	CITY OF COFFEYVILLE **BOARD OF COMMISSIONERS AGENDA ITEM**	
MEETING DATE	August 23, 2016	
RESOLUTION OR ORDINANCE NUMBER	R-16-104	
AGENDA TITLE	**A RESOLUTION TO APPROVE REAFFIRMING THE MULTI-YEAR ENGAGEMENT LETTER WITH JARRED, GILMORE & PHILLIPS, PA FOR THE FY 2015, FY 2016 AND FY 2017 AUDITS IN THE AMOUNT OF $12,250 FOR THE FY 2016 ANNUAL AUDIT AND $1,900 FOR THE SINGLE AUDIT.**	
REQUESTING DEPARTMENT	Finance Department	
PRESENTER	Stephanie A. Richardson, Finance Director	
FISCAL INFORMATION	Cost as recommended:	$12,250 FY 2016 Audit $1,900 Single Audit
	Budget Line Item:	010-5-131-478 / 110-5-760-478 130-5-000-478 / 140-5-000-478 250-5-000-478 / 360-5-000-478 370-5-000-478 / 450-5-000-478 700-5-000-478 / 720-5-000-478 760-5-000-478 / 800-5-040-478 900-5-046-478 / 900-5-047-478
	Balance Available	$12,250
	New Appropriation Required:	[ ] Yes [X] No
PURPOSE	Approve engagement letter for the FY 2016 audit.	

BACKGROUND	In March 2016, staff received bids for annual audit services. Proposals were taken for one-year contracts and for three-year contracts. The directive from prior City Commissions has been to go through the full bid process once every 3 years unless staff feels that the renewal quote is out of line with the market. Under this format the next full bid process would occur in 2018.
SPECIAL NOTES	N/A
ANALYSIS	Jarred, Gilmore & Phillips, PA, was awarded the audit bid for a three-year period for a total of $36,750 ($12,000 for FY 2015, $12,250 for FY 2016 and $12,500 for FY 2017). This firm has performed the City's audit since 1988. Therefore, they are very familiar with how the City operates and does not require a lot of additional City staff time to complete the audit. The firm conducts their work in a professional manner and provides assistance to the City throughout the year when various accounting issues arise. The resolution adopted by the City Commission on March 14, 2016 stated that the audit agreement was subject to annual confirmation by the City of Coffeyville Board of Commissioners. By approving this resolution, the Commission will confirm the continuance of the contract with Jarred, Gilmore & Phillips, PA for the 2016 audit.
PUBLIC INFORMATION PROCESS	N/A
BOARD OR COMMISSION RECOMMENDATION	N/A
STAFF RECOMMENDATION	Staff recommends approval of the resolution.
REFERENCE DOCUMENTS ATTACHED	N/A

RESOLUTION NO. R-16-104

A RESOLUTION TO AUTHORIZE THE EXECUTION OF A MULTI-YEAR (FY15/FY16/FY17) AUDIT ENGAGEMENT LETTER WITH JARRED, GILMORE & PHILLIPS, PA IN THE SUM OF $12,250 FOR THE FY 2016 AUDIT AND $1,900 FOR THE SINGLE AUDIT SUBJECT TO ANNUAL CONFIRMATION BY THE CITY OF COFFEYVILLE BOARD OF COMMISSIONERS.

BE IT RESOLVED, by the Board of Commissioners of the City of Coffeyville, Kansas as follows:

SECTION 1. That Jarred, Gilmore & Phillips, PA were and are hereby awarded a multi-year audit engagement for FY 2015, FY 2016 and FY 2017 in the sum of $12,000, $12,250, and $12,500 respectively per annual audit subject to annual confirmation by the City of Coffeyville Board of Commissioners.

SECTION 2. The City may be subject to a Single Audit if Federal expenditures exceed $750,000 in any one year. If so, additional audit procedures will be required by the Single Audit Act. The estimated fee for those services is $1,900.

SECTION 3. That the Mayor and the City Clerk be and are hereby authorized to execute an engagement letter with Jarred, Gilmore & Phillips, PA in the sum of $12,250 for the FY 2016 audit and $1,900 for the Single Audit.

SECTION 4. That the execution of engagement letter with Jarred, Gilmore & Phillips, PA for the FY 2017 audit shall be subject to future confirmation by the Board of Commissioners of Coffeyville, KS.

ADOPTED THIS 23RD DAY OF AUGUST 2016.

