

RESOLUTION NO. 022414-2

A RESOLUTION APPROVING A PROFESSIONAL SERVICES AGREEMENT WITH POTTBERG, GASSMAN, AND HOFFMAN, CHARTERED, FOR FINANCIAL AUDITING SERVICES FOR THE YEAR ENDED DECEMBER 31, 2013

WHEREAS, the City of Abilene desires to enter into a Professional Services Agreement with Pottberg, Gassman, and Hoffman, Chartered, for the purposes of providing an auditing of the financial statements for year ended December 31, 2013; and

NOW, THEREFORE BE IT RESOLVED, by the City Commission of the City of Abilene, as follows:

Section 1. Professional Services Agreement. That a Professional Services Agreement between Pottberg, Gassman, and Hoffman, Chartered, and the City of Abilene, Kansas, is hereby adopted as attached hereto as **Exhibit A**.

Section 2. Implementation. The Mayor is hereby authorized to execute the aforementioned agreements with Pottberg, Gassman, and Hoffman, Chartered, and the City Manager shall be authorized to enforce the provisions as provided therein and in applicable resolutions, ordinances, and laws.

Section 3. Effective Date. That the effects of this Resolution shall be in full force after its approval by the City Commission.

PASSED AND APPROVED by the Governing Body of the City of Abilene, Kansas this 24th day of February, 2014.

CITY OF ABILENE, KANSAS

By: 
John F. Ray, Mayor

ATTEST:


Penny Soukup, CMC
City Clerk

EXHIBIT A

Professional Services Agreement

Pottberg, Gassman, and Hoffman, Chartered

and

City of Abilene, Kansas

(Financial Auditing Services, Year Ended December 31, 2013)

February 24, 2014



816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite 1
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

505 NW 3rd, Suite 1
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

www.pgh-cpa.com

February 17, 2014

Mayor and City Commission
City of Abilene, KS
Abilene, Kansas 67410

We are pleased to confirm our understanding of the services we are to provide the City of Abilene, Kansas for the year ended December 31, 2013. We will audit the summary statement of receipts, expenditures, and unencumbered cash of the City of Abilene, Kansas and its related municipal entity, the Public Building Commission as of and for the year ended December 31, 2013. We understand that the financial statement will be presented on the regulatory basis of accounting to show compliance with the cash basis and budget laws of the state of Kansas.

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

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 described above. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide* and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statement is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the financial statement and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statement, supplementary information and related notes, assistance with budget preparation and any other nonattest 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 monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statement of the cash receipts and

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Kansas Society of Certified
Public Accountants



cash expenditures of the City of Abilene, Kansas in conformity with the regulatory basis of accounting. You are responsible for including all informative disclosures that are appropriate for the regulatory basis of accounting. Those disclosures will include (1) a description of the regulatory basis of accounting, including a summary of significant accounting policies, and how the regulatory basis of accounting differs from GAAP; (2) informative disclosures similar to those required by GAAP; and (3) additional disclosures beyond those specifically required that may be necessary for the financial statement to achieve fair presentation.

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 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 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 or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts 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 City complies with applicable laws and regulations.

You are responsible for the preparation of the regulatory-required supplementary information as prescribed by the *Kansas Municipal Audit and Accounting Guide*. You agree to include our report on the regulatory-required supplementary information in any document that contains and indicates that we have reported on the regulatory-required supplementary information. You also agree to include the audited financial statement with any presentation of the regulatory-required 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 regulatory-required supplementary information in accordance with the regulatory basis of accounting; (2) that you believe the regulatory-required supplementary information, including its form and content, is fairly presented in accordance with the regulatory basis of accounting; (3) that 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 regulatory-required supplementary information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically by the State of Kansas Municipal Services Division and those submitted to grantor agencies or bond council, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

With regard to using the auditors' report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

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 rather than absolute 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 City or to acts by management or employees acting on behalf of the City.

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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you 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 direct confirmation of receipts and certain assets by correspondence with selected agencies and financial institutions. We also may request written representations from your attorney as part of the engagement. At the conclusion of our audit, we will also 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 entity 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 the City's compliance with applicable laws and regulations and the provisions of 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.

Audit Administration, Fees, and Other

The workpapers for this engagement will be retained for a minimum of five years after the date the auditors' report. We understand that your employees will prepare any confirmations we request and will locate any invoices selected by us for testing. We expect to begin our preliminary field work in May, and complete the audit by July 11, 2014.

Randy Gassman is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fees for these services will be \$13,000 for the primary government financial audit and \$2,500 for inclusion of the Public Building Commission. The above fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Abilene, 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.

Very Truly Yours,

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered

RESPONSE:

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

Official Signature: *John F. Ray*

Title: *Mayor*