

WINTHER STAVE & CO | LLP™
Certified Public Accountants

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July 17, 2019

The Honorable Mayor and
Members of the City Council
City of Sheldon
PO Box 276
Sheldon, IA 51201

We are pleased to confirm our understanding of the services we are to provide for the City of Sheldon (City) for the years ending June 30, 2019, 2020, and 2021. We will audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Sheldon as of and for the years ending June 30, 2019, 2020, and 2021.

We have also been engaged to report on supplementary information that accompanies the City'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 auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

1. Combining schedule of receipts, disbursements, and changes in cash balances - all nonmajor governmental funds.
2. Schedule of indebtedness.
3. Schedule of bond and note maturities.
4. Schedule of receipts by source and disbursements by function - all governmental funds.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on that other information.

1. Management's Discussion and Analysis, if you choose to prepare one.
2. Budgetary comparison schedule.

3. Schedule of City's proportionate share of the net pension liability.
4. Schedule of City contributions.

It is our understanding that these financial statements will be prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, on the basis of cash receipts and disbursements and to 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.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, will include tests of the accounting records of the City and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also 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 and compliance will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the City is subject to an audit requirement that is not encompassed in the terms of this engagement, for example if a Single Audit is needed, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or

employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting 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 a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America 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, any fraudulent financial reporting, or misappropriation of assets that come 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, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include direct confirmation of certain assets, liabilities, receipts, and disbursements by correspondence with selected individuals, government agencies, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. 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 the City's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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 and related notes of the City in conformity with the basis of cash receipts and disbursements 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 services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibility.

Management Responsibilities

Management is responsible for 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, including 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, schedule of expenditures of federal awards, if applicable, and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. 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, (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.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written 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 (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts 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 entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy and fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we may report.

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 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 other 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.

You agree to assume all management responsibilities relating to the financial statements, related notes, and any other nonaudit 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.

Audit Administration, Fees, and Other

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

We will provide copies of our reports to the City; 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 Winther, Stave & Co., LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to regulatory agencies or their designee, a federal agency providing direct or indirect funding, or the U.S. General 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 documentations will be provided under the supervision of Winther, Stave & Co., LLP personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute photocopies or information contained therein to others, including other governmental agencies.

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

We expect to begin our audit in August or September of each year and intend to issue our report no later than December 31 of each year. We will contact you to arrange for the exact date of audit fieldwork at your office. D. Jeffrey Crew is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign the report.

Our base fee for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs (such as report production, typing, postage, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered as work progresses and are payable on presentation.

We agree that our fees will not exceed the following, plus out-of-pocket expenses (approximately \$500 each year):

June 30, 2019	\$13,000
June 30, 2020	\$13,500
June 30, 2021	\$14,000

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with the City Administrator and arrive at a new fee estimate before we incur the additional costs. An additional fee of \$2,000 will be required each year the City is subject to OMB Circular A-133 (Single Audit).

Minor consultations are included in the above comprehensive fee. Major consultations requiring research or other special projects will be discussed with the City Administrator and an estimated fee agreed upon prior to commencement of the engagement.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report upon request. Our most recent peer review report is available on our website (www.winther-stave.com) or by contacting our office.

We appreciate the opportunity to be of service to the City of Sheldon 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.

Sincerely,

WINTHER, STAVE & CO., LLP



D. Jeffrey Crew, CPA/CVA/CGMA

Enc.

RESPONSE:

This letter correctly sets forth the understanding of the City of Sheldon.

City Clerk
Title

Angela Beberman
Signature

9-17-19
Date

RESOLUTION NO. 2019- 4450

Resolution awarding 2019-2021 auditing contract

WHEREAS, on April 16, 2019, the City issued a Request for Proposals for audit services for the fiscal year(s) ending June 30, 2019, June 30, 2020 and June 30, 2021; and

WHEREAS, two firms responded by the 4:30 PM deadline on May 17, 2019, and their costs are summarized as follows:

Firm	Location	Fees - 2019	Fees - 2020	Fees - 2021
Winther & Stave	Spencer	\$13,500	\$14,000	\$14,500
Williams & Co	Sheldon	\$16,600	\$17,450	\$18,300

WHEREAS, in addition to offering the lowest price, Winther & Stave is currently the auditor for the City of Sheldon; and

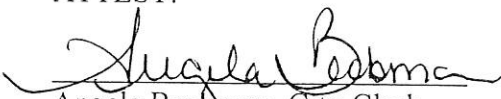
NOW, THEREFORE, BE IT RESOLVED, that the 3-year auditing contract is hereby awarded to Winther & Stave for the cost identified above plus reimbursable expenses per the agreement.

PASSED AND APPROVED this 5 day of June, 2019.



Greg Geels – Mayor

ATTEST:



Angela Beckman, City Clerk



City of Sheldon

416 9th Street
PO Box 276
Sheldon, IA 51201
Phone: 712-324-4651 Fax: 712-324-4601
Website: www.sheldoniowa.com

May 30, 2019

Williams & Company
934 3rd Ave, Suite 300
Sheldon, IA 51201

Dear Mr. Prewitt:

Thank you for the audit proposal for the City of Sheldon. There were 2 quotes received and the results are listed below.

Firm	Location	Fees - 2019	Fees - 2020	Fees - 2021
Winther & Stave	Spencer	\$13,500	\$14,000	\$14,500
Williams & Co	Sheldon	\$16,600	\$17,450	\$18,300

Based on the pricing presented, it will be the City Manager's recommendation to hire Winther, Stave to provide our auditing needs over the next three years.

Please contact us if you have any questions.

Thank you,

Angela Beckman
CityClerk