.

We will provide copies of our reports to City of Wheeler; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Accuity, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of Oregon or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Accuity, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report



release date or for any additional period requested by the State of Oregon. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party/parties contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on August 28, 2023 and to issue our report no later than December 31, 2023. Glen Kearns is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services will be based on the value of the services rendered, plus out-of-pocket expenses. We estimate that our fees for these services, including out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.), will be \$10,500. The fee estimate 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 and arrive at a new fee estimate. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will 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. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

## Reporting

We will issue a written report upon completion of our audit. Our reports will be addressed to management and those charged with governance of City of Wheeler. 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 and circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete our audit or are unable to form or have not formed opinions, we may decline to express our opinions or withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that Glen Kearns is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

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.

If this engagement letter is written in support of any existing bid or contract, in case of any conflict between such agreement and this letter, this letter will control.

If any of the above sections or clauses are held to be invalid for any reason, or are declared to be null and void, all other sections and clauses of this agreement shall remain valid, will not be nullified, and are hereby further affirmed.

Venue of all matters arising from this agreement, this engagement, and subsequent engagements shall reside in Albany, Linn County, Oregon.

Any dispute, controversy, or claim arising out of this agreement shall be settled by binding arbitration under the arbitration rules of the Linn County Circuit Court. There shall be one arbitrator selected from the Circuit



Court Panel of Arbitrators and the proceeding shall follow the Oregon Rules of Civil Procedure.

The arbitrator shall have the authority to award any remedy or relief that an Oregon court could order or grant, including, without limitation, specific performance of any obligation created under this agreement, the issuance of an injunction, or the imposition of sanctions for abuse or frustration of the arbitration process, except that the arbitrator shall not have authority to award punitive damages or any other amount for the purpose of imposing a penalty as opposed to compensating for actual damages suffered or loss incurred. With respect to any action relating to this agreement, the prevailing party shall be entitled to recover from the losing party its reasonable attorney's fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection with such action as determined by the arbitrator.

Our audit engagement ends upon delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new specific engagement letter for that service.

We appreciate the opportunity to be of service to you and believe that 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.

Very truly yours,

Accuity, LLC  
Glen Kearns

RESPONSE:

This letter correctly sets forth the understanding of City of Wheeler

Pax Broder  
Pax Broder, City Manager

08/24/2023  
Date

Accuity, LLC  
Certified Public Accountants  
436 1<sup>st</sup> Avenue W  
P.O. Box 1072  
Albany, Oregon 97321

This representation letter is provided in connection with your audit of the modified cash basis financial statements of the City of Wheeler, which comprise the respective financial position of the governmental activities, business-type activities, each major fund and the remaining aggregate fund information as of June 30, 2023, the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of signature of this letter, the following representations made to you during your audit.

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 9, 2023, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the City required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of signature of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit, if applicable.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

11. We have provided you with:
  - a. Access to all information of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or



- c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

### **City-Specific**

1. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
2. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us, if applicable.
3. We have a process to track the status of audit findings and recommendations.
4. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented, if applicable.
5. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report, if applicable.
6. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
7. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal contractual provisions for reporting specific activities in separate funds.
8. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

9. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
10. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
11. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants, whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
12. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
13. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
14. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. The financial statements include all component units, as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if applicable.
16. The financial statements properly classify all funds and activities.
17. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
18. Components of net position (net investment in capital assets, restricted, and unrestricted) and equity amounts are properly classified and, if applicable, approved.
19. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
20. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

21. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
22. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
23. Special and extraordinary items are classified and reported, if applicable.
24. Deposits, investment securities, and derivative instruments are properly classified as to risk and are properly disclosed.
25. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
26. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
27. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. The policy determines the fund balance classifications for financial statement purposes.
28. With respect to the supplementary information:
  - a. We acknowledge our responsibility for presenting the supplementary information in accordance with the modified cash basis of accounting, and we believe this information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
29. Expenditures of federal awards were below the \$750,000 threshold for the year ended June 30, 2023, and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Requirements* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Fay Brubaker City Manager  
Name, Position

9-26-23  
Date

**CITY OF WHEELER**  
**Journal Entry**  
**06/30/2023**

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
<b>AJE01</b>					
To reverse accrued liabilities					
100-2031	CIS- Health & Life Insurance		10.11	0.00	
100-2040	PERS		7,859.85	0.00	
100-5405	Health Insurance		0.00	10.11	
100-5305	Employee Retirement		0.00	7,859.85	
200-2032	WBF		0.00	9.10	
201-2032	WBF		0.00	9.10	
604-2032	WBF		0.00	9.10	
200-5200	Payroll Expenses		9.10	0.00	
201-5200	Payroll Expenses		9.10	0.00	
604-5200	Payroll Expenses		9.10	0.00	
<b>Total</b>			<b><u>7,897.26</u></b>	<b><u>7,897.26</u></b>	<b><u>7,842.66</u></b>
<b>GRAND TOTAL</b>			<b><u>7,897.26</u></b>	<b><u>7,897.26</u></b>	<b><u>7,842.66</u></b>