

First Reading \_\_\_\_\_

Bill No. 1274

Second Reading \_\_\_\_\_

Ordinance No. 1229

**AN ORDINANCE AUTHORIZING AN AGREEMENT WITH HOCHSCHILD, BLOOM & COMPANY FOR AUDITING SERVICES FOR THE CITY OF COOL VALLEY, MISSOURI.**

**BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF COOL VALLEY, MISSOURI, AS FOLLOWS:**

**Section One.**

The Mayor of the City of Cool Valley, Missouri, is authorized and directed to execute and enter into, on behalf of the City, an agreement with Hochschild, Bloom and Company, LLP., for auditing services for the City of Cool Valley, said agreement to be in substantial conformity with Exhibit "A" attached hereto and incorporated herein by reference.

**Section Two.**

This ordinance shall be in full force and effect both from and after the date of its passage and approval by the Mayor and Board of Aldermen.

**PASSED BY THE BOARD OF ALDERMEN FOR THE CITY OF COOL VALLEY THIS 23<sup>rd</sup> DAY OF March, 2015.**

AYES: A, Robinson, M. Johnson, F. Blackwell, D. Johnson

NAYS: 0

ABSENT: 0

Viola J. Murphy  
Presiding Officer

Attest:

Deborah Jones Daniels  
Deborah Jones Daniels, City Clerk

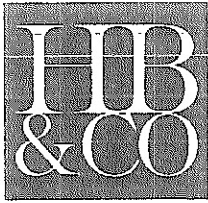
APPROVED THIS 23<sup>rd</sup> DAY OF March, 2016.

Viola J. Murphy, Mayor  
Viola J. Murphy, Mayor

Attest:

Deborah Jones Daniels  
Deborah Jones Daniels, City Clerk





Hochschild, Bloom & Company LLP  
Certified Public Accountants  
Consultants and Advisors

September 30, 2016

Honorable Mayor and Board of Aldermen  
City of Cool Valley, Missouri  
100 Signal Hill Drive  
Cool Valley, MO 63121

We would appreciate an update of our contract as allowed under its provisions. This would benefit the City since we have performed audit services in previous years and we have background with your systems and accounting records. Due to the City's implementation of new accounting standards and programs, we can help maintain the highest level of the City's financial reporting.

HB&Co. personnel have the experience and knowledge in providing various services to governmental organizations similar to the City. The following is a list demonstrating our commitment to our governmental organizations and specifically how we can meet your needs:

- ◇ The City wants its auditors to be able to efficiently provide services to help meet deadlines and provide knowledge to the City. Since our Firm maintains a concentration in governmental accounting, our audit staff understands your accounting issues.
- ◇ HB&Co. has over 60 current references in the St. Louis and surrounding areas you may contact concerning our governmental services, including those with similar programs and funds.
- ◇ We are members of the GFOA, GFOA St. Louis Chapter, St. Louis Area City Clerks and Finance Officers Association, East Central Missouri City Clerks and Finance Officers Association, Missouri Municipal Attorneys Association, Missouri Society of CPAs Governmental Committee, Municipal League, and the Missouri City/County Management Association.
- ◇ HB&Co. has significant experience with the GFOA Certificate of Achievement for Excellence in Financial Reporting including two members on the national GFOA Special Review Committee and audit services for over 20 governments that obtain the Certificate.
- ◇ We are members of the Governmental Audit Quality Center which provides resources to maintain the highest level of quality governmental reporting.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

[www.hbcelp.com](http://www.hbcelp.com)

PrimeGlobal | An Association of Independent Accounting Firms

- ◇ We have 70 years of experience providing governmental services.
- ◇ Our Firm is a member of the AICPA and both the Center for Public Company Audit Firms Section and the Private Companies Practice Section of the AICPA. All members of these Sections must adhere to higher quality control audit and reporting standards than other CPA firms and the members are subject to regular peer review procedures established by the AICPA on which we have received unqualified opinions. Also, our most recent peer review (copy enclosed) resulted in a "pass" rating, which is only achieved by the top quality firms. The fact that we have voluntarily taken on these responsibilities ensures that you receive the highest quality work available.

The partners and staff at our Firm sincerely want to continue the good working relationship that we have enjoyed with your City over recent years. As a Firm, we are committed to providing governmental services that will help our clients consistently maintain a high standard of recordkeeping, reporting, and operations.

If we can answer any questions or meet with you to discuss this further, please let us know.

