

BILL NO. 2017-047

ORDINANCE NO. 8176

A SPECIAL ORDINANCE OF THE CITY OF NEVADA ACCEPTING THE PROPOSAL SUBMITTED BY BKD, LLP TO PERFORM THE ANNUAL AUDIT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017, WITH THE OPTION OF AUDITING EACH OF THE FOUR SUBSEQUENT YEARS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEVADA, MISSOURI THAT:

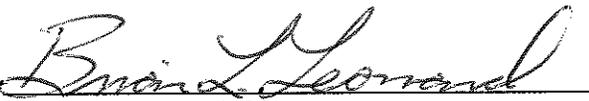
**Section 1.** The agreement attached hereto as "Exhibit A" and incorporated herein by reference is approved as a contractual obligation of the City of Nevada, Missouri.

**Section 2.** This agreement is with BKD, LLP to perform the annual audit for the fiscal year ending December 31, 2017, with the option of auditing the City of Nevada, Missouri's financial statements for each of the four subsequent fiscal years.

**Section 3.** The City Manager is hereby authorized and directed to execute said agreement on behalf of the City of Nevada, Missouri.

**Section 4.** The City Manager is hereby authorized and directed to make payment upon completion of the annual audit for the year ending December 31, 2017 in an amount not to exceed \$33,000 without further action of the City Council.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Nevada, Missouri, this 3rd day of October, 2017.

  
Brian L. Leonard, Mayor

(seal)  
ATTEST:

  
Johnna Williams, Deputy City Clerk

**AGENDA ITEM**  
September 19, 2017

Subject: Professional Auditing Services

Department: Finance

Proposals were requested for auditing services for the fiscal year ending December 31, 2017 with an option of auditing the next four subsequent years.

The audit committee reviewed proposals based on governmental auditing experience, communication, audit approach and timeliness. Cost was not the primary factor during the review process and was only considered after review of qualifications.

Proposals were received from:

BKD, LLP Kansas City, MO  
CliftonLarsonAllen, Overland Park, KS  
Cochran Head Vick & Co., P.C. Kansas City, MO  
DSWA Certified Public Accountants, P.C. Butler MO  
Troutt, Beeman & Co., P.C. Harrisonville, MO

All proposals were similar in comparison however, BKD LLP excelled in the area of communication. The firm introduced themselves in 2015 and continued to communicate with the City during the year. BKD sends information on accounting updates that affect the municipalities and invites finance to attend training seminars conducted annually. The firm communicated with the City during the proposal process by submitting questions, attending the pre-proposal conference and responding to staff questions. Their bid is \$33,000.

**2017 PROFESSIONAL AUDITING SERVICES SUMMARY**

Firm	Engagement Team	Key Staff Licensed in Missouri	Estimated audit hours	Engagement Team Combined Yrs Experience	Single Audit Experience	Provides seminars and updates throughout year	Adequate sampling & analytical procedures	Professional Relationships/ Prior Engagements with City	Similar Engagements with Other Gov Entities	Peer Review	Federal/State Desk Reviews	Disciplinary Action	Guarantee/Warranty	Attended Proposal Conference
BKD, LLP Kansas City, MO	Full-Time 3 Part-Time 1	yes	286	49	yes -450 audits in 2015	both	yes	no	Kansas City Public Utilities City of Liberty, MO Kansas City Library	pass	yes	yes, however, does not impact municipal government audits	yes	yes
Clifton Larson Allen Overland Park, KS	Full-Time 4 Part-Time 2	Engagement & Quality Review Principals not licensed in MO	310	76	yes-900 audits in 2015	both	yes	no	City of St. Joseph, MO City of Savannah, MO City of Smithville, MO	pass	no	no	yes	no
Cochran Head & Vic Kansas City, MO	Full-Time 5	yes	235	67	yes-40 to 50 annually	both	yes	no	City of Blue Springs, MO City of Sugar Creek, MO City of Joplin, MO City of Monett, MO	pass	no	no	yes	no
D.S.W.A. Butler, MO	Full-Time 4 Part-Time 1 (single audit)	yes	307	85	yes	updates	yes	no	City of Lake Winnebago City of Calhoun City of Archle Nevada R-5	pass	no	no	yes	yes
Troutt Beeman & Co Harrisonville, MO	Full-Time 4	yes	251	79	yes-avg 20 annually	updates	yes-staff assigned to sections will rotate each year	yes, auditing firm since 2011	City of Belton City of Grain Valley City of Butler City of Pleasant Valley	pass	no	no	yes	yes



November 6, 2017

Members of the City Council  
Honorable Brian Leonard, Mayor  
Mr. J.D. Kehrman, City Manager  
Ms. Kristie Modlin, City Treasurer  
City of Nevada, Missouri  
110 South Ash Street  
Nevada, Missouri 64772

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide to the City of Nevada, Missouri.

#### **ENGAGEMENT OBJECTIVES AND SCOPE**

We will audit the basic financial statements of the City of Nevada, Missouri as of and for the year ending December 31, 2017, and the related notes to the financial statements.

Our audit will be conducted with the objectives of:

- ✓ Expressing an opinion on the financial statements
- ✓ Issuing a report on your compliance based on the audit of your financial statements
- ✓ Issuing a report on your internal control over financial reporting based on the audit of your financial statements

#### **OUR RESPONSIBILITIES**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance having a direct and material effect may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements 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. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate letter to be signed by you and BKD.

