



**CITY OF JOHN DAY**  
**Request for Council Action**

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**Date Submitted:** March 24, 2023  
**Meeting Date:** March 28, 2023  
**To:** Mayor and City Council Members  
**From:** Rick Allen, Interim City Manager  
**Through:** Rick Allen, Interim City Manager  
**Subject:** **2023 Audit Proposal Gaslin Accounting, PC**

**TYPE OF ACTION REQUESTED:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> <b>Formal Action/Motion</b> | <input type="checkbox"/> <b>Public Hearing (Enter Type)</b> |
| <input type="checkbox"/> <b>Ordinance</b>                       | <input type="checkbox"/> <b>Resolution</b>                  |
| <input type="checkbox"/> <b>Consent Agenda</b>                  | <input type="checkbox"/> <b>No Action - Report Only</b>     |

**MOTION FOR COUNCIL CONSIDERATION:**

Enter motion here as you want a Councilor to read it, "That the Council approve..."

**OVERVIEW:**

The City is required to have the annual audit. The past few years Gaslin Accounting, PC in Baker City has conducted that audit. John Day did not put out requests for proposals earlier in the year to perform the required 2023 audit.

**STAFF ANALYSIS:**

John Day needs to put out a Request For Proposals (RFP) for a multi year agreement to conduct the audit in the future, normally 3 years. Due to the timing and requirement to have an auditor under contract, staff we extend the contract with Gaslin Accounting, PC to perform the 2023 audit. It is not unusual to extend the current auditors for 1-2 years beyond the original contract.

**SUMMARY:**

**A. General Coordination:**

| <b>Department Review</b> | <b>Reviewed By</b> | <b>Date</b> | <b>Not Required</b> |
|--------------------------|--------------------|-------------|---------------------|
| City Manager             | Rick Allen         | 03/24/2022  |                     |
| Public Works             | Casey Meyers       |             | NA                  |
| City Attorney            | Jeremy Green       |             | NA                  |
| City Recorder            | Anna Bass          | 03/27/2022  |                     |
| Finance                  | Stephanie Allen    | 03/27/2022  |                     |
| Community Development    | Contractor         |             | NA                  |
| Senior Project Manager   | Aaron Lieuallen    |             | NA                  |
| Other                    |                    |             |                     |

**B. Fiscal Impact:**

- \$ 21,450 City Audit and \$ 4,750 if required by the federal grants.
- The cost of the 2022 Audit was \$19,500 estimate per the contract. This represents an increase of \$1,950 estimated.

**C. Funding Source:**

- Split between various “general fund” accounts proportionally.
- URA funds

**D. Explanation of Impact:**

- Has it been budgeted for or will a resolution be needed? *The Audits were budgeted for 2022/23 audit expenses*
- Positive impact to community? *Review of the financial systems, funds and expenditures by an independent 3<sup>rd</sup> party helps assure compliance with all standard accounting practices and or requirements by the State of Oregon*

**E. Supporting Documentation:**

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**RECOMMENDATION:**

Motion to approve the audit proposal from Gaslin Accounting, PC. for the 2023 in the amount of \$21,450 and an additional \$4,750 for a single audit only if required due to the large amount of federal grants and to authorize the Mayor to sign.



**GASLIN ACCOUNTING, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED

MAR 24 2023

CITY OF JOHN DAY

2550 BROADWAY STREET  
BAKER CITY, OR 97814  
(541)523-6471

March 19, 2023

City of John Day  
450 East Main Street  
John Day, OR 97845

Dear Honorable Mayor and City Council:

The following represents our understanding of the services we will provide the City of John Day (the City).

You have requested that we audit the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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 (GAAS) and, if applicable, in accordance with Government Auditing Standards, and/or any state or regulatory audit requirements 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 supplementary information, such as management's discussion and analysis 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 auditing standards generally accepted in the United States of America, (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:

Management's Discussion and Analysis  
Certain Pension and Other Post Employment Benefits Information  
Major Governmental Fund Budgetary Comparison Schedules  
Independent Auditor's Report Required by Oregon State Regulations

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

Major Business-type Funds Budgetary Comparison Schedules  
Non-Major Funds Budgetary Comparison Schedules  
Combining Schedules

### **Auditor Responsibilities**

We will conduct our audit in accordance with GAAS and, if applicable, in accordance with Government Auditing Standards, and/or any state or regulatory audit requirements. As part of an audit in accordance with GAAS and, if applicable, in accordance with Government Auditing Standards, and/or any state or regulatory audit requirements, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.
- 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.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and, if applicable, in accordance with Government Auditing Standards, and/or any state or regulatory audit requirements.

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 the 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 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:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. 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
- c. To provide us with:
  - i. 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;
  - ii. Additional information that we may request from management for the purpose of the audit;
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
  - iv. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
  - v. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- d. 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;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. 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(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

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

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

### ***Nonattest Services***

With respect to any nonattest services we perform, specifically, financial statement preparation and proposing journal entries to arrive at the full accrual financial statements.

At the end of the year, we agree to perform the following:

- Propose adjusting or correcting journal entries to be reviewed and approved by the City's management.
- Preparation of the City's financial statements.

We will not assume management responsibilities on behalf of the City. However, we will provide advice and recommendations to assist management of the City in performing its responsibilities.

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

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

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

### **Reporting**

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the City Council of John Day. 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.

### **Other**

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic 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.

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.

**Provisions of Engagement Administration, Timing and Fees**

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

The timing of our audit will be scheduled for performance and completion as follows:

|   | <i>Begin</i>    | <i>Complete</i> |
|---|-----------------|-----------------|
| Document internal control and preliminary tests | July            | July            |
| Observe physical inventories (if necessary)     | NA              | NA              |
| Mail confirmations                              | July            | July            |
| Perform year-end audit procedures               | TBD – September | TBD - September |
| Issue audit report                              | October 31      | November 15     |

Robert Gaslin is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Gaslin Accounting CPA PC’s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered 25% after preliminary fieldwork, 25% after year-end audit procedures and 50% after completion of the audit and are payable upon presentation. We estimate that our fee for the audit will be \$21,450. Should the City require a Single Audit due to the amount of federal funds received, we would charge an additional \$4,750 to provide this service. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the City’s personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. 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.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

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

- Our view about the qualitative aspects of the entity’s significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;

- Disagreements with management, if any;
- 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;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Gaslin Accounting CPAs PC and constitutes confidential information. However, we may be requested to make certain audit documentation available to the Oregon Secretary of State Audits Division 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 Gaslin Accounting CPAs PC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to various regulators. Those regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

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.

Respectfully,

Gaslin Accounting CPAs PC  
March 19, 2023

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RESPONSE:

This letter correctly sets forth our understanding.

The City of John Day

Acknowledged and agreed on behalf of the City of John Day by:

\_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Acknowledged and agreed on behalf of the City of John Day by:

\_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_