



**RECEIVING A FRESH LOOK
FROM LOCAL, EXPERIENCED
ADVISORS WITH NATIONAL
GOVERNMENTAL RESOURCES**

CITY OF MCKINNEY

ORIGINAL

BKD^{LLP}
CPAs & Advisors

A. COVER LETTER

May 28, 2015

Ms. Lisa Littrell

Purchasing Manager
City of McKinney
1550 South College // Building D
McKinney, TX 75069

DEAR MS. LITTRELL:

With a focus on providing exceptional public service as you strive to keep pace with rapid growth, the City of McKinney (the City) has earned recognition from **Money Magazine** as one of the best places to live in the United States. The people who live, work and raise families in your city rely on civic leaders to practice wise fiscal stewardship and transparency. However, operating in a dynamic environment characterized by ever-changing regulations and a watchful public eye can be challenging. As you consider the value of a fresh look in the audit of your financial statements, selecting the right CPA and advisory firm is an important consideration. With local professionals experienced in working with municipalities and our commitment to providing **The BKD Experience** of unmatched client service, we believe **BKD, LLP** can provide the City with quality audit services.

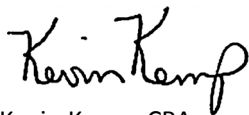
The City can benefit from the broad perspective offered by the advisors in BKD National Governmental Group. We have gained insight from working with similar municipalities in Texas and hundreds of other governmental entities nationwide. In addition, our commitment to public sector clients includes participating in national and state associations, such as the Government Finance Officers Association, Government Finance Officers Association of Texas and the National League of Cities, as well as in the development of governmental accounting and auditing standards through our participation in the Governmental Accounting Standards Board's fellow program.

We strive to be a resource for our clients and are dedicated to providing timely and proactive communication year-round through our award-winning emails, video insights and webinars. We also offer individualized training that provides continuing professional education hours to our clients. We believe our Texas presence, extensive national and local governmental experience and qualifications discussed throughout our proposal demonstrate why BKD is the right firm to serve the City.

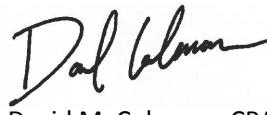
Partner Kevin Kemp is authorized to bind the firm and to answer technical, price and/or contract questions. He can be reached via the address above or the contact information below.

We believe our proposal will help you select our firm for timely, efficient and objective services delivered by experienced professionals. We will call you soon to answer questions you may have about this proposal, or you may reach us at 972.702.8262 or by email as provided below.

Sincerely,



Kevin Kemp, CPA
Partner, Regional Industry Leader
kkemp@bkd.com



David M. Coleman, CPA
Partner[^]
dcoleman@bkd.com

[^] Effective June 1, 2015

B. EXECUTIVE SUMMARY

For your convenience, we have structured our proposal according to the questions in your Request for Proposal (RFP). We believe our proposal will demonstrate our qualifications to serve City of McKinney (the City).

INFORMATION WHICH BKD ASSERTS AS CONFIDENTIAL AND/OR BUSINESS PROPRIETARY INFORMATION WITHIN THIS PROPOSAL SHALL BE DESIGNATED WITH AN ASTERISK (*).

Prefacing the proposal, an executive summary of five pages or less should be provided which gives in brief, concise terms a summation of your proposal. Identify the points that make your firm uniquely qualified for this engagement.

Amid substantial recent growth, the City recognizes transparency with public funds is essential to maintaining citizen confidence. Due to the increasingly complex reporting requirements many governmental entities face, working with an attentive CPA and advisory firm is beneficial in staying informed of changes in accounting standards and remaining compliant with annual timelines. In addition, the City understands a fresh perspective and proactive guidance from experienced advisors can help provide the assistance you need to maintain accurate financial reporting and responsibly make the most out of every dollar. **BKD, LLP** can help.

We will not claim to know your organization and operations as well as you do. However, we will seek to develop an understanding of the City's needs and draw upon our experience gained from our work with approximately 400 governmental entities nationwide to provide focused solutions.

THE CITY'S DESIRED OUTCOMES

The City seeks a qualified CPA and advisory firm to express an opinion on the fair presentation of the City's financial statements and supplemental information. You also desire:

- ▶▶ An efficient service process that features proactive, open communication throughout the audit and assistance with the implementation of new accounting standards as appropriate
- ▶▶ A depth of national and local industry resources and continuing professional education (CPE) opportunities available throughout the year
- ▶▶ Timely services that meet annual reporting requirements, including those for the comprehensive annual financial report (CAFR)
- ▶▶ Assistance with applying for the City's Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting (CAFR Program)
- ▶▶ Best practices gained from working with governments and municipalities in Texas and nationwide
- ▶▶ Significant partner involvement to help improve audit quality
- ▶▶ A smooth transition and audit process led by responsive professionals

BKD can help the City **experience insight**. With our commitment to delivering unmatched client service, your proposed engagement team is ready to offer the dedicated governmental resources of a national firm backed by the personal attention and focus you deserve.

400

Experience insight from a national firm that serves approximately 400 governmental entities.

SOLUTIONS FOR THE CITY

The City has requested information and a fee quote for the following professional services for the years ending September 30, 2015, 2016 and 2017:

- ▶▶ Financial Statement Audit in Accordance with *Government Auditing Standards* & OMB Circular A-133
- ▶▶ Preparation of the CAFR

Audit services may look alike on paper, but the reality is, the quality of the audit process, timeliness of services and suggestions to improve operational efficiency can vary among providers. It is important to engage a CPA and advisory firm that understands your needs, listens to your concerns and is receptive to an open dialogue about issues you face. We believe open communication is crucial to a strong working relationship with the City.

With the qualified CPA and advisory firms you are considering, it can be challenging to make a decision. Your selection may come down to the engagement team you believe is most capable of helping you meet your current and future needs. 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.

Please see the Scope & Audit Approach section beginning on page 14 for a detailed explanation of our audit service approach.

WHY CHOOSE BKD

DELIVERING VALUE

It is important to monitor expenditures and receive exceptional value for your investments. However, 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 American Institute of CPAs (AICPA) peer reviews demonstrate the firm's record of excellence.



As evidenced by our inclusion in **INSIDE Public Accounting's** 2014, 2013, 2012 and 2011 Best of the Best Firms lists, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help the City 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 consider us a good value.

GOVERNMENT EXPERTISE

BKD National Governmental Group works with hundreds of governmental clients nationwide, including municipalities, counties, state agencies, public utilities, public universities and airports. Your proposed engagement team provides services to approximately 10 municipalities in Texas, Arkansas and Louisiana. We can leverage best practices learned from working with other government entities to help the City identify areas that may require additional attention and increase operational efficiencies.

experience
confidence

"BKD's personnel from staff to partner that I've worked with are very professional and consider the operations and timelines of the agency personnel in their planning. They are willing to discuss issues and accounting treatments in an open method while ensuring that the standards are met. The comments and recommendations are helpful and have assisted the city in making improvements."

Beth Machann

City Controller
City and County of Denver
Denver, Colorado

In addition, our commitment to governmental entities includes being a leader in national and state associations, as well as in the development of governmental accounting and auditing standards. Our experience also has enabled us to establish connections with the:

- ▶▶ Governmental Accounting Standards Board
- ▶▶ Office of Management and Budget
- ▶▶ U.S. Government Accountability Office
- ▶▶ AICPA Governmental Audit Quality Center, as a member



■ YEAR-ROUND SOLUTIONS TO HELP AVOID UNWANTED SURPRISES

Through frequent contact during the year, we provide solutions to help you avoid unwanted surprises during the year-end audit. Periodic meetings with the City’s management team are standard protocol for our audit approach. This knowledge sharing between your team and ours can be beneficial in helping identify effective solutions early in the audit process. Involving your audit team prior to the recording of transactions gives you the flexibility to restructure transactions and evaluate the options.

■ BKDCONNECT

BKDconnect is an innovative client portal designed to help address the challenges financial engagements present and conveniently connect you with BKD advisors. Prior to the start of your engagement, BKD will post our questionnaires and other related documents on a BKDconnect website, specifically prepared for your organization, where all requests can be reviewed and completed.

BKDconnect 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



In short, BKDconnect can help improve communication, save time, limit disruptions and keep you connected with BKD advisors.

■ THOUGHT LEADERSHIP

BKD advisors are serious about reinforcing and strengthening their positions as thought leaders in the industries they serve. To 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 and articles. Many of these are eligible for CPE credit. Recent topics include:

- ▶▶ GASB Statement No. 72 – *Fair Value Measurement and Application*
- ▶▶ Lease Accounting in State & Local Governments
- ▶▶ OMB’s Super Circular
- ▶▶ Fraud in Governmental Entities: Lessons from the Trenches

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D. FIRM BACKGROUND, PRINCIPAL OFFICERS, PRIOR EXPERIENCE & RESUMES

1. FIRM QUALIFICATIONS & EXPERIENCE

This section should state:

The size of the firm.

BKD is one of the largest CPA and advisory firms in the United States. Our approximately 2,250 CPAs, advisors and dedicated staff serve clients in all 50 states and internationally. BKD is ready to provide the City accounting and advisory services with the accessibility of a local firm and the focus and resources of a national firm.

The size of the firm's municipal government audit staff.

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

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

The City's engagement will be performed primarily from BKD's Dallas office.

BKD, LLP

14241 Dallas Parkway // Suite 1100
Dallas, TX 75254

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

We anticipate providing five engagement team members (a partner, a manager, a senior associate and two associates) on a full-time basis.

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

We anticipate providing three engagement team members (a concurring review partner, technical resource partner and IT professional) on a part-time basis.

Resume of each staff member to be employed in this engagement.

Please see the Engagement Team Experience Section beginning on page three for individual biographies of the professionals we anticipate assigning to this engagement.

If the proposer 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 City.

We do not anticipate employing any other firm, affiliate or association member in completing the work for the City. We believe BKD possesses both the depth and breadth of experience to serve the City, as demonstrated throughout this proposal.

The firm 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 that our process works.

Our most recent AICPA peer review included, among others, engagements performed under *Government Auditing Standards*. A copy of our most recent peer review report is included in the Appendix.

The firm 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 firm 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 satisfactory, and no disciplinary or other administrative proceedings have resulted from those reviews.

In December 2014, **BKD, LLP** consented, without admitting or denying the findings, to an SEC Order Instituting Public Administrative and Cease-and-Desist Proceedings (“Order”). The Order was based upon the SEC’s findings that BKD had violated the SEC’s independence rules by participating in drafting client financial statements in connection with broker dealer audits during 2010 through 2012. The remedies provided for in the Order included a small fine.

There are no pending issues that would affect our ability to provide services under this proposal or serve our clients.

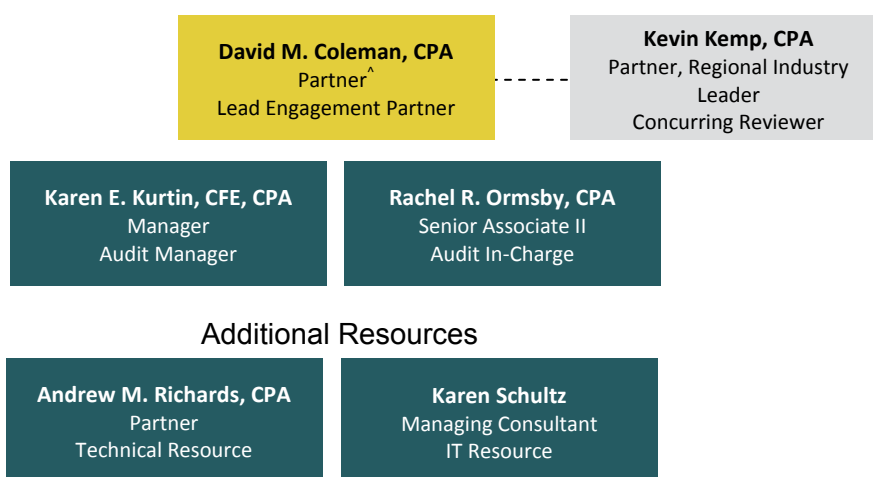
2. PARTNER, SUPERVISORY & STAFF QUALIFICATIONS & EXPERIENCE

The firm 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 firm should also provide information on the municipal government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit.

The firm 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 firm 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. BKD is properly licensed to practice public accounting in the state of Texas. All key professionals that would be assigned to your engagement are properly registered/licensed to practice in the state of Texas or able to practice in the state due to mobility laws, without the requirement to obtain an individual state license.

ENGAGEMENT TEAM ORGANIZATIONAL CHART



^Effective June 1, 2015

ENGAGEMENT TEAM EXPERIENCE



David M. Coleman, CPA
Partner[^]

David is a member of BKD National Governmental Group. He has more than 12 years of experience providing audit and consulting services to a variety of governmental and not-for-profit organizations, including municipalities and their component units, utilities and other service-related entities that receive federal and state assistance. He has engagement oversight and review responsibilities for numerous governmental and not-for-profit organizations subject to OMB Circular A-133.

He leads BKD's audit team on several Texas municipalities, including El Paso*, Lubbock*, Greenville*, Lancaster* and Bedford, Texas*. David also serves San Diego County Regional Airport Authority *and City of Shreveport, Louisiana*.

David is a member of the American Institute of CPAs, Texas Society of Certified Public Accountants and Government Finance Officers Association of Texas. He is licensed in Arkansas and Texas.

He is a graduate of Henderson State University, Arkadelphia, Arkansas, with a B.B.A. degree in accounting.

