





CITY MANAGEMENT Coordination Sheet

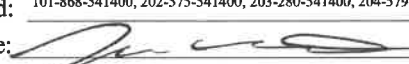
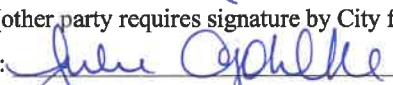
FROM:	Purchasing			
DATE: Aug 12, 2019		NAME	INITIALS	DATE
	X	Mr. Brian James Assistant City Manager		8-13-19
		Mr. Charles Kelm Assistant City Manager		
	X	Ms. Sarah Gonzalez Assistant to the City Manager		8/19/19
	X	Mr. Mark Browne City Manager		8/15/19
COMMENTS:	<p>Letter of Engagement for Pattillo, Brown & Hill for Financial Auditing Services as approved by Council on 19-R-86 on 7/23/19</p>			
RETURN TO:	Julie Gohlke			

CITY OF SCHERTZ
CONTRACT APPROVAL FORM

A. To be completed by Department

1. Contract with: Pattillo, Brown & Hill LLP Contract amount: \$ 55,000
2. Contract for: Auditing Services
3. Fund/Account to be charged: 101-868-541400, 202-575-541400, 203-280-541400, 204-579-541400 Dept. Finance
4. Contract category and amount in the budget: yes no – budget adjustment required
Budget Amendment Ord/Res Number: _____ Date: _____
5. Contract required to be bid: yes no (If unsure, contact Purchasing.)
Bidding completed: yes NA (bidding not required)
Bidding exemption: (if bidding is not required state reason): _____
6. Contract termination date: 03/30/2020 NA
7. Terms of contract reviewed and approved by Department Head: yes
8. Is Asst. City Manager aware of contract? yes
9. If going to Council, is City Manager aware of contract? yes NA
10. Department Head's signature:  Date: 8-12-2019


B. To be completed by Purchasing and Asset Management

1. FINANCE
 - a. Contract amount in the budget: yes no – budget adjustment required
 - b. Fund/Account to be charged: 101-868-541400, 202-575-541400, 203-280-541400, 204-579-541400
 - c. Finance Director's signature:  Date: 8-12-2019
2. LEGAL
 - a. Contract reviewed and approved by City Attorney not requested yes (attach email approval)
 - b. Date Reviewed and Approved by City Attorney _____
3. PURCHASING
 - a. Vendor aggregate POs <\$50K for budget period yes no
 - b. Contract reviewed for insurance, warranty, term, severability and indemnity requirements: yes
 - c. Contract properly bid in accordance with City Purchasing Policy yes NA
 - d. Vendor signature obtained yes no (other party requires signature by City first)
 - e. Purchasing and Asset Management Signature:  Date: 8/12/19
4. COUNCIL APPROVAL REQUIRED? yes no NA (Required over \$50,000)
 - a. Date of City Council approval: 7/23/19 Res/Ord #: 19-R-86 Attached
 - b. If not approved by City Council, state reason: _____

C. To be completed by Asst City Manager:

1. Final contract reviewed and recommend City Manager signature: yes no
2. Asst. City Manager's Signature:  Date: 8/13/19

D. To be completed by Assistant to the City Manager

1. Assistant reviews and obtains CM signature Assistant Signature:  Date: 8/19/19
2. Signed contract is given to Purchasing & Asset Management.

E. To be completed by Purchasing and Asset Management

1. Date fully-executed contract received by Purchasing: _____
2. Date filed to Laserfiche: _____ Filed as: _____

INSTRUCTIONS FOR COMPLETING CONTRACT APPROVAL FORM (CAF)

A. Department Responsibility:

- STAFF: Complete sections A1-A6.
- DEPT HEAD: Complete sections A7-A9 and sign section A10.
- Route to Purchasing
 - Procurement Contracts: route CAF, along with contract scope of work and any/all bids obtained. Purchasing will draft contract document and route accordingly. Electronic submission (email) of CAF and supporting contract documents is acceptable. Originals not required.
 - Non-procurement Contracts: route CAF, along with all contract documents and other supporting documentation.

B. Purchasing & Asset Management Responsibility:

- Route to Finance for review. Finance will:
 - ✓ Verify the contract purpose and cost is in the budget.
 - ✓ Indicate the need for a budget adjustment.
 - ✓ Enter the Fund and Account that will be charged for this contract.
 - ✓ Finance Director signs/dates the form and returns to Purchasing.
- Route to Legal for review. Legal will:
 - ✓ If necessary, coordinate changes with Purchasing (and department, where appropriate).
 - ✓ Send email approval to Purchasing.
 - ✓ Upon approval by City Attorney, Purchasing will append legal approval to contract documents.
- Purchasing will:
 - ✓ Confirm that the aggregate amount spent with the vendor for the fiscal year does not exceed \$50K.
 - ✓ Review the contract for insurance provision, warranty, term of contract, severability clause, and indemnity requirements.
 - ✓ Ensure the contract was properly bid in accordance with local and state statutes.
 - ✓ Obtain vendor signature.
 - ✓ Sign/date the form.
 - ✓ Address Council requirements and append approved ordinance/resolution (when applicable).
 - ✓ Route for Management signatures.

C. Assistant City Manager Responsibility:

- Review the contract including Exhibits or Attachments.
- Requests additional information or recommends City Manager Signature.
- Executive signs/dates the form and routes it to the Assistant to the City Manager.

D. Assistant to the City Manager Responsibility:

- Provides final review and signs form.
- Obtains CM signature and returns signed original to Purchasing.

E. Purchasing & Asset Management Responsibility:

- Scan and save in Laserfiche.
- Email scanned copy of fully-executed contract to originating department and vendor (when applicable).