_____
Christopher V. Williams, Mayor

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

Jarred
Gilmore
Phillips

July 22, 2016

City Commission
City of Coffeyville
P.O. Box 1629
Coffeyville, Kansas 67337-0949

We are pleased to confirm our understanding of the services we are to provide City of Coffeyville, Kansas for the year ended December 31, 2016. We will audit the financial statement of the City of Coffeyville, Kansas as of and for the year ended December 31, 2016. It is agreed that the basis of presentation of the financial statement will demonstrate compliance with the regulatory basis of accounting. It is further agreed that the municipality shall pass, by resolution, a waiver of the requirements of the law relating to the preparation of financial statements and financial reports that conform to generally accepted accounting principles as provided by K.S.A. 75-1120a (c).

We have also been engaged to report on supplementary information that accompanies City of Coffeyville's financial statement. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statement as a whole, in a report combined with our auditors' report on the financial statement:

1) Summary of Expenditures – Actual and Budget – Regulatory Basis (Budgeted Funds Only)
2) Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis
3) Schedule of Receipts and Disbursements – Agency Funds – Regulatory Basis

Audit Objective
The objective of our audit is the expression of an opinion as to whether your financial statement is fairly presented, in all material respects, in conformity with the regulatory basis of accounting and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statement as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of City of Coffeyville's financial statement. Our report will be addressed to the Mayor and City Commission of City of Coffeyville. 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 or add emphasis-of-matter or other-matter paragraphs. If our opinion is 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 an opinion, we may decline to express an opinion or may withdraw from this engagement.

Audit Procedures—General
An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; 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 statement. We will plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because 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 U.S. generally accepted 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 statement. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will 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 require certain written representations from you about the financial statement and related matters.

Audit Procedures—Internal Control
Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statement and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. 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.

Audit Procedures—Compliance
As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we will perform tests of City of Coffeyville'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.

Other Services
We will also assist in preparing the financial statement of City of Coffeyville in conformity with the regulatory basis of accounting based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement 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 responsibilities.

Management Responsibilities
Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statement in conformity with the regulatory basis of accounting.

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 statement, (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 statement to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statement taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statement. 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, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with the regulatory basis of accounting. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statement with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the regulatory basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the regulatory basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other
We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Jarred, Gilmore & Phillips, PA and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of Kansas or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Jarred, Gilmore &

Phillips, PA personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the State of Kansas or its designee. The State of Kansas or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

Neil L. Phillips, CPA, is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

It is our understanding that your intent in engaging us is that the financial statement we render to you under this agreement will be made available to the State of Kansas Division of Accounts and Reports. Moreover, as of the time of this engagement, we have not been notified, in writing or otherwise, that the professional accounting services rendered under this agreement will be made available to any other person, firm, or corporation for any purpose not specified hereinabove. Consequently, no other person, firm, or corporation is entitled to rely upon these professional services for any purpose without our express, written agreement. This engagement letter embodies the entire agreement and understanding between the parties hereto and there are no promises, warranties, covenants or conditions made by any of the parties except as herein expressly contained. The terms and conditions of this engagement shall be governed and construed in writing signed by all the parties. It is agreed that venue and jurisdiction involving any matters arising out of this engagement letter is in the State of Kansas.

Disputes arising under this agreement (including the scope, nature, and quality of services to be performed by us, our fees, and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties, shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceeding shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Our fees 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 will perform the audit services for an amount not to exceed:

Audit of City as of December 31, 2016	$12,250.00

The City may be subject to a Single Audit in 2016 if Federal expenditures exceed $750,000.00. If so, additional audit procedures will be required by the Single Audit Act. Our estimated fee for these additional services will be $1,900.00, and a new engagement letter must be obtained.

These fees are based upon anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the audit. The following are examples of circumstances which could result in an increase in fees:

- a significant change in the amount or type of accounting records maintained,
- change in personnel with a corresponding change in level and quality of work performed,
- additional significant state and/or federal grants not identified previously,
- issuance of long-term debt not identified previously for the purposes of new financing or refunding of previously issued long-term debt, or
- new GASB pronouncements that require additional compliance work.
- a greater than expected risk of material misstatement due to fraud.

We would like to point out that we expect the proposal fee to be a maximum charge. As can be seen above, the additional charges would only be necessary due to unusual circumstances not foreseen when the audit proposal was prepared. If significant additional time is necessary, we would discuss it with you and arrive at a new fee estimate.

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

We appreciate the opportunity to be of service to City of Coffeyville, Kansas 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,

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the ***City of Coffeyville, Kansas***.

Signature _____

Title _____