

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING THE PROFESSIONAL CONSULTING AGREEMENT BETWEEN THE TOWN OF ADDISON AND BKD, LLP TO PERFORM AUDITS FOR FY 2021, FY 2022, AND FY 2023 IN AN AMOUNT NOT TO EXCEED \$287,500.00 AND THE OPTION TO EXTEND THE TERM OF THE AGREEMENT FOR FY 2024 AND FY 2025, AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

SECTION 1. The Professional Consulting Agreement between the Town of Addison and BKD, LLP for auditor services for FY 2021, FY 2022 and FY 2023 in an amount not to exceed \$287,500.00, a copy of which is attached to this Resolution as **Exhibit A**, is hereby approved. The City Manager is hereby authorized to execute the agreement.

SECTION 2. This Resolution shall take effect from and after its date of adoption.

DULY RESOLVED AND ADOPTED by the City Council of the Town of Addison, Texas, on this the **10th** day of **AUGUST 2021**.

TOWN OF ADDISON, TEXAS

Joe Chow, Mayor

ATTEST:

APPROVED AS TO FORM:

Irma Parker, City Secretary

City Attorney

EXHIBIT A

PROFESSIONAL CONSULTING AGREEMENT

This Professional Consulting Agreement (the “Agreement”) is made by and between the Town of Addison, Texas, a Texas home rule municipality (“Addison”) and BKD, LLP, a limited liability partnership, (“Consultant” or “BKD” and together with Addison, the “Parties”), with an effective date of _____, 2021. This Agreement consists of the following documents which are attached hereto and incorporated herein:

- **Exhibit A** – Consultant’s Technical Proposal, dated May 25, 2021
- **Exhibit B** – Consultant’s Cost Proposal for FY 2021, FY 2022, and FY 2023
- **Exhibit C** – Addison’s Request for Proposal Terms and Conditions
- **Exhibit D** – Consultant’s Engagement Letter, dated July 7, 2021

In consideration of the mutual undertakings set forth below, the Parties agree as follows:

1. **Scope of Services.** This Agreement incorporates Consultant’s Technical Proposal, dated May 25, 2021, as set forth in **Exhibit A**, attached hereto and incorporated herein (the “Services”), in which Consultant shall perform Addison’s annual audit for FY 2021, FY 2022, and FY 2023, as described in **Exhibit A**.
2. **Compensation.** Addison will pay Consultant a total all-inclusive maximum amount of \$287,500.00, which includes \$93,000.00 for FY 2021, \$95,750.00 for FY 2022, and \$98,750.00 for FY 2023, as set forth in **Exhibit B**, attached hereto and incorporated herein (the “Costs”), which includes an administrative fee to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items. Additional services, as outlined in **Exhibit A**, will not be performed by Consultant without written authorization from Addison for such additional services.
3. **Term and Renewal.** The initial term of this Agreement shall be for three (3) annual audits, including FY 2021, FY 2022, and FY 2023. Addison, at its sole option, may extend the term to include up to two (2) additional annual audits for FY 2024 and FY 2025 on the terms contained herein.
4. **Terms and Conditions of Agreement.** The Terms and Conditions as set forth in **Exhibit C** and the Engagement Letter as set forth in **Exhibit D** shall govern the relationship between Addison and Consultant. In the event of a conflict between the provisions of **Exhibit A**, **Exhibit C**, and **Exhibit D**, the Terms and Conditions set forth in **Exhibit C** shall prevail, except the listed exceptions on page thirty-seven (37) of **Exhibit A**.

Nothing in this Agreement shall be construed to give any rights or benefits in this Agreement to anyone other than Addison and Consultant, and all duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of Addison and its report users and not for the benefit of any other party.

This Agreement constitutes the entire agreement between Addison and Consultant and supersedes all prior written or oral understandings.

Executed with an effective date as set forth above.

TOWN OF ADDISON, TEXAS
a Texas home rule municipality

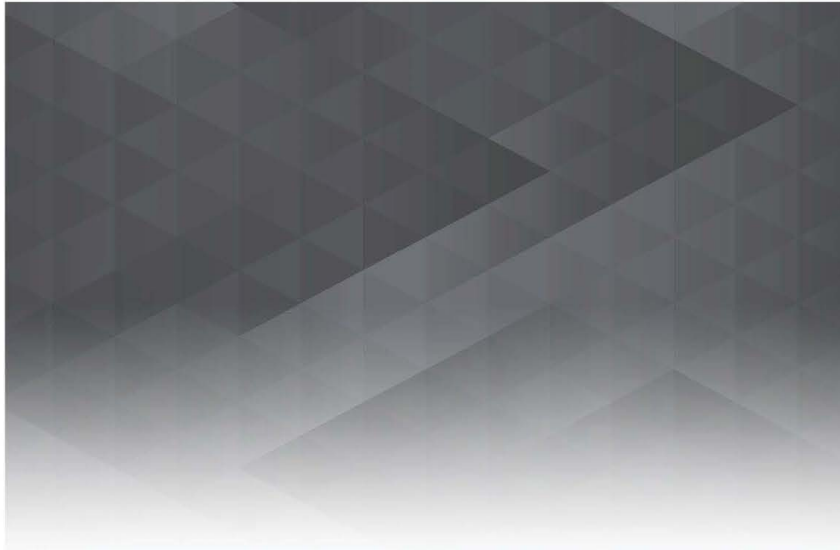
BKD, LLP
a limited liability partnership

Wesley S. Pierson, City Manager

Kevin Kemp

Name Printed: *Kevin Kemp*
Title: *Partner*

EXHIBIT A
BKD'S TECHNICAL PROPOSAL



A Strong Working Relationship

**Advisors who Understand Your Operations &
Offer Insightful Public Sector Expertise**

Town of Addison, Texas

Submitted by **BKD, LLP**
14241 Dallas Parkway | Suite 1100 | Dallas, TX 75254
Request for Qualifications Number 21-104

Technical Proposal – Original





14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

May 25, 2021

Mr. Wil Newcomer
Purchasing Manager
Town of Addison, Texas
5350 Belt Line Road
Dallas, TX 75254

Ms. Michele Henson
Accounting Specialist

Re: Professional Auditing Services

Dear Mr. Newcomer & Ms. Henson:

As an inviting destination for individuals in Texas and beyond, the Town of Addison, Texas (the Town) understands the importance of maintaining a financially sound organization as you work to keep Addison an attractive place to live and work. Meeting a variety of fiduciary responsibilities is key to your efforts, such as successful adoption of relevant GASB standards and meeting Single Audit requirements as a result of COVID-19 funding. It's also critical to have a solid grasp on the current developments in the public sector, such as escalating cybersecurity concerns, as well as how this environment affects your reporting and compliance expectations. As a trusted firm, BKD CPAs & Advisors is still here to help the Town remain confident in your operations. We stand ready to continue sharing our public sector expertise to help alleviate the pains associated with the Town's industry challenges, from both a state and federal perspective. Retaining BKD also allows our professionals to leverage the institutional knowledge we have acquired throughout our working relationship, which brings efficiency to the service process.

Providing personal attention and frequent communication to our clients is what drives us—and delivering value beyond the basic service approach is among our top priorities. In addition to the benefits described throughout our proposal, BKD offers the following:

- ▶ Professionals who have knowledge of your specific needs, structure and operational activities
- ▶ Significant experience serving public sector entities in Texas and across the country, including airports
- ▶ Strong familiarity with the Annual Comprehensive Financial Report
- ▶ Efficient and cost-effective services without a challenging transition

The Town is an important client, and we place great value on extending our working relationship while maintaining our independence. We believe we have responded to your request with a proposal that will allow our experienced professionals to continue providing efficient and objective services. Kevin Kemp will be the Town's designated contact authorized to answer technical, price and/or contract questions. As a partner of the firm, he is authorized to bind BKD. We will call you soon to answer questions you may have about this proposal, or you may reach us at 972.702.8262, by email provided below or at the address on the above letterhead.

Sincerely,

Kevin Kemp, CPA
Partner
kkemp@bkd.com

Rachel R. Ormsby, CPA
Director
rormsby@bkd.com

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5.3 Executive Summary – Section 2

For the convenience of the Town of Addison, Texas (the Town), BKD CPAs & Advisors has structured our proposal according to the requirements in your RFQ. We believe our proposal will demonstrate our qualifications to continue serving the Town.

INFORMATION CONTAINED IN BKD'S RFQ RESPONSE, WHICH IT ASSERTS AS CONFIDENTIAL, IS EITHER BUSINESS AND/OR PROPRIETARY TRADE SECRET INFORMATION NOT SUBJECT TO DISCLOSURE AS SET FORTH IN THE TEXAS PUBLIC INFORMATION ACT. SUCH CONFIDENTIAL INFORMATION HAS INDEPENDENT ECONOMIC VALUE TO BKD, IS NOT REASONABLY ASCERTAINABLE BY THIRD PARTIES AND IS THE SUBJECT OF REASONABLE EFFORTS BY BKD TO MAINTAIN ITS SECRECY AND/OR CONFIDENTIALITY. SUCH INFORMATION IN THIS PROPOSAL SHALL BE DESIGNATED WITH AN ASTERISK (*).

Prefacing the submittal, an executive summary of six pages or less should be provided which gives in brief, concise terms a summation of the respondent's understanding of the work to be performed; the commitment to perform the work within the time period; a statement why the firm believes itself to be best qualified to perform the engagement; and a statement that the submittal is a firm and irrevocable offer for 120 days subsequent to the RFQ closing date.

At first glance, transitioning CPA and advisory firms may appear to be a simple purchase of new services. However, the resources required of the Town to educate new advisors on your operations, internal processes and people can require a significant investment. Beyond added time and costs, which can often include initial startup fees and numerous first-year meetings, the risk of material misstatements within your financials can escalate as an unfamiliar team works to understand your overall financial and organizational structure. Of course, demonstrating sound financials that reflect integrity is a top-of-mind consideration, and with upcoming implementation of GASB's fiduciary activities and lease standards, combined with expanded accounting complexities related to the *American Rescue Plan Act of 2021*, working with a skilled team that has knowledge of your operations can be advantageous.

Retaining trusted advisors who understand these matters can continue to provide engagement efficiencies, cost savings and, according to the American Institute of CPAs (AICPA), improved audit quality as the ongoing application of the Town's policies and procedures is observed. Based on the strong working relationship we have forged with the Town in recent years, you can have confidence our commitment to you remains unchanged—to continue serving your organization with integrity while offering the high levels of quality and value you have come to expect from BKD.

Here's what you can expect from continuing to work with us:

- ▶ Streamlined audit services and dedication to sharing best practices throughout the year
- ▶ Well-rounded public sector expertise nationwide, as well as a significant footprint in Texas
- ▶ Extensive knowledge of Single Audit requirements as well as airport-specific reporting
- ▶ A solid understanding of how COVID-19 funding streams can affect your financials
- ▶ Access to a firmwide network of resources available to help address important matters, such as cybersecurity and GASB standards
- ▶ Prompt assistance and communication from local advisors who are approximately five minutes away
- ▶ Complimentary continuing professional education (CPE) opportunities and industry-focused events to help keep your staff apprised of recommendations for concerns that may arise

There's a difference between an accountant and a trusted advisor. As accountants, we're ready to complete your requested services per the deadlines outlined in your RFQ. That isn't enough, though—we still believe there's more we can offer the Town. As trusted advisors, we want to share pertinent industry and regulatory updates and assist with complex transactions throughout the year and recommend solutions for challenges yet to be seen. This proactive methodology is a hallmark of our **Unmatched Client Service**® standards and what the Town can and should continue to expect from us.

Solutions for the Town

We understand this engagement includes a Financial Statement Audit in Accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and State of Texas Single Audit Circular, as well as assistance preparing the Comprehensive Annual Financial Report (Annual Report), for the years ending September 30, 2021 through 2023.

We are committed to performing the work within your desired time period. This proposal is a firm and irrevocable offer for 120 days subsequent to the RFQ closing date. Please see 5.6 Scope & Audit Approach – Section 5 beginning on page 18 for a detailed explanation of our audit service approach.

Why Retain BKD

In addition to our commitment to Unmatched Client Service and other distinctions described throughout this proposal, we believe BKD is the right choice because our firm differs from others in the following ways:

A Strong History of Performance

Building strong working relationships with our clients is a top priority, which we know takes time and resources. Fortunately, our team has already invested in developing a deep understanding of the Town's people and operations during the last five years, which we believe sets BKD apart from other firms that will likely need to spend more time getting to know you. We are committed to being the service provider you can continue to trust for quality deliverables and Unmatched Client Service.

Throughout our working relationship, we have been available to offer guidance and benefits in the following ways:

- ▶ Provided recommendations over the years to help with the Town and Airport's system of internal controls over financial reporting
- ▶ Provided recommendations to help strengthen the Town's accounting practices and procedures
- ▶ Helped identify whether new accounting and reporting standards were applicable to the Town, including more than 15 standards issued in the last five years
- ▶ Provided guidance and assistance on the implementation of accounting standards, including:
 - GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*
 - GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
 - GASB Statement No. 77 (GASB 77), *Tax Abatement Disclosures*
 - GASB Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
 - GASB Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*



- ▶ Provided year-round, proactive accounting and operational advice to staff to help them better understand complex topics and make informed decisions, including:
 - Assistance with annual year-end entries related to GASB 68 (Pensions) and GASB 75 (OPEB)
 - Review of journal entries and provide guidance related to complex transactions throughout the year, including issuance and refunding of debt
 - Review of grant agreements and provided guidance with respect to Single Audit requirements in accordance with Uniform Guidance, including working with TXDOT to verify the Town was not required to include those grants on the Schedule of Expenditures of Federal Awards
 - Assist and provide guidance on comments received from GFOA as part of the Certificate of Achievement for Excellence in Financial Reporting Program (COA Program)
- ▶ Consistently completed our services in a timely and efficient manner

Looking Ahead

We will not simply rest on past performance, however. We plan to address the following areas of opportunity for the Town as we continue to help you plan for the future:

- ▶ Continue to offer ideas and suggestions for enhancing the Town's internal control structure
- ▶ Provide guidance on the complex implementation of GASB Statement No. 87 (GASB 87), *Leases*
- ▶ Provide guidance on the implementation of additional GASB standards, including:
 - GASB Statement No. 84 (GASB 84), *Fiduciary Activities*
- ▶ Provide insightful consultation with regard to the Town's IT system, including best practices gained from working with other municipalities on segregation of duties and workflows within the IT system
- ▶ Continue to listen to the Town's needs while providing a broad base of skills, knowledge, solid advice and effective solutions
- ▶ Provide periodic training for Town's staff on upcoming GASB statements and the Uniform Guidance

Delivering Value

Monitoring expenditures and receiving exceptional value for your investments is important, but informed consumers understand value is about more than just price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect BKD's work to be accurate and insightful. We stand behind it. Our Public Company Accounting Oversight Board (PCAOB) inspections and AICPA peer reviews demonstrate the firm's record of excellence.



As evidenced by our inclusion in the **INSIDE Public Accounting Best of the Best Firms** list for the last 10 years, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help the Town address a variety of financial issues. At the same time, we pride ourselves on hard work and low overhead, which keep our fees competitive. With our reputation, size, service and experience, you can still consider us a good value.



Commitment to Serving the Public Sector

As part of our commitment to remaining at the forefront of the public sector, leaders across our national governmental practice created the BKD Public Sector Center of Excellence. This group of professionals meets regularly to discuss important developments, legislative updates and challenges affecting governmental entities similar to the Town.

In addition, our public sector involvement has enabled us to establish connections with numerous regulatory and auditing organizations, including:

- ▶ AICPA Governmental Audit Quality Center, as a member
- ▶ Government Finance Officers Association (GFOA)
- ▶ Government Finance Officers Association of Texas (GFOAT)
- ▶ Governmental Accounting Standards Board (GASB)
- ▶ Office of Management and Budget (OMB)
- ▶ U.S. Government Accountability Office



We look forward to communicating best practices and forward-looking strategies to help the Town thoughtfully consider the areas important to fulfilling your fiduciary responsibilities.

Texas Governmental Accounting Experience

Our significant Texas footprint means the Town can be confident in our understanding of the financial matters specifically facing governmental entities across the state. BKD's Texas offices provide services to approximately 240 governmental entities, including approximately 25 municipalities and their component units.

Significant Single Audit Experience

According to data compiled by OMB via the Federal Audit Clearinghouse, BKD is the fourth-largest provider of Single Audits among CPA firms, performing approximately 450 annually. With approximately one-third of our not-for-profit and public sector clients receiving federal funding, we are familiar with the requirements for allowability of both direct and indirect costs, as well as the ability for the recipient to charge an administrative cost allowance under many federal programs.