[^]Effective June 1, 2015

David M. Coleman, CPA

Date	CPE Course Completed	Hours
04/07/2015	Lease Accounting for State & Local Government (EW)	1.0
01/18/2014	Fraud Detection in Attest Engagements - Quarterly Fraud Webinar (Internal Webinar)	1.0
04/15/2014	GFOAT Spring Institute	10.5
05/23/2014	Ponzi Schemes, Investment Fraud & Beyond (Internal Webinar)	1.0
05/30/2014	Single Audit Monitoring Results & Best Practices	6.0
06/03/2014	Governmental Accounting Basics Training (Local Firmwide)	3.5
06/18/2014	Opening General Session (including Ethics)	4.0
06/19/2014	Not-for-Profit & Government	9.5
06/20/2014	Closing General Session (including Ethics)	2.0
06/20/2014	Emerging Leaders Academy Class of 2017	2.5
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
08/22/2014	BKD STI: Overview of SWAP	1.5
09/26/2014	BKD STI: EDGE Questioning Process	1.5
09/26/2014	Internal Controls - What Can Go Wrong? (Internal Webinar)	2.0
10/17/2014	Information Technology Update for Auditors	1.0
10/17/2014	BKD STI: Moving Opportunities Forward	1.5
10/22/2014	AICPA National Governmental and Not-for-Profit Training Program	22.0
11/07/2014	A&A Annual Update - Dallas	7.0
12/19/2014	BKD STI: Developing Your Existing Accounts & Clarifying the Mystery of Accounting Firm "Alliance" vs. "Network" & Praxity's Perspectives	1.5
01/09/2013	Rebroadcast of Revised GAO Independence Rules (Internal Webinars)	1.0
01/19/2013	Using ACL to Detect Financial Statement Fraud (Internal Webinar)	1.0
05/08/2013	BBI - Training - Transformational Sales and Marketing	18.0
06/19/2013	Opening General Session (including Ethics)	4.5

David M. Coleman, CPA

Date	CPE Course Completed	Hours
06/20/2013	Not-for-Profit & Government	9.0
06/21/2013	Closing General Session (including Ethics)	4.5
07/18/2013	What Does a \$53 Million Embezzlement Look Like? (Internal Webinar)	1.0
07/25/2013	Information Technology General Control	6.5
08/12/2013	BBI Bi-Weekly Sales Training #2	1.5
08/13/2013	GASB 69 - A Closer Look at Government Combinations	1.0
08/26/2013	BBI Bi-Weekly Sales Training #3	1.5
09/09/2013	BBI Bi-Weekly Sales Training #4	1.5
09/17/2013	AICPA National Governmental Accounting and Auditing Update Conference (GAAC) West	17.5
09/24/2013	BBI On-Site Immersion Training - Dallas	6.0
09/30/2013	BBI Bi-Weekly Sales Training #5	1.5
10/14/2013	BBI Bi-Weekly Sales Training #6	1.5
10/15/2013	GASB 68: New Accounting & Financial Reporting for Pensions (External Webinar)	1.0
10/28/2013	BBI Bi-Weekly Sales Training #7	1.5
11/11/2013	A&A Annual Technical Training - Dallas	7.5
11/29/2013	Texas Ethics	4.0
12/03/2013	Understanding the 2013 Data Collection Form (Internal Webinar)	1.0
12/17/2013	An Overview of the New GASB Pension Accounting Standards (Internal Webinar)	2.0
01/05/2012	Identifying Risk Language in Agreed-Upon Procedures Engagements (internal webinar)	1.0
04/18/2012	GFOAT Spring Institute	7.0
06/22/2012	Industry Conference - Not-for-Profit & Government	5.5
06/22/2012	Industry Conference - Ethics	1.0
08/31/2012	2012 Clarity/Audit Methodology Training	16.5
09/04/2012	STAR Time and Expense Entry	1.0
10/09/2012	Financial Statement Fraud Detection (Ethics) (Internal Webinar)	1.0
10/17/2012	OGW Opening General Session (including Ethics First)	3.5
10/18/2012	OGW Audit - Not-for-Profit & Government	8.5
10/19/2012	OGW A&A Update	3.5
10/19/2012	OGW Closing General Session	1.0



Kevin Kemp, CPA
Partner, Regional Industry Leader

Kevin is a regional industry leader for BKD National Governmental Group and is a member of the firm's Not-for-Profit & Government Committee. He leads the Dallas office's governmental group and his team is responsible for providing audit services to more than 10 municipalities in Texas, Arkansas and Louisiana. Kevin also assists on other large governmental clients across the firm, including Cherokee Nation*, City of Oklahoma City, Oklahoma*, Denver International Airport*, City of Indianapolis, Indiana* and the Arkansas Department of Workforce Services*.

He has more than 20 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. His team performs more than 75 Single Audits annually.

Kevin serves clients in obtaining tax-exempt financing, analyzing expansion opportunities and improving internal controls. He has served as primary contact for numerous clients, provided review services for audits subject to OMB Circular A-133 and maintained contacts with regulatory agencies. In addition, he has recruitment and training responsibilities.

His professional affiliations include membership in the Government Finance Officers Association (GFOA), Government Finance Officers Association of Texas, American Institute of CPAs and Texas Society of Certified Public Accountants. He is a licensed CPA in Arkansas and Texas and serves on the Special Review Committee of the GFOA.

Kevin is a graduate of University of Central Arkansas, Conway, with a B.B.A. degree.

Kevin Kemp, CPA

Date	CPE Course Completed	Hours
01/30/2015	BKD 990connect User Training (IW)	1.0
01/26/2014	Organizational Trust - Building a High-Trust Organization	1.0
02/26/2014	An Update on IRS Form 990 (External Webinar)	1.0
03/04/2014	Managing Risk in Higher Education Institutions (Live External)	2.5
05/08/2014	BKD Sales Training Institute - Refresher	4.0
06/09/2014	Single Audit Monitoring Results & Best Practices	8.0
06/13/2014	BKD STI: KEYnet Sales Opportunity Tracking Tool	1.5
06/18/2014	Opening General Session (including Ethics)	4.0
06/18/2014	Annual Partner/Managing Director Business Meeting	4.5
07/08/2014	Personal and Professional Ethics for Texas CPAs (Video)	4.0
07/25/2014	Identifying, Communicating & Responding to Fraud Risk Factors (Internal Webinar)	1.0
07/25/2014	SEC Independence Rules (Internal Webinar)	1.0
07/25/2014	BKD STI: Prospect & Client Strategies for Success	1.5
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
08/22/2014	BKD STI: Overview of SWAP	1.5
10/17/2014	BKD STI: Moving Opportunities Forward	1.5
10/17/2014	Information Technology Update for Auditors	1.0
10/22/2014	AICPA National Governmental and Not-for-Profit Training Program	23.0
11/07/2014	A&A Annual Update - Dallas	7.0
11/14/2014	Municipal Advisors Rule (Qualifies for Regulatory Ethics)	1.0
11/14/2014	Firmwide SKY Training	1.0
11/14/2014	BKD STI: Building Your Buyer's Table	1.5
11/14/2014	Quarterly Fraud Series - Data Analysis	1.0
11/26/2014	BKD Coach Excellence	1.5
12/03/2014	Scholarships & Grants: Untangling the Tax Web (External Webinar)	1.0
12/03/2014	BKD Guide to Billing & Realization Best Practices	2.0
01/19/2013	Using ACL to Detect Financial Statement Fraud (Internal Webinar)	1.0
02/22/2013	Tax Provisions Included in 2010 Health Care Reform Act (Live External)	1.0
06/18/2013	Partner/Director Business Meeting	4.0
06/19/2013	Opening General Session (including Ethics)	4.5

Kevin Kemp, CPA

Date	CPE Course Completed	Hours
06/20/2013	Not-for-Profit & Government	9.0
06/21/2013	Closing General Session (including Ethics)	4.5
06/26/2013	BBI - Training - Transformational Sales and Marketing	18.0
07/18/2013	What Does a \$53 Million Embezzlement Look Like? (Internal Webinar)	1.0
08/13/2013	GASB 69 - A Closer Look at Government Combinations	1.0
08/26/2013	BBI Bi-Weekly Sales Training #3	1.5
09/24/2013	BBI On-Site Immersion Training - Dallas	6.0
09/30/2013	BBI Bi-Weekly Sales Training #5	1.5
10/17/2013	Manipulation of Accounts Payable Systems (Internal Webinar)	1.0
11/11/2013	A&A Annual Technical Training - Arkansas	7.5
11/13/2013	Ethics Hotlines: A Key Part of Your Risk Avoidance Strategy (External Webinar)	1.0
12/01/2013	Governmental and Nonprofit Update	8.5
12/11/2013	AICPA's Not-for-Profit Guide Overhaul Project (Internal Webinar)	1.0
04/18/2012	GFOAT Spring Institute	5.0
06/13/2012	GFOA 106th Annual Conference - Winds of Change: Public Finance in Transition	6.0
06/22/2012	Industry Conference - Not-for-Profit & Government	5.5
06/22/2012	Industry Conference - Ethics	1.0
08/28/2012	STAR Time and Expense Entry	1.0
09/18/2012	2012 Clarity/Audit Methodology Training	14.5
09/27/2012	STAR Biller Workshop	4.0
10/17/2012	OGW Opening General Session (including Ethics First)	3.5
10/17/2012	OGW Partner/Director/Ambassador Program	1.5
10/18/2012	OGW Audit - Not-for-Profit & Government	8.5
11/13/2012	GASB 61: The Financial Reporting Entity Omnibus (External Webinar)	1.0
11/13/2012	2012 Ethics Training for Public Servants	1.0
11/28/2012	Impact of the Affordable Care Act (Internal Webinar)	1.5



Karen E. Kurtin, CFE, CPA
Manager

Karen has nine years of accounting and auditing experience. She has supervised the audit process for city governments and not-for-profits as well as manufacturing, distribution and technology companies and investment partnerships. She has drafted the Comprehensive Annual Financial Report for governmental clients and supervised the OMB Circular A-133 audit process.

Karen serves as the manager on City of Greenville*, Greenville Electric Utility System*, City of Kerrville*, Lubbock Power & Light*, Texas Municipal Power Agency* and West Texas Municipal Power Authority*.

She is a member of the American Institute of CPAs, the Texas Society of Certified Public Accountants, the Government Finance Officers Association of Texas (GFOAT) and the Association of Certified Fraud Examiners. Karen serves as treasurer on the Executive Board of National Charity League, North Dallas Chapter, as well as on the Conference Planning Committee of the GFOAT.

Karen is a graduate of Texas A&M University, College Station, with a B.S. degree in mathematics, and a graduate of The University of Texas, Dallas, with an M.S. degree in accounting and information management.

Karen E. Kurtin, CFE, CPA

Date	CPE Course Completed	Hours
05/10/2015	Organizational Trust - Building a High-Trust Organization	1.0
01/15/2014	2013 AICPA Not-for-Profit A&A Guide (External Webinar)	1.0
05/01/2014	Fraud in Governmental Entities: Lessons from the Trenches (External Webinar)	1.0
05/23/2014	Ponzi Schemes, Investment Fraud & Beyond (Internal Webinar)	1.0
05/30/2014	Single Audit Monitoring Results & Best Practices	6.0
06/18/2014	Opening General Session (including Ethics)	4.0
06/19/2014	Not-for-Profit & Government	9.5
06/20/2014	Not-for-Profit & Government	2.5
06/20/2014	Closing General Session (including Ethics)	2.0
07/25/2014	Identifying, Communicating & Responding to Fraud Risk Factors (Internal Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
08/22/2014	BKD STI: Overview of SWAP	1.5
09/26/2014	Internal Controls - What Can Go Wrong? (Internal Webinar)	2.0
10/17/2014	Information Technology Update for Auditors	1.0
10/17/2014	Effective Use of Interim Procedures and a Preview of BKD's Client Risk Rating Project	1.0
11/07/2014	A&A Annual Update - Dallas	7.0
11/18/2014	Annual Experienced ACL User Conference	15.5
01/09/2013	Rebroadcast of Revised GAO Independence Rules (Internal Webinars)	1.0
01/19/2013	Using ACL to Detect Financial Statement Fraud (Internal Webinar)	1.0
05/21/2013	Fraud Prevention Strategies: A Forensic Accountant's Top 20 List (External Webinar)	1.0
06/19/2013	Opening General Session (including Ethics)	4.5
06/19/2013	Leadership Academy Launch General Session	3.5
06/20/2013	Not-for-Profit & Government	9.0
06/21/2013	Closing General Session (including Ethics)	4.5
06/26/2013	BBI - Training - Transformational Sales and Marketing	18.0
06/27/2013	Lessons Learned from Clarity and Audit Methodology Implementation (Internal Webinar)	1.0
07/18/2013	What Does a \$53 Million Embezzlement Look Like? (Internal Webinar)	1.0
07/24/2013	Detecting Fraud Through Data Analytics (External Webinar)	1.0
08/13/2013	GASB 69 - A Closer Look at Government Combinations	1.0
10/15/2013	GASB 68: New Accounting & Financial Reporting for Pensions (External Webinar)	1.0
10/17/2013	Manipulation of Accounts Payable Systems (Internal Webinar)	1.0
11/05/2013	ACL Refresher & Introduction To Advanced Topics	16.0
11/11/2013	A&A Annual Technical Training - Dallas	7.5
12/08/2013	Personal and Professional Ethics for Texas CPAs (Video)	4.0
12/11/2013	AICPA's Not-for-Profit Guide Overhaul Project (Internal Webinar)	1.0
01/05/2012	Identifying Risk Language in Agreed-Upon Procedures Engagements (internal webinar)	1.0
01/06/2012	Local Office A&A Update	3.0
01/12/2012	TSCPA's Professional Issues Update	1.0
04/17/2012	Ethics and the Common Threads in Financial Statement Frauds (internal webinar)	1.0
06/22/2012	Industry Conference - Not-for-Profit & Government	5.5

Karen E. Kurtin, CFE, CPA

Date	CPE Course Completed	Hours
06/22/2012	Industry Conference - Ethics	1.0
08/31/2012	2012 Clarity/Audit Methodology Training	16.5
09/04/2012	STAR Time and Expense Entry	1.0
10/02/2012	ACL New User Training	12.0
10/09/2012	Financial Statement Fraud Detection (Ethics) (Internal Webinar)	1.0
10/17/2012	OGW Opening General Session (including Ethics First)	3.5
10/18/2012	OGW Audit - Not-for-Profit & Government	8.5
10/19/2012	OGW A&A Update	4.0
10/19/2012	OGW Closing General Session	1.0



Rachel R. Ormsby, CPA
Senior Associate II

Rachel has experience providing accounting and audit services to governmental and not-for-profit organizations, including extensive experience in Single Audits under OMB Circular A-133. A member of BKD National Governmental Group, she currently serves as the audit in-charge for numerous clients, including the cities of El Paso*, North Richland Hills* and Lancaster, Texas*.