Jacob Holman, Director, is responsible for supervising the engagement and authorizing the signing of the report or reports.

We will issue a written report upon completion of our audit of the City of Nevada, Missouri's financial statements. Our report will be addressed to the City Council of the City of Nevada, Missouri. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph(s) or withdraw from the engagement. If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

We will also express an opinion on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **YOUR RESPONSIBILITIES**

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error;
- c. for identifying and ensuring compliance with the laws, regulations, contracts and grants applicable to your activities; and
- d. 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 financial statements such as records, documentation and other matters;

- ii. additional information that we may request from management for the purpose of the audit; and
- iii. unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, where appropriate, those charged with governance, written confirmation acknowledging certain responsibilities outlined in this engagement letter and confirming:

- The availability of this information
- Certain representations made during the audits for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud 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

The results of our tests of compliance and internal control over financial reporting performed in connection with our audit of the financial statements may not fully meet the reasonable needs of report users. Management is responsible for obtaining audits, examinations, agreed-upon procedures or other engagements that satisfy relevant legal, regulatory or contractual requirements or fully meet other reasonable user needs.

With regard to supplementary information:

- Management is responsible for its preparation in accordance with applicable criteria
- Management will provide certain written representations regarding the supplementary information at the conclusion of our engagement
- Management will include our report on this supplementary information in any document that contains this supplementary information and indicates we have reported on the supplementary information
- Management will make the supplementary information readily available to intended users if it is not presented with the audited financial statements

### **OTHER SERVICES**

We will provide you with the following nonattest services:

- Preparing a draft of the financial statements and related notes

In addition, we may perform other services for you not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services that we may provide, including any findings that may result. You also acknowledge that those services are adequate for your purposes and that you will establish and monitor the performance of those services to ensure that they meet management's objectives. Any and all decisions involving management responsibilities related to those services will be made by you, and you accept full responsibility for such decisions. We understand that you will designate a management-level individual to be responsible and accountable for overseeing the performance of those services, and that you will have determined this individual is qualified to conduct such oversight.

## **ENGAGEMENT FEES**

The fee for our services will be \$29,500. These fees include travel costs, if any, and an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

The fees above exclude the additional time and audit procedures required by a Single Audit. These fees, if required, for the time required to audit one major federal program as defined by Uniform Guidance is \$3,500. If additional major programs are identified, we anticipate additional costs to be \$3,000 - \$4,000 per program, depending on the extent of applicable compliance attributes.

Our estimate of fees does not include any time that may be required to address a restatement of the previously audited financial statements. Accordingly, any such work will be billed based upon the hourly rates quoted in the proposal.

Our fees are based upon the understanding that your personnel will be available to provide us the necessary information for our audit. Assistance from your personnel is expected to include:

- Preparing audit schedules to support all significant balance sheet and certain other accounts
- Responding to auditor inquiries
- Preparing confirmation and other letters
- Pulling selected invoices and other documents from files
- Helping to resolve any differences or exceptions noted

We will provide you with a detailed list of assistance and schedules required and the date such assistance and schedules are to be provided before the audit begins. All schedules should be provided in electronic form unless indicated otherwise.

Our timely completion of the audit depends on your timely and accurate schedule and analyses preparation and on the availability of your personnel to provide other assistance. If there are inaccuracies or delays in preparing this material, or if we experience other assistance difficulties that add a significant amount of time to our work, our fees will increase.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum.

Our engagement fee does not include any time for post-engagement consultation with your personnel or third parties, consent letters and related procedures for the use of our reports in offering documents, inquiries from regulators or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

Our fees may also increase if our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards or because of change in the City's size, complexity or operations.

If our invoices for this or any other engagement you may have with BKD are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

## **OTHER ENGAGEMENT MATTERS AND LIMITATIONS**

BKD is not acting as your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, BKD is not recommending any action to you and does not owe you a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such information or communications with any and all internal or external advisors and experts you deem appropriate before acting on any such information or material provided by BKD.

Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information.

To the extent permitted by the laws of the State of Missouri, you agree to indemnify and hold harmless BKD and its personnel from any claims, liabilities, costs and expenses relating to our services under this agreement attributable to false or incomplete representations by management, except to the extent determined to have resulted from the intentional or deliberate misconduct of BKD personnel.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Either of us may terminate these services at any time. Both of us must agree, in writing, to any future modifications or extensions. If services are terminated, you agree to pay us for time expended to date. In addition, you will be billed travel costs and fees for services from other professionals, if any, as well as an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on heirs, successors and assigns of you and BKD.

We may from time to time utilize third-party service providers, e.g., domestic software processors or legal counsel, or disclose confidential information about you to third-party service providers in serving your account. We 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 information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event 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.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery as the Internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible.

If you intend to include these financial statements and our report in an offering document at some future date, you agree to seek our permission to do so at that time. You agree to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Any time you intend to publish or otherwise reproduce these financial statements and our report and make reference to our firm name in any manner in connection therewith, you agree to provide us with printers' proofs or masters for our review and approval before printing or other reproduction. You will also provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter.

You agree to notify us if you desire to place these financial statements or our report thereon along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that we have no responsibility as auditors to review information contained in electronic sites.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2014 peer review report accompanies this letter.

Please sign and return the original of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

**BKD, LLP**

JDH:AJC:jn