August 6, 2019

City of Schertz, Texas
1400 Schertz Parkway Bldg #2
Schertz, Texas 78154

The following represents our understanding of the services we will provide City of Schertz, Texas.

You have requested that we audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Schertz, Texas, as of September 30, 2019, and for the year then ended and the related notes to the financial statements, which collectively comprise City of Schertz, Texas' basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefit related information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis.
- Budgetary Comparison Information.
- Schedule of Changes in Net Pension Liability, Net Other Postemployment Benefit (OPEB) Liability and Related Ratios.
- Schedule of Pension Contributions.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



Supplementary information other than RSI will accompany City of Schertz, Texas' basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Combining Statements and Schedules.

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Introductory Section.
- Statistical Section.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS and, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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 basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic 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 basic financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

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 or withdraw from the engagement. If our opinions on the basic financial statements are 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 opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

Other Services

We will also assist in preparing the financial statements and related notes of City of Schertz, Texas in conformity with U.S. GAAP. These non-audit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. These services are limited to assisting in the preparation of the financial statements and related notes of City of Schertz, Texas. Our firm, in its sole professional judgement, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise the City with regard to financial preparation, but the City must make all decisions with regard to those matters.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of City of Schertz, Texas' 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.

Management Responsibilities

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

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
3. 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.
4. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the entity's auditor;
5. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
6. For adjusting the financial statements 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 current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
7. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

With respect to any non-attest services, we will not assume management responsibilities on behalf of the City of Schertz, Texas. However, we will provide advice and recommendations to assist management of the City in performing its responsibilities. Management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Reporting

We will issue a written report upon completion of our audit of City of Schertz, Texas' basic financial statements. Our report will be addressed to the governing body of City of Schertz, Texas. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Our firm may transmit confidential information that you provided us to third parties in order to facilitate delivering our services to you. For example, such transmissions might include, but not be limited to investment information for fair value testing. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to having confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The timing of our audit will be scheduled as follows:

Document internal control and preliminary tests	August 2019
Mail confirmations	October 2019
Perform year-end audit procedures	December 2019
Issue audit reports	February 2020

Paula Lowe is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Pattillo, Brown & Hill, L.L.P.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees for these services will be at our standard hourly rates plus out-of-pocket cost (such as reports reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$55,000 for the City and \$6,000 for SEDC. 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 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. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is 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 cost.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Pattillo, Brown & Hill, L.L.P. and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulatory agencies pursuant to authority given to them by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Pattillo, Brown & Hill, L.L.P.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation. The regulatory agency may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,
Pattillo, Brown & Hill, L.L.P.



Paula Lowe, CPA
Waco, Texas

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of City of Schertz, Texas by:

Name: J. M. Brame

Title: City Manager

Date: 15 AUG 2019



CPAs & Advisors

SYSTEM REVIEW REPORT

October 21, 2016

To the Partners of
Pattillo, Brown & Hill, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Pattillo, Brown & Hill, LLP (the firm) in effect for the year ended May 31, 2016. 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 www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Pattillo, Brown & Hill, LLP in effect for the year ended May 31, 2016, 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*. Pattillo, Brown & Hill, LLP has received a peer review rating of *pass*.

Haddox Reid Eubank Betts PLLC

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.
Pattillo, Brown & Hill, L.L.P.
Waco, TX United States

Certificate Number:
2019-525018

Date Filed:
08/05/2019

Date Acknowledged:

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.
City of Schertz, Texas

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.
RFP No. 2019-018
Financial Audit Services

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Pruitt, Todd	Waco, TX United States	X	
	Lucas, Mike	Waco, TX United States	X	
	Manning, Jennifer	Waco, TX United States	X	

5 Check only if there is NO Interested Party.

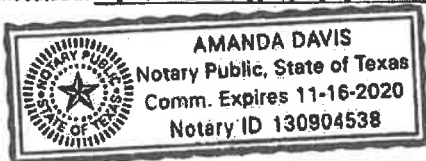
6 UNSWORN DECLARATION

My name is Paula Lowe, and my date of birth is 01/02/1974

My address is 401 West Highway 6, Waco, TX, 76710, USA
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in McLennan County, State of Texas, on the 5 day of August, 2019.
(month) (year)



Paula Lowe
Signature of authorized agent of contracting business entity
(Declarant)

RESOLUTION NO. 19-R-86

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS AUTHORIZING THE SELECTION OF PATTILLO, BROWN & HILL FOR FINANCIAL AUDIT SERVICES

WHEREAS on June 13, 2019, the City of Schertz (the "City") solicited proposals for Financial Audit Services; and

WHEREAS the Audit Committee of the City of Schertz (the "City") reviewed the scores on July 8, 2019 and recommended the City accept the proposal from Pattillo, Brown & Hill; and

WHEREAS, the City Council has determined that it is in the best interest of the City to enter into an agreement with Pattillo, Brown, & Hill.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS THAT:

Section 1. The City Council hereby authorizes the City Manager to enter into an agreement with Pattillo, Brown & Hill for financial audit services for a three-year term with an option to renew for a two-year term.

Section 2. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the City Council.

Section 3. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 4. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

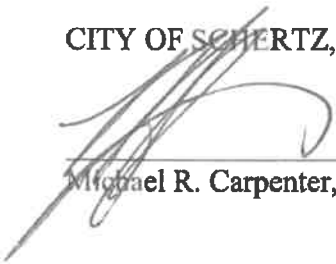
Section 5. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Resolution would have been enacted without such invalid provision.

Section 6. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, Texas Government Code, as amended.

Section 7. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.


PASSED AND ADOPTED, this 23rd day of July, 2019.

CITY OF SCHERTZ, TEXAS



Michael R. Carpenter, Mayor

ATTEST:



Brenda Dennis, City Secretary