Very truly yours,

  
Robert B. Offerman, CPA  
Partner

RBO/smm

Enclosures: Engagement Plan  
Peer Review Report

**RESPONSE:**

This proposal correctly sets forth the understanding of the **CITY OF COOL VALLEY, MISSOURI**. Either party may cancel this agreement or both parties may extend this agreement in subsequent years.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

# CITY OF COOL VALLEY, MISSOURI

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## ENGAGEMENT PLAN

### Our Engagement

We will audit the financial statements of the governmental 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. Accounting standards generally accepted in the United States of America provide for certain required supplemental information (RSI), such as management's discussion and analysis (MD&A), to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We will subject the other supplemental 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 we will provide an opinion on it in relation to the financial statements as a whole.

### 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, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplemental information referred to in the second paragraph when considered in relation to the basic financial statements taken 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, and will include tests of the accounting records of the City and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the governing board. 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 discuss the reason(s) 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 issue reports, or may withdraw from 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 provisions of applicable 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 on compliance and other matters will include a paragraph that states 1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control on compliance, and 2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control 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, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the

# CITY OF COOL VALLEY, MISSOURI

## ENGAGEMENT PLAN

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.

### Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with the preparation of your financial statements and related notes. 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*. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements 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 are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and for 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 and all accompanying information in conformity with the 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 for 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 City 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 statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud and noncompliance with the provisions of laws, regulations, contracts or grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplemental information, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplemental information in any document that contains and indicates that we have reported on the supplemental information. You also agree to include the audited financial statements with any presentation of the supplemental information that



# CITY OF COOL VALLEY, MISSOURI

## ENGAGEMENT PLAN

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includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that: 1) you are responsible for presentation of the supplemental information in accordance with GAAP; 2) you believe the supplemental information, including its form and content, is fairly presented in accordance with GAAP; 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 supplemental information.

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.

### **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: 1) errors, 2) fraudulent financial reporting, 3) misappropriation of assets, or 4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. 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 audit engagement ends upon delivery of our audit report.

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 this 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.

# CITY OF COOL VALLEY, MISSOURI

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## ENGAGEMENT PLAN

### **Audit Procedures--Internal Controls**

Our audit will include obtaining an understanding of the City 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*.

### **Audit Administration 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.

Our approach includes the preparation of an audit program which is tailored from the leading national guidance based upon your individual circumstances. Our audit program conforms to the latest and most thorough guidelines regarding analytical procedures, statistical sampling, and compliance testing.

The audit documentation for this engagement is the property of Hochschild, Bloom & Company LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, audit documentation and appropriate individuals will be made available and in a timely manner to the cognizant or grantor agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government 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 documentation will be provided under the supervision of Hochschild, Bloom & Company LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies 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 date or for any additional period requested by the cognizant or grantor agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

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



**CITY OF COOL VALLEY, MISSOURI**  
**ENGAGEMENT PLAN**

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The engagement partner signing this proposal is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

**Our Fees**

Our fees for the auditing services will be as follows:

<u>For The Years Ended September 30</u>	<u>Annual Audit Fee</u>
2015	\$6,800
2016	6,850
2017	6,900
2018	6,950
2019	7,000

Our fees noted above are inclusive of all out-of-pocket costs, all related meetings with City officials, and periodic consulting concerning routine matters. Our fees for this engagement will be based on the actual time spent at our standard hourly rates. Should this time at our standard hourly rates be less than our total fee noted above, we will bill you accordingly. We will be available for other consultations throughout the year at our standard hourly rates, or we may be engaged through a separate contract for other projects.

If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. (Factors causing additional time include grossly inadequate schedules, excessive audit journal entries, improper internal control procedures, missing records, additional funds or accounts, and additional accounting pronouncements.) Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our Firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full.

We may continue to provide accounting and auditing services to the City for fiscal periods beyond September 30, 2019 at a negotiated fee.



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Lisa M. Altshaffl, CPA

### System Review Report

To the Partners of Hochschild, Bloom & Company LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Hochschild, Bloom & Company LLP (the firm) in effect for the year ended May 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at <http://www.aicpa.org/prsummary>.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Hochschild, Bloom & Company LLP in effect for the year ended May 31, 2015 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Hochschild, Bloom & Company LLP has received a peer review rating of *pass*.

A handwritten signature in dark ink that reads 'Deluzio &amp; Company LLP'. The signature is written in a cursive, flowing style.

Deluzio and Company, LLP  
July 31, 2015