To help streamline the Single Audit process, we use audit programs and checklists designed specifically for the federal programs we audit. Our firm maintains a database of audit programs tailored to the grants and other federal programs commonly found in governmental entities. Our extensive experience providing compliance testing in accordance with OMB requirements can help us properly perform and submit the Town's Single Audit on time.

Experience Working with Airports

We provide assurance, accounting and other advisory services to approximately 25 airports across the country. Comprising more than 50 knowledgeable professionals, BKD's airport team works with clients ranging in size from small regional airports to large international hubs. Through this experience, we have developed a strong understanding of the Passenger Facility Charge (PFC) Program and the Airport Improvement Program (AIP) and tailor our audit programs specifically to the compliance requirements of these programs. According to data compiled by OMB via the Federal Audit Clearinghouse, for the past several years, BKD has ranked among the top two CPA and advisory firms auditing AIP funds. In 2019, we audited approximately \$150 million of AIP funds spent by approximately 20 airport clients.

Beyond delivering a wealth of commercial airport and public sector expertise, our audit approach relies upon frequent, high-level involvement of key professionals in the delivery of our services which helps mitigate potential surprises. We can help the Town plan for the future, comply with regulations and expend resources wisely.

Thought Leadership

BKD advisors are serious about reinforcing their positions as thought leaders in the industries they serve. To help keep you informed about emerging issues in your industry, as well as changes in regulations and accounting and tax methods, we provide **BKD Thoughtware**® webinars, seminars, tailored training sessions, podcasts and articles. Many of these are eligible for CPE credit. Recent topics include:

- ▶ Examining the American Rescue Plan Act: Impacts to the Public Sector
- ▶ Single Audit Requirements: Breaking Down the 2020 Compliance Supplement Addendum
- ▶ Implementation Guides – Why They Should Be Your Best Friends

We encourage you to view these and a wide array of other resources available on **bkd.com**.

Educational Resources for Texas Governments

Our commitment to our Texas public sector clients extends beyond the provision of accounting services—we provide educational programs across the state on an annual basis. These include hosting roundtable discussions, and other sessions for GFOAT. We also have several professionals who serve on the Special Review Committee for GFOA, including members of your proposed engagement team.

BKD's Dallas office takes further steps to keep clients abreast of industry changes and best practices through an Annual Governmental Finance Seminar, which takes place during the summer months each year. Recent years' topics have included GASB updates, the importance of sound internal controls, combating fraud in the public sector and cybersecurity challenges.

Unmatched Client Service

The Town wants to continue to have trusted advisors who will deliver exceptional client service, focus on your needs and take the time to address your unique challenges. BKD understands. You already know the level of unmatched high-quality service and personal attention you have received. That level of commitment will not change if you remain with BKD. We do not take our past working relationship for granted and will continue to enhance our service delivery and bring value to the Town.

You can count on BKD's commitment to our five standards of **Unmatched Client Service**®:



Integrity First



True Expertise



Professional Demeanor



Responsive Reliability



Principled Innovation

BKD

We take our commitment so seriously, we penned five standards of Unmatched Client Service and supporting guidelines in **The BKD Experience: Unmatched Client Service**, a book that articulates the firm's philosophy and sets expectations for serving clients. Our five standards are:

Integrity First

We work hard to do what is right for you. You can rely on us to tell you what you need to hear.

True Expertise

From BKD, you can expect trained, capable staff and a high level of supervision by partners and experienced personnel.

Professional Demeanor

You can depend on prepared and attentive advisors to help meet your needs and provide new ideas.

Responsive Reliability

Accurate and thorough work combined with timely delivery is what you require. At BKD, we do not want it any other way.

Principled Innovation

We want you to succeed. For the Town, that means looking for new ideas to streamline a process, better document work, train your staff and improve your effectiveness.

The respondent should also provide an affirmative statement that it is independent of the Town as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards.

The respondent should provide an affirmative statement that it is independent of all the component units of the Town as defined by those same standards.

BKD is independent with respect to the Town and all the component units of the Town as defined by the Code of Professional Conduct of the AICPA and the U.S. Government Accountability Office's *Government Auditing Standards*. We are not aware of any relationship that would impair our independence.

The respondent should also list and describe the firm's (or proposed subcontractors') professional relationship involving the Town or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

Within the last five years, BKD has completed financial statement audits, Single Audits when applicable and internal control consulting for Addison Airport. However, no relationship exists that would constitute a conflict of interest relative to performing your proposed audit.

In addition, the firm shall give the Town written notice of any professional relationships entered into during the period of this agreement.

BKD will give the Town written notice of any professional relationships entered into during the period of this agreement.

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Our acceptance of this engagement is subject to completion of our normal client acceptance procedures. Upon acceptance, the actual terms of our engagement will be documented in a separate letter to be signed by you and us. The information provided in this proposal is intended for informational purposes only and may not be copied, used or modified, in whole or in part, without BKD's prior written approval. All information in this proposal is as of May 31, 2020, unless otherwise noted.

5.5 Firm Background, Principal Officers & Prior Experience – Section 4

Firm Qualifications and Experience. This section should state:

a. the size of the firm

BKD is one of the largest CPA and advisory firms in the United States. We have 40 offices located in 18 states. Our approximately 2,850 CPAs, advisors and dedicated staff serve clients in all 50 states and clients with operations in more than 40 countries.

b. the size of the firm's governmental audit staff

BKD has approximately 130 professionals who spend more than 50 percent of their billable hours providing audit services to governmental entities.

c. the location of the office from which the work on this engagement is to be performed

The Town's requested services will be provided primarily by our Dallas office.

BKD CPAs & Advisors
14241 Dallas Parkway | Suite 1100
Dallas, TX 75254

d. the number and nature of the professional staff to be employed in this engagement on a full-time basis

e. the number and nature of the staff to be employed on a part-time basis

We anticipate providing one partner, one director, one manager, one senior associate, and one associate on a full-time basis and one managing director (concurring reviewer) on a part-time basis to complete the Town's audit.

f. that the firm is licensed to practice in Texas

BKD is properly licensed to practice public accounting in the state of Texas.

If the firm is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified. In addition, joint ventures or consortiums must identify a firm to serve as the principal auditor, and the principal auditor must accept responsibility for resolving all operational and contractual issues with the Town.

BKD is not a joint venture or consortium.

The respondent is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

BKD is committed to providing quality audit services to our clients. We submit our work to external reviewers who challenge our approach and findings. We are proud of the findings from these reviews, which indicate our process works. Our report contained a rating of "Pass," which is the best peer review rating available under the current peer review standards. A copy of our most recent AICPA peer review report is included in the Appendix.

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PROFESSIONALISM

"BKD has been a great resource for the City of Lincoln in accomplishing our financial reporting goals. They have provided us with prompt and sound technical and accounting guidance throughout our affiliation. The BKD audit teams have always been professional, friendly and accessible."

Peggy Tharnish
City Controller
City of Lincoln, Nebraska

In addition, our peer review included inspection of engagements performed under *Government Auditing Standards*.

The respondent shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three years. In addition, the respondent shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

From time to time, selected BKD audit engagements are subject to desk review by federal or other regulators. All such reviews during the past three years have shown our work to be generally satisfactory, and no disciplinary or other administrative proceedings have resulted from those reviews. As is the case with all major accounting firms, BKD is asked to cooperate with informal inquiries and formal investigations by the SEC, PCAOB and other governmental agencies from time to time. SEC and other regulatory investigations are not public, and we frequently are not privy to their thoughts or focus with respect to these items. Disclosure of confidential details of such investigations would violate both professional ethics and state law regarding confidentiality of client information. BKD has not been sanctioned by any regulatory agency as a result of any such investigation during the past three years.

Partner, Supervisory & Staff Qualifications & Experience

The respondent should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who will be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Texas. The respondent also should provide information on the governmental auditing experience of each person, including information on relevant continuing professional education for the past three years, membership in professional organizations relevant to the performance of this audit, participation in governmental accounting standards processes, and describe any special skills that your team would bring to the Town of Addison.

The respondent should provide as much information as possible regarding the number, qualifications, and experience and training (including relevant continuing professional education) of the staff to be assigned specifically to this engagement. The respondent also should indicate how the quality of staff over the term of the agreement will be assured.

The most critical factor in providing high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs over the term of the engagement. As previously stated, BKD is properly licensed to practice public accounting in the state of Texas. All key professionals who would be assigned to your engagement are properly licensed to practice in the state of Texas.

Engagement Team Organizational Chart





Engagement Team Experience



Kevin Kemp, CPA
Partner

Professional Experience

- ▶ Regional industry leader for BKD National Public Sector Group
- ▶ More than 25 years of experience providing audit and management consulting services to a client base that includes municipalities and their component units, counties, utilities, state agencies and numerous service-related entities receiving government assistance
- ▶ Helps clients obtain tax-exempt financing, analyze expansion opportunities and improve internal controls
- ▶ Has served as primary contact for numerous clients, provided review services for Single Audit engagements and maintained contacts with regulatory agencies
- ▶ Has recruitment and training responsibilities

Representative List of Clients Served*

- ▶ City of Carrollton, TX
- ▶ City of Mesquite, TX
- ▶ City of Midland, TX
- ▶ City of Roanoke, TX
- ▶ Town of Addison, TX
- ▶ City of Phoenix, AZ

Professional & Community Involvement

- ▶ Member, American Institute of CPAs
- ▶ Member, Texas Society of CPAs
- ▶ Associate Member, Government Finance Officers Association
- ▶ Associate Member, Government Finance Officers Association of Texas
- ▶ Member, Government Finance Officers Association Special Review Committee
- ▶ Board Member, Junior Achievement of Dallas
- ▶ Regional Industry Leader – Not-for-Profit, Government and Higher Education

Education & Certifications

- ▶ Licensed CPA, Arkansas and Texas
- ▶ B.B.A. degree in accounting, University of Central Arkansas, Conway
- ▶ As of May 2021, he has completed 92.5 hours of CPE in the last three years



Danny A. Martinez, CPA, CGFM
Managing Director

Professional Experience

- ▶ Member of BKD National Public Sector Group
- ▶ 13+ years of experience providing audit, advisory and training services to a client base that includes municipalities and their component units, counties, utilities, school districts, state agencies, tribal governments and other entities that receive federal assistance
- ▶ Oversees audit engagements for governmental entities, including many that require a Single Audit in accordance with the Uniform Guidance

Representative List of Clients Served*

- ▶ City of Abilene, TX
- ▶ City of Farmers Branch, TX
- ▶ City of Kerrville, TX
- ▶ Town of Highland Park, TX

Professional & Community Involvement

- ▶ Member, American Institute of CPAs (AICPA)
- ▶ Member, Texas Society of CPAs
- ▶ Member, New Mexico Society of CPAs
- ▶ Membership Director, Dallas Chapter of the Association of Governmental Accountants
- ▶ Zone 3 (GASB) chair for the AICPA Technical Issues Committee

Presentations & Publications

- ▶ *Shedding Light on Your Single Audit: 2020 Compliance Supplement & Updates*, BKD Thoughtware, January 2021
- ▶ *Coronavirus Relief Fund Prime Recipient Desk Review Procedures Released*, BKD Thoughtware, November 2020

Education & Certificates

- ▶ Licensed CPA, Texas, New Mexico
- ▶ AICPA Advanced Single Audit Certificate
- ▶ B.S. degree in accounting, University of Southern California, Los Angeles
- ▶ As of May 2021, he has completed 139.5 hours of CPE in the last three years



Rachel R. Ormsby, CPA
Director

Professional Experience

- ▶ Member of BKD National Public Sector Group
- ▶ 10+ years of experience providing accounting and audit services to governmental and not-for-profit organizations, including extensive experience in Single Audits
- ▶ Helps oversee the client engagement process, including supervision and training of the audit team, review of workpapers and communication with the client and audit partner

Representative List of Clients Served*

- ▶ City of Mesquite, TX
- ▶ City of Hurst, TX
- ▶ City of Roanoke, TX
- ▶ City of Balch Springs, TX
- ▶ Town of Addison, TX
- ▶ City of Phoenix, AZ
- ▶ City of North Little Rock, AR

Professional & Community Involvement

- ▶ Member, American Institute of CPAs
- ▶ Member, Texas Society of CPAs
- ▶ Associate Member, Government Finance Officers Association
- ▶ Associate Member, Government Finance Officers Association of Texas
- ▶ Member, Government Finance Officers Association Special Review Committee
- ▶ Member, Government Finance Officers Association of Texas Scholarship and Fellowship Committee

Presentations & Publications

- ▶ *GASB Update and GASB 87, Leases Implementation Workshop*, Arkansas Government Finance Officers Association 2019 Conference, July 2019
- ▶ *Current Issues in Cybersecurity* - Annual Public Sector Seminar, June 2019
- ▶ *Internal Control for Small Cities* – GFOAT Spring Institute, April 2019

Awards & Accomplishments

- ▶ 2018 Rising Star Recipient – Texas Society of CPAs

Education & Certifications

- ▶ Licensed CPA, Texas
- ▶ B.B.A. degree in accounting, Stephen F. Austin State University, Nacogdoches, Texas
- ▶ M.P.A. degree, Stephen F. Austin State University, Nacogdoches, Texas
- ▶ As of May 2021, she has completed 96.5 hours of CPE in the last three years



Josh J. Findlay, CPA
Manager

Professional Experience

- ▶ Member of BKD National Public Sector Group
- ▶ 5+ years of experience providing audit and consulting services to governmental and not-for-profit organizations, including Single Audits
- ▶ Assists clients with preparing financial statements and reports to meet financial reporting and other regulatory disclosure requirements
- ▶ Advises clients on future accounting pronouncements and assists with new standard implementation
- ▶ Performs a variety of governmental and not-for-profit audit engagements, including for municipalities and their component units, private colleges and other service-related entities that receive federal and state assistance

Representative List of Clients Served*

- ▶ City of Abilene, TX
- ▶ City of Mansfield, TX
- ▶ Town of Highland Park, TX
- ▶ City of Phoenix, AZ
- ▶ City of North Little Rock, AR
- ▶ San Diego Airport Authority

Professional & Community Involvement

- ▶ Member, American Institute of CPAs
- ▶ Member, Texas Society of CPAs
- ▶ Associate Member, Government Finance Officers Association of Texas

Education & Certifications

- ▶ Licensed CPA, Texas
- ▶ B.S. degree in accounting and finance, University of Arkansas, Fayetteville
- ▶ As of May 2021, he has completed 108 hours of CPE in the last three years



Katie R. Crenshaw, CPA

Senior Associate



Professional Experience

- ▶ Member of BKD National Public Sector Group
- ▶ Experience providing audit and consulting services including Single Audits, to public sector and not-for-profit organizations
- ▶ Assists clients in preparing audit workpapers and financial statements to help them meet financial reporting and other regulatory disclosure requirements

Representative List of Clients Served*

- ▶ City of Celina, TX
- ▶ City of Lancaster, TX
- ▶ Town of Addison, TX
- ▶ City of Phoenix, AZ
- ▶ City of North Little Rock, AR

Professional & Community Involvement

- ▶ Member, American Institute of CPAs
- ▶ Member, Texas Society of CPAs

Education & Certifications

- ▶ B.S. degree in accounting and business administration, University of Central Arkansas, Conway
- ▶ As of May 2021, she has completed 167 hours of CPE in the last three years

Additional Resource



David M. Coleman, CPA
Partner

Professional Experience

- ▶ Member of BKD National Public Sector Group
- ▶ 17+ years of experience providing audit and consulting services to a variety of public sector and not-for-profit organizations, including municipalities and their component units, utilities and other service-related entities that receive federal and state assistance
- ▶ Engagement oversight and review responsibilities for numerous governmental and not-for-profit organizations subject to Single Audit requirements

Representative List of Clients Served*

- ▶ City of Balch Springs, TX
- ▶ Town of Highland Park, TX
- ▶ City of Celina, TX
- ▶ City of Hurst, TX
- ▶ City of Little Rock, AR
- ▶ San Diego Airport Authority

Professional & Community Involvement

- ▶ Member, American Institute of CPAs
- ▶ Member, Texas Society of CPAs
- ▶ Associate Member, Government Finance Officers Association of Texas
- ▶ Office Industry Leader – Not-for-Profit, Government and Higher Education

Presentations & Publications

- ▶ *What Could Go Wrong? Understanding Internal Controls* – Annual Public Sector Seminar, June 2019
- ▶ *CAFR Preparation and Best Practices* – Annual Public Sector Seminar, June 2018
- ▶ *GASB 68 – Year 3 and How to Implement GASB 77 – Tax Abatements*, Annual Public Sector Seminar, September 2017

Education & Certifications

- ▶ Licensed CPA, Arkansas and Texas
- ▶ B.B.A. degree in accounting, Henderson State University, Arkadelphia, Arkansas

Continuing Professional Education

Our audit professionals are required to receive at least 120 hours of CPE every three years. For auditors involved with audits performed under *Government Auditing Standards*, this education includes the hours required to comply with *Government Auditing Standards Yellow Book* guidance. All individuals, including specialists involved in performing fieldwork on *Government Auditing Standards* audits, are required to obtain at least 24 hours of CPE every two years in subjects directly related to government auditing or the government environment. In addition, engagement team members responsible for planning, directing or reporting on *Government Auditing Standards* audits who spend more than 20 percent of their time performing *Government Auditing Standards* audits also are required to complete a minimum of 80 hours of CPE every two years that directly enhances their professional proficiency to perform audits.

