

**AGENDA MEMO**  
**BUSINESS OF THE CITY COUNCIL**  
**CITY OF FULSHEAR, TEXAS**

<b>AGENDA OF:</b>	July 16, 2019	<b>AGENDA ITEM:</b>	BUS- B
<b>DATE SUBMITTED:</b>	July 3, 2019	<b>DEPARTMENT</b>	Public Works
<b>PREPARED BY:</b>	Sharon Valiante Director of Public Works	<b>PRESENTER:</b>	Sharon Valiante, Director of Public Works
<b>SUBJECT:</b>	<b>CONSIDERATION AND POSSIBLE ACTION TO APPROVE ORDINANCE 2019-1301 PROVIDING FOR AUTHORIZATION OF CITY STAFF TO INSTALL CERTAIN TRAFFIC CONTROL DEVICES</b>		
<b>ATTACHMENTS:</b>	1. Ordinance 2019-1301		
<b>EXPENDITURE REQUIRED:</b>	N/A		
<b>AMOUNT BUDGETED:</b>	N/A		
<b>FUNDING ACCOUNT:</b>	N/A		
<b>ADDITIONAL APPROPRIATION REQUIRED:</b>	N/A		
<b>FUNDING ACCOUNT:</b>			

**EXECUTIVE SUMMARY**

As the City grows and adds additional street networks to its community, more and more traffic control devices will be necessary to manage and maintain an appropriate level of traffic safety that will provide the traveling public with a clear and appropriate expectation of what will be reasonably enforced by law enforcement.

The decision to install a traffic control device is usually made on the basis of an engineering study/evaluation. They generally must meet warrants outlined in Texas Manual of Uniform Traffic Control Devices and the engineering judgment by a Traffic Engineer. To be effective and safe, traffic control depends on the appropriate application of traffic control devices and reasonable law enforcement.

It is not uncommon for small cities to begin the process of installation of traffic control devices with City Council consideration and approval. However, as small cities begin and continue to grow and experience the need to continually install multiple traffic control devices, typically all at once, it becomes an inefficient process to present each device to City Council for consideration and approval to direct city staff to install certain traffic control devices. Those devices would include crosswalks, traffic lanes and pavement markings, prohibited turn or lane uses, stop signs, yield signs, and through street designations, parking, stopping and standing restrictions, loading zones and all other traffic control devices allowed pursuant to the V.T.C.A. Texas Transportation Code and other applicable authority. There are exceptions that should stay with City Council for consideration and approval. Those exceptions are speed limits, school zones and related reduced speed limits, and one-way streets.

To provide City staff authority to install certain traffic control devices, Chapter 38 – Traffic and Vehicles needs to be amended, specifically: Chapter 38 Article II., Sec. 38-45, Sec. 38-63, Sec. 38-95, and Sec. 38-123 of the Code of Ordinances of the City of Fulshear, Texas should be repealed and replaced as outlined in the proposed Ordinance 2019-1301.

## **RECOMMENDATION**

Staff recommends council approve Ordinance 2019-1301, granting staff authority to install certain traffic control devices, with the exception of speed limits, school zones and one-way streets as outlined in the ordinance.

**ORDINANCE NO. 2019-1301**

**AN ORDINANCE OF THE CITY OF FULSHEAR, TEXAS, REPEALING AND REPLACING CITY CODE SECTION 38-45, RESERVED; SECTION 38-63, AUTHORIZATION TO ERECT SIGNS; SECTION 38-95 INSTALLATION OF TRAFFIC CONTROL DEVICES; AND SECTION 38-123, NO PARKING ZONE SIGNS; CONTAINED IN CITY CODE CHAPTER 38 “TRAFFIC AND VEHICLES”, ARTICLE II. “OPERATION OF VEHICLES”, TO GRANT CITY STAFF THE AUTHORITY TO INSTALL CERTAIN TRAFFIC CONTROL DEVICES; PROVIDING A PENALTY; PROVIDING FOR REPEAL; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, pursuant to Texas Local Government Code Chapter 51, the City Council may adopt, publish, amend or repeal an ordinance, rule, or police regulation that is for the good government, peace, and order of the municipality; and

**WHEREAS**, the City Council believes granting city staff the authority to install certain traffic control devices will promote the good government, peace, and order of the municipality.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FULSHEAR, TEXAS:**

**Section 1.** That the facts found in the preamble of this Ordinance are true and correct and incorporated herein for all purposes

**Section 2.** Chapter 38 Article II., Sec. 38-45, Sec. 38-63, Sec. 38-95, and Sec. 38-123 of the Code of Ordinances of the City of Fulshear, Texas are hereby repealed and replaced as follows:

“CHAPTER 38 – TRAFFIC AND VEHICLES

...