As an audit in-charge, she leads the client engagement process, including the supervision and training of the audit team, review of audit workpapers and communication with the client, audit partner and director. In addition, Rachel has conducted presentations, providing continuing professional education for local roundtables and regional chapters of the Government Finance Officers Association of Texas (GFOAT).

Rachel is a member of the American Institute of CPAs, Texas Society of Certified Public Accountants and GFOAT.

She is a 2010 graduate of Stephen F. Austin State University, Nacogdoches, Texas, with B.B.A. and M.P.A degrees.

Rachel R. Ormsby, CPA

Date	CPE Course Completed	Hours
04/07/2015	Lease Accounting for State & Local Government (EW)	1.0
04/15/2014	GFOAT Spring Institute	10.5
04/22/2014	Employee Benefit Plan Audits Annual Update (Internal Webinar)	2.0
05/01/2014	Fraud in Governmental Entities: Lessons from the Trenches (External Webinar)	1.0
05/23/2014	Ponzi Schemes, Investment Fraud & Beyond (Internal Webinar)	1.0
05/30/2014	Single Audit Monitoring Results & Best Practices	6.0
08/13/2014	Act on the Important: Choice 1 of the 5 Choices to Extraordinary Productivity	1.0
08/14/2014	OMB's Super Circular (External Webinar)	1.0
08/22/2014	COSO 2013 Internal Control - Integrated Framework (Internal Webinar)	1.0
09/26/2014	BKD STI: EDGE Questioning Process	1.5
09/26/2014	Internal Controls - What Can Go Wrong? (Internal Webinar)	2.0
09/28/2014	2014 SEC and PCAOB Update Part 1 of 2 (Self-study)	1.0
10/01/2014	Audit & Tax Level 5	24.0
10/17/2014	Information Technology Update for Auditors	1.0
11/07/2014	A&A Annual Update - Dallas	7.0

Rachel R. Ormsby, CPA

Date	CPE Course Completed	Hours
11/14/2014	Quarterly Fraud Series - Data Analysis	1.0
11/14/2014	Municipal Advisors Rule (Qualifies for Regulatory Ethics)	1.0
11/14/2014	Firmwide SKY Training	1.0
11/14/2014	BKD STI: Building Your Buyer's Table	1.5
11/18/2014	Annual Experienced ACL User Conference	15.5
11/19/2014	Project Management Training	6.0
12/19/2014	BKD STI: Developing Your Existing Accounts & Clarifying the Mystery of Accounting Firm "Alliance" vs. "Network" & Praxity's Perspectives	1.5
01/09/2013	Rebroadcast of Revised GAO Independence Rules (Internal Webinars)	1.0
01/19/2013	Using ACL to Detect Financial Statement Fraud (Internal Webinar)	1.0
01/25/2013	Planning for Employee Benefit Plan Updates (Internal Webinar)	2.0
04/17/2013	Key Financial Metrics & Dashboard Reporting for Higher Education Institutions (External Webinar)	1.0
04/23/2013	Basics of Employee Benefit Plan Audits	6.0
06/14/2013	BKD Independence Course (ELIGIBLE FOR CPE)	4.0
06/25/2013	2013 OMB Circular A-133 Compliance Supplement Update and Other Single Audit Matters (Internal Webinar)	1.0
06/27/2013	Lessons Learned from Clarity and Audit Methodology Implementation (Internal Webinar)	1.0
07/25/2013	Information Technology General Control	6.5
08/13/2013	GASB 69 - A Closer Look at Government Combinations	1.0
08/28/2013	Audits of Employee Benefit Plans - Update from AICPA Conference Part 1	1.0
08/28/2013	Audits of Employee Benefit Plans - Update from AICPA Conference Part 2	1.0
10/16/2013	Audit Level 4 (1/3 Jan '10)	25.0
10/25/2013	A&A Annual Technical Training - Dallas	7.5
11/05/2013	ACL Refresher & Introduction To Advanced Topics	16.0
12/03/2013	Understanding the 2013 Data Collection Form (Internal Webinar)	1.0
12/11/2013	AICPA's Not-for-Profit Guide Overhaul Project (Internal Webinar)	1.0
12/17/2013	An Overview of the New GASB Pension Accounting Standards (Internal Webinar)	2.0
01/06/2012	Local Office A&A Update	3.0
01/06/2012	Employee Benefit Plan Audits: Planning for Audits and Update (internal webinar)	2.0
04/17/2012	Ethics and the Common Threads in Financial Statement Frauds (internal webinar)	1.0
04/27/2012	Employee Benefit Plan Audit Training	4.0
05/09/2012	OMB Circular A-133: The Single Audit	6.0
05/11/2012	NPG In-Charge Training	12.0
05/24/2012	Annual Employee Benefit Plan Audit Update from AICPA Conference (internal webinar)	2.0
08/29/2012	STAR Time and Expense Entry	1.0
08/31/2012	2012 Clarity/Audit Methodology Training	16.5
09/26/2012	Staff Training Level 3 - Audit (1/4 Jan '10 Class)	27.0
10/02/2012	ACL New User Training	12.0
10/09/2012	Financial Statement Fraud Detection (Ethics) (Internal Webinar)	1.0

ADDITIONAL RESOURCES



Andrew M. Richards, CPA
Partner

Andy is a member of BKD National Governmental Group. With more than 15 years of experience at BKD, he provides audit and advisory services to not-for-profit and governmental entities. He also assists BKD's National Office in providing technical support to BKD auditors, developing firm guidance on governmental accounting standards, reviewing governmental audit engagements, developing professional education on government-related topics and performing internal office inspections.

He is the audit partner on numerous state and local governments in Arkansas, including Little Rock*, Fort Smith*, Bentonville*, Texarkana*, Conway* and Bentonville*. He also is a firmwide resource and serves as concurring reviewer on some of BKD's larger governmental engagements, including City and County of Denver, Colorado*, Mississippi Department of Employment Services*, Arkansas Development Finance Authority* and City of Oklahoma City, Oklahoma*.

From December 2007 through January 2010, Andy participated in the governmental accounting standards-setting process as a Practice Fellow with the Governmental Accounting Standards Board (GASB) in Norwalk, Connecticut. During that time, he acted as a GASB project manager working on the Codification of Pre-November 30, 1989, Financial Accounting Standards Board Pronouncements project, GASB Statement No. 14, *The Financial Reporting Entity*, Reexamination project, as well as the GASB Comprehensive Implementation Guide update. He also assisted the GASB technical research staff in responding to technical inquiries submitted by their constituency and performed several speaking engagements on behalf of GASB. He was a member of the GASB Comprehensive Implementation Guide Advisory Committee from 2012-2014.

He is a member of the American Institute of CPAs, where he served on the State and Local Government Expert Panel from 2010 through 2013, and Arkansas Society of Certified Public Accountants. He serves on the board of directors as treasurer of Arkansas Literacy Councils, Inc. and has served as a local board member of the BKD Foundation.

Andy is a 1996 graduate of University of Arkansas, Fayetteville, with a B.S. degree in business administration and accounting.



Karen Schultz
Managing Consultant

Karen has eight years of IT audit experience. She has served as the in-charge accountant for financial and information systems audits at a national CPA and advisory firm and as the manager for information systems audits at an international financial services company. In addition, she has network and system administration experience.

She is a member of the American Institute of CPAs, Pennsylvania Society of Public Accountants and the Information Systems Audit and Control Association.

Karen is a graduate of Drexel University, Philadelphia, Pennsylvania, with a B.S. degree in business administration and a 2012 graduate of Palm Beach State College, Lake Worth, Florida, with an A.S. degree in network administration.

TRAINING

Our CPAs are required to receive at least 120 hours of continuing education 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. BKD professionals carrying additional designations, such as Certified Fraud Examiner, are required to obtain annual training specifically related to fraud and fraud prevention. Staff members also 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 government environment.

RECOGNIZED LEARNING & DEVELOPMENT

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. In 2014, BKD earned the distinction of **Training** magazine's Training Top 125 and earned the distinction again, in 2015, ranking among the top 60. In 2014, BKD also earned the *Chief Learning Officer* magazine's LearningElite award. These programs rank companies' excellence in employer-sponsored training and recognize outstanding outcomes in learning and development. This cultural dedication helps our professionals meet our clients' needs.



CONTINUITY OF STAFF

Continuity of staff assigned to engagements is one of our primary goals. Whenever possible, we keep a consistent client service team working for you. This can help reduce the learning curve and save you the time, frustration and disruption of dealing with new advisors unfamiliar with your organization. Past experience is the primary determinant for assigning professionals to your engagement, and we assign individuals who are experienced in working with governmental entities. Though it is impossible for any firm to know the future career paths of its professionals, many BKD clients have been served by substantially the same BKD engagement team for years.

Engagement partners, managers, other supervisory staff, and specialists assigned to the City's account in a proposal may be removed from the City'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 City of McKinney. However, in either case, the City retains the right to approve or reject replacements.

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

In the event that 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 engagement executive, David Coleman, 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.

3. 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 request for proposals. 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.

■ REFERENCES*

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.

1. City of Lubbock, Texas

Scope of Work: Single Audit & Various Agreed-Upon Procedures
 Date: 2005 to Present
 Engagement Partner: Kevin Kemp
 Total Hours: 1,500
 Contact Name: Ms. Pam Moon, Executive Director of Finance
 Contact Number: 806.775.2148
 Lubbock, TX

2. City of North Richland Hills, Texas

Scope of Work: Single Audit
 Date: 2013 to Present
 Engagement Partner: Kevin Kemp
 Total Hours: 650
 Contact Name: Ms. Laury Fiorello, Assistant Director of Finance
 Contact Number: 817.427.6152
 Richland Hills, TX

3. City of Greenville, Texas

Scope of Work: Single Audit
 Date: 2013 to Present
 Engagement Partner^: David Coleman
 Total Hours: 500
 Contact Name: Mr. Cliff Copeland, Finance Director
 Contact Number: 903.457.3114
 Greenville, TX

4. City of Lancaster, Texas

Scope of Work: Single Audit
 Date: 2011 to Present
 Engagement Partner^: David Coleman
 Total Hours: 500
 Contact Name: Ms. Opal Robertson, City Manager
 Contact Number: 972.218.1333
 Lancaster, TX

5. City of Roanoke, Texas

Scope of Work: Financial Statement Audit
 Date: 2014 to Present
 Engagement Partner: Kevin Kemp
 Total Hours: 350
 Contact Name: Ms. Vicki Rodriguez, Director of Fiscal and Administrative Services
 Contact Number: 817.491.2411
 Roanoke, TX

^ Effective June 1, 2015

4. OTHER

Additional information should be included to describe the office's capabilities to audit computerized systems. This section should also include a discussion of your previous experience with the Certificate of Achievement Program of the Government Financial Officers' Association (GFOA).

CAPABILITIES TO AUDIT COMPUTERIZED SYSTEMS

Our approach to auditing your computerized systems consists of an examination of the controls within your technology infrastructure. This evaluation reports whether the information system safeguards assets, maintains data integrity and operates efficiently and effectively to help you achieve your objectives. BKD's IT audit professionals are dedicated to IT and risk management, so you can expect the following from your IT audit engagement team that is knowledgeable about the regulatory environment governmental entities face.

- ▶▶ Audit procedures focused on identification and management of risks through our IT audits and reviews, information security management and controls and regulatory compliance
- ▶▶ Evaluating risk and reviewing and testing the City's information security procedures
- ▶▶ Perform procedures to evaluate the internal controls over your IT systems and evaluate IT general and application controls
- ▶▶ Findings, if any, are included as a component of the final audit report and/or related management letter

TIMELY SERVICES TO HELP RETAIN YOUR GFOA CERTIFICATE

We understand the City intends to prepare a CAFR and apply for the GFOA CAFR Program. BKD can help you through this process. We have several team members who serve on the GFOA's Special Review Committee, including your proposed concurring reviewer, so we understand the process. We will work with you to help resolve identified discrepancies and to reduce exceptions when your reports are returned.

As you know, GFOA certification helps to increase the visibility and credibility of programs the City implements. Timely and accurate services are key to increasing confidence in the management of funds. A core service philosophy at BKD is responsive reliability, which means you can count on our service process to follow the established timeline. You can expect timely delivery of reports and communications with your mayor, councilors, audit committee and interested third parties.

REPRESENTATIVE LIST OF CLIENTS*

BKD is proud to work with the following clients who have received a GFOA Certificate of Excellence in Financial Reporting.

City & County of Denver, CO
City of Aurora, CO
City of Bedford, TX
City of Boulder, CO
City of El Paso, TX
City of Fort Smith, AR
City of Greenville, TX
City of Greenwood Village, CO
City of Indianapolis, IN
City of Kansas City, MO

City of Kerrville, TX
City of Lincoln, NE
City of Little Rock, AR
City of Lubbock, TX
City of North Richland Hills, TX
City of Oklahoma City, OK
City of Roanoke, TX
City of Shreveport, LA
City of Springfield, MO
City of Westminster, CO

E. SCOPE & AUDIT APPROACH

AUDIT APPROACH

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Sections 3.1 and 3.2 of this RFP. In developing the work plan, reference should be made to such sources of information as the City of McKinney’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 & OMB CIRCULAR A-133 SERVICE DESCRIPTION

BKD’s audit approach focuses on areas of high risk—the unique characteristics of the City’s operating environment (budgets, organizational charts, etc.), the design effectiveness of your internal controls (policies and procedures, centralized vs. decentralized, financial and other IT systems) and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

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.

These principles make up the foundation of BKD’s audit approach:

- ▶▶ The team working on your engagement has been trained in the government industry. You will not have to train our people on the issues that affect the government industry, such as net position/fund balance classification, net pension/other post-employment benefit obligation disclosures, bond arbitrage and covenant compliance, etc.
- ▶▶ We provide a high level of engagement executive involvement so you receive high-quality service with little interruption. We recognize we have to be flexible because not all audits go as planned. Because our partners and managers are in the field, we can adapt quickly to circumstances that arise.
- ▶▶ Communicating the results of our audit procedures and sharing ideas to help your accounting processes are integral parts of your engagement. In addition, you will find communication does not end when the audit is completed. We strive to keep in contact with your management team throughout the year. Continued communication means you will receive an efficient and effective audit.

Using our five-phase approach, we will work with you to develop an audit plan tailored to your specific circumstances and risks.

OUR FIVE-PHASE APPROACH TO FINANCIAL STATEMENT AUDITS

1 » Planning

2 » Risk Assessment

3 » Fieldwork, Testing & Further Audit Procedures

4 » Report & Communications Delivery

5 » Presentation

PHASE 1: PLANNING

BKD will work closely with your council, audit committee and management team early during the audit, as required by auditing standards, giving the group an overview of the scope and timing. We ask that they let us know about any risk issues, any areas where they would like us to perform additional procedures or anything else material to the audit.

During the planning phases of the audit, we will:

- ▶▶ Review predecessor auditors' workpapers
- ▶▶ Meet with your management to examine changes that have occurred during the current year
- ▶▶ Discuss expectations of the audit process and team members
- ▶▶ Document and test internal controls
- ▶▶ Perform a comparison of prior year audited financial statements with current year interim financial statements to gain an understanding of the current year's activities
- ▶▶ Read council minutes to understand events occurring during the year
- ▶▶ Obtain permanent file information, such as organizational charts, debt and lease agreements and significant financial contracts
- ▶▶ Review your preliminary Schedule of Expenditures of Federal Awards (SEFA) to determine major programs that will likely be tested under OMB Circular A-133
- ▶▶ Design a timetable for the audit procedures that meets your reporting deadlines and is specifically tailored to your entity's accounting process and transactions

PHASE 2: RISK ASSESSMENT

BKD will follow standards established by the Auditing Standards Board of the AICPA. These auditing standards affect the amount and type of information BKD will gather to perform your audit.

We will:

- ▶▶ Obtain an understanding of your business and business environment, significant risks you face and how you mitigate those risks. This will include examining how you measure and manage financial performance, as well as your internal control over financial reporting.
- ▶▶ Evaluate where your financial statements might be susceptible to material misstatement due to error or fraud.
- ▶▶ Consider if internal controls have been implemented and assess the general controls around your IT systems.
- ▶▶ Assess risk of material misstatement for the most significant financial statement amounts and disclosures.

To help facilitate the testing of internal controls, if the City does not have in-house documentation, we use questionnaires specific to the government industry, which expedite gathering your control information. Based on the documentation of your controls, we will test the key controls of your city.

PHASE 3: FIELDWORK, TESTING & FURTHER AUDIT PROCEDURES

Based on our assessment of risks of material misstatements and determination of further audit procedures to be performed, we will design audit tests that take advantage of strengths in your internal control system.

During fieldwork, we will:

- ▶▶ Perform substantive tests on material account balances
- ▶▶ Evaluate significant unusual transactions
- ▶▶ Ask management to further explore and clarify any identified potential misstatements
- ▶▶ Evaluate the materiality of those misstatements, if applicable

- ▶▶ Conclude whether all identified risks of material misstatement have been addressed
- ▶▶ Test compliance with certain provisions of laws, regulations, contracts and grant agreements
- ▶▶ Hold a formal exit conference with management to share findings and preliminary deliverables

BKD also will perform some tests from these alternatives:

- ▶▶ Key item testing – Some items within an account may be large enough by themselves to involve significant risk of material misstatement. These key items can be audited individually.
- ▶▶ Sampling – A detailed audit of representative individual items (a sample) selected from a population.
- ▶▶ Analytical procedures – Taking a closer look at a grouping of information by examining it as it relates to other accounts, historical trends or other measures.
- ▶▶ Computer-assisted auditing procedures (CAAP) – BKD uses ACL as one of the primary tools to apply CAAP. The use of ACL allows us to analyze data electronically, handle large amounts of data and increase the effectiveness and efficiency of audit procedures.

As needed, our firmwide industry partners serve as technical resources with expertise to deal with particularly challenging or unique situations that may arise in the course of your audit.

We know a great deal of audit information often comes from third parties. Sometimes information from those parties is not received on time. To keep your report timely, we will keep you informed of the status of outstanding items.

PHASE 4: REPORT & COMMUNICATIONS DELIVERY

A cornerstone of the quality of our audits is the use of a concurring reviewer before the issuance of any reports. Another member of our assurance team, who has otherwise not been involved in the engagement, reviews the financial statements and workpapers before issuing the report.

Generally accepted auditing standards establish requirements and provide guidance on our communication with those charged with governance. In addition, if applicable, we will issue a report to management and those charged with governance of any significant deficiencies or material weaknesses identified during the audit.

Our commitment to a smooth engagement also includes the timely delivery of our audit report. A draft of the audit report, management letter and any other deliverables will be provided to you for your review and comments. After completing our fieldwork, we generally deliver our audit report and other communications within three weeks.

PHASE 5: PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

We welcome the opportunity to formally share your audit results with your mayor, council, audit committee and management team and help answer their questions. We will be available as requested.

TIMING & YOUR BKD TEAM

Overall, we plan to spend about five weeks in your offices, approximately two weeks on interim/planning/performing Single Audit procedures and three weeks on final fieldwork after year-end. We will coordinate the scheduling of your audit with you to both accommodate your schedule and to allow for the timely completion of deliverables.

Your BKD team will include an experienced manager, an in-charge and two associates, who will be on site performing further audit procedures and gathering the information we need to support our opinion. In addition, your BKD team will be led by a partner with experience in the government industry, who will direct our staff's audit approach, review their work and communicate audit results.

COMPLIANCE AUDIT IN ACCORDANCE WITH OMB CIRCULAR A-133

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

The majority of our municipality clients receive federal funding, and we are familiar with major federal programs. Our extensive experience with compliance testing in accordance with OMB Circular A-133 can help provide the City with a Single Audit performed properly and submitted timely.

Our OMB Circular A-133 Audit 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 OMB Circular A-133 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 OMB Circular A-133 requirements are present.

Training Requirements for OMB Circular A-133 Auditors

The City can have confidence knowing BKD auditors are experienced in testing OMB Circular A-133 funding and reporting compliance. Our audit staff members are required to receive at least 120 hours of continuing education 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 government environment.

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

Proposed segmentation of the engagement.

A further breakdown of the segments previously identified includes the following:

- ▶▶ Complete client acceptance procedures, including review of predecessor auditors' workpapers and making required inquiries of the predecessor auditors
- ▶▶ Complete risk assessment procedures in accordance with generally accepted auditing standards. Requirements under these standards require us to obtain an understanding of your control environment, assess the risks of material misstatement, determine materiality and develop our audit procedures accordingly
- ▶▶ Conduct fraud interviews
- ▶▶ Provide communications to the governing body, prior to commencement of our audit
- ▶▶ Perform audit procedures, including:
 - Inspection of records or documents (the City's minutes, approved budgets, select invoices, payroll records, cash receipt and disbursement documents, purchase orders, contracts, agreements, grant documents, bond documents etc.)
 - Inspection of tangible assets
 - Inquiry of those charged with governance and management
 - Confirmation of account balances
 - Recalculation of amounts
 - Reperformance or observation of procedures performed by the City's personnel
 - Performance of analytical procedures
- ▶▶ Perform walk-throughs of transactions

- ▶▶ Provide a list to the City early in the planning process of information we will need to perform our audit
- ▶▶ Evaluate compliance with critical laws and regulations, including obtaining legal representation letters
- ▶▶ Perform Single Audit testing
- ▶▶ Obtain representations from management as required by auditing standards
- ▶▶ Hold conferences with the City's personnel throughout the engagement process from the planning phase through the completion of the engagement so both BKD and the City are aware of potential audit issues so they can be addressed timely and accurately and also to verify critical due dates so deliverables are met
- ▶▶ Provide drafts of all deliverables to management in sufficient time to address any questions they might have and, with respect to identified internal control matters and Single Audit findings, to verify all relevant facts as we understand them are accurate and management has sufficient time to provide responses
- ▶▶ Perform quality control review procedures

AREAS OF PRIMARY EMPHASIS

Based on our experience with similar municipal governments and a preliminary review of your financial statements, areas of higher risk for the City's audit, and BKD's audit approach to those areas, will likely include:

Cash & Cash Equivalents

We will verify the existence of significant cash accounts and bank account reconciliations and will perform cutoff procedures related to interbank transfers and test compliance with Governmental Accounting Standards Board Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures*, disclosure requirements.

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 and obtaining SOC 1 reports. In addition, we evaluate the disclosure requirements and help determine the adequacy of completeness and accuracy of the disclosures.

Accounts Receivable & Unearned Revenue

These areas are often a significant risk due to the subjective nature of the City'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 City'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 unearned revenue accounts by reviewing subsequent collections and perform various analytical procedures to test both completeness and proper classification of the balances, consistent with the City's policy of recognizing revenue on the modified accrual basis of accounting.

Capital Assets

We will audit the capital asset roll forward 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 verify material additions have been capitalized. New lease agreements will be reviewed to determine whether they have been accounted for properly, as either capital or operating. 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 governmentwide reporting.

Accounts & Retainage Payable & Accrued Liabilities

Accounts payable cutoff will be tested by reviewing subsequent disbursements. Retainage payable will be recalculated on invoices as required by contracts between the City and your contractors. Accrued liabilities, such as compensated absences, will be detail tested and analytical testing will be used to help determine that proper accruals have been made. Due to/from funds will be reviewed and evaluated for collection within the next operating cycle and the intent of the fund to help satisfy the obligation to determine proper classification.

Long-Term Debt

This is typically a risk due to the presence of one or more significant debt covenants. We review the associated debt documents to help gain an understanding of the flow of funds prescribed for any pledged revenues. We review the covenants and obtain evidence through inquiry and other means, including the recalculation of any financial covenants, to support the conclusion that all covenants have been met and that all debt service payments have been made timely. We also will confirm the annual payment activity and ending balances of certain bonds, notes and leases payable with trustees. In the case of any defeased 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 City.

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 government-wide activities, review 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.

Revenues & Expenses

Revenues and expenses will be subjected to analytic review procedures. In addition, we may confirm various appropriation revenues. We will agree various revenue and expense amounts, *e.g.*, investment income, depreciation and interest expense, from other testing areas to recording in the general ledger.

Significant Accounting Estimates

There are a number of significant accounting estimates used in preparing the financial statements, including estimates involving the discount rates to be applied to pension obligations, the fair value determination of investments, the estimated useful lives of property and equipment and the allowance for uncollectible receivables. These estimates are often significant and have a certain amount of inherent risk associated with them. We generally gather information supporting the City's rationale for significant estimates recorded, gain an understanding of how the estimates were prepared and document our understanding and conclusions regarding reasonableness. We also employ certain analytical procedures, including the review of relevant historical data.

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.

Risk of Management Override of Controls

The Auditing Standard's Boards Statement on Auditing Standards No. 99 (SAS 99), *Consideration of Fraud in a Financial Statement Audit*, requires that auditors consider this area to be a risk of material misstatement in every audit. Procedures include interviews of selected individuals in the City, an audit team brainstorming session and the selection and application of unpredictable audit procedures. We may add additional areas to this list based on our review of the City's internal control environment or our preliminary analytical review procedures.

Utility Receivables & Unbilled Revenues

We will use several methods to audit your receivables and the estimate of unbilled revenues, including using look-back reports, review of historical collection methods and assessment 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 are comfortable with your methodologies and conclusions. Finally, we use ACL to test subsequent billings and receipts and the accuracy of revenue cut-off to help validate the year-end accounts receivable balance and any unbilled revenue amounts.

Other Post-Employment Benefit Obligations

Due to the subjective nature of the estimation processes associated with determining the estimated Other Post-Employment Benefit Obligations (OPEB) liability, we will obtain and test the specific actuarial calculations for the OPEB liability. 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 Milliman Medical Index, SEI Pension Accounting Research Series and the Towers Watson annual health care trend survey.

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	80	All Professionals
Document & evaluate internal controls, including those over grants	60	Partner, Manager & Senior Associate
Obtain financial policies & procedures, bond documents, leases & grants & other items for our permanent file	5	Manager & Senior Associate
Substantive procedures & analytical review techniques	365	All Professionals
Single Audit testing	45	Manager & Associate
Supervision, review, drafting CAFR & technical assistance	120	Partner/Manager
Client conferences & meetings to review audit reports	3	Partner & Manager
Reporting – Report to governance & management advisory comments & review prepared CAFR	2	Partner & Manager

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 determining sample sizes, we apply our professional judgment in determining 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 increases, 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 ACL, in selecting and testing samples or complete populations, where appropriate. These are very effective tools that allow us to efficiently test larger amounts of data.

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 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.

Sample PBC's typically used.

Sample PBCs have been provided in the Appendix.

Approach to be taken to gain and document an understanding of the City of McKinney's internal control structure.

As a component of developing our audit approach, we will spend considerable time documenting and testing the internal control structure used by the City and its related entities. This will include a multiphased approach as follows:

- ▶▶ If in-house documentation is not available, we will ask the City to complete various industry-specific questionnaires designed to summarize your control structure. We will then scrutinize your current structure to identify what key controls you have developed for each material control objective. During this process, we will look for gaps in your control structure and summarize recommendations for management and the audit committee's consideration.
- ▶▶ After identifying all key controls, we will perform walkthroughs of those controls as required by the audit standards. We will search for gaps in the operation of these controls and offer suggestions for improvement that we identify.
- ▶▶ We help you complete detailed duties grids specifically designed for municipalities and challenge your assignment of various duties for potential segregation conflicts. We will perform additional walkthrough procedures for areas where conflicts may exist but compensating controls have been developed. For unmitigated conflicts, we will summarize the conflict and resulting risk, report our findings to management and the audit committee and help you design control changes that would remove the conflict in a cost-beneficial manner.
- ▶▶ We also will ask the City's staff to complete questionnaires specific to your IT control structure. We will analyze the responses and identify what controls you have implemented to protect the confidentiality, integrity and availability of your critical information assets and whether the controls are operating as intended. This includes performing walkthrough tests of key controls of your IT system security controls, as well as assessing the effectiveness of these controls and security measures.

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 City as to their understanding of applicable laws and regulations. In addition, our reviews of various documents, indentures, agreements, etc., will be designed to further assess that all known laws and regulations are encompassed within the scope of the audit. We are experienced in auditing governmental entities in the state of Texas and are familiar with the laws and regulatory environment in which you operate.

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. All sample sizes will be sufficient to meet all requirements of the various state and federal laws and regulations. We anticipate using data extraction tools, such as ACL's data extraction and analysis software, in certain situations in selecting and testing samples or complete populations, where appropriate.

The proposal 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 City of McKinney.

ANTICIPATED POTENTIAL 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.

In addition, our professionals will be in contact with the partner or manager in charge should a specific audit or accounting issue be identified. For certain high-risk or technically complex matters, the firm also requires formal consultation and approval by our national or regional quality control personnel. A memo is drafted explaining the facts and circumstances of the issue at hand, the preliminary conclusion of the audit partner and local director of accounting and auditing, the specific authoritative accounting literature that addresses the issue and the specific wording contemplated for any report modifications and/or footnote disclosures. The national or regional quality control personnel discuss the issue with those involved at the local office level (including, if necessary, the client), make any modifications to the memo and return the memo to the audit partner and local director of accounting and auditing.

REQUESTED ASSISTANCE FROM YOUR STAFF

In working with organizations similar to the City, we have developed an efficient approach that helps avoid wasted effort. We plan our work to facilitate client participation to help control costs, reduce unnecessary disruptions and meet deadlines.

The City plays a major role in timely completion of the audit. We need you to provide the requested schedules in accordance with a mutually agreed-upon timeline. Most organizations prepare these schedules during their normal annual closing process.

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

We estimate 625 hours will be required to complete the financial statement audit and 55 hours will be required to complete the compliance audit in accordance with OMB Circular A-133.

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.

ASSISTANCE DURING THE AUDIT

BKD's audit philosophy is focused on helping our clients avoid surprises. Throughout the audit engagement, our team will note recommendations concerning financial policies and practices and business opportunities. These recommendations, as well as the results of our review of internal control, will be discussed with management while on site and/or included in the management letter we provide to the City. We also help keep our clients informed of any upcoming changes in accounting and auditing standards throughout the year and provide assistance in their implementation, if permitted under independence rules.

YEAR-ROUND AVAILABILITY

Being available to our clients is a priority. Therefore, routine phone calls that require minor or no research and a nominal amount of our professionals' time are not billed separately. Minor research and consultations include answering questions verbally or informally by phone or email regarding routine accounting or other matters.

On occasion, our clients ask questions that require more detailed research and analysis. In these cases, we bill our clients based on the time required to provide an accurate answer to their question. If the question will take more than a few hours of research or analysis, we will provide an estimate of time and cost on the front end to help avoid unwanted fee surprises.

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 proposal should be included.

Assistance from your personnel may include:

- ▶▶ Preparing a general ledger trial balance by fund, to which very few adjustments are needed
- ▶▶ Preparing accurate audit schedules to support all significant statement of net position/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
- ▶▶ Review of CAFR

As previously mentioned, a sample PBC has been provided in the Appendix. We also will meet with your team to help answer any questions well in advance of field work.

F. DETAILED REVIEW OF CAFR PROGRAM

The City of McKinney will send its Comprehensive Annual Financial Report (CAFR) to the GFOA of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting Program. The auditor will be required to provide assistance to the City, in the form of a detailed review of its CAFR, to assure accuracy and adherence to the requirements of the program. The proposal should contain a detailed account of the steps the auditor will take to ensure the award of the Certificate.

BKD uses both the GFOA and internal report disclosure checklist when drafting a CAFR. We also look over your prior year comments to help identify whether they are addressed in the current submission. As previously noted, we also have team members who have served on the GFOA's Special Review Committee, so we understand the process. Our Dallas office serves approximately 10 clients that receive the award, and we have a history of receiving few comments from the GFOA.

G. PROPOSED SCHEDULE

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

EFFICIENT & EFFECTIVE SERVICE DELIVERY

The City deserves to work with a firm that understands time is money. Performing your professional services according to your timeline is essential to your operations and among the expectations you have of your CPA and advisory firm. When key items are delivered, confidence is established in the technical ability and professionalism of your service team. BKD sets expectations for our professionals to respond promptly to your questions and complete work timely. We will coordinate our efforts with the City to meet important deadlines and will work with you to produce efficient and effective results and reasonable solutions.

ANTICIPATED SCHEDULE OF INFORMATION

At this time, we do not anticipate changes to the schedule below.

Information Requested	Estimated Completion Date
Preliminary planning meetings & audit plan development. PBC listing provided to the City	Late July 2015
Interim audit fieldwork & preliminary review conference to discuss year-end audit work to be performed	Early September 2015
Fiscal year-end. All preliminary audit work completed & BKD to withdraw from the field	September 30, 2015
Year-end system-generated report available. City staff-prepared trial balances & schedules due to auditor	December 1, 2015
BKD begins year-end fieldwork	December 7, 2015
Fieldwork to be completed. Finance Department notified fieldwork is complete & provided audit adjustments, if any, from BKD. Exit conference to discuss results of fieldwork & review significant findings	December 23, 2015
BKD to deliver CAFR Draft to the City for review	January 8, 2016
The City to return CAFR to BKD with corrections noted. Drafted management letter & Single Audit reports due	January 15, 2016
BKD to send finalized CAFR to the City	January 22, 2016
Review CAFR, Single Audit & management letter with City Council	February 2, 2016

The successful proposer shall submit progress reports to or hold periodic meetings with the Chief Financial Officer as agreed upon by the City and the proposer. The information provided in these reports should be sufficiently detailed to provide assurance that the audit is on schedule. A sample progress report should be submitted with the proposal.

A sample progress report has been provided in the Appendix.

H. REVIEW OF OFFICIAL STATEMENTS

Routinely, the City prepares an official statement for a bond offering that includes information taken from the most current CAFR. As needed, a review of the official statement resulting in a “consent and citation of expertise” letter and any “comfort letters” will be required.

The City may need help with future bond issues for capital acquisitions or refinancings related to its current debt structure.

We can provide you with a range of services in connection with tax-exempt and traditional bond financings, such as:

- ▶▶ Consent letters, agreed-upon procedures letters and other requests from underwriters
- ▶▶ Critical analysis of offering documents and related covenants
- ▶▶ Analysis of financing options such as bank qualified debt, variable rate demand debt or fixed rate issues
- ▶▶ Escrow verification reports
- ▶▶ Arbitrage calculation estimates
- ▶▶ Review of trust indenture, loan agreements and other documents
- ▶▶ Design and compliance with continuing disclosure agreements
- ▶▶ Guidance on generally accepted accounting principles (GAAP) treatment of complex transactions, such as derivative accounting (interest rate swaps)

Because of our experience with rating agencies, bond insurers and lending institutions, we have helped clients obtain financing through a wide range of financing structures rated by all major rating agencies or enhanced by all major bond insurers. Our role has ranged from working with our clients on the actual financing and building replacement facilities to providing consent letters.

I. OTHER REFERENCES

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 3D under paragraph titled - Similar Engagements.

TEXAS GOVERNMENTAL EXPERIENCE

Services from BKD's Texas offices compose approximately 18 percent of our firmwide not-for-profit and government industry practice. Professionals in these offices provide audit or other professional services to 10 municipalities and their component units and approximately 200 municipal utility districts. This experience, along with our involvement with the Government Finance Officers Association of Texas (GFOAT), means we understand Texas laws and other regulations to which our government clients must adhere and can offer the knowledge and resources the City deserves.

REPRESENTATIVE LIST OF CLIENTS*

BKD is proud to work with local and regional municipalities, including:

City & County of Denver, Colorado
City of Arvada, Colorado
City of Aurora, Colorado
City of Balch Springs, Texas
City of Bentonville, Arkansas
City of Boulder, Colorado
City of Conway, Arkansas
City of El Paso, Texas
City of Fort Smith, Arkansas
City of Greenwood Village, Colorado

City of Kansas City, Missouri
City of Kerrville, Texas
City of Little Rock, Arkansas
City of North Richland Hills, Texas
City of Oklahoma City, Oklahoma
City of Shreveport, Louisiana
City of Springdale, Arkansas
City of Springfield, Missouri
City of Texarkana, Arkansas
City of Westminster, Colorado

REFERENCES*

City of Bedford, Texas

Mr. Cliff Blackwell
Director of Administrative Services
817.952.2171
Bedford, TX

City of Kerrville, Texas

Ms. Sandra Yarbrough
Director of Finance
830.258.1120
Kerrville, TX

City of Little Rock, Arkansas

Ms. Ember Strange
Comptroller
501.371.4557
Little Rock, AR

City of Balch Springs, Texas

Ms. Suzy Cluse
City Manager
972.286.4477
Balch Springs, TX

City of Shreveport, Louisiana

Ms. Leanis Steward
Director of Internal Audit
318.673.7900
Shreveport, LA

J. ADDITIONAL DATA & OTHER INFORMATION

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

BKD NATIONAL GOVERNMENTAL GROUP

Governmental entities nationwide depend on BKD as their CPA and advisory firm of choice. We have the experience and commitment you require as you look for help determining the most effective way to deliver services and meet fiduciary and regulatory requirements.

BKD National Governmental Group Service Areas



AUDIT & ASSURANCE

Develop strong compliance programs and find solutions for tough issues



TAX

Gain peace of mind with solid tax decisions and compliance strategies



CONSULTING

Strategy & Sustainability

Expand your resources and achieve your mission, responsibly

Technology

Keep your vital systems and data safe

Operations Management & Outsourcing

Gain operational efficiency by controlling the ebb and flow of your business cycle

OUR CLIENTS & SERVICES

Geographically spread throughout the United States, our significant client base reflects the diversity of governmental entities, in both size and type of organization. The following graphs demonstrate the clients we serve and the services we provide.

BKD Governmental Clients



BKD Governmental Services



SPECIALIZED SKILLS & EXPERTISE

Our advisors offer specialized skills and expertise necessary to help. Our advisors include:

- ▶▶ Internal auditors
- ▶▶ OMB Circular A-133 audit professionals
- ▶▶ Tax, human resources and fringe benefit advisors
- ▶▶ Internal controls and risk assessment advisors
- ▶▶ Employee benefit plan professionals
- ▶▶ Finance advisors
- ▶▶ Litigation support professionals
- ▶▶ Forensic advisors
- ▶▶ Strategic planners
- ▶▶ IT professionals

OUR COMMITMENT TO GOVERNMENT

Our commitment to the industry and accounting profession also expands to involvement on national industry committees, such as the Governmental Accounting Standards Board (GASB) and AICPA.

Mike Wolfe, a partner in the National Office Accounting & Auditing Department, has been appointed to the AICPA Governmental Audit Quality Center Executive Committee. He previously served as BKD's liaison to the center, which helps raise awareness about the importance of improving governmental audit quality for entities receiving federal funding.

Chris Telli, a partner in our Colorado Springs office, has been appointed to the Government Finance Officers Association's Committee on Accounting, Auditing, and Financial Reporting (CAAFR). This committee works closely with the GASB, the AICPA and other organizations and recommends best practices for effective government finance operations.

Amy Shreck, senior manager in our Omaha office, recently accepted a Practice Fellowship with GASB. She will serve a two-year term at the GASB headquarters as a project manager to help formulate standards and assist with technical inquiries.

Andy Richards, partner in our Little Rock, Arkansas office, was a member of the GASB's Comprehensive Implementation Guide Advisory Committee from 2012-2014. The 11-member committee advises GASB on its Comprehensive Implementation Guide, which helps financial statement preparers apply a number of GASB pronouncements. Andy also was involved with the governmental accounting standards-setting process as a Practice Fellow with the GASB in Norwalk, Connecticut. He was a member of the AICPA State & Local Government Expert Panel from October 2010 to October 2013, which identifies state and local government financial reporting and auditing issues and works to achieve resolutions benefiting the public interest.

BKD advisors also actively serve as participants, exhibitors, speakers and sponsors in regional and national associations for governmental organizations, including:

- ▶▶ Association of Government Accountants (AGA)
- ▶▶ Government Finance Officers Association (GFOA)
- ▶▶ Government Finance Officers Association of Texas (GFOAT)
- ▶▶ National League of Cities (NLC)

ESSENTIAL COMMUNICATION OF ISSUES & TRENDS

BKD Thoughtware, our award-winning emails, video insights and webinars, provides industry-specific information to keep you informed of changes in regulations and accounting and tax methods and provides complimentary training opportunities on a variety of important topics. We encourage you to discover the wide array of resources available on our website, **bkd.com**.

MUNICIPALITY SUCCESS STORIES

- ▶▶ A large municipality with limited internal audit department resources wanted to perform franchise fee audits. The municipality selected BKD National Governmental Group to perform the agreed-upon procedures and report its findings to the city manager and city council. As a result of the initial engagement and subsequent audits, BKD helped identify approximately \$1.5 million in additional franchise fee revenue. In addition, BKD brought to the city's attention a potential loophole in a franchise fee agreement, which cost the city more than \$300,000 in estimated revenue.
- ▶▶ A mid-sized municipality that recently hired a new director of finance wanted to issue its CAFR within six months of the year-end, which was not accomplished in several years. The municipality selected BKD National Governmental Group, because of its expertise, local presence and commitment to providing unmatched client service, to issue the financial statements within their desired timeline. Despite getting a late start, being a new engagement and having several accounting issues, we met the deadline and management received much-deserved accolades from the city council. During the audit, BKD also identified several internal control issues and corresponding ideas for improvement, which the municipality is currently implementing.
- ▶▶ 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 Governmental Group, which possessed all the attributes they desired. Although the first year of the engagement included restatements, audit adjustments, weaknesses in internal controls and other accounting processes for the city, they were pleased with the level of attention they received from BKD and our willingness to help them understand the audit process, while delivering the audited financial statements more timely. The city was able to implement controls during the audit because of BKD's proactive and frequent communication.

K. CONCLUDING REMARKS

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

HOW BKD IS DIFFERENT

At BKD, we understand you want an advisor who can provide more than just audit solutions. Our CPAs and advisors offer specialized skills and expertise, as well as the winning attitude, character and communication skills every client deserves. Accounting for numbers—accurately, objectively and with integrity—is at the heart of our goal to deliver unmatched client service. We also are professional, prepared, attentive and ready to deliver our services with PRIDE: passion, respect, integrity, discipline and excellence.

In addition to the benefits the City can gain from choosing BKD described throughout this proposal, we believe BKD is the right choice because our firm differs from others in the following ways:

COMMITMENT TO OUR CLIENTS

Our client-first attitude drives our practice and accounts for the dedication of our staff to the deadlines and needs of their clients. We are committed to helping the City address your business needs within our code of ethics and the law.

We believe building diverse client service teams with a broad mix of skills and approaches is critical to continued innovation and strength. We are committed to treating one another and client personnel with respect and appreciate their differences.

Furthermore, we find our clients benefit from our well-established and successful protocols, standards and processes. By maintaining an appropriate balance in our professional and personal commitments, we are fresh and energized when engaged in helping clients resolve their issues so they can focus on their business.

QUALITY CONTROL

High standards set by industry guidelines and our own subject matter experts and thought leaders govern BKD's professional services. We are committed to completing professional services for you efficiently, accurately and per the deadlines you establish. We understand one of your goals is to make informed operational decisions, so it is important to us you do not just receive basic professional services. We also want our services to help you learn industry best practices and improve your operations, compliance and accounting processes. Your proposed engagement executive is available to answer questions you might have about the quality control processes in place for the services you requested.

A member of the AICPA, BKD also is a member of its PCPS (Private Companies Practice Section, the AICPA Alliance for CPA Firms) and its three quality centers: Center for Public Company Audit Firms, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

A FRESH LOOK FROM AN EXPERIENCED TEAM

Our experienced engagement team will work with you to identify areas you believe may warrant a fresh look. The key to a successful transition is proper planning and communication during the information-gathering process. We will get to know your financial team members as soon as possible with little disruption to your operations. As a result, we can identify and resolve potential issues before they become critical business concerns.

UNMATCHED CLIENT SERVICE

You want trusted advisors who will deliver exceptional client service, focus on your needs and take the time to address your unique challenges. BKD understands. 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 sets the firm’s 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, and at BKD, we do not want it any other way.

PRINCIPLED INNOVATION

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

You can count on BKD’s commitment to our 5 standards of unmatched client service:



Integrity First



True Expertise



Professional Demeanor



Responsive Reliability



Principled Innovation

bkd.com/5

L. COST PROPOSAL

NOT-TO-EXCEED FEE ESTIMATE

Payment for all services other than those described as “special projects” will be made based on an all-inclusive, not-to-exceed fee estimate, with progress payments as mutually determined to be appropriate. The contract will be a three-year contract with the option for an additional two year renewal.

The compensation proposal should be documented by completing, the Cost Proposal Form, included in this packet as Appendix A and submitting it to the City. As provided for by the State Board of Public Accountancy rules, the contract award will not necessarily be made to the firm that provides the lowest cost proposal but rather to the firm that submits the most responsive proposal meeting the City’s requirements.

On the Cost Proposal Form (Appendix A), the firm should include for each of the three years and the possible fourth and fifth year, the following information:

Total estimated hours and all-inclusive, not-to-exceed cost estimate for the financial and single audit (combined) and preparation of the CAFR; break down total estimated hours by staff level (e.g. partner, manager, senior, etc.) and show billing rates for each level;

In addition, the firm should include proposed billing rates by staff level for any special projects that the proposer may be requested to perform during the initial year of the contract. The special project billing rates may be adjusted annually for inflation using the Consumer Price Index for the Dallas Metroplex dated March of the current fiscal year.

APPENDIX A

CITY OF MCKINNEY

PROFESSIONAL AUDITING SERVICES COST PROPOSAL FORM (BID NO. 15-55RFP)

Fiscal Year Ending September 30	2015	2016	2017
Annual Financial Audit Fee	\$70,000	\$71,700	\$73,800
Single Audit - Federal and State	\$7,200	\$7,400	\$7,600
CAFR Preparation and Printing	\$10,000	\$10,300	\$10,600
Subtotal	\$87,200-	\$89,400-	\$ 92,000-
Special Projects During Fiscal Year	2015	2016	2017
Audit work related to Bond Issues: "Certificate of CPA"	\$2,500	\$2,500	\$2,500
Other Services (specify)	\$0	\$0	\$0
Subtotal	\$2,500-	\$ 2,500	\$ 2,500
Total	\$89,700-	\$91,900-	\$94,500-

2015 Cost Proposal Detail			
	# Hours	Hourly Rate	Total
Partners	60	\$235	\$14,100
Managers	100	\$180	\$18,000
Supervisory Staff	160	\$135	\$21,600
Staff	320	\$105	\$33,600
Other (support staff)	40	\$60	\$2,400
Subtotal	680	NA	\$ 89,700-

2016 Cost Proposal Detail			
	# Hours	Hourly Rate	Total
Partners	60	\$238	\$14,280
Managers	100	\$185	\$18,500
Supervisory Staff	160	\$138	\$22,080
Staff	320	\$108	\$34,560
Other (support staff)	40	\$62	\$2,480
Subtotal	680	NA	\$91,900-

2017 Cost Proposal Detail			
	# Hours	Hourly Rate	Total
Partners	60	\$243	\$14,580
Managers	100	\$188	\$18,800
Supervisory Staff	160	\$142	\$22,720
Staff	320	\$112	\$35,840
Other (support staff)	40	\$64	\$2,560
Subtotal	680	NA	\$94,500-

Proposer: **BKD, LLP**

Contact Person: Kevin Kemp, CPA

Date: May 28, 2015

An administrative fee of 4 percent 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 are included in the fees above. We do not anticipate, nor will you be billed for, travel costs. Our fees may increase if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen.

Our estimate of fees does not include any time that may be required to address a restatement of the previously audited financial statements. Accordingly, any such work will be billed based on our hourly rates.

FUTURE YEARS' FEES

Historically, BKD has seen professional fee increases of 2 to 4 percent annually. If there are significant changes in your operations or changes in accounting or auditing standards, we will meet with you to discuss how these changes will affect your fees.

HOURLY RATES

Any work outside the scope of this engagement will be priced at the above proposed hourly rates. Before any work outside the scope begins, a fee estimate will be provided.

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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, LLP

APPENDIX



EXCEPTIONS TO TERMS & CONDITIONS

Upon being selected as the successful bidder, BKD may require modification to the terms and conditions, as referenced in the RFP, to comply with professional standards and/or BKD's policies. As BKD has successfully resolved similar agreements with public sector entities, BKD is confident the parties can successfully negotiate mutually acceptable terms and conditions. BKD sincerely appreciates the City's consideration and understanding.

SAMPLE PROVIDED BY CLIENT LIST

City of McKinney, Texas			RECEIVED	PENDING
PBC List				
9/30/2015				
		CASH		
1	CASH	1 Cash confirmations for all bank accounts completed, signed and returned to BKD personnel to be mailed prior to 9/30 (confirmation forms will be provided).		
2	CASH	2 Requests for confirmation of collateral at 9/30 from all applicable financial institutions. (confirmation forms will be provided).		
3	CASH	3 Summary schedule of all cash balances at 9/30 by bank account and by fund.		
4	CASH	4 Cash reconciliations at 9/30 for all funds/accounts. Reconciliations should have a detail list of outstanding checks by check number. In addition, a detail list of all deposits in transit is required for each reconciliation.		
5	CASH	5 Schedule of all interfund and intrafund bank transfers \geq \$50,000 5 days before and 5 days after 9/30 for all cash and investment accounts.		
6	CASH	6 September 30 (year-end) bank statements for all accounts to include enclosures (check images will suffice if actual checks are not returned by the financial institute).		
7	CASH	7 October 1 (subsequent to year-end) bank statements for all accounts to include enclosures (check images will suffice if actual checks are not returned by the financial institute).		
		INVESTMENTS		
9	INVESTMENTS	1 Schedule of investments by fund at 9/30 by non-debt service and debt service . This schedule should include information for each investment by financial institute, cost, type of investment, CUSIP #, account #, date of purchase, maturity date and par value.		
10	INVESTMENTS	2 Summary schedule of cash equivalents, market adjustments and investments at 9/30.		
11	INVESTMENTS	3 Summary schedule of purchases and sales of all investments by account for the year that can be traced and agreed to investment statement. Schedule should include beginning balance, additions, deletions and ending balance at 9/30.		
12	INVESTMENTS	4 Summary schedule of investment income by account and fund for the year for all investments. Amount should agree to the trial balance and investment statement at year-end.		
13	INVESTMENTS	5 Summary schedule of accrued interest income for each investment at year-end.		
14	INVESTMENTS	6 Investment confirmations for all investment accounts completed, signed and returned to BKD personnel to be mailed prior to 9/30 (confirmation forms will be provided).		
15	INVESTMENTS	7 Requests for confirmation of collateral at 9/30 from all applicable financial institutions. (confirmation forms will be provide).		
16	INVESTMENTS	8 September 30 (year-end) investment statements for all investment accounts.		
17	INVESTMENTS	9 October 1 (subsequent to year-end) investment statements for all investment accounts.		
18	INVESTMENTS	10 Copies of all new agreements with financial institutions for the year.		
19	INVESTMENTS	11 Copy of all management investing policies for the year. (If these have not changed from prior year, indicate so.)		
20	INVESTMENTS	12 Comparison schedule of prior year investment income to current year investment income for all investments. Schedule should indicate the \$ change and % change and reason for significant fluctuations.		
		ACCOUNTS RECEIVABLE		
21	A/R	1 Detail list of all property taxes receivable by type and fund at 9/30. Schedule should include historical % of collections for property taxes vs. levied amounts for a minimum of 3 years.		
22	A/R	2 Schedule of original charge/assessment of property taxes for current year to be collected in subsequent year.		
23	A/R	3 Detail list of delinquent taxes by year levied. Schedule should include historical % collected for minimum of 3 years.		
24	A/R	4 Confirmation of property taxes completed, signed and returned to BKD personnel to be mailed prior to 9/30. (confirmation forms will be provided)		
25	A/R	5 List of current year collections of property taxes by year levied and should differentiate between current and delinquent collections. BKD will need to trace and agree these collections to deposit in the respective bank statements.		
26	A/R	6 List of all subsequent receipts on property taxes after year-end (property taxes relating to current fiscal year, but not collected until after year-end). List should include the amount and the necessary information to trace and agree to deposit in the respective bank statements. (All funds)		
27	A/R	7 Schedule of other tax collections at 9/30. Schedule should be by fund and include a list of all subsequent receipts.		
28	A/R	8 Detail list of accounts receivable for business licenses at 9/30. Schedule should include a list of subsequent receipts to be traced to the respective bank statements. Schedule should also differentiate between current and delinquent amounts.		
29	A/R	9 Balance of state turnback accounts receivable at 9/30.		

9/30/2015				
30	A/R	10	Detail Schedule of all other accounts receivable by type and fund at 9/30. Schedule should include a list of subsequent receipts to be traced to the respective bank statements.	
31	A/R	11	Detail list of any accounts receivable from any component unit of the City at 9/30 by account/fund.	
NOTES RECEIVABLE				
32	N/R	1	Summary roll-forward schedule of notes receivable at 9/30. Schedule should include borrower, loan date, loan amount, balance at 9/30/14, additions, deletions and balance at 9/30/15.	
33	N/R	2	Copies of all new note agreements.	
34	N/R	3	Estimate of notes receivable considered to be not collectible.	
INVENTORY				
35	INVENTORY	1	Inventory listing of all items held for resale or held for use at 9/30. Listing should include cost by fund and method of valuation.	
36	INVENTORY	2	Inventory listing by fund for all projects currently under construction and complete at 9/30.	
CAPITAL ASSETS				
37	CAPITAL ASSETS	1	Capital asset rollforward schedule for all capital assets at 9/30. Schedule should include beginning cost basis at 9/30/14, additions, deletions and ending cost basis at 9/30/15. Additions/deletions should be distinguished from transfers between funds. (to include landfill assets at year-end).	
38	CAPITAL ASSETS	2	Accumulated depreciation schedule for all capital assets at 9/30. Schedule should include beginning accumulated depreciation, additions (current year depreciation expense), deletions and ending accumulated depreciation balance at 9/30/15. (to include landfill depreciation for current year)	
39	CAPITAL ASSETS	3	Detailed property records for all capital assets. Records should include cost basis, estimated useful life, salvage value, method of depreciation and current year calculated depreciation.	
40	CAPITAL ASSETS	4	Detail listing of all capital assets purchased and disposed of during the current year. Disposal list should calculate gain or loss on disposal, if any. This list is subject to sampling; therefore, purchase invoices and proceeds on sale are subject to examination.	
41	CAPITAL ASSETS	5	Detail listing of all construction in progress (CIP) at 9/30. Schedule should include balance of CIP at 9/30/14, additions, deletions and ending balance of CIP at 9/30/15.	
42	CAPITAL ASSETS	6	Interest capitalization calculation at 9/30.	
43	CAPITAL ASSETS	7	Detail rollforward schedule of infrastructure assets at 9/30/15. Schedule should include beginning balance, additions, deletions and ending balance at 9/30/15. Schedule should also include construction in progress and distinguish between assets placed in service and deletions.	
44	CAPITAL ASSETS	8	Detail rollforward schedule of accumulated depreciation for infrastructure. Schedule should include beginning balance, additions, deletions and ending balance at 9/30/15.	
**	CAPITAL ASSETS		<u>ALL CAPITAL ASSETS SHOULD BE LISTED BY GOVERNMENTAL-TYPE AND BUSINESS-TYPE ASSETS (COST BASIS AND DEPRECIATION). IN ADDITION, DEPRECIATION SHOULD BE FURTHER CATEGORIZED BY FUNCTION.</u>	
INSURANCE				
45	INSURANCE	1	Schedule of insurance coverage for all insurance policies held by the City. Schedule should include type of coverage, coverage limits, deductible, any claims in excess of insured amounts, major changes during the current year and name of the insurer.	
46	INSURANCE	2	Information and limits on any reinsurance coverage.	
47	INSURANCE	3	Schedule of self-insured workers compensation estimated accrual at year-end. Schedule should include the summary reports on workers' compensation reserves.	
48	INSURANCE	4	Schedule of prepaid insurance and insurance expense by account/fund and type insurance. <i>All funds - post prepaid to each fund.</i>	
ACCOUNTS PAYABLE				
49	A/P	1	Check register or disbursement journal by fund for all checks/disbursements from the period of 10/1/15 through the end of field work.	
50	A/P	2	All detail of all accounts payable at 9/30 by account/fund.	
51	A/P	3	Have all open/unpaid invoices on hand for examination through the end of field work.	
LONG-TERM DEBT				
52	LTD	1	Copies of all new loan/debt agreements to include debt service payment schedules.	
53	LTD	2	Rollforward schedule for all general obligation and proprietary fund debt. Schedule should include the beginning balance, additions, deletions and ending balance at 9/30.	

9/30/2015			
54	LTD	3	Copies of all pay-off documentation for any debt defeased during the current year.
55	LTD	4	Copies of any new bond agreements issued during the current year to include debt service payment schedules.
56	LTD	5	Calculation of gain/loss on any bond refundings that occurred in current year. In addition, an economic gain/loss calculation should be prepared. (Investment firm handling the refunding usually performs this calculation)
57	LTD	6	Schedule of debt maturities and interest by debt issue for the next 5 years and 5 year increments starting the 6th year until date maturity.
58	LTD	7	All debt confirmations completed, signed and returned to BKD personnel prior to field work. (Confirmations will be provided).
59	LTD	8	Summary schedule of interest expense by debt issue and fund to include accrued interest portion at 9/30. (To include general obligation debt)
60	LTD	9	Summary schedule of amortization of bond discounts, bond premiums, issue costs and any gain/loss on debt refundings by issue and fund for year-end 9/30.
61	LTD	10	Provide copies of any arbitrage calculations performed during the current year.
62	LTD	11	Provide copies of any new capital leases during the current year.
**	LTD		<u>ALL DEBT SCHEDULES SHOULD BE LISTED BY GOVERNMENTAL-TYPE AND BUSINESS-TYPE ACTIVITIES</u>
			ACCRUED LIABILITIES
63	ACCRUED LIABILITIES	1	Summary schedule of compensated absences to include fringe benefits. This schedule should include the current and long-term portions by fund. In addition, the schedule should include the beginning balance, additions, deletions and ending balance at 9/30.
64	ACCRUED LIABILITIES	2	Copy of the compensated absences policy if changed in the current year.
65	ACCRUED LIABILITIES	3	Detailed reports to support the summary schedule of compensated absences. These reports should include personnel, number of hours sick/vacation accrued and rate of pay at 9/30.
66	ACCRUED LIABILITIES	4	Detail of accrued salaries payable by account/fund at 9/30.
67	ACCRUED LIABILITIES	5	Detail of all other accrued liabilities by account/fund at 9/30.
68	ACCRUED LIABILITIES	6	Calculation of any landfill post-closure costs at 9/30. Calculation should include current and long-term portions. In addition, schedule should include the beginning balance, additions, deletions and ending balance at 9/30.
69	ACCRUED LIABILITIES	7	Calculation of any post-employment benefits at 9/30.
70	ACCRUED LIABILITIES	8	Detail schedule of deferred revenue by fund at 9/30. The ability to trace and agree deferred revenue cash receipts received in the current year to the respective bank statements will be required. <i>After original charge.</i>
			FUND BALANCE/NET POSITION
71	FUND BALANCE	1	Detail schedule of fund balance/net position. Schedule should include prior year fund balance plus prior year net income/loss to calculate fund balance at year-end.
72	FUND BALANCE	2	Detail of any transactions effecting fund balance for current year. In addition, net position calculation by category as required by GASB 34.
73	FUND BALANCE	3	Detail list of all debt related to purchase of capital assets.
74	FUND BALANCE	4	Detail list of all restricted cash and investments.
75	FUND BALANCE	5	Detail list of all debt proceeds unspent.
			REVENUES/EXPENSES
76	REV/EXP	1	Detail of all miscellaneous revenue and expense accounts at 9/30.
78	REV/EXP	2	Detail for all legal expenses incurred during the current year. All legal invoices should also be available for review.
79	REV/EXP	3	Grant awards for all federal and state grant awards for current year.
80	REV/EXP	4	Schedule of federal and state awards as disclosed in annual report.
81	REV/EXP	5	Detail summary of all grant expenditures by grant and by fund for current year.
80	REV/EXP	6	Calculation of accounts receivable per grant per fund at 9/30.
82	REV/EXP	7	Detail list of subsequent grant receipts relating to current fiscal year. Amounts will be traced and agreed to respective bank statements for deposit.
83	REV/EXP	8	Detail summary of cash drawdowns during the current year. Amounts should include date of draw and date of deposit for tracing and agreeing to bank statement for deposit. <i>Will provide bank statements on ones they want to see.</i>
84	REV/EXP	9	Detail summary of program income earned during period.
85	REV/EXP	10	Detail summary of all match requirements and match monies made during current period for all grant awards.

9/30/2015			
86	REV/EXP	11	Detail summary of deferred grant funds at year-end.
87	REV/EXP	12	Detail summary of all advertising expense at year-end by fund.
88	REV/EXP	13	List of all new leases entered into during current year. List should include amount of lease. All lease agreements should be available for review upon selection.
			MAJOR FEDERAL PROGRAMS
89	MAJOR FED	1	All grant programs will be evaluated to determine if any grant programs are considered major under OMB A-133. Those programs determined to be major will be further tested. A list of required items will be submitted at that time.
90	MAJOR FED	2	All major programs will at a minimum require testing of capital assets purchased with federal funds. The following will be required.
91	MAJOR FED	3	Detail inventory listing for each grant program that has capital assets. Inventory listing should include all required elements as specified under OMB Circular A-133.
92	MAJOR FED	4	Detail list of all additions and deletions of capital assets purchased with federal funds.
93	MAJOR FED	5	All additions should have purchase invoices available for review.
			OTHER
95	OTHER	1	All control questionnaires submitted by BKD personnel. (To be provided prior to field work).
96	OTHER	2	Copies of all City Council Meeting minutes from 10/1 through the end of field work.
			CONVERSION TO GASB 34
97	GASB 34	1	Analysis of uncollectible accounts on all accounts receivable (current and delinquent)
98	GASB 34	2	All (full accrual - not modified accrual) accounts receivable calculated at gross (governmental funds).
99	GASB 34	3	Calculation of depreciation expense/accumulated depreciation (as if previously depreciated from inception to date) for all general capital assets not previously recorded.
100	GASB 34	4	Schedule of bond discounts, premiums, issue costs and gain/loss on refundings on all general obligation debt previously expensed in governmental funds. Schedule should include cost basis, amortization to date (as if amortized since inception) and current amortization.
101	GASB 34	5	Detail of general obligation debt payments expensed in governmental funds from inception to date.
102	GASB 34	6	Detail of interfund payables and receivables.
103	GASB 34	7	Schedule of the amount of sales to external parties within the internal service or other funds.
104	GASB 34	8	Net Position Calculation - Government - Wide
			OTHER REPORT ITEMS
105	OTHER REP	1	Calculation of GASB 34 collateralization of cash and investments.
106	OTHER REP	2	Actuarial valuation reports on all pension plans.
107	OTHER REP	3	Calculation of any excess claims over re-insurance amount with the last 3 years.
108	OTHER REP	4	Original and amended budgets for all major funds.
109	OTHER REP	5	Calculation of major/minor funds.
110	OTHER REP	6	Assessed and Appraised Value of Property Taxes
111	OTHER REP	7	Property Tax Rates and Tax Levies of Direct/Overlapping Debt.
112	OTHER REP	8	Ratio of Net General Bonded Debt to Assessed Value.
113	OTHER REP	9	Computation of Legal Debt Margin.
114	OTHER REP	10	Computation of Direct and Overlapping Bonded Debt.
115	OTHER REP	11	Demographic Statistics.
116	OTHER REP	12	Top Ten Tax Payers or Top Ten Employers
117	OTHER REP	13	Statistical information for the City
118	OTHER REP	14	Contributions/Payments to the Component Units
119	OTHER REP	15	Capital Assets by function
120	OTHER REP	16	Depreciation expense by function.
121	OTHER REP	17	General description of all component units and how related to the City. (if no changes from prior year, state no changes).
122	OTHER REP	18	Addresses of administrative offices of all component units. (If no changes from prior year, state no changes).
123	OTHER REP	19	Annual contributions for all pension plans by plan and fund.
124	OTHER REP	20	List of all conduit debt by type and amount.
125	OTHER REP	21	Any other statistical information desired by the City.

SAMPLE PROGRESS REPORT

City of McKinney, TX
 Status Meeting Agenda
 12/4/2015

City of McKinney, TX:

Rodney Rhoades Chief Financial Officer
 Financial Service Department

BKD Engagement Team:

David Coleman Partner
 Karen Kurtin Manager
 Rachel Ormsby Senior Associate II

I. Audit Open Items and Follow Up Questions (see attached PBC List)**II. Completed Items To Date****III. Action Items for Following Week****IV. Audit Adjustments to Date and Potential Passed Adjustments****V. Management Letter Comments and Discussion Topics****VI. Single Audit Status Update****VII. Projected Timeline****Date**

A. Drafts Provided to City McKinney, TX _____

B. Review Drafts with City of McKinney, TX _____

C. Final Report Delivery _____

D. Audit Committee Meeting _____

VIII. Suggestions for Next Year

AUTHORIZED SIGNER LETTER



910 E. St. Louis Street, Suite 400 // P.O. Box 1900 // Springfield, MO 65801-1900
417.831.7283 // fax 417.831.4763 // bkd.com

May 20, 2015

City of McKinney
Purchasing Department
P.O. Box 517
McKinney, TX 75070

Re: Request for Proposal ("RFP") for External Audit Services, Bid No. 15-55RFP

As BKD's professional practices partner, I confirm that Kevin Kemp, as a partner of the firm, is authorized to contractually bind BKD in accordance with Section 1.1 of the RFP.

Thank you for your consideration.