BKD offers an internal industry update seminar for managers through partners, as well as a seminar for our in-charge level employees. These seminars include auditing and accounting issues that are specific to public sector clients, including *Government Auditing Standards*, Single Audits and accounting standards for government financial reporting. BKD professionals also receive additional training from external sources.

Recognized Learning & Development

For the eighth consecutive year, BKD has been ranked among **Training** magazine's Training Top 100. We also have received **Chief Learning Officer** magazine's LearningElite award since 2016, including either Gold- or Silver-level recognition since 2018. These programs rank an organization's excellence in employer-sponsored training and recognize outstanding outcomes in learning and development.



Staff Continuity

Your BKD engagement team has been consistently staffed with trusted advisors. The Town can have peace of mind knowing what to expect from this team. This helps reduce the learning curve and saves you the time and frustration of having inexperienced professionals who are unfamiliar with your concerns and disrupt your normal business activities.

This continuity, however, does not result in familiarity that compromises our objectivity. Our responsibility is to provide the Town with an appropriate balance of constructive feedback and value-added solutions. With our hands-on experience, you can continue to expect targeted advice from a team that knows your organization and your industry.

Engagement partners, managers, other supervisory staff, and specialists assigned to the Town's account in a proposal may be removed from the Town's account if those persons leave the firm, are promoted, or are assigned to another office. These persons may also be changed for other reasons but only with the express prior written permission of the Town of Addison. However, in either case, the Town retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the firm, providing that replacements have substantially the same or better qualifications or experience.

In the event we are required to make a change to any key personnel assigned to your engagement, we will discuss this with you to explain the circumstances and proposed change. Your lead engagement partner, Kevin Kemp, will be coordinating personnel changes. We generally do not remove key personnel from an audit once it has begun, but occasionally employee turnover or other events beyond our control require such a change. If a personnel change is required, we are confident we can provide a qualified replacement to complete your audit with limited interruption.

We understand engagement team members, consultants and firm specialists mentioned in our response to this RFQ can only be changed with the prior express written permission of the Town, which retains the right to approve or reject replacements.

COMMITMENT

"BKD has been the best accounting firm I have used—helpful, reliable and responsive. They are terrific at facilitating a schedule that allows our audit to be completed within the established timelines and commitments."

"By working with BKD, we have a relationship with an accounting firm that is knowledgeable of government accounting standards and has resources to address challenging issues."

Cherie Sanchez
Accounting Manager
City of Westminster, Colorado



Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in this solicitation. These engagements should be ranked on the basis of relativity to the current proposal. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

City of Carrollton, Texas*

Scope of Work: Financial Statement Audit & Single Audit
Date: 2020 to Present
Engagement Partner: Kevin Kemp
Total Hours: 800
Contact Name: Ms. Diana Vaughn, Finance Director/Controller
Contact Number: 972.466.3113

City of Mesquite, Texas*

Scope of Work: Financial Statement Audit, Single Audit & Agreed-Upon Procedures
Date: 2015 to Present
Engagement Partner and Director: Kevin Kemp & Rachel Ormsby
Total Hours: 700
Contact Name: Ms. Cindy Smith, Director of Finance
Contact Number: 972.216.6287

City of Hurst, Texas*

Scope of Work: Financial Statement Audit, Single Audit & Assistance with Preparation of Annual Financial Report
Date: 2018 to Present
Engagement Partner and Director: David Coleman & Rachel Ormsby
Total Hours: 500
Contact Name: Mr. Clayton Fulton, Assistant City Manager
Contact Number: 817.788.7028

City of Balch Springs, Texas*

Scope of Work: Financial Statement Audit, Single Audit & Assistance with Preparation of Annual Financial Report
Date: 2015 to Present
Engagement Partner and Director: David Coleman and Rachel Ormsby
Total Hours: 500
Contact Name: Ms. Susan Cluse, City Manager
Contact Number: 972.286.4477

City of Roanoke, Texas*

Scope of Work: Financial Statement Audit & Assistance with Preparation of Annual Financial Report
Date: 2014 to Present
Engagement Partner and Director: Kevin Kemp and Rachel Ormsby
Total Hours: 350
Contact Name: Ms. Vicki Rodriguez, Director of Fiscal and Administrative Services
Contact Number: 817.491.6075

Representative List of Clients*

In addition to the references above, BKD is proud to work with other municipalities, including:

| | |
|---|--|
| City & County of Denver, CO [^] | City of Lawton, OK |
| City of Abilene, TX [^] | City of Liberty, MO [^] |
| City of Arlington, TX [^] | City of Lincoln, NE [^] |
| City of Arvada, CO [^] | City of Little Rock, AR [^] |
| City of Aurora, CO [^] | City of Mansfield, TX [^] |
| City of Balch Springs, TX | City of Mesquite, TX [^] |
| City of Bellevue, NE | City of Midland, TX [^] |
| City of Bentonville, AR [^] | City of Nebraska City, NE |
| City of Brookings, SD [^] | City of North Little Rock, AR [^] |
| City of Bryan, TX [^] | City of Pearland, TX [^] |
| City of Carrollton, TX [^] | City of Phoenix, AZ [^] |
| City of Celina, TX [^] | City of Ralston, NE |
| City of College Station, TX [^] | City of Roanoke, TX [^] |
| City of Colorado Springs, CO [^] | City of San Antonio, TX [^] |
| City of Conway, AR [^] | City of South Houston, TX |
| City of Decatur, TX | City of Springdale, AR |
| City of Ennis, TX [^] | City of Texarkana, AR [^] |
| City of Farmers Branch, TX [^] | City of Texarkana, TX [^] |
| City of Fort Smith, AR | City of University Park, TX [^] |
| City of Hurst, TX [^] | City of Westminster, CO [^] |
| City of Keene, TX | Consolidated City of Indianapolis – Marion County, IN [^] |
| City of Kennedale, TX [^] | Jackson County, MO [^] |
| City of Kerrville, TX [^] | Sedgwick County, KS |
| City of Krum, TX | Town of Addison, TX [^] |
| City of Lancaster, TX [^] | Town of Highland Park, TX [^] |

[^]Denotes client who earned recognition under GFOA's Certificate of Achievement (COA) for Excellence in Financial Reporting Program





Public Sector, Not-for-Profit & Higher Education Clients Served by BKD's Texas Offices

Other Governmental Entities

| | |
|--|---|
| Bryan Texas Utilities | Houston Public Media |
| City of Phoenix Employees' Retirement System | Port of Houston Authority |
| Central Harris County Regional Water | Port of Houston Authority Retirement Fund |
| Galveston County Health District | San Diego County Regional Airport Authority |
| Generation Park Management District | Texarkana Water Utilities |
| Houston-Galveston Area Council | |

Public Health Districts

Dallas County Hospital District DBA Parkland Health & Hospital System
Harris County Hospital District DBA Harris Health System
Matagorda County Hospital District
Tarrant County Hospital District DBA JPS Health Network
UMC Health System
University Medical Center of El Paso

Higher Education

Abilene Christian University
Centenary College of Louisiana
LeTourneau University
OLLU (Our Lady of the Lake University)
Parker University
South Texas College of Law Houston
St. Edward's University
Texas Southern University
Texas Tech University (NCAA Agreed-Upon Procedures)
Texas Wesleyan University
University of Dallas
University North Texas System
University of St. Thomas

Municipal Utility, Emergency Services & Other Special Districts

Barker Cypress Municipal Utility District
Bay Colony West Municipal Utility District
Beechnut Municipal Utility District
Bissonnet Municipal Utility District
Brazoria County Conservation and Reclamation District No. 3
Brazoria County Municipal Utility District Nos. 3, 6, 21, 22, 25, 29, 30, 31
Bridgeland Management District
Camfield Municipal Utility District
Central Harris County Regional Water Authority
Cinco Municipal Utility District Nos. 1, 3, 5, 6, 10, 14
Cinco Southwest Municipal Utility District Nos. 1, 2, 3, 4
CNP Utility District
Cornerstones Municipal Utility District
Cypress Hill Municipal Utility District No. 1
Cypress-Klein Utility District
East Montgomery County Municipal Utility District Nos. 5, 6, 7
Emerald Forest Utility District
Fort Bend County Municipal Utility District Nos. 005, 026, 034, 035, 041, 042, 057, 058, 094, 111, 112, 118, 122, 123, 124, 130, 134A, 134B 134C, 142, 144, 151, 159
Galveston County Municipal Utility District Nos. 043, 044, 054, 056
Generation Park Management District
Grand Lakes Municipal Utility District Nos. 1, 2, 4
Grand Lakes Water Control and Improvement District
Grand Oaks Municipal Utility District
Harris County Emergency Services District Nos. 2, 60
Harris County Municipal Utility District Nos. 008, 033, 036, 043, 070, 081, 096, 105, 118, 122, 130, 147, 155, 156, 158, 165, 170, 171, 173, 179, 182, 183, 185, 188, 189, 200, 202, 205, 216, 221, 222, 248, 275, 278, 284, 316, 321, 341, 342, 344, 345, 354, 355, 358, 359, 360, 361, 365, 370, 389, 390, 391, 396, 397, 400, 406, 410, 412, 418, 419, 434, 427, 438, 504, 529, 536
Harris County Industrial Development District Nos. 12, 15
Harris County Utility District Nos. 06, 14
Harris County Water Control and Improvement District Nos. 084, 109, 119, 157
Harris-Fort Bend Counties Municipal Utility District No. 5
Harris-Waller Counties Municipal District No. 2
Hunter's Glen Municipal Utility District
Jackrabbit Road Public Utility District
Kings Manor Municipal Utility District
Kirkmont Municipal Utility District
Langham Creek Utility District
Montgomery County Municipal Utility District Nos. 083, 084, 088, 092, 095, 119, 148
Morton Road Municipal Utility District
North Belt Utility District
North Channel Water Authority
NorthPointe Water Control and Improvement District
Northwest Freeway Municipal Utility District
Northwest Harris County Municipal Utility District Nos. 09, 12, 15, 29, 32
Northwood Municipal Utility District
Nottingham Country Municipal Utility District
Palmer Plantation Municipal Utility District Nos. 1, 2
Plantation Municipal Utility District
Remington Municipal Utility District No. 1
Renn Road Municipal Utility District
Rolling Fork Public Utility District
Sagemeadow Utility District
South Shore Harbour Municipal Utility District Nos. 6, 7
Spencer Road Public Utility District
Trail of the Lakes Municipal Utility District
West Harris County Municipal Utility District Nos. 04, 07, 17
West Keegans Bayou Improvement District
West Park Municipal Utility District
West Ranch Management District
Westlake Municipal Utility District No. 1
Weston Municipal Utility District
Willow Fork Drainage District
Wood Trace Municipal Utility District No. 1

Prior Engagements with the Town of Addison

The respondent should list separately all engagements within the last five years, ranked on the basis of total staff hours, for the Town by type of engagement (such as, audit, management advisory services, other). For each engagement, the firm should indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the firm's contact at the Town of Addison.

In the last five years, BKD has been engaged to provide the following services:

Audit Services

Scope of Work: Financial Statement Audit & Single Audit
 Date: 2016–Present (Audit); 2020–Present (Single Audit)
 Engagement Partner(s): Kevin Kemp
 Total Hours: 500
 BKD Office Location: Dallas
 Town of Addison Contact: Amanda Turner, Controller
 Phone: 972.450.7064

Advisory Services

Scope of Work: Analysis of Internal Controls Related to Financial & Accounting Operations for Addison Airport
 Date: For the years ending September 30, 2016 and 2017
 Engagement Partner(s): Neely Duncan
 Total Hours: 70
 BKD Office Location: Dallas
 Town of Addison Contact: Joel Jenkinson, Airport Director
 Phone: 972.392.4855

Other

Additional information should be included to describe the office's capabilities to audit computerized systems.

Financial statement audits are not the same as a security or system assessment. Our focus is to identify potential material misstatements that may occur in the financial statements. However, gaining a detailed understanding of client systems and controls is an evolving and expanding element in our audit process, and our capabilities for auditing in an automated environment are substantial. We deploy a mixture of electronic audit tools and data management techniques during this process. As we gain an understanding of your environment and your IT controls, we will share any significant feedback and suggestions based on our observations.

The extent of our work will depend on our assessment of the reliance that should or could be placed on the controls in your system environment that address IT risks relevant to controls over financial reporting. Our approach may include assessing IT general controls (ITGC), such as logical security, change management, computer operations and complementary user entity controls identified by service providers in their System and Organization Controls (SOC) reports.

When controls are not present or effective, or when substantive procedures provide appropriate evidence, we may limit our work around understanding the design of your IT controls.

SUPPORT

"We are a long term client of BKD and during these many years, we have gone through downsizing as well as upsizing. BKD has been with our organization through both experiences. We have always found their team of professionals to be dependable and ready to assist us with any matter that required a higher level of expertise. We would wholeheartedly recommend them to any organization needing their services."

Shay Lipe
 Director of Finance
 Central Mississippi Planning &
 Development District, Inc.
 Jackson, Mississippi

In more complex environments where reliance on systems improves audit effectiveness and efficiency, our procedures may expand beyond understanding the design to testing the operating effectiveness of IT controls.

While the Town's primary audit team will obtain an understanding of the flow of transactions through your systems, we also have built a team of specialized IT assurance professionals who are focused on the procedures involved in testing the ITGCs that support these systems for the purpose of a financial statement audit.

Beyond testing your systems, BKD continues to invest in our own software tools that enhance our audit practice. Our tools allow us to ingest large blocks of data for trend and anomaly detection, organize unstructured data, e.g., agreements, contracts, leases, for testing and create visualizations of data that assist in our audit procedures.

With respect to these procedures, confidentiality is not negotiable. We take care in our interactions not to interface directly with your systems in a way that may expose your data or create inappropriate security risks. As we work with your data, features such as our secure exchange portal and encrypted systems provide confidence that your data is safe and secure.

This section should also include a discussion of your previous experience with the Certificate of Achievement Program of the Government Financial Officers' Association (GFOA), examples of how your firm has provided value through the audit process, and information on how your firm monitors client satisfaction and responds to client dissatisfaction.

Extensive Experience with the COA Program

Participating in GFOA's COA Program can help enhance the credibility of a municipality's financial statements, particularly with rating agencies. This also is key to increasing constituent and user confidence in the Town's fiscal management practices and overall financial condition. Hundreds of our clients participate in this program annually, which means we have the practical knowledge and expertise necessary to guide you through the process. Numerous BKD professionals also serve on the GFOA's Special Review Committee, including several of your engagement team members, providing us with firsthand insight into what GFOA reviewers are looking for when assessing the required reports.

In addition, with the short window for completing annual audits to meet the GFOA's established deadlines, we understand prompt and accurate professional services are critical in retaining your certificate. A core standard of BKD's Unmatched Client Service philosophy is Responsive Reliability, which guides our service process from initial planning to issuing our final report. You can expect our reports and communication to be efficient and in advance of GFOA's deadlines.

Access to BKD Public Sector Reporting Solutions

BKD is constantly on the lookout for innovative ways to apply technology to make tedious processes more efficient and effective for our clients. BKD is now a certified implementor of The Reporting Solution (TRS), a cloud-based tool that can help streamline the report preparation process. Through TRS, BKD and our clients can connect to a cloud-based online platform to prepare the report with print-ready financial statements and a word processor that links to a financial database.

In addition, changes can be made and updated in real time for all users to see. This platform allows multiple users to work simultaneously within the financial statement document, thereby creating an efficient, prompt and cost-effective preparation process. BKD also can complete a vigorous review of your Annual Report—including the evaluation of your reports—using our independently prepared checklists designed to aid in financial reporting disclosure accuracy and completeness.



Providing Value through the Audit Process

Below are examples of how BKD has added value through the audit process.

- ▶ A municipality faced significant personnel issues and no longer had the capacity to prepare its Comprehensive Annual Financial Report. It selected BKD National Public Sector Group to help draft the comprehensive annual financial report. As a result, the municipality met its original deadline of presenting the comprehensive annual financial report to the city council.
- ▶ A midsize municipality that had recently hired a new director of finance wanted to issue its comprehensive annual financial report within six months of the year-end, which had not been accomplished for several years. The municipality selected BKD National Public Sector Group (because of our expertise, local presence and commitment to providing Unmatched Client Service) to issue the financial statements within their desired timeline. Despite the client having several accounting issues and BKD having been engaged relatively close to the client's deadline, we met the deadline and management received accolades from the city council. During the audit, BKD also identified several internal control issues and corresponding ideas for improvement.
- ▶ A small municipality that had been underserved wanted a fresh start from a CPA and advisory firm with industry expertise and breadth of talent. The municipality hired BKD National Public Sector Group. Although the first year of the engagement included restatements, audit adjustments, weaknesses in internal controls and other accounting issues for the city, the client was pleased with BKD's level of attention and our willingness to help city staff understand the audit process, while delivering the audited financial statements on schedule. The city was able to strengthen controls during the audit because of BKD's proactive and frequent communication.

Monitoring Satisfaction

It may sound simplistic, but we believe the best way to know how we're doing is by simply asking our clients. Leaders of the firm routinely visit clients to monitor their satisfaction with our services, including managing partners and national industry partners. We also monitor client satisfaction by periodically issuing client satisfaction surveys, the results of which have generally been positive.

As part of our dedication to delivering Unmatched Client Service, we are happy to meet with the Town to discuss and develop a plan to address concerns you may have related to our performance.

5.6 Scope & Audit Approach – Section 5

The respondent’s submittal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Sections 4.1 and 4.2 of this solicitation. In developing the work plan, reference should be made to such sources of information as the Town of Addison’s budget and related materials, organizational charts, manuals, and programs, and financial and other management information systems.

Financial Statement Audit in Accordance with *Government Auditing Standards* & the Uniform Guidance

What is an Audit?

Auditing standards set the technical requirements for our process, culminating with the expression of our opinion on the presentation of your financial statements. Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

What is an Audit Experience?

While auditor selection should start with evaluating technical competence, it also should extend to your expectations for a service experience. Your audit experience includes how your engagement is managed, how you and your team are treated, the quality and timeliness of communication you receive and your confidence in the results and guidance you receive. We want you to consider our philosophy around independence, integrity and quality, along with our commitment to Unmatched Client Service and the strength of your proposed engagement team.

The BKD Differences That Matter

| | |
|----------------------|---|
| People | Our people are key components of what differentiates a BKD audit. Through intentional training and our firm culture, our teams integrate a commitment to quality with an appreciation for client needs and expectations. We also bring relevant industry experience, which means you will not be required to train our staff. |
| Leadership | The engagement executive managing your audit will maintain a high level of involvement with the Town by delegating appropriate tasks to other audit team members as needed while remaining engaged with you and the audit team. Our engagement executives are on site and participate in the supervision and delivery of your audit. |
| Communication | Challenging matters or simple misunderstandings can arise, and they shouldn’t be ignored. While our responsibility is to issue an appropriate opinion on your financial statements, it is important for us to help keep your team informed of issues as they occur and recommend the appropriate solution. Our philosophy is to be courteous and professional, communicate efficiently and make reasonable requests. We are committed to treating you and your team with candor and respect. |
| Technology | Technology plays a growing role in our audit as we adopt new tools to enhance our effectiveness and efficiency. We have invested heavily in improving dynamic workflows and increasing our audit data analytics capabilities. Though we use traditional tools such as Excel, we also delve deeper into analytic tools with TeamMate Analytics and Galvanize (formerly ACL), unstructured data with Kira and artificial intelligence and trend analysis with MindBridge. These technologies, combined with our secure portal, help improve our results, enhance your experience and increase the insight we can provide. |



Executing the Audit

Once we have established our overall process and communication plans with you, the detailed work can begin. Key elements of that work include:

Risk Assessment

We will identify and assess risks of material misstatement in your financial statements, including those from potential fraud. Our work is supported by building a strong understanding of your business environment through documents you provide and by gathering information through interviews and tests for significant transaction cycles.

Assessing IT Risks

Our risk assessment also includes a more focused evaluation of your IT systems. Organizations with greater IT risk often manage high-volume, automated transactions or otherwise rely heavily on how systems create and manage data that affects financial statement amounts and disclosures. In your environment, obtaining a strong understanding of your systems is important, and our feedback may help you evaluate your own risks. In addition to using our traditional auditors, we may engage professionals from our IT Risk Services (ITRS) division to assist in that evaluation. These individuals can offer specialized experience with specific systems or with overall IT matters such as logical security, change management, computer operations and other areas where risk and fraud relevant to financial reporting can occur.

Audit Design

Based on risks identified, we will design an audit approach specific to your organization. This tailoring takes into consideration the uniqueness of your operations, the design of internal controls you have implemented, and the nature of financial statement amounts and disclosures. We consider whether matters are truly important (materiality), as well as obtain input about concerns from management and City Council to design the tests we will perform.

Gathering Evidence

Once the plan is complete, we will execute the audit through a combination of on- and off-site work performed in accordance with the agreed-upon timeline.

Reviewing the Work

Critical to our process is a review of the team's work by our engagement executive, as well as a quality review by another executive who is independent from the detailed work. The quality review is designed to improve our deliverable by providing a fresh perspective and reinforcing quality.

GUIDANCE

"The BKD audit approach brought a fresh perspective, and focused on realistic, reasonable and purposeful testing, looking at areas of importance. The engagement partner also provided assistance on new GASB pronouncements and assisted us with reporting requirements."

Kimberly Auchstetter
Finance Director/Treasurer
Village of New Lenox, Illinois

Sharing Our Results

We base our audit opinion on the evidence gathered and then communicate our findings. Professional standards drive the content of our opinion and the required communication about any deficiencies and other items we may identify during the audit. Beyond these requirements, we share results formally through our letters and presentations to management and City Council, as well as opportunities for improvement through conversations during the audit process.

Compliance Audit in Accordance with the Uniform Guidance

BKD performs hundreds of Single Audits annually, focusing on two objectives: first, an audit of your financial statements and reporting on the Schedule of Expenditures of Federal Awards (SEFA) in accordance with *Government Auditing Standards*, and second, a compliance audit for federal awards expended during the fiscal year in accordance with the Uniform Guidance.

As mentioned, approximately one-third of our not-for-profit and governmental clients receive federal funding. Our extensive experience with compliance testing in accordance with OMB requirements can help provide the Town with a Single Audit performed properly and submitted on time.

Our Approach

During our audit procedures of federal award programs, we do not simply look for findings to report. We look for opportunities to advise you of more efficient ways to comply with federal regulations to reduce the risks of sanctions or reduced funding. BKD has developed contacts at federal agencies and has been able to work cooperatively with these agencies to help clients resolve or avoid issues. Entities subject to the Uniform Guidance and *Government Auditing Standards* will benefit from BKD's specially designed audit programs, checklists and database of federal audit programs.

Identification and testing of your federal programs will be performed primarily during interim fieldwork, which will typically be performed before your fiscal year-end. We have found this to be the most efficient manner in which to perform our audit services when the additional Uniform Guidance requirements are present.

Training Requirements for Single Auditors

The Town can have confidence in BKD auditors' experience in testing federal funding subject to the Uniform Guidance. As mentioned, our audit professionals are required to receive at least 120 hours of CPE every three years, and for auditors involved with audits performed under *Government Auditing Standards*, this education includes the hours required to comply with *Government Auditing Standards Yellow Book* guidance. Staff members attend a series of core audit and accounting courses over the first four years of their careers. Staff subsequently receive additional training on accounting and auditing for the not-for-profit and governmental environment.

Broad Audit Risk Considerations

Some risk considerations apply across nearly all of our audits. We pay particular attention to the following items:

Significant Accounting Estimates

Nearly all financial statements have significant estimates in amounts and disclosures, even when not readily apparent. Estimates may include amounts ultimately collectible from third parties, expected losses or costs occurring at a specific amount and time, etc. We will gather information supporting management's estimates and challenge key assumptions used to develop these amounts. We also will test estimates on available data and historical trends and document our conclusions on the reasonableness of recorded amounts.

Risk of Management Override of Controls

When considering fraud, auditing standards require evaluating the risk that management could override existing controls. We will perform interviews of selected individuals, apply an element of unpredictability in our testing and brainstorm as a team to evaluate risks and possible actions based on our observations. We also will perform journal entry testing, review estimates for bias and significant changes and consider the business rationale for significant unusual transactions.

Procedures & Risks Specific to the Public Sector

Audit procedures can vary, but they often include traditional observation, sampling and testing combined with more advanced deployment of technology for trend analysis, summarization of documents and assessment of large data sets.

Our work with hundreds of clients in the public sector means our advisors are very familiar with entities similar to the Town. While no two audits are the same, certain activities are common to governmental entities. Specific risk areas for the Town are likely to include:

Investments

This is a significant audit area due to the risks associated with the proper and timely valuation of investments. We employ a variety of audit procedures in this area, including the use of third-party confirmations, obtaining an understanding of management's assessment of fair values, fair market value testing to published sources, etc. In addition, we evaluate the disclosure requirements and the adequacy of completeness and accuracy of the disclosures.

Accounts Receivable & Deferred Inflows of Resources & Unearned Revenue

These areas often are a significant risk due to the subjective nature of the Town's estimate for the allowance for doubtful accounts and the proper recognition of revenue for funds that report using the modified accrual basis of accounting and the current financial resources measurement focus that is consistent with the Town's policy. We will test the cutoff of various revenue sources, such as taxes, government grants and customer utility accounts, and review the revenue journal both before and after year end. We may confirm significant accounts receivable, as well as a sample of others to test both existence and proper classification, if considered necessary. In addition, we will test deferred inflows of resources by reviewing subsequent collections and perform various analytical procedures to test both completeness and proper classification of the balances, consistent with the Town's policy of recognizing revenue on the modified accrual basis of accounting.

Capital Assets

We will audit the capital asset rollforward activity of each opinion unit, focusing on significant additions and disposals during the year. Current-year additions will be tested to appropriate supporting documentation. A review of repair and maintenance accounts will be performed to help identify whether material additions have been capitalized. New lease agreements will be reviewed to identify whether they have been accounted for properly. Depreciation expense also will be tested for reasonableness, and certain analytical procedures will be performed on the capital outlay line items for governmental funds associated with the conversion to government-wide reporting.

Revenue Recognition

Professional standards include a rebuttable presumption that for each audit, there is a risk of material misstatement due to fraud relating to improper revenue recognition. Our approach is to gain an understanding of the revenue recognition criteria and policies and then perform a variety of inquiry, analytical and substantive audit procedures to confirm our understanding.

Long-Term Debt

We will confirm the annual payment activity and ending balances of certain bonds, notes and leases payable with trustees. In the case of any refunded debt in the year being audited, we will recalculate the accounting gain or loss by reviewing trustee statements and bond documents to test for proper classification and footnote disclosures. We also will inquire about your policy on reviewing each bond and note for applicable IRS arbitrage requirements, prepare a list of bonds and notes subject to IRS arbitrage requirements and the most recent arbitrage calculation prepared for each bond and challenge the calculation performed to test for completeness and obligations of the Town.

Net Position/Fund Balances

Procedures we perform in this area include vouching (or cross-indexing to work performed in other areas) of significant increases and decreases to net position, recalculation of net investment in capital assets for enterprise funds and governmentwide activities, review of documentation supporting the establishment and classifications of new accounts and testing of various nonspendable, restricted, committed and assigned fund balance accounts based on supporting documentation of donor and grantor agreements, enabling legislation, formal actions of city council, such as ordinances and resolutions and other formal policies.

Uniform Guidance Testing

We will discuss with management and review the preliminary SEFA as of an interim date to identify the likely major programs for testing. We will perform the majority of our testing prior to year-end and will share our results with you prior to final fieldwork. During final fieldwork, we will assess whether there are any additional major programs that would require testing and conclude our compliance and internal control procedures related to the Uniform Guidance expenditures in agreement with the conclusion of the audit of the financial statements.

Utility Receivables & Unbilled Revenues

We will use several methods to audit your receivables and the estimate of unbilled revenues, including using look-back reports, reviewing historical collection methods and assessing of the aging and payor mix of your accounts receivable detail. We will analytically review key ratios such as days in accounts receivable and charge-off rates compared to industry averages and prior year results to help us reach our audit conclusions. We will work with your team before year end on the allowance to see that we understand your methodologies and conclusions.

Finally, we use data analysis software to test subsequent billings and receipts and the accuracy of revenue cutoff to help validate the year-end accounts receivable balance and any unbilled revenue amounts.

DIRECTION

"BKD, LLP demonstrated excellent customer service in meeting our needs. Their technical knowledge was excellent and extremely valuable to our organization. I highly recommend them to any governmental entity."

Clint Mercer
Chief Accountant
City of Norman, Oklahoma

Pensions & Other Postemployment Benefit Obligations

Due to the subjective nature of the estimation processes associated with determining the estimated Net Pension Liability and Other Postemployment Benefit (OPEB) obligations liability, we will obtain and test the specific actuarial calculations for the Net Pension and OPEB liabilities. First, we will evaluate the professional qualifications and reputation of the actuary. We will read the actuarial reports to obtain an understanding of the methods and assumptions employed and evaluate the cost method used and the significant assumptions underlying the actuarial calculations. Select testing of the underlying data used in the calculation will be performed. We will evaluate the valuation, cost and amortization methods for consistency. The other significant underlying assumptions such as discount rates, rates of return and medical cost trends will be compared with independent external studies of assumptions by such noted organizations as GRS.

GASB's Updated Lease Standard

With GASB Statement No. 87, *Leases* (GASB 87), the way leases are handled in public sector accounting has changed. While this rule is intended to provide clarity for users of financial statements, it brings a host of considerations for both lessors and lessees. Governmental entities will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

Respondents will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

| Proposed Audit Segmentation | Estimated Hours | Staff Level |
|---|-----------------|-----------------------------|
| Risk assessment procedures, including meetings with officials & staff, preliminary analytics, review minutes & design of audit procedures based on assessed risks | 50 | All Professionals |
| Document & evaluate internal controls | 25 | Manager & Associate |
| Obtain financial policies & procedures, bond documents, leases & grants & other items for our permanent file | 10 | Manager & Associate |
| Substantive procedures & analytical review techniques | 245 | All Professionals |
| Review prepared Annual Report | 50 | All Professionals |
| Single Audit testing | 50 | Manager & Associate |
| Supervision, review & technical assistance | 40 | Partner/Director |
| Client conferences & meetings to review audit reports | 20 | Partner, Director & Manager |
| Reporting – Report to governance & management advisory comments | 10 | All Professionals |

c. Sample sizes and the extent to which statistical sampling is to be used in the engagement.

Although it is not possible to set absolute rules for identifying sample sizes, we apply our professional judgment in identifying the appropriate sample size. The objective is to test the population to obtain reasonable confidence that the test objectives have been met. Sample sizes are controlled by the following considerations:

- ▶ Tolerable error (precision) – as the expected monetary conclusion becomes more critical, sample size should increase to tighten the range of the extrapolated estimate
- ▶ Significance of the account to the financial statements – as the significance increases, sample size should increase
- ▶ Assessment of internal control risk – as assessed risk is reduced, sample size for substantive tests should decrease
- ▶ Extent of other substantive audit procedures related to same audit objective (tests of detail, as well as analytical review) – as the extent of other procedures increase, sample size should decrease
- ▶ Frequency and magnitude of expected errors – as the frequency and magnitude of expected errors increase, sample size should increase
- ▶ The size of the population to be sampled and whether a sample is appropriate

We anticipate using certain data extraction tools, such as Galvanize (formerly ACL), in selecting and testing samples or complete populations, where appropriate. These effective tools allow us to efficiently test larger amounts of data.

d. Extent of use of EDP software in the engagement.**Enhancing an Audit with Technology**

BKD is a leading firm in working with the development of the AICPA's Dynamic Audit Solution Initiative that focuses on the audit of the future. We believe technology should do more than just execute an audit, which is why we're continuing to invest in significant technological enhancements. Our aim is to make the service process smoother and improve the client experience. We're going beyond simply adapting to an electronic environment—we're deploying tools that harness data analytics, artificial intelligence and powerful benchmarking solutions, all while emphasizing the importance of security and confidentiality.

