



The Honorable Mayor and City Council  
City of El Mirage  
El Mirage, Arizona

We have audited the financial statements of City of El Mirage for the year ended June 30, 2022, and have issued our report thereon dated November 23, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

#### Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 10, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of City of El Mirage. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. However, the standards do not require us to design procedures specifically to identify such matters.

#### 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 City of El Mirage are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Town updated accounting policies related to Leases by adopting the Statement of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in 2022. Accordingly, any cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by the City of El Mirage 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.

## Significant Audit Findings (Continued)

### *Qualitative Aspects of Accounting Practices (Continued)*

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 following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

Management's estimate of the net pension liability is based on an actuarial report performed by an independent party for the pension administrator. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attached is a summary of adjustments made to the financial statements that have been recorded by management. Other than those that are trivial, we did not identify any uncorrected misstatements to the financial statements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report all such disagreements, if any, were discussed with management and corrected during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the attached copy of the management representation letter dated November 23, 2022.

### Significant Audit Findings (Continued)

#### *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 Town’s financial statements or a determination of the type of auditors’ 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 Town’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

We applied certain limited procedures to management’s discussion and analysis and other required supplementary information as listed in the table of contents of the Annual Comprehensive Financial Report (ACFR), which are required supplementary information (RSI) that supplements the basic financial statements as required by GASB. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with 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.

We were not engaged to report on introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Internal Controls Over Financial Reporting

We were engaged to plan and perform our audit in accordance with *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States. We have issued a separate GAS report dated November 23, 2022 in accordance with these standards. Our report did not identify any instances of deficiencies in internal control that we considered to be a material weakness as defined in that report.

Restriction on Use

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

*Henry + Horne, LLP*

Tempe, Arizona  
November 23, 2022

Henry & Horne, LLP  
2055 E Warner Rd, Suite 101  
Tempe, AZ 85284

In connection with your engagement to examine the Annual Expenditure Limitation Report (AELR) of the City of El Mirage, Arizona for the year ended June 30, 2022, we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement.

- 1) We are responsible for the AELR presentation and compliance with the *Uniform Expenditure Reporting System* (UERS), as prescribed by Arizona Revised Statutes §41-1279.07.
- 2) We have excluded certain expenditures, expenses, or deductions of certain revenues from the total expenditure, expenses, or deductions reported in the City's fund financial statements in accordance with the Arizona Constitution, Article IX, §20.
- 3) We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.
- 4) We have disclosed to you all known matters contradicting the presentation and compliance prescribed by the UERS, if applicable.
- 5) There have been no communications from regulatory agencies, internal auditors, and other independent practitioners or consultants relating to the presentation or compliance of the AELR for the City of El Mirage, including communications received between June 30, 2022 and the date this letter is signed by us.
- 6) We have made available to you all information that we believe is relevant to the presentation and compliance of the AELR for the City of El Mirage.
- 7) We have responded fully to all inquiries made to us by you during the engagement.
- 8) No events have occurred subsequent to June 30, 2022 that would require adjustment to or modification of the presentation or compliance with the AELR for the City of El Mirage.
- 9) We believe the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the AELR.
- 10) We have disclosed to you all deficiencies in internal control relevant to the engagement of which we are aware.
- 11) We have disclosed to you knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the AELR.
- 12) Your report is intended solely for the information and use of the City of El Mirage and the Office of the Arizona State Auditor General and is not intended to be and should not be used by anyone other than those specified parties.

Signature: Robert Weddigen

Finance Director

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

Henry & Horne, LLP  
2055 E. Warner Rd., Suite 101  
Tempe, AZ 85284

This representation letter is provided in connection with your audit(s) of the financial statements of City of El Mirage, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, 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 (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, 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 this letter is signed, the following representations made to you during your audit.

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 10, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP 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 U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles 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, including those measured at fair value, 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 U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. Any uncorrected misstatements are listed out and attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City of El Mirage is contingently liable, if any, have been properly recorded or disclosed.

- 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 (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the City of El Mirage from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of City of El Mirage 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 of El Mirage and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - 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 of El Mirage'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 of El Mirage's related parties and all the related party relationships and transactions of which we are aware.
- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations, if applicable this year.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 22) The City of El Mirage has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position.
- 23) 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 and contractual provisions for reporting specific activities in separate funds.

- 24) 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.
- 25) 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.
- 26) 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.
- 27) 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, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related disclosures.
- 29) The City of El Mirage 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.
- 30) The City of El Mirage has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) 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 any.
- 32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .
- 33) All funds that meet the quantitative criteria in GASBS 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.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and any land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) 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.
- 38) 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.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 40) If any, special items are appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) We have appropriately disclosed the City of El Mirage'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.
- 44) 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. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to the other supplementary information as listed in the table of contents in the comprehensive annual financial report.
  - a) We acknowledge our responsibility for presenting the other supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the other supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other 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.
  - b) If the other supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 47) We believe that the pension liabilities and related OPEB costs have been properly reported for financial accounting purposes based on the reports issued by the respective pension plans.
- 48) We do not have tax abatement agreements required to be disclosed in the notes to the financial statements.
- 49) We have recognized all revenues in accordance with GASB Statement 33.
- 50) We have recorded and disclosed all fiduciary activities in accordance with GASB Statement 84.
- 51) We have recorded and disclosed all lease transactions in accordance with GASB Statement 87.

52) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the

objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
  - m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
  - n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
  - o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
  - p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
  - q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
  - r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
  - s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
  - t) We have charged costs to federal awards in accordance with applicable cost principles.
  - u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions, as applicable.
  - v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
  - x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance, as applicable.
- 53) We have reviewed and approved all adjustments summarized in the accompanying schedule that were made to the financial statement records for the period covered by this letter.

54) In regards to the nonattest services, we have:

- a. Assumed all management responsibilities.
- b. Overseen the services by designating an individual who possesses suitable skill, knowledge, or experience.
- c. Evaluated the adequacy and results of the services performed.
- d. Accepted responsibility for the results of the services.
- e. Retained a copy of the work products prepared by you for our records.

The nonattest services provided by you are:

- a. Preparing financial statements and related notes
- b. Providing management with firm prepared templates for management's discussion and analysis.
- c. Posting any standard, adjusting, or correcting journal entries that you have proposed and have been approved by us.
- d. Preparing Governmental Accounting Standards Board Statement No 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, conversion entries.
- e. Preparing the schedule of expenditures of federal awards and uploading to the federal clearinghouse.

Furthermore, we have reviewed and approved the financial statements and related notes.

*Robert Weddigen*

Finance Director

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Signature

Title