BKD, LLP

BY Steven B. Rafferty
Steven B. Rafferty, Professional Practices Partner

DATE 5/20/15



SIGNATURE PAGE

Bid No. 15-55RFP

**PROPOSAL FORM
SIGNATURE PAGE**

As permitted under Chapter 791 of the Texas Government Code, other governmental entities may wish to participate under the same terms and conditions contained in this contract (i.e. piggyback). In the event any other entity participates, all purchase orders will be issued directly from and shipped directly to the entity requiring supplies/services. The City of McKinney shall not be held responsible for any orders placed, deliveries made or payment for supplies/services ordered by another entity. Each entity reserves the right to determine their participation in this contract. Would proposer be willing to allow other governmental entities to piggyback off this contract, if awarded, under the same terms and conditions?

Yes _____ No X

This proposal shall remain in effect for ninety (90) days from opening and shall be exclusive of federal excise and state and local sales tax (exempt).

The undersigned agrees, if the best and final proposal is accepted, to furnish any and all items upon which prices are offered, at the price and upon the terms and conditions contained in the Request for Proposals, General Conditions, Terms of Contract, and Specifications and all other items made a part of the accepted contract.

The undersigned affirms that they are duly authorized to execute the contract, that this company, corporation, firm, partnership or individual has not prepared this proposal in collusion with any other proposer, and that the contents of this proposal as to prices, terms or conditions of said proposal have not been communicated by the undersigned nor by any employee or agent to any other proposer or to any other person(s) engaged in this type of business prior to the official opening of this proposal. And further, that neither the proposer nor their employees nor agents have been for the past six (6) months directly nor indirectly concerned in any pool or agreement or combination to control the price of goods or services on, nor to influence any person to propose or not to propose thereon.

BKD, LLP

Proposer (Entity Name)

14241 Dallas Parkway // Suite 1100

Street & Mailing Address

Dallas, TX 75254

City, State and Zip

972.702.8262

Telephone No.

kkemp@bkd.com

E-mail Address

May 28, 2015

Date Signed



+

Signature

Kevin Kemp, CPA+

Print Name of Signator

Partner

Title of Signator

972.702.0673

Fax No.

501.231.8682

Mobile No.

If not the same as above, indicate the city and state that your principal place of business is located: **BKD, LLP** is headquartered in Springfield, MO.

+ Subject to the negotiations stated in the Exceptions to Terms & Conditions page of this proposal.

AICPA PEER REVIEW LETTER



American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 10, 2014

Theodore D Dickman, CPA
BKD, LLP
910 E Saint Louis St Ste 400
Springfield, MO 65806

Dear Sir/Madam:

It is my pleasure to notify you that on October 31, 2014 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2017. 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.

Sincerely,

A handwritten signature in black ink that reads "Larry Gray". The signature is written in a cursive, flowing style.

Larry Gray
Chair, National Peer Review Committee
nprc@aicpa.org 919 402.4502

cc: Candace E Wright; L Douglas Bennett

Firm Number: 10002800

Review Number 361333

Letter ID: 937515

T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

BKD PEER REVIEW REPORT



A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

System Review Report

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, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (SOC 1).

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, 2014, 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*.

A handwritten signature in cursive script that reads 'Postlethwaite & Netterville'.

Baton Rouge, Louisiana
September 19, 2014

ACKNOWLEDGEMENT OF ADDENDA

ADDENDUM NO. 1

Professional Auditing Services
RFP No. 15-55RFP

ADDENDUM NO. 1
ISSUED
Tuesday, May 26, 2015

CITY OF MCKINNEY CONTACT

Abri Sterlacci, Contracts Administrator
1550 D South College Street
McKinney, Texas 75069
asterlac@mckinneytexas.org

Submittals will be accepted by mail or hand delivery no later than
2:00 PM CST, Thursday, May 28, 2015, to:

Lisa Littrell, Purchasing Manager
City of McKinney
1550D South College Street
P.O. Box 517
McKinney, Texas 75069

***PLEASE SUBMIT EIGHT (8) HARD COPIES OF YOUR SUBMITTAL,
ONE ORIGINAL AND SEVEN COPIES, AS WELL AS ONE ELECTRONIC
COPY ON CD/DVD/USB IN PDF FORMAT.***

***ANY SUBMITTAL RECEIVED WITHOUT THE EIGHT (8) HARD COPIES AND
ONE (1) ELECTRONIC COPY WILL BE CONSIDERED NONRESPONSIVE.***

RECEIPT OF ADDENDUM NO. 1 MUST BE ACKNOWLEDGED IN BID

**RFP NO. 15-55RFP
ADDENDUM NO. 1**

This Addendum is hereby made a part of the Request for Proposals documents to the same extent as if it were originally included therein. The following clarifications shall be made to the Request for Proposals and shall become a part of, and attached to, the Request for Proposals documents.

This Addendum is issued in response to questions received from prospective responders.

1. **Question:** What were the fees paid to the auditor in the prior year?

Answer: Approximately \$105,000.

2. **Question:** How many auditors are in the field for final fieldwork and for how many weeks?

Answer:

- a. This is dependent on the experience of the audit staff. McKinney expects the firm to dedicate the necessary resources to meet our critical dates.
- b. Also see Q&A #15.

3. **Question:** Do you have any system implementation plans for 2015 – 2019?

Answer:

- a. The City implemented Total FBO as its Airport Fixed Base Operations subsidiary ledger in FY2015.
- b. Currently, the City is undergoing an implementation of a new Land Management System, which acts as the subsidiary ledger for Engineering, Planning, Permits, Code Enforcement, and Business Licenses. This scheduled implementation is FY2016.
- c. The City is contemplating the solicitation for a new Enterprise Resource Planning (ERP) system to include the primary accounting/general ledger system. This decision has not been made and we currently do not foresee a “go-live” implementation before FY2019.
- d. There are no plans to replace any of the other subsidiary ledger applications currently in place.

4. **Question:** Have you had any management letter comments in the last year?

Answer: No management letter was issued in FY2014.

5. Question: How many and what was the nature of any audit adjustments you have for 2014?

Answer: No passed adjustments or significant audit adjustments from the auditors in FY2014.

6. Question: Is the rotation mandatory?

Answer: Please refer to section 4.1 of the RFP. Rotation of audit staffing would be at the City's discretion.

7. Question: How long has the incumbent auditor been in place?

Answer: Since 2005.

8. Question: What is the reason you are asking for proposals?

Answer: Changes in City Purchasing Policy, transparency, and market value.

9. Question: Have you had turnover in the finance department in the last 2 years?

Answer:

- a. 1 Accounting Technician in Sep. 2014 – promoted to Purchasing Department.
- b. 1 Sr. Budget Analyst in Nov. 2013 – promoted to another City.

10. Question: What prompted the City to issue RFP for audit services this year?

Answer: See Q&A #8.

11. Question: Will the incumbent auditor be allowed to propose on this RFP or has a decision been made for a change in auditors?

Answer: Yes, the incumbent auditor will be allowed to propose on this RFP.

12. Question: Has the City undergone any significant changes or activities since the last audit (such as a change in operations, issuance of bonds, and turnover in key finance or accounting personnel or new financial transactions)?

Answer:

- a. There will be GO & REV bond issuances in June 2015.
- b. Turnover – see Q&A #9.

- c. New financial transactions – The City anticipates the addition of a Fleet Internal Service Fund in FY2016.

13. Question: Do you anticipate any significant increase or decrease in the level of Federal grants in the upcoming fiscal year?

Answer: No.

14. Question: Does the City receive state awards? If yes, then is it anticipated that a single audit for state awards expenditures will also be required in addition to the single audit for Federal awards expenditures?

Answer: Yes – State single audit has not been required in the past.

15. Question: How many auditors were onsite in the past and for how many weeks? Please provide information separately for both interim and final phases of the audit.

Answer:

- a. Interim - 2-3 auditors for approximately 1-2 weeks.
- b. Audit - 2-3 Auditors for 4-6 weeks.

16. Question: What were the approximate audit fees in the prior 3 years?

Answer: \$105,000-\$110,000 annually.

17. Question: How many audit presentations will be needed and to whom?

Answer:

- a. 2 Audit Committee Meetings – post-interim/pre-audit and final before presentation to City Council.
- b. 1 City Council Meeting – final audit, CAFR presentation.

18. Question: How many audit adjustments were made in the previous fiscal year that was proposed by external auditors?

Answer: None.

19. Question: How many closing journal entries were made once the final trial balance was provided to the external auditors?

Answer: Approximately 25-30.

20. Question: Was a management letter issued for the previous year? If yes, then please provide a copy.

Answer: See Q&A #4

END OF ADDENDUM NO. 1

Addendum 1 Date Received: May 26, 2015

BKD FIRM PROFILE

experience **insight** // **BKD, LLP**, a national CPA and advisory firm, can help individuals and businesses realize their goals. Our dedicated professionals offer audit, tax and consulting services to clients in all 50 states and internationally. BKD and its subsidiaries combine the insight and ideas of multiple disciplines to provide solutions in a wide range of industries.

ABOUT BKD



CLIENT SERVICE

The **BKD Experience** is a commitment to unmatched client service that is shared by CPAs, advisors and dedicated staff members who take your business personally. We are so dedicated to the idea that we wrote a book—**The BKD Experience: Unmatched Client Service**.



INTERNATIONAL SOLUTIONS

BKD is the largest North American member of Praxity, AISBL*, a global alliance of independent firms serving clients in more than 95 countries. We offer multinational clients a gateway to the global marketplace with services delivered by alliance firms committed to the highest standards required in international business.



PROFESSIONAL AFFILIATIONS

BKD is a member of the American Institute of CPAs and its three quality centers: Center for Audit Quality, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

BKD is registered with the Public Company Accounting Oversight Board, which is required to serve as an independent auditor of public companies. BKD audits approximately 80 U.S. Securities and Exchange Commission registrants, including approximately 30 benefit plans.



MISSION STATEMENT

The mission of BKD is to always strive for excellence in providing services to clients, create rewarding career opportunities and maintain sound professional, business and financial standards.



QUICK FACTS

- **Clients:** Individuals and private and publicly traded businesses in the health care, manufacturing, distribution, financial services, construction and real estate industries, as well as not-for-profit and governmental entities
- **Total Personnel:** Approximately 2,250
- **Partners & Principals:** Approximately 260
- **Net Revenues:** \$475 million
- **Fiscal Year-End:** May 31
- **Founded:** 1923
- **Locations:** 34 offices serving clients in all 50 states and internationally

*Praxity, AISBL is a global alliance of independent firms. Organised as an international not-for-profit entity under Belgium law, Praxity has its executive office in Epsom. Praxity – Global Alliance Limited is a not-for-profit company registered in England and Wales, limited by guarantee, and has its registered office in England. As an Alliance, Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The Alliance does not constitute a joint venture, partnership or network between participating firms. Because the Alliance firms are independent, Praxity does not guarantee the services or the quality of services provided by participating firms.

BKD SERVICES

Audit & Assurance

Tax

Business Succession Planning

Employee Benefit Plans

Forensics & Valuation Consulting

Information Technology

Risk Management

State, Local & International Tax

Wealth Management

And more

COMMITMENT TO PROFESSIONAL DEVELOPMENT

BKD is committed to creating rewarding careers and equipping our professionals with the tools they need to serve our clients. We take professional growth and development seriously and offer numerous programs and trainings so we are prepared to help meet your professional service needs.



AWARD-WINNING TRAINING

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. In 2014, BKD earned the distinction of *Training* magazine's Training Top 125 and earned the distinction again, in 2015, ranking among the top 60. In 2014, BKD also earned the *Chief Learning Officer* magazine's LearningElite award.



PROGRESSIVE PROGRAMS & INITIATIVES

BKD is dedicated to creating and implementing programs and initiatives to help our professionals achieve their full potential. Programs include SKY, a firmwide initiative to emphasize and strengthen diversity in our firm. SKY focuses on recruiting, retaining and developing women for the sustainable growth of BKD. Through the collaboration of men and women, BKD aims to foster a culture that recognizes and supports maximizing the potential of all.



REWARDING CAREERS

As part of a recent employee engagement survey, BKD employees ranked us within the 90th percentile of professional services companies, indicating they find BKD to be an exemplary platform from which to serve clients.

BKD PRIDE VALUES

WHAT'S IMPORTANT TO YOU? // A commitment to excellence? Independence and objectivity? A broad skill set? Exceeding expectations? At BKD, these are all essential. That's why every day you can see our partners and employees "living the PRIDE." These values—passion, respect, integrity, discipline and excellence—are the hallmarks of BKD and guide us as we provide solutions for your business and financial needs. Experience what BKD PRIDE values can mean for you.



P

PASSION

- For service to others
- For making tomorrow better than today

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

R

RESPECT

- For the differences that make our team strong
- For our legacy and the benefits of change

Experience how our respect for diversity can provide a variety of skills and talents to meet your needs. Respecting the lessons of our legacy and yours, we can help you capitalize on the opportunities change inevitably offers.

I

INTEGRITY

- To do the right thing
- To be objective and independent

Experience how our integrity and objectivity can help you make smart business decisions. You want an advisor to tell you what you need to know, not just what you want to hear.

D

DISCIPLINE

- In process and innovation
- To balance professional and personal commitments

Experience how our well-established protocols and low-risk approaches can help resolve issues and advance your goals.

E

EXCELLENCE

- In skills and competencies
- In our quest to be the best

Experience how our ambition, knowledge, commitment to lifelong learning and drive to improve technical and analytical skills can work to consistently surpass your expectations.

BKD

BKD THOUGHTWARE

BKD's expertise spans a wide variety of industries and subjects, and our professionals share their knowledge in print, online and in person to help advance your organization. Use the QR code below to sign up for **BKD Thoughtware®** emails.



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