Unstructured Data Analysis

Kira is a data analysis platform that can help accelerate data organization and improve our ability to identify issues when assessing a large volume of documents. Beyond optical character recognition, Kira allows us to quickly and effectively process contracts, leases, debt agreements and other documents to extract relevant information to address disclosures and risk areas sooner.

Data Analytics

Our data analytics capabilities continue to expand. While common platforms such as Excel provide some level of data query and investigation, we train our personnel on more advanced tools. Tools such as TeamMate Analytics, Galvanize (formerly ACL) and Alteryx help us ingest and normalize various types of reports you might provide and perform sophisticated analysis on the resulting data. We also deploy a leading analytics tool, MindBridge, that leverages artificial intelligence. Using these tools, we can run analytics on 100 percent of the Town's transaction detail to detect potential anomalies and patterns that indicate risk.



Direct Data Ingestion

One of the barriers to using technology is getting the detail from client systems. Tools such as DataShare from Validis allow BKD to directly connect to client systems and securely extract a copy of the general ledger and other accounting records. This allows us to have the data for more sophisticated analysis and saves you substantial time in creating general ledger and trial balance reports, as well as reducing other document requests that can be derived from that data, such as aging details and invoice records. Direct data ingestion is a growing technology space, but the vast variety of systems that clients use can create some limitations. Current tools are compatible with a handful of major accounting applications, and we can evaluate whether our tools would be a good fit for the Town.

Improving Business Process Workflows

While our industry-tailored forms have been an important differentiator in our practice thus far, we're now moving to more sophisticated and dynamic checklists and workflows. We believe this new approach will increase efficiency and improve the data gathering experience for all parties. This evolution is enabling greater use of electronic signatures for contracts and will be integral to improved data sharing and transparency between BKD and our clients.

BKDconnect Client Sites

We view project management as having multiple elements, with communication, timeliness and facilitating efficient exchanging of information among the most key. BKDconnect Client Sites is an innovative client portal designed to help address the challenges financial engagements present and conveniently connect you with our advisors.

BKDconnect Client Sites can make it easier to:

- ▶ View and manage information about your engagement or project
- ▶ Share documents and files with your BKD advisors and project teams
- ▶ Organize documents and files for retrieval
- ▶ Assign tasks to your team and receive requests for information from BKD
- ▶ Track the progress of tasks toward completion
- ▶ Access our award-winning, industry-specific articles, webinars, videos and more

e. **Type and extent of analytical procedures to be used in the engagement.**

Analytical procedures involve auditing a material assertion or account balance by investigating its relationship to an expectation such as other accounts, historical trends or other related measures. BKD recognizes that stronger analytical procedures can help reduce or eliminate other substantive procedures that are usually more time consuming. We would typically consider:

- ▶ Ratio analysis – comparing relationships among account balances, ratios, nonfinancial data, budgets or industry averages
- ▶ Reasonableness tests – using financial and/or nonfinancial data to develop an expectation of an account balance

Successfully using analytical procedures requires auditors to ask the questions:

- ▶ What is the risk of material misstatement?
- ▶ How would we find those misstatements?

- ▶ Have I gathered enough audit evidence?

When analytical procedures provide sufficient evidence, other substantive audit procedures should not be necessary. If analytical procedures are not sufficient, some combination of analytical and substantive procedures is likely to be the preferred approach.

f. Approach to be taken to gain and document an understanding of the Town of Addison's internal control structure.

Understanding your operations and the design of your controls helps create an effective and efficient audit process. Our first objective is to identify those resources that might advance our understanding without extra effort on your part. If you have documentation of your organizational structure, control environment (including technology) and the controls you have in place, along with any testing of those controls, we can often just read and supplement that information as needed. Even when clients have effective controls, their documentation is often limited, so additional effort may be required.

In instances where we start with limited documentation, we will:

- ▶ Perform a risk assessment using your financial statements to identify the relevant areas for documenting our understanding and related testing. While we want to have an understanding of your operations, it isn't necessary for us to document every control, particularly when a control is not related to a significant audit area.
- ▶ Ask you to complete industry-specific questionnaires that summarize your control structure. You might complete these forms directly or we may interview you to guide the process, or some combination of both. This process includes understanding your information system and related controls.
- ▶ Identify who performs or can perform control activities. We can use industry-based assignment of duties forms to capture those assignments.
- ▶ Assess and/or identify key controls you have in place for significant areas of risk. We will look for gaps in your design and potential overlapping assignments of duties that could or should be segregated.
- ▶ Perform limited tests of design effectiveness of control activities. These tests will help us evaluate whether our documentation matches the activities occurring.
- ▶ Consider extended tests of controls. In some cases, your information may be so complex or voluminous that extended control testing is needed to rely on your control and reduce other substantive testing in our audit.
- ▶ Summarize recommendations for your consideration. For minor deficiencies or suggestions, we may discuss changes during our audit. For others, including significant deficiencies or material weaknesses, we will prepare written recommendations for your consideration.
- ▶ In periods following our first audit, the majority of our understanding and documentation will be complete. Going forward, we focus on changes that have occurred and continue performing tests of design effectiveness or expanded testing to evaluate whether control design has remained the same.

BKD

g. Approach to be taken in determining laws and regulations that will be subject to audit test work.

Identification of applicable laws and regulations will begin with an inquiry of the Town as to your understanding of applicable laws and regulations. In addition, our reviews of various documents, indentures, agreements, etc., will be designed to encompass known laws and regulations within the scope of the audit. We are experienced in auditing public sector entities in the state of Texas and are familiar with the laws and regulatory environment in which you operate.

h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

The sampling approach anticipated to be used in connection with the various areas of the audit is judgmental in nature. The size and nature of the population being tested, along with the assessed risk of the associated financial statement line item affected, will determine the size and approach for selecting a sample. Sample sizes will be sufficient to meet requirements of the various state and federal laws and regulations. As mentioned, we anticipate using data extraction tools, such as Galvanize's (formerly ACL) data extraction and analysis software, in certain situations in selecting and testing samples or complete populations, where appropriate.

i. Describe how your firm's approach contributes to improved efficiency and performance.

As mentioned, BKD is a leading firm in working with the development of the AICPA's Dynamic Audit Solution Initiative that focuses on the audit of the future. We're deploying tools that harness data analytics, artificial intelligence and powerful benchmarking solutions, all while emphasizing the importance of security and confidentiality.

In addition, while many audits rely on a one-size-fits-all approach, ours is decidedly different. We tailor our testing and procedures based on your unique operations and internal processes. We don't want to spend time in areas that are of little value to the Town. We want to focus on the issues and concerns that matter to you while incorporating an appropriate level of testing that allows us to express a proper opinion on your financial statements. That's why involving the Town in our approach is vital from the planning stages onward.

Tailoring an audit approach also includes confirming we have the right team in place to serve you and working with you on the logistics of our process. While we find value in being on site to perform significant elements of our audit, we will work with you to consider the timing and the balance of what work is best done remotely and what value we can add by being face-to-face.

Our approach isn't just about the work we do. It's about providing services efficiently and effectively while limiting interruption to your team's other responsibilities.

CLARITY

"As the Financial Services Director for Denver Human Services, it's very important for me to be able to trust the firm performing our Single Audit. With other firms, I've had to spend significant time each year repeating very basic information about programs, operations, and systems. I am able to trust our BKD advisors to do a thorough job without me having to explain the complex details and functions of the programs we administer. I really appreciate their expertise and thoughtful approach to their work."

"The BKD team's professionalism and expertise shows in their comprehensive work, and they do a fantastic job of communicating throughout the entire process."

Lori Noble
Financial Services Director
Denver Human Services
City and County of Denver,
Colorado

j. Describe any issues for our Town that you believe may require special attention and discuss how you will handle them in your audit approach.

Based on our history of working with the Town, BKD does not foresee any issues that may require special attention.

The respondent's submittal should also identify in this section any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Town of Addison.

Audit Problems

While we do not anticipate significant audit problems, we understand the importance of good channels of communication with key engagement team members to facilitate the discussion of issues that may arise. Once we commence final fieldwork, we would ask for management's participation in weekly progress meetings that would facilitate such communication and allow for timely identification and response to problems that may be encountered.

The work plan submitted should include separate time estimates for the financial audit and single audit work.

Overall, we anticipate the financial statement audit and Single Audit will take approximately 450 hours and 50 hours, respectively.

A separate statement of the firm's approach to and understanding of the provision of technical assistance and advice concerning accounting and auditing issues that may arise during the course of the audit should be included. In addition, a discussion of the firm's approach to the level and amount of the accounting staff support necessary to complete the work as outlined in the solicitation should be included.

Procedures for Technical Assistance

We respond to questions quickly and do so without hidden fees. We do not bill for responses to your day-to-day questions that require no significant investment of research, time or other costs. Providing a high level of value for the fees you pay is an integral part of our basic engagement philosophy. If an issue is going to take more than one hour to research, we will inform you in advance of the estimated hours and fees it will require.

Our Expectations of Your Staff

In working with similar clients, we have developed efficient approaches that aim to avoid wasted effort. Your participation helps control costs, reduce unnecessary disruptions and meet deadlines. We need your team to maintain records in good condition, provide the necessary schedules and cooperate with our audit team. Most clients routinely prepare these records and schedules during their normal monthly or annual closing process.

Specific assistance from your personnel may include:

- ▶ Preparing a complete and accurate general ledger trial balance by account, to which very few adjustments are needed
- ▶ Preparing accurate audit schedules to support all significant balance sheet and certain other accounts
- ▶ Responding to auditor inquiries
- ▶ Preparing confirmation and other letters
- ▶ Pulling selected invoices and other documents from files
- ▶ Helping to resolve any differences or exceptions noted
- ▶ Completing documentation of internal controls

BKD

► Completing financial statements and footnote information

We will provide a list of the needed schedules well in advance of any deadlines, as well as spreadsheet templates for many of these schedules. We also will meet with your staff, as needed, to help them clearly understand what we need.

The level and amount of involvement can vary, depending on the nature and area of the request. We anticipate efforts needed from your personnel will be primarily related to timely responses to our inquiries.

5.7 Proposed Schedule – Section 6

Comment on the firm's ability to meet the timelines indicated in the RFQ and present a schedule of when information to be provided by the Town should be available. The respondent should provide any recommended changes to the schedule that might be required to enhance the timelines and quality of the engagement.

BKD is confident we can continue meeting your requested timeline.

As mentioned, we will provide a list of the needed schedules, as well as spreadsheet templates for many of these schedules. We also will meet with your staff, as needed, to help them clearly understand what we need. We would like to have our planning kick off meeting in July 2021, following by a week or two of interim work in late August/early September 2021, as we have traditionally completed in years past. We will also begin final fieldwork the week after Thanksgiving with wrapping up final fieldwork before the end of the calendar year 2021.

At this time, we have no recommended changes to your schedule.



5.8 Other References – Section 7

Describe recent local and regional office auditing experience similar to the type of audit requested and give the name and telephone numbers of client officials responsible for three of the audits listed. These references would be in addition to those listed in Section 4 under paragraph titled - Similar Engagements.

As mentioned, our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

City of Abilene, TX*

Mr. Mike Rains
Director of Finance
325.676.6324
mike.rains@abilenetx.gov
Abilene, TX

City of Arlington, TX*

Ms. Amy Trevino
Controller
817.459.6312
amy.trevino@arlingtontx.gov
Arlington, TX

City of Phoenix, AZ*

Mr. Joe Jatzkewitz
Deputy Finance Director
602.495.7058
joe.jatzkewitz@phoenix.gov
Phoenix, AZ

CONFIDENCE

"We have been working with BKD for some time, and we appreciate the consistency and reliability of our BKD advisors."

"The BKD team is knowledgeable, friendly, professional and approachable. As a controller, I view them as a great resource and as business advisors."

Shelley K. Nywall
Controller
Platte River Power Authority
Fort Collins, Colorado

5.9 Additional Data & Other Information – Section 8

Since data not specifically requested must not be included in the foregoing solicitation sections, give any additional information considered essential to the solicitation in this section. If there is no additional information to present, state in this section, "There is no additional information we wish to present."

Rotation Capabilities

Auditor independence and objectivity are critical elements to a successful audit. Changing individual auditors can be beneficial in providing a fresh look at your financial statements. BKD appreciates the value of a new perspective and, because of our depth of resources, can accommodate partner and director rotations if such requests are made by our clients. That way, you can receive a fresh perspective while still maintaining your working relationship with advisors who are familiar with your operations and understand the challenges you face. We believe audit quality is maintained in long-term working relationships, and you can be confident independence will not be compromised.

Thinking of Your Future

In addition to the Town's requested service, BKD has an extensive range of service offerings that may be relevant to you now or in the future. If the need arises, a Cybersecurity Risk Assessment could benefit the Town. If you would like additional information about this option, please contact Partner Kevin Kemp at your convenience.

Cybersecurity Risk Assessment

BKD Cyber consultants will work with management to identify areas of business risk arising from potential disclosure, modification or loss of personally identifiable information (PII) or electronic protected health information (ePHI). In addition, we will identify the maturity level of the Town's current cybersecurity processes/controls and assign a high, medium or low risk rating. Risk severity will be identified by assessing the likelihood of a breach occurring as well as the potential downstream effects.

Finally, we will work with management to create a remediation road map and recommended timeline, based on the risk severity identified. This timeline will assist the Town's management in effectively allocating financial resources or personnel that may become necessary.

Throughout this process, BKD consultants will maintain a high level of open and frequent communication with the Town's management to better understand your needs and constraints. The Town can expect questions and ideas that promote conversation.

Your proposed team will work on site and assist in facilitating effective service coordination and schedule flexibility, as well as improving lines of communication. Weekly status meetings are part of our service approach.

BKD's cybersecurity assessment approach comprises four distinct phases. A focus on project management and frequent client communication means the Town can be confident engagement objectives are addressed.

5.10 Concluding Remarks – Section 9

This section shall contain any final remarks or elaboration which the respondent believes is important for a clear understanding of the proposed services and/or the firm's capabilities.

BKD has enjoyed the working relationship we have forged with the Town over the last five years. As we mentioned earlier, you can have confidence our commitment to you remains unchanged—to serve the Town with integrity while offering the high levels of quality and value you have come to expect from BKD. We look forward to being the service provider you can continue to trust for years to come.

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**“ Unmatched Client Service isn’t
just a slogan at BKD; it’s the
backbone of our culture. ”**

Theodore D. Dickman, CPA
Chief Executive Officer | BKD

APPENDIX



Exceptions to Terms & Conditions

BKD recognizes the RFQ has terms and conditions that must be accepted in full, unless any exceptions are identified in BKD's proposal, per the RFQ's instructions. To this end, certain terms and conditions as referenced in the RFQ may require modification to comply with professional standards and/or BKD's policies. As BKD has successfully resolved similar agreements with the Town previously, BKD is confident the parties can successfully negotiate mutually acceptable terms and conditions. BKD sincerely appreciates the Town's consideration and understanding. BKD looks forward to working with the Town on this engagement.

Therefore, we have identified the following exceptions to the RFQ:

Section 2.9 Working Paper Retention and Access to Working Papers. BKD does have some limitations with respect to access to workpapers, in accordance with professional standards and BKD policies. BKD is willing to provide the Town access to select workpapers, to the extent it does not violate our professional standards.

Contractor Insurance Requirements & Agreement. BKD can generally comply with the insurance requirements noted in the RFQ; however, there are specific issues which will require further discussion, e.g., additional insured, policy notifications, and cross liability endorsements. As you can appreciate, these specific issues are controlled by the terms of our policies and are outside BKD or any other CPA firm's discretion. BKD is confident, though, any insurance issue will be satisfactorily resolved, if we are given the opportunity to provide professional services to you.

Indemnification Agreement. The AICPA Code of Professional Conduct specifies that any indemnification of a client, directly or indirectly, where any fault may be attributable to the client's own actions would impair the auditor's independence under ET Section 1.228.020, Indemnification of an Attest Client. Any auditor indemnifying the Town for claims that result from the Town's own negligence, when such negligence is contributory to a claim, damage, liability, loss, etc., would impair the auditor's independence and cause an auditor to violate the AICPA Code of Professional Conduct. Therefore, the Indemnification Agreement is not signed. If engaged, BKD proposes to limit indemnification only to the extent the claims, damage, liability, loss, etc., result from the services performed by BKD pursuant to this engagement and are caused by BKD's own negligence or intentional misconduct, so as to not indemnify and hold harmless the Town for its own negligence and actions. The AICPA interpretations are shown below:

1.228.020 Indemnification of an Attest Client

.01 Threats to compliance with the "Independence Rule" [1.200.001] would not be an acceptable level and could not be reduced to an acceptable level by the application of safeguards if the covered member enters into an agreement providing, among other things, that the covered member indemnifies the attest client for damages, losses, or costs arising from lawsuits, claims, or settlements that relate, directly or indirectly, to the attest client's acts. The covered member's independence would be impaired under these circumstances.

Conflict of Interest Questionnaire

Town of Addison

Bid 21-104

FORM CIQ
CONFLICT OF INTEREST QUESTIONNAIRE
For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 1481, 80th Leg., Regular Session. This OFFICE USE ONLY questionnaire is being filed in accordance with Chapter 176, Local Government Code by a person who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the person meets requirements under Section 176.006(a). By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code. A person commits an offense if the person knowingly violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor.

Name of person who has a business relationship with local governmental entity.

 NA

Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date the originally filed questionnaire becomes incomplete or inaccurate.) _____

3 Name of local government officer with whom filer has employment or business relationship. Name of Officer: This section (item 3 including subparts A, B, C & D) must be completed for each officer with whom the filer has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the filer of the questionnaire? ___ Yes ___ No NA

B. Is the filer of the questionnaire receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity? ___ Yes ___ No NA

C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of 10 percent or more? ___ Yes ___ No NA

D. Describe each employment or business relationship with the local government officer named in this section.

 NA

Signature of person doing business with the governmental entity _____ Date: _____
 Kevin King _____ May 25, 2021 _____
 Signature Date

5/10/2021 3:39 PM

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Contractor Insurance Requirements & Agreement

**TOWN OF ADDISON, TEXAS
CONTRACTOR INSURANCE REQUIREMENTS & AGREEMENT**

REQUIREMENTS

Contractors performing work on TOWN OF ADDISON property or public right-of-way shall provide the TOWN OF ADDISON a certificate of insurance or a copy of their insurance policy(s) (and including a copy of the endorsements necessary to meet the requirements and instructions contained herein) evidencing the coverages and coverage provisions identified herein within ten (10) days of request from TOWN OF ADDISON. Contractors shall provide TOWN OF ADDISON evidence that all subcontractors performing work on the project have the same types and amounts of coverages as required herein or that the subcontractors are included under the contractor's policy. Work shall not commence until insurance has been approved by TOWN OF ADDISON.

All insurance companies and coverages must be authorized by the Texas Department of Insurance to transact business in the State of Texas and must have a A.M. Best's rating A-:VII or greater.

Listed below are the types and minimum amounts of insurances required and which must be maintained during the term of the contract. TOWN OF ADDISON reserves the right to amend or require additional types and amounts of coverages or provisions depending on the nature of the work.

| TYPE OF INSURANCE | AMOUNT OF INSURANCE | PROVISIONS |
|--|--|---|
| 1. Workers' Compensation Employers' Liability to include: (a) each accident (b) Disease Policy Limits (c) Disease each employee | Statutory Limits per occurrence Each accident \$1,000,000 Disease Policy Limits \$1,000,000 Disease each employee \$1,000,000 | TOWN OF ADDISON to be provided a WAIVER OF SUBROGATION AND 30 DAY NOTICE OF CANCELLATION or material change in coverage. Insurance company must be A-:VII rated or above. |
| 2. Commercial General (Public) Liability to include coverage for: a) Bodily Injury b) Property damage c) Independent Contractors d) Personal Injury e) Contractual Liability | Bodily Injury/Property Damage per occurrence \$1,000,000, General Aggregate \$2,000,000 Products/Completed Aggregate \$2,000,000, Personal Advertising Injury per occurrence \$1,000,000, Medical Expense 5,000 | TOWN OF ADDISON to be listed as ADDITIONAL INSURED and provided 30 DAY NOTICE OF CANCELLATION or material change in coverage. Insurance company must be A-:VII rated or above. |
| 3. Business Auto Liability to include coverage for: a) Owned/Leased vehicles b) Non-owned vehicles c) Hired vehicles | Combined Single Limit \$1,000,000 | TOWN OF ADDISON to be listed as ADDITIONAL INSURED and provided 30 DAY NOTICE OF CANCELLATION or material change in coverage. Insurance company must be A:VII-rated or above. |
| 4. Professional Liability Aggregate \$1,000,000.00 per year | Bodily Injury - \$250,000 per person, \$500,000 per occurrence; Property Damage - \$100,000 per occurrence | TOWN OF ADDISON to be listed as ADDITIONAL INSURED and provided 30 DAY NOTICE OF CANCELLATION or material change in coverage. Insurance company must be A:VII-rated or above. |

Certificate of Liability Insurance forms (together with the endorsements necessary to meet the requirements and instructions contained herein) may be **faxed** to the Purchasing Department: 972-450-7074 or emailed

to: purchasing@addisontx.gov. Questions regarding required insurance should be directed to the Purchasing Manager.

With respect to the foregoing insurance,

1. All liability policies shall contain no cross liability exclusions or insured versus insured restrictions applicable to the claims of the Town of Addison.
2. All insurance policies shall be endorsed to require the insurer to immediately notify the Town of Addison, Texas of any material change in the insurance coverage.
3. All insurance policies shall be endorsed to the effect that the Town of Addison, Texas will receive at least thirty (30) days' notice prior to cancellation or non-renewal of the insurance.
4. All insurance policies, which name the Town of Addison, Texas as an additional insured, must be endorsed to read as primary coverage regardless of the application of other insurance.
5. Insurance must be purchased from insurers that are financially acceptable to the Town of Addison and licensed to do business in the State of Texas.

All insurance must be written on forms filed with and approved by the Texas Department of Insurance. Upon request, Contractor shall furnish the Town of Addison with complete copies of all insurance policies certified to be true and correct by the insurance carrier.

This form must be signed and returned with your quotation. You are stating that you do have the required insurance and if selected to perform work for TOWN OF ADDISON, will provide the certificates of insurance (and endorsements) with the above requirements to TOWN OF ADDISON within 10 working days.

A CONTRACT/PURCHASE ORDER WILL NOT BE ISSUED WITHOUT EVIDENCE AND APPROVAL OF INSURANCE.

AGREEMENT

I agree to provide the above described insurance coverages within 10 working days if selected to perform work for TOWN OF ADDISON. I also agree to require any subcontractor(s) to maintain insurance coverage equal to that required by the Contractor. It is the responsibility of the Contractor to assure compliance with this provision. The Town accepts no responsibility arising from the conduct, or lack of conduct, of the Subcontractor.

Project/Bid# 21-104

Company: BKD, LLP

Printed Name: Partner Kevin Kemp, CPA

Signature:  Date: May 25, 2021

[^] Subject to the negotiations stated on the Exceptions to Terms & Conditions page of this proposal.

Town of Addison**Indemnification Agreement**

Contractor's Indemnity Obligation. Contractor covenants, agrees to, and shall DEFEND (with counsel reasonably acceptable to Owner), INDEMNIFY, AND HOLD HARMLESS Owner, its past, present and future elected and appointed officials, and its past, present and future officers, employees, representatives, and volunteers, individually or collectively, in both their official and private capacities (collectively, the "Owner Persons" and each being an "Owner Person"), from and against any and all claims, liabilities, judgments, lawsuits, demands, harm, losses, damages, proceedings, suits, actions, causes of action, liens, fees (including attorney's fees), fines, penalties, expenses, or costs, of any kind and nature whatsoever, made upon or incurred by Owner and/or Owner Person, whether directly or indirectly, (the "Claims"), that arise out of, result from, or relate to: (i) the services to be provided by Contractor pursuant to this Agreement, (ii) any representations and/or warranties by Contractor under this Agreement, (iii) any personal injuries (including but not limited to death) to any Contractor Persons (as hereinafter defined) and any third persons or parties, and/or (iv) any act or omission under, in performance of, or in connection with this Agreement by Contractor or by any of its owners, directors, officers, managers, partners, employees, agents, contractors, subcontractors, invitees, patrons, guests, customers, licensees, sublicensees, or any other person or entity for whom Contractor is legally responsible, and their respective owners, directors, officers, directors, officers, managers, partners, employees, agents, contractors, subcontractors, invitees, patrons, guests, customers, licensees, sublicensees (collectively, "Contractor Persons"). SUCH DEFENSE, INDEMNITY AND HOLD HARMLESS SHALL AND DOES INCLUDE CLAIMS ALLEGED OR FOUND TO HAVE BEEN CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE OR GROSS NEGLIGENCE OF OWNER OR ANY OTHER OWNER PERSON, OR CONDUCT BY OWNER OR ANY OTHER OWNER PERSON THAT WOULD GIVE RISE TO STRICT LIABILITY OF ANY KIND.

Contractor shall promptly advise Owner in writing of any claim or demand against any Owner Person related to or arising out of Contractor's activities under this Agreement and shall see to the investigation and defense of such claim or demand at Contractor's sole cost and expense. The Owner Persons shall have the right, at the Owner Persons' option and own expense, to participate in such defense without relieving Contractor of any of its obligations hereunder. This defense, indemnity, and hold harmless provision shall survive the termination or expiration of this Agreement.

The provisions in the foregoing defense, indemnity and hold harmless are severable, and if any portion, sentence, phrase, clause or word included therein shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, void, or unenforceable in any respect, such invalidity, illegality, voidness, or unenforceability shall not affect any other provision thereof, and this defense, indemnity and hold harmless provision shall be considered as if such invalid, illegal, void, or unenforceable provision had never been contained in this Agreement. **In that regard, if the capitalized language included in the foregoing indemnity is so determined to be void or unenforceable, the parties agree that:**

(i) the foregoing defense, indemnity, and hold harmless obligation of Contractor shall be to the extent Claims are caused by, arise out of, or result from, in whole or in part, any act or omission of Contractor or any Contractor Persons; and

(ii) notwithstanding the provisions of the foregoing subparagraph (i), to the fullest extent permitted by law, Contractor shall INDEMNIFY, HOLD HARMLESS, and DEFEND Owner and Owner Persons from and against all Claims arising out of or resulting from bodily injury to, or sickness, disease or death of, any employee, agent or representative of Contractor or any of its subcontractors, regardless of whether such Claims are caused, or are alleged to be caused, in whole or in part, by the negligence, or any act or omission, of Owner or any Owner Persons, it being the expressed intent of Owner and Contractor that IN SUCH EVENT THE CONTRACTOR'S INDEMNITY, HOLD HARMLESS, AND DEFENSE OBLIGATION SHALL AND DOES INCLUDE CLAIMS ALLEGED OR FOUND TO HAVE BEEN CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE OR GROSS NEGLIGENCE OF OWNER OR ANY OTHER OWNER PERSON, OR CONDUCT BY OWNER OR ANY OTHER OWNER PERSON THAT WOULD GIVE RISE TO STRICT LIABILITY OF ANY KIND. The indemnity obligation under this subparagraph (ii) shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable by or for Contractor under workers compensation acts, disability benefit acts, or other employee benefit acts.

I understand that the indemnification provisions are required of all Town of Addison Contracts. I have read the provisions and agree to the terms of these provisions.

Project/Bid/: 21-104

Company Name: **BKD, LLP**

Signature:

Date: May 25, 2021

This signature page has been intentionally left blank. The terms of this Indemnification Agreement will require modification to comply with auditing standards, as more fully described in the Exceptions to Terms and Conditions page of this proposal.



Information & Instruction Form

Town of Addison

Bid 21-104

Information and Instruction Form

RESPONSES THAT DO NOT CONTAIN THIS COMPLETED FORM MAY NOT BE COMPLIANT.

Section I Company Profile

Name of Business: **BKD, LLP**
Business Address: 14241 Dallas Parkway | Suite 1100 | Dallas, TX 75254

Contact Name: Kevin Kemp, CPA
Phone#: 972.702.8262
Fax#: 972.702.0673
Email: kkemp@bkd.com

Name(s) Title of Authorized Company Officers: Partner Kevin Kemp, CPA

44-0160260

Federal ID #: W-9 Form: A W-9 form will be required from the successful bidder.

DUNS #: Our DUNS number is 073069437, however, BKD does not supply our financial information to Dun & Bradstreet, so any information obtained may or may not be reliable. We encourage potential clients to contact us directly to receive information about the firm.

Remit Address: If different than your physical address: N/A

Section II Instructions to Bidders

Electronic Bids: The Town of Addison uses BidSync to distribute and receive bids and proposals. There will be **NO COST** to the Contractor/Supplier for Standard bids or proposals. For **Cooperative Bids and Reverse Auctions ONLY**, the successful contractor/supplier agrees to pay BidSync a transaction fee of one percent (1%) of the total amount of all contracts for goods and/or services. **Cooperative Bids and Reverse Auctions** will be clearly marked on the bid documents. To assure that all contractors/suppliers are treated fairly, the fee will be payable whether the bid/proposal is submitted electronically, or by paper means. Refer to www.bidsync.com for further information.

Contractor/Supplier Responsibility: It is the contractor/suppliers responsibility to check for any addenda or questions and answers that might have been issued before bid closing date and time. Contractors/Suppliers will be

5/10/2021 3:38 PM

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notified of any addenda and Q&A if they are on the invited list, they view the bid, or add themselves to the watch list.

Acknowledgement of Addenda: #1 ~~XXXXXXXX~~

Delivery of Bids: For delivery of paper bids our physical address is:

Town of Addison
5350 Beltline Road
Dallas, TX 75254
Attn: Purchasing Department

Contractor/Supplier Employees: No Contractor/Supplier employee shall have a direct or indirect financial interest in any contract with the town, or be directly or indirectly financially interested in the sale of land, materials, supplies or services to the town.

Deliveries: All deliveries will be F.O.B. Town of Addison. All Transportation Charges paid by the contractor/supplier to Destination.

N/A N/A

Payment Terms: A Prompt Payment Discount of % is offered for Payment Made Within Days of Acceptance of Goods or Services. If Prompt Payments are not offered or accepted, payments shall be made 30 days after receipt and acceptance of goods or services or after the date of receipt of the invoice whichever is later.

N/A

Delivery Dates: Delivery Dates are to be specified in Calendar Days from the Date of Order.

Bid Prices: Pre-Award bid prices shall remain Firm and Irrevocable for a Period of 120 Days.

Exceptions: Contractor/Supplier does not take Exception to Bid Specifications or Other Requirements of this Solicitation. If neither exceptions box is checked, default shall be "No Exceptions"

Contractor/Supplier take the following Exception(s) to the Bid Specifications or Other Requirements of this Solicitation (Explain in Detail). If box checked but no exceptions are listed, default shall be "No Exceptions"

Due to space limitations, please see the Exceptions to Terms & Conditions page of our proposal.

Historically Underutilized Business (HUB): It is the policy of the Town of Addison to involve HUBs in the procurement of goods, equipment, services and construction projects. Prime Contractors/Suppliers are encouraged to provide HUBs the opportunity to compete for sub-contracting and other procurement opportunities. A listing of HUBs in this area may be accessed at the following State of Texas Website: <http://www.window.state.tx.us/procurement/embl/emblhub.html>

HUB Owned Business Yes No Include a current copy of your HUB certification with your response or insert Certification number N/A and expire date N/A

Other Government Entities: Would bidder be willing to allow other local governmental entities to participate in this

contract, if awarded under the same Terms and Conditions? Yes No

Bid Bond: Is Bid Bond attached if applicable? Yes No

Termination: The town at any time after issuance of this agreement, by 30 days written notice, has the absolute right to terminate this agreement for cause or convenience. Cause shall be the contractor/supplier's refusal or failure to satisfactorily perform or complete the work within the time specified, or failure to meet the specifications, quantities, quality and/or other requirements specified in the contract/purchase order. In such case the supplier shall be liable for any damages suffered by the town. If the agreement is terminated for convenience, the supplier has no further obligation under the agreement. Payment shall be made to cover the cost of material and work in process or "consigned" to the town as of the effective date of the termination.

Bidder Compliance: Bidder agrees to comply with all conditions contained in this information and Instruction Form and the additional terms and conditions and specifications included in this request. The undersigned hereby agrees to furnish and deliver the articles or services as specified at the prices and terms herein stated and in strict accordance with the specifications and conditions, all of which are made a part of your offer. Your offer is not subject to withdrawal after the award is made.

The Town of Addison reserves the right to reject all or part of the offer and to accept the offer considered most advantageous to the town by item or total bid.

The Town of Addison will award to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the Town.

I hereby certify that all of the information provided in sections I and II are true and accurate to the best of my knowledge.



Signature: Date: May 25, 2021

Title: Partner

Signature certifies no changes have been made to the content of this solicitation as provided by the Town of Addison.

10/17/17

AICPA Peer Review Letter



National Peer
Review Committee

December 11, 2020

Theodore Dickman
BKD, LLP
910 E Saint Louis ST Ste 400
Springfield, MO 65806-2570

Dear Theodore Dickman:

It is my pleasure to notify you that on December 11, 2020, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is November 30, 2023. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Fawley".

Michael Fawley
Chair, National PRC
+1.919.402.4502

cc: Candace Wright, L Bennett

Firm Number: 900010002800

Review Number: 577534

220 Leigh Farm Road, Durham, NC 27707-8110
T: +1 919 402 4502 F: +1 919 419 4713
aicpa.org | cimaglobal.com | aicpa.org | cima.org



8550 United Plaza Blvd., Ste. 1001 – Baton Rouge, LA 70809
 225-922-4600 Phone – 225-922-4611 Fax – pnopa.com
Postlethwaite & Netterville and Associates, L.L.C.

Report on the Firm's System of Quality Control

To the Partners of BKD, LLP
 and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations (SOC 1 and SOC 2 engagements).

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020, 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 deficiencies* or *fail*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
 November 2, 2020

Facing Risk with Confidence

When choosing an audit, tax or other professional services provider, your decision may partly depend on whether a prospective firm has the resources to go beyond your current needs. At BKD CPAs & Advisors, we're committed to consistently expanding and enhancing our services, technology and expertise so we can help our clients with their most pressing concerns, even as those concerns change daily. Beyond our proposed services, BKD's Risk Advisory Services division can help with an extensive range of risk consulting resources, including:

- **Data Analytics Consulting** – From identifying important trends and opportunities for operational improvements to reducing risk and preventing fraud, our experienced data analysts can help you get more value from your data.
- **BKD WhiteHat Services** – This monthly subscription offers access to a suite of cybersecurity services, including cyber awareness training, penetration and social engineering testing, a confidential fraud hotline and other risk management tools.
- **DEFCON CYBER™** – This risk assessment tool delivers a weekly report, which includes a cybersecurity score to help measure risk and cyber preparedness, as well as steps you can take to help address these risks and strengthen security.
- **Construction Audit** – An effective construction audit is designed to function as a cost management tool by helping to prevent overcharges, contract noncompliance, conflicting charges and other issues common to construction projects.
- **Enterprise Risk Management (ERM)** – ERM consulting can help you review existing risk management activities, develop a unified vision to enhance these activities and more effectively integrate risk management into your culture and daily operations.
- **Forensics & Valuation Services (FVS)** – BKD's FVS professionals can help clients with fraud prevention, detection, response and recovery. With services including **IntegraReport™**, our anonymous fraud reporting hotline, data analyses and assessments to help identify fraud, as well as investigations, litigation support and expert testimony, we have the tools and expertise needed to help clients address fraud concerns from beginning to end.

BKD PRIDE Values**PRIDE VALUES****WHAT'S IMPORTANT TO YOU?**

The role of trust in business can't be oversold. But a trusted advisor is more than someone you lean on for professional expertise. At BKD, we believe being an advisor who's earned your trust is as much about character as it is know-how. These are the traits we share.

P**A PASSION FOR HELPING, LEARNING AND IMPROVING**

Our dedication and enthusiasm for making tomorrow better than today can help you make informed decisions to improve business and financial outcomes.

R**RESPECT FOR EACH OTHER AND THOSE WE SERVE**

Our respect for diversity can provide a variety of skills and talents to meet your needs. By respecting the lessons of our legacy and yours, we can help you build on the opportunities that arise from inevitable change.

I**INTEGRITY TO DO THE RIGHT THING—NO MATTER WHAT**

Our trustworthiness and objectivity can help you make smart business decisions. A trusted advisor tells you what you need to know, not just what you want to hear.

D**DISCIPLINE TO GET IT RIGHT THE FIRST TIME**

Our well-established procedures and low-risk approach can help resolve issues and advance your goals. We're dedicated to getting the job done without cutting corners.

E**A NO-HOLDS-BARRED STANDARD OF EXCELLENCE**

Our ambition and knowledge, along with our commitment to lifelong learning and improving our technical and analytical skills, will consistently surpass your expectations.

This combination of qualities represents what we strive for every day when helping your organization move forward with confidence.

bkd.com

Everyone needs a trusted advisor.
Who's yours?



bkd.com

EXHIBIT B
CONSULTANT'S COST PROPOSAL FOR FY 2021, FY 2022 AND FY 2023



Cost Proposal – Separate Envelope

The cost proposal should contain all pricing information relative to performing the audit engagement as described in this solicitation. The total all-inclusive maximum price to be solicited is to contain all direct and indirect costs including all out-of-pocket expenses stated separately.

The Town of Addison will not be responsible for expenses incurred in preparing and submitting the solicitation. Such costs should not be included in the submittal.

The first page of the cost proposal should include the following information:

1. Name of Firm

BKD, LLP

2. Certification that the person signing the submittal is entitled to represent the firm, empowered to make the submittal and authorized to sign a contract with the Town of Addison.

As a partner of the firm, Kevin Kemp is entitled to represent the firm, empowered to make the submittal and authorized to sign a contract with the Town of Addison, Texas (the Town).

3. A Total All-inclusive Maximum Price for each of the fiscal year ending September 30, 2021, 2022, and 2023. Identify the fee for out-of-pocket expenses, if any, separately from the fee for audit services.

4. A Total All-inclusive Maximum Price for the preparation of the Comprehensive Annual Financial Report.

5. A Total All-inclusive Maximum Price for the Town's Single Audit (if required).

BKD knows our clients do not like fee surprises. Neither do we. Our goal is to be candid and timely, and we want to answer your questions about fees upfront. We determine our fees by evaluating a number of variables: the complexity of the work, the project's scope, the time we will spend and the level of professional staff needed. Total all-inclusive maximum fees for a Financial Statement Audit in Accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and State of Texas Single Audit Circular, are provided below.

Proposed All-Inclusive Maximum Fees

| Town of Addison, Texas | | | |
|---|-----------------|-----------------|-----------------|
| For the Years Ending September 30 | 2021 | 2022 | 2023 |
| Financial Statement Audit in Accordance with <i>Government Auditing Standards</i> | \$86,000 | \$88,500 | \$91,250 |
| Compliance Audit in Accordance with the Uniform Guidance & State of Texas Single Audit Circular (<i>Only if Town Meets Threshold</i>) | \$7,000 | \$7,250 | \$7,500 |
| Total | \$93,000 | \$95,750 | \$98,750 |

The second page of the cost proposal should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix A), that supports the total all-inclusive maximum price.

All estimated out-of-pocket expenses to be reimbursed should be presented in the cost proposal in the format provided in Appendix A. All expense reimbursements should be in the total all-inclusive maximum price submitted by the firm.

EXHIBIT C
ADDISON'S REQUEST FOR PROPOSAL TERMS AND CONDITIONS

1. **APPLICABILITY:** These standard Terms and Conditions and the Terms and Conditions, Specifications, Drawings and other requirements included in the Town of Addison's Request for Proposal (collectively, "Terms and Conditions") are applicable to Contracts/Purchase Orders issued by the Town of Addison (hereinafter referred to as the "Town" or "Buyer") and the Seller (herein after referred to as the "Seller," "Proposer," "Contractor," or "Supplier"). Any deviations must be in writing and signed by a representative of the Town's Purchasing Department and the Supplier. No Terms and Conditions contained in the Seller's Proposal, Invoice or Statement shall serve to modify the terms set forth herein. If there is a conflict between the Terms and Conditions and the provisions on the face of the Contract/Purchase Order, the Terms and Conditions will take precedence and control.

2. **OFFICIAL PROPOSAL NOTIFICATION:** The Town utilizes the following for official notifications of proposal opportunities: www.bidsync.com and the Dallas Morning News of Dallas County. These are the only forms of notification authorized by the Town. The Town is not responsible for receipt of notifications or information from any source other than those listed. It shall be the Supplier's responsibility to verify the validity of all Request for Proposal information received from any source other than the Town. There will be NO COST to the Seller for using BidSync for its Bids/Proposals.

3. **PRIOR OR PENDING LITIGATION OR LAWSUITS:** Each Proposer must include in its proposal a complete disclosure of any alleged significant prior or ongoing contract failures, any civil or criminal litigation or investigation pending which involves the Proposer or in which the Proposer has been judged guilty or liable.

4. **COST OF RESPONSE:** Any cost incurred by the Supplier in responding to the Request for Proposal is the responsibility of the supplier and cannot be charged to the Town.

5. **PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS:** No Town of Addison employee shall have a direct or indirect financial interest in any contract with the Town, or be directly or indirectly financially interested in the sale of land, materials, supplies or services to the Town.

6. **COMPETITIVE PRICING:** It is the intent of the Town to consider Interlocal Cooperative Agreements and State/Federal contracts in determining the best value for the Town.

7. **INTERLOCAL AGREEMENT:** The successful Proposer agrees to extend prices to all entities that have entered into or will enter into joint purchasing interlocal cooperation agreements with the Town. The Town is a participating member of several interlocal cooperative purchasing agreements. As such, the Town has executed interlocal agreements, as permitted under Chapter 791 of the Texas Government Code, with certain other political subdivisions, authorizing participation in a cooperative purchasing program. The successful Supplier may be asked to provide products/services based upon terms and conditions of award, to any other participant in a cooperative purchasing program.

8. CORRESPONDENCE: The proposal number must appear on all correspondence and inquiries pertaining to the Request for Proposal. The Purchase Order number must appear on all invoices or other correspondence relating to the contract.

9. INDEMNITY/INSURANCE: See attached Town of Addison minimum requirements.

10. ERROR-QUANTITY: Proposals must be submitted in units of quantity specified, extended, and totaled. In the event of discrepancies in extension, the unit prices shall govern.

11. ACCEPTANCE: The right is reserved to accept or reject all or part of the proposal or offer, and to accept the proposal or offer considered most advantageous to the Town by line item or total offer or proposal.

12. PROPOSAL LIST REMOVAL: The Town reserves the right to remove a Supplier from any Proposal list for: (1) continued failure to be responsive to the Town, (2) failure to deliver merchandise within promised time, (3) delivery of substandard merchandise, or (4) failure to comply with the Contract/Purchase Order requirements.

13. CONTRACT RENEWAL OPTIONS: In the event a clause for option to renew for an additional period is included in the Request for Proposal, all renewals will be based solely upon the option and agreement between the Town and the Supplier. Either party dissenting will terminate the contract in accordance with its initial specified term.

14. TAXES-EXEMPTION: All quotations are required to be submitted LESS Federal Excise and State Sales Taxes. Tax Exemption Certificate will be executed for the successful Supplier.

15. ASSIGNMENT AND SUCCESSORS: The successful Supplier shall not assign, transfer, pledge, subcontract, or otherwise convey, in any manner whatsoever, any contract resulting from this proposal, in whole or in part, without the prior written consent of the Town of Addison.

16. INVOICING: Send ORIGINAL INVOICE to address indicated on the contract/purchase order. If invoice is subject to cash discounts the discount period will begin on the day invoices are received. So that proper cash discount may be computed, invoice should show amount of freight as a separate item, if applicable; otherwise, cash discount will be computed on total amount of invoice.

17. ELECTRONIC SIGNATURE – UNIFORM ELECTRONIC TRANSACTION ACT: The Town adopts Texas Business and Commerce Code Chapter 322, Uniform Electronic Transactions Act, allowing individuals, companies, and governmental entities to lawfully use and rely on electronic signatures.

18. FUNDING OUT CLAUSE: This agreement or contract may be terminated by the Town without notice and without penalty or liability in the event that (1) the Town lacks sufficient funds for this agreement or contract; (2) funds for this agreement or contract are not appropriated by the Town Council of the Town; and (3) funds for this agreement or contract that are or were

to be provided by grant or through an outside service are withheld, denied or are otherwise not available to the Town.

19. DISPUTE RESOLUTION: Pursuant to subchapter I, Chapter 271, TEXAS LOCAL GOVERNMENT CODE, Contractor agrees that, prior to instituting any lawsuit or other proceeding arising from any dispute or claim of breach under this Agreement (a "Claim"), the parties will first attempt to resolve the Claim by taking the following steps: (i) A written notice substantially describing the factual and legal basis of the Claim shall be delivered by the Contractor to the Town within one-hundred eighty (180) days after the date of the event giving rise to the Claim, which notice shall request a written response to be delivered to the Contractor not less than fourteen (14) business days after receipt of the notice of Claim; (ii) if the response does not resolve the Claim, in the opinion of the Contractor, the Contractor shall give notice to that effect to the Town whereupon each party shall appoint a person having authority over the activities of the respective parties who shall promptly meet, in person, in an effort to resolve the Claim; (iii) if those persons cannot or do not resolve the Claim, then the parties shall each appoint a person from the highest tier of managerial responsibility within each respective party, who shall then promptly meet, in person, in an effort to resolve the Claim.

20. DISCLOSURE OF CERTAIN RELATIONSHIPS: Chapter 176 of the Texas Local Government Code requires that any person, as defined in the statute, considering doing business with a local government entity disclose in the Questionnaire Form CIQ, the supplier or person's affiliation or business relationship that might cause a conflict of interest with a local government entity. By law, this questionnaire must be filed with the Records Administrator of the Town not later than the 7th business day after the later of (a) the date the person (i) begins discussions or negotiations to enter into a contract with the local governmental entity, or (b) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity, or (b) the date the person becomes aware (i) of an employment or other business relationship with a local government officer, or a family member of the officer, described by the statute, or (ii) that the person has given one or more gifts described in the statute. See Section 176.006, Local Government Code. A person commits an offense if the person violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor. The questionnaire may be found at www.ethics.state.tx.us/forms/CIQ.pdf by submitting a response to this request, Supplier represents that it is in compliance with the requirements of Chapter 176 of the Texas Local Government Code.

21. PATENTS: Seller agrees to **indemnify and hold harmless** the Buyer against all costs and expenses, including but not limited to attorneys fees, and undertakes and **agrees to defend** at seller's own expense, all suits, actions or proceedings in which Buyer or the users of Buyer's products are claimed to have conducted in, or are made defendants of, actual or alleged infringement of any U.S. or foreign patent or other intellectual property right resulting from the use or sale of the items purchased hereunder and further agrees to pay and discharge any and all judgments or decrees which may be rendered in any such suit, action or proceeding.

22. APPLICABLE LAW: This agreement shall be governed by the laws of the State of Texas, including but not limited to the Uniform Commercial Code as adopted by the State of Texas, as

effective and in force on the date of this agreement, without regard to its conflict of laws rules or the conflict of law rules of any other jurisdiction.

23. VENUE: This agreement is performable in Dallas County, Texas, and venue for any suit, action, or legal proceeding under or in connection with this agreement shall lie exclusively in Dallas County, Texas. Proposer submits to the exclusive jurisdiction of the courts in Dallas County, Texas for purposes of any such suit, action, or proceeding hereunder, and waives any claim that any such suit, action, or legal proceeding has been brought in an inconvenient forum or that the venue of that proceeding is improper.

24. TERMINATION FOR CAUSE OR CONVENIENCE: The Town at any time after issuance of this agreement, by 30 days written notice to the Supplier, has the absolute write to terminate this agreement for cause or for convenience (that is, for any reason or no reason whatsoever). "Cause" shall be the Supplier's refusal or failure to satisfactorily perform or complete the work within the time specified, or failure to meet the specifications, quantities, quality and/or other requirements specified in the Contract/Purchase Order. In such case the Supplier shall be liable for any damages suffered by the Town. If the agreement is terminated for convenience, the Supplier has no further obligation under the agreement. Payment shall be made to cover the cost of material and work in process or "consigned" to the Town as of the effective date of the termination.

25. FORCE MAJEURE: To the extent either the Town or Proposer shall be wholly or partially prevented from the performance of this agreement or of any obligation or duty under this agreement placed on such party, by reason of or through work strikes, stoppage of labor, riot, fire, flood, acts of war, insurrection, court judgment, act of God, or other specific cause reasonably beyond the party's control and not attributable to its malfeasance, neglect or nonfeasance, then in such event, such party shall give notice of the same to the other party (specifying the reason for the prevention) and the time for performance of such obligation or duty shall be suspended until such disability to perform is removed.

26. BAFO: During evaluation process Town reserves the right to request a best and final offer upon completion of negotiations.

27. PROTECTION OF TRADE SECRETS OR PROPRIETARY INFORMATION: Proposals will be received and publicly acknowledged at the location, date, and time stated. Sellers, their representatives and interested persons may be present. The proposals shall be received and acknowledged only so as to avoid disclosure of the contents to competing sellers and kept secret during negotiation. However, all proposals shall be open for public inspection after the contract is awarded. Trade secrets and confidential information contained in the proposal and identified by Seller in writing as such will be treated as confidential by the Town the extent allowable in the Texas Public Information Act and other law.

28. SILENCE OF SPECIFICATIONS: The apparent silence of these specifications as to any detail or to the apparent omission from it of a detailed description concerning any point, shall be regarded as meaning that only the best commercial practices are to prevail. All interpretations of these specifications shall be made on the basis of this statement.

29. PROPOSAL RESPONSE CONTRACTUAL OBLIGATION: This proposal, submitted documents, and any negotiations, when properly accepted by the Town, shall constitute a contract equally binding between the successful Proposer and the Town. No different or additional terms will become part of this contract except as properly executed in an addendum or change order.

30. NO BOYCOTTING ISRAEL. The entity contract with the Town of Addison does not boycott Israel and will not boycott Israel during the term of the contract. Reference HB 89 as it relates to Chapter 2270 of the Texas Government Code. Boycott Israel means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

31. NO INDUSTRY DISCRIMINATION. The entity contracting with the Town of Addison does not discriminate against firearm and ammunition industries during the term of the contract. Reference SB 19 as it relates to Chapter 2251 of the Texas Government Code. Discriminating means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with the firearm or ammunition industry or with a person or entity doing business in the firearm or ammunition industry, but does not include an action made for ordinary business purposes.

EXHIBIT D
CONSULTANT'S ENGAGEMENT LETTER

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July 7, 2021

Honorable Joe Chow, Mayor
Members of City Council
Mr. Wesley S. Pierson, City Manager
Mr. Steven Glickman, CPA, CGFO
Chief Financial Officer
Mr. Wil Newcomer, CPPB, Purchasing Manager
Town of Addison, Texas
P.O. Box 9010
Addison, Texas 75001

We appreciate your selection of **BKD, LLP** as your service provider and are pleased to confirm the arrangements of our engagement in this contract. Within the requirements of our professional standards and any duties owed to the public, regulatory, or other authorities, our goal is to provide you **Unmatched Client Service®**.

In addition to the terms set forth in this contract, including the detailed **Scope of Services**, our engagement is governed by the following, incorporated fully by this reference:

- Terms and Conditions Addendum

Summary Scope of Services

As described in the attached **Scope of Services**, our services will include the following:

- Town of Addison, Texas
- Audit Services for the year ended September 30, 2021

Engagement Fees

Our fees will be \$93,000 (\$86,000 for the Financial Statement Audit in accordance with *Government Auditing Standards* and \$7,000 for the Compliance Audit in accordance with the Uniform Guidance).

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. Payment of our invoices is due upon receipt. We will issue progress billings during the course of our engagement.

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Contract Agreement

Please sign and return this contract to indicate your acknowledgment of, and agreement with, the arrangements for our services including our respective responsibilities.

BKD, LLP

Acknowledged and agreed to as it relates to the entire contract, including the **Scope of Services and Terms and Conditions Addendum**, on behalf of Town of Addison, Texas.

BY _____
Wesley S. Pierson, City Manager

DATE _____

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Scope of Services

The following apply for all services:

| | |
|---|---|
| Assistance | Our timely completion of services depends on the assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in untimely filings or inability to meet other deadlines. |
| Responsibility for Outcomes | <p>We may perform additional services for you that are not covered by this contract. You agree to assume full responsibility for the substantive outcomes of the contracted services and for any other services we may provide, including any findings that may result.</p> <p>You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. All decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions.</p> <p>We understand you have designated (or will) a management-level individual to be responsible and accountable for overseeing the performance of these services, and you have determined (or will) this individual is qualified to conduct such oversight.</p> |
| Boycott Israel | As required by Chapter 2271, Texas Government Code, we represent that we do not boycott Israel and will not boycott Israel through the term of this engagement. For purposes of this representation, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. |
| Additional Costs Related to COVID-19 | <p>Our fees do not consider additional efforts driven by the SARS-CoV-2 virus and the related COVID-19 (COVID-19) environment. Complexities and uncertainties related to various provisions of new laws and the continued issuance of interpretative and procedural guidance from federal agencies may affect our services. Fees related to COVID-19 activities will be billed based on time expended. Additional efforts or services may include:</p> <ul style="list-style-type: none">• Accounting and auditing issues such as other-than-temporary impairment of investments, collectability of receivables, inventory valuation, compliance with debt agreements, modification of lease terms, additional major programs subject to Single Audit, etc. |

Audit Services

We will audit the basic financial statements and related notes to the basic financial statements for the following entity with the objective of expressing an opinion on the financial statements; issuing a report on your compliance based on the audit of your financial statements; issuing a report on your internal control over financial reporting based on the audit of your financial statements; expressing an opinion on your compliance, in all material respects, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that are applicable to each of your major federal award programs; issuing a report on your internal control over compliance based on the audit of your compliance with the types of compliance requirements that are applicable to each of your major federal award programs; and issuing a report on your schedule of expenditures of federal awards:

- Town of Addison, Texas as of and for the year ended September 30, 2021

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

We will also provide you with the following nonattest services:

- We will complete the auditee portion of the Form SF-SAC (Data Collection Form) through the Federal Audit Clearinghouse. We will not make the submission on your behalf. You will review a draft(s) of the submission prior to transmission and agree that you are solely responsible for approving the final draft for transmission as well as for the auditee submission and certification
- Assisting with formatting the comprehensive annual financial report
- Preparing a draft of the supplementary information, including the schedule of expenditures of federal awards

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

We will issue a written report(s) upon completion of our audit(s), addressed to the following parties:

| Entity Name | Party Name |
|------------------------|------------------------------------|
| Town of Addison, Texas | Mayor and City Council of the Town |

You are responsible to distribute our reports to other officials who have legal oversight authority or those responsible for acting on audit findings and recommendations, and to others authorized to receive such reports.

The following apply for the audit services described above:

| | |
|-----------------------------|--|
| Our Responsibilities | We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States and Title 2 U.S. <i>Code of Federal Regulations</i> (CFR) Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Those standards require that we plan and perform the audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error, and the audit of compliance with the types of compliance requirements |
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described in the *OMB Compliance Supplement* applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.

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

Limitations & Fraud

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

In making our risk assessments, we consider internal control relevant to your preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

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

Opinion

We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other matter paragraph(s), or withdraw from the engagement. If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

Your Responsibilities

Management and, if applicable, those charged with governance acknowledge and understand their responsibility for the following:

- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America

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- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- For identifying and ensuring compliance with the laws, regulations, contracts, and grants applicable to your activities (including your federal award programs)
- To provide us with:
 - Access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters
 - Additional information that we may request for the purpose of the audit
 - Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence

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

Written Confirmations Required

As part of our audit process, we will request from management and, if applicable, those charged with governance written confirmation acknowledging certain responsibilities outlined in this contract and confirming:

- The availability of this information
- Certain representations made during the audits for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

Peer Review Report

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

Supplementary Information

With regard to any supplementary information that we are engaged to report on:

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

BKD, LLP Terms and Conditions Addendum

GENERAL

1. Overview. This addendum describes BKD, LLP's standard terms and conditions ("Terms and Conditions") applicable to Our provision of services to the Client ("You").

try in good faith to settle the dispute in mediation. Unless the parties agree otherwise, the American Arbitration Association ("AAA") will administer any such mediation in accordance with its Commercial Mediation Rules.

BILLING, PAYMENT, & TERMINATION

2. Billing and Payment Terms. We will bill You for Our professional fees and costs as outlined in Our contract.

6. Indemnification. Unless disallowed by law or applicable professional standards, You agree to hold BKD harmless from any and all claims which arise from knowing misrepresentations to BKD, or the intentional withholding or concealment of information from BKD by Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours.

We reserve the right to suspend or terminate Our work for this engagement or any other engagement for nonpayment of fees. If Our work is suspended or terminated, You agree that We will not be responsible for Your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against You resulting from Your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of Our services.

7. Statute of Limitations. You agree that any claim or legal action arising out of or related to this contract and the services provided hereunder shall be commenced no more than one (1) year from the date of delivery of the work product to You or the termination of the services described herein (whichever is earlier), regardless of any statute of limitations prescribing a longer period of time for commencing such a claim under law.

Our fees may increase if Our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards. Our engagement fees do not include any time for post-engagement consultation with Your personnel or third parties, consent letters and related procedures for the use of Our reports in offering documents, inquiries from regulators, or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

8. Limitation of Liability. You agree that BKD's liability, if any, arising out of or related to this contract and the services provided hereunder, shall be limited to the amount of the fees paid by You for services rendered under this contract. This limitation shall not apply to the extent it is finally, judicially determined that the liability resulted from the intentional or willful misconduct of BKD or if enforcement of this provision is disallowed by applicable law or professional standards.

3. Billing Records. If these services are determined to be within the scope and authority of Section 1861(v)(1)(I) of the Social Security Act, We agree to make available to the Secretary of Health and Human Services, or to the U.S. Comptroller General, or any of their duly authorized representatives, such of Our books, documents, and records that are necessary to certify the nature and extent of Our services, until the expiration of four (4) years after the furnishing of these services.

9. Waiver of Certain Damages. In no event shall BKD be liable to You or a third party for any indirect, special, consequential, punitive, or exemplary damages, including but not limited to lost profits, loss of revenue, interruption, loss of use, damage to goodwill or reputation, regardless of whether You were advised of the possibility of such damages, regardless of whether such damages were reasonably foreseeable, and regardless of whether such damages arise under a theory of contract, tort, strict liability, or otherwise.

4. Termination. Either party may terminate these services in good faith at any time for any reason, including Your failure to comply with the terms of Our contract or as We determine professional standards require. Both parties must agree, in writing, to any future modifications or extensions. If services are terminated, You agree to pay BKD for time expended to date. In addition, You will be billed costs and fees for services from other professionals, if any, as well as an administrative fee of four (4) percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as software licensing, user access, and research tools, and similar expense items.

10. Severability. If any portion of this contract is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this contract.

DISPUTES & DISCLAIMERS

5. Mediation. Any dispute arising out of or related to this engagement will, prior to resorting to litigation, be submitted for nonbinding mediation upon written request by either party. Both parties agree to

11. Assignment. You acknowledge and agree that the terms and conditions of this contract shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

12. Disclaimer of Legal or Investment Advice. Our services do not constitute legal or investment advice.

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RECORDS, WORKPAPERS, DELIVERABLES, & PROPRIETARY INFORMATION

13. **Maintenance of Records.** You agree to assume full responsibility for maintaining Your original data and records and that BKD has no responsibility to maintain this information. You agree You will not rely on BKD to provide hosting, electronic security, or backup services, *e.g.*, business continuity or disaster recovery services, to You unless separately engaged to do so. You understand that Your access to data, records, and information from BKD's servers, *i.e.*, BKDconnect, can be terminated at any time and You will not rely on using this to host Your data and records.
14. **BKD Workpapers.** Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, We may be requested by regulatory or enforcement bodies (including any State Board) to make certain workpapers available to them pursuant to authority granted by law or regulation. Unless We are prohibited from doing so by law or regulation, BKD will inform You of any such legal process or request. You agree We have no legal responsibility to You in the event We determine We are obligated to provide such documents or information. In addition, You agree to compensate or reimburse BKD for all costs and expenses, including reasonable attorney's fees, associated with BKD's compliance with requests or demands for its workpapers or other information related to this engagement, and for any testimony required by summons or subpoena.
15. **Use of Deliverables and Drafts.** You agree You will not modify any deliverables or drafts prepared by Us for internal use or for distribution to third parties. You also understand that We may on occasion send You documents marked as draft and understand that those are for Your review purpose only, should not be distributed in any way, and should be destroyed as soon as possible.

Our report on any financial statements must be associated only with the financial statements that were the subject of Our engagement. You may make copies of Our report, but only if the entire financial statements (exactly as attached to Our report, including related footnotes and supplementary information, as appropriate) are reproduced and distributed with Our report. You agree not to reproduce or associate Our report with any other financial statements, or portions thereof, that are not the subject of Our engagement.

16. **Proprietary Information.** You acknowledge that proprietary information, documents, materials, management techniques, and other intellectual property are a material source of the services We perform and were developed prior to Our association with You. Any new forms, software, documents, or intellectual property We develop during this engagement for Your use shall belong to Us, and You shall have the limited right to use them solely within Your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements, and other documents which We make available to You are confidential and proprietary to Us. Neither You, nor any of Your agents, will copy, electronically store, reproduce, or make any such documents available to anyone other than Your personnel. This provision will apply to all materials whether in digital, "hard copy" format, or other medium.

REGULATORY

17. **U.S. Securities and Exchange Commission ("SEC") and other Regulatory Bodies.** Where We are providing services either for (a) an entity that is registered with the SEC, (b) an affiliate of such registrant, or (c) an entity or affiliate that is subject to rules, regulations, or standards beyond those of the American Institute of

Certified Public Accountants ("AICPA"), any term of this contract that would be prohibited by or impair Our independence under applicable law or regulation shall not apply to the extent necessary only to avoid such prohibition or impairment.

18. **Offering Document.** You may wish to include Our report(s) on financial statements in an exempt offering document. You agree that any report, including any auditor's report, or reference to Our firm, will not be included in any such offering document without notifying us. Any agreement to perform work in connection with an exempt offering document, including providing agreement for the use of the auditor's report in the exempt offering document, will be a separate engagement.

Any exempt offering document issued by You with which We are not involved will clearly indicate that We are not involved by including a disclosure such as, "BKD, LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BKD, LLP also has not performed any procedures relating to this offering document."

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

TECHNOLOGY

20. **Electronic Sites.** You agree to notify Us if You desire to place Our report(s), including any reports on Your financial statements, along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that We have no responsibility to review information contained in electronic sites.
21. **Electronic Signatures and Counterparts.** This contract and other documents to be delivered pursuant to this contract may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this contract are intended to authenticate this writing and to have the same force and effect as manual signatures. Delivery of a copy of this contract or any other document contemplated hereby, bearing an original manual or electronic signature by facsimile transmission (including a facsimile delivered via the internet), by electronic mail in "portable document format" (".pdf") or similar format intended to preserve the original graphic and pictorial appearance of a document, or through the use of electronic signature software, will have the same effect as physical delivery of the paper document bearing an original signature.
22. **Electronic Data Communication and Storage.** In the interest of facilitating Our services to You, We may send data over the internet, temporarily store electronic data via computer software applications hosted remotely on the internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods,

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We employ measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with Our obligations under applicable laws, regulations, and professional standards.

You recognize and accept that We have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us. You consent to Our use of these electronic devices and applications during this engagement.

OTHER MATTERS

23. **Third-Party Service Providers.** BKD may from time to time utilize third-party service providers, e.g., domestic software processors or legal counsel, or disclose confidential information about You to third-party service providers in serving Your account. BKD maintains, however, internal policies, procedures, and safeguards to protect the confidentiality and security of Your information. In addition, BKD will secure confidentiality agreements with all service providers to maintain the confidentiality of Your information. If We are unable to secure an appropriate confidentiality agreement, You will be asked to consent prior to BKD sharing Your confidential information with the third-party service provider.
24. **Independent Contractor.** When providing services to You, We will be functioning as an independent contractor; and in no event will We or any of Our employees be an officer of You, nor will Our relationship be that of joint venturers, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to You.
25. **Use of BKD Name.** Any time You intend to reference BKD's firm name in any manner in any published materials, including on an electronic site, You agree to provide Us with draft materials for review and approval before publishing or posting such information.
26. **Praxity.** BKD is an independent accounting firm allowed to use the name "Praxity" in relation to its practice. BKD is not connected, however, by ownership with any other firm using the name "Praxity." BKD will be solely responsible for all work carried out on Your behalf. In deciding to engage BKD, You acknowledge that We have not represented to You that any other firm using the name "Praxity" will in any way be responsible for Our work.
27. **BKD Status as LLP.** BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of BKD, ~~we~~ have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, for any debts, obligations, or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract, or otherwise.
28. **Entire Agreement.** The contract, including this *Terms and Conditions Addendum* and any other attachments or addenda, encompasses the entire agreement between You and BKD and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this contract must be made in writing and signed by both You and BKD.
29. **Force Majeure.** We shall not be held responsible for any failure to fulfill Our obligations if such failure was caused by circumstances beyond Our control.



8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809
225-922-4600 Phone - 225-922-4611 Fax - pncpa.com

Postlethwaite & Netterville and Associates, L.L.C.

Report on the Firm's System of Quality Control

To the Partners of BKD, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020, 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*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 2, 2020