ARTICLE II. - OPERATION OF VEHICLES

**Sec. 38-45. – Power and duties of City Manager or designee.**

(a) *Generally.* The City Manager or designee shall have the general responsibility and authority to determine the proper installation, placement, timing, maintenance, and removal of traffic control devices, to conduct engineering analyses of traffic accidents and to devise remedial measures, to conduct engineering investigations of traffic

conditions, to plan the operation of traffic on the streets and highways of the city, to cooperate with other officials in the development of ways and means to improve traffic conditions, and to carry out the additional powers and duties imposed by this Code or other ordinances of the city. When exercising the power and duties granted under this chapter, the City Manager or designee shall utilize traffic studies and engineering studies performed by an engineer, or perform traffic studies and engineering studies under the supervision of an engineer, through the application of procedures and criteria established by the engineer when such studies are required by state law.

*(b) Authority to make additional regulations; testing of traffic control devices.*

(1) The City Manager or designee is hereby empowered to make regulations necessary to make effective the provisions of this chapter and other traffic ordinances of the city and to make and enforce temporary or experimental regulations to cover emergencies or special conditions. Any such temporary or experimental regulation shall remain in effect only while such emergency or special condition merits continuation.

(2) The City Manager or designee may test traffic control devices under actual conditions of traffic.

*(c) Basis for actions by City Manager or designee.* Wherever in this chapter the authority is given to the City Manager or designee to do acts as he deems or in his opinion are advisable or necessary or desirable, such acts shall be based on his observations and studies, according to generally used and accepted traffic control principles or techniques.

### **Sec. 38-63. – Authorization to erect signs.**

The City Manager or designee is hereby authorized and directed to erect or cause to be erected appropriate signs giving notice of the maximum prima facie speed limit established in section 38-61.

### **Sec. 38-95. – Installation of traffic control devices.**

(a) The installation of the following traffic control devices shall require approval from the city council by ordinance:

(1) Speed limits;

(2) School zones; and

(3) One-way streets.

(b) The City Manager or designee shall have the authority to install the following traffic control devices:

(1) Crosswalks;

(2) Traffic lanes and pavement markings;

(3) Prohibited turns or lane uses;

(4) Stop signs, yield signs, and through-street designations;

(5) Parking, stopping and standing restrictions delegated to the City Manager or designee as set forth under this chapter;

(6) Loading zones; and

(7) All other traffic control devices as allowed pursuant to the V.T.C.A, Texas Transportation Code and other applicable authority and where authority to install is not specifically delegated to city council in subsection (a) of this section.

(c) City council reserves the right to consider, on its own initiative, the installation of any traffic control device.

**Sec. 38-123. – . No parking zone signs.**

The city council directs the City Manager or designee to have installed official traffic control devices giving notice of such “No Parking—Tow Away Zone” signs.”

**Section 3. *Repeal.*** Any ordinance or any part of an ordinance in conflict herewith shall be and is hereby repealed only to the extent of such conflict.

**Section 4. *Severability.*** In the event any clause, phrase, provision, sentence or part of this Ordinance or the application of the same to any person or circumstances shall for any reason be adjudged invalid or held unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this Ordinance as a whole or any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of the City of Fulshear, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any part thus declared to be invalid or unconstitutional, or whether there be one or more parts.

**Section 5. *Effective date.*** This Ordinance shall be effective after being passed and published as required by law.

PASSED, APPROVED and ADOPTED on the 16th day of JULY, 2019.

\_\_\_\_\_  
Aaron Groff, Mayor

ATTEST:

\_\_\_\_\_  
Kimberly Kopecky, City Secretary

**AGENDA MEMO**  
**BUSINESS OF THE CITY COUNCIL**  
**CITY OF FULSHEAR, TEXAS**

<b>AGENDA OF:</b>	July 16, 2019	<b>AGENDA ITEM:</b>	BUS- C
<b>DATE SUBMITTED:</b>	June 24, 2019	<b>DEPARTMENT</b>	Finance
<b>PREPARED BY:</b>	E. Tureau, Finance Mgr, A. Fritz, Eco. Dev. Dir. & W. Vela, CFO	<b>PRESENTER:</b>	Wes Vela
<b>SUBJECT:</b>	<b>Consideration and Authorization – Award of Professional Services for Audit Services</b>		
<b>ATTACHMENTS:</b>	Engagement Letter – Belt Harris Pechacek, LLLP		
<b>EXPENDITURE EXPECTED:</b>	\$39,995		
<b>AMOUNT BUDGETED:</b>	\$49,000		
<b>FUNDING ACCOUNT:</b>	100-5-160-5411-09		
<b>ADDITIONAL APPROPRIATION REQUIRED:</b>	No		
<b>FUNDING ACCOUNT:</b>	N/A		

**EXECUTIVE SUMMARY**

The City’s current audit firm agreement expired with the completion of the FY2018 Comprehensive Financial Audit Report. Finance staff prepared an Request For Proposal for Audit Services for the next year and four(4) renewable years. The Notice for Solicitation was placed in the City’s locally approved newspaper for two consecutive weeks and responses were due on June 11, 2019 at 2:00 p.m.

The City received five (5) responses which included each of the firms qualifications and a separate pricing envelope. Our evaluators of these proposals were Erin Tureau, Finance Manager, Angela Fritz, Economic Development Director and Wes Vela, Chief Finance Officer. The proposals were evaluated by each of the above according to the stated factors of: Independence; License to Practice; Firm Qualifications & Experience; Partner, Supervisory & Staff Qualifications & Experience; References; Methodology and Audit Approach; Identification of Anticipated Potential Audit Problems; and Report Format. The evaluators marks were totaled and averaged providing for the selection of two firms with the highest marks. In order to make the final selection we opened the corresponding firms pricing envelopes which determined Belt, Harris and Pechacek, LLLP, had the best price for the Financial Statement Audit-CAFR as follows:

<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
\$39,995	\$41,095	\$42,225	\$43,386	\$44,479

The other high score firm pricing was:

<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
\$48,375	\$49,343	\$50,330	\$51,337	52,364

**RECOMMENDATION**

Staff recommends that City Council approve the Engagement Letter with Belt Harris Pechacek, LLLP, as attached, to perform audit services for the City of Fulshear.





## Engagement Letter

June 11, 2019

The Honorable Aaron Groff, Mayor  
City of Fulshear, Texas  
30603 FM 193  
Fulshear, Texas 77441

We are pleased to confirm our understanding of the services we are to provide for the City of Fulshear (the "City") for the year ended September 30, 2019, with the option of renewing for each of the four subsequent fiscal years.

### Audit Services

We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City as of and for the year ended September 30, 2019, with the option of renewing for each of the four subsequent fiscal years.

The component units will be audited as part of the audit of the financial statements of the City as noted below:

1. Fulshear Development Corporation: Discretely Presented, No Separate Financial Statements
2. The City of Fulshear Development Corporation: Discretely Presented, No Separate Financial Statements

### Limited Procedures

Accounting standards generally accepted in the United States of America provide for certain Required Supplementary Information (RSI), such as Management's Discussion and Analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles (GAAP) and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedule(s)
3. Pension Liability and Contribution Schedule(s)
4. OPEB Liability and Contribution Schedule(s)

### **In Relation Opinion**

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditors' report on the financial statements:

1. Combining Statement(s) and Schedule(s)

### **Unaudited Information**

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on that other information:

1. Introductory Section
2. Statistical Section

### **Nonaudit Services**

In connection with the engagement, we will perform services unrelated to our attest function. The additional services we will provide include:

1. **Preparation of Documents**

We will assist in preparing the financial statements and related notes of the City in conformity with GAAP based on information provided by the City.

2. **Advisory Services**

We will provide routine advisory services through phone calls, conferences, or otherwise, in connection with incidental matters arising during the year. We encourage open lines of communication throughout the year as part of our services.

3. **Correspondence**

We will handle all normal correspondence from grantor, regulatory, or oversight agencies related to the audit.

4. **Professional Proofing**

To ensure documents issued in connection with the audit engagement are professional in appearance, we will submit both client-prepared information, as well as documents created entirely by the auditor, to an independent professional proofreader for a cover-to-cover inspection. This review will include consistent formatting, grammar, logic, and any other items that may detract from the document. This process is over and above technical reviews performed.

5. **Printing and Binding**

All final hard copy documents will be printed on a 1200 dpi or better resolution copier and bright white report paper. Reports will be bound with GBC-brand plastic combs with 30 mil oversized covers. We will manually inspect each page from one document and spot check remaining reports for printing errors. Our reports will be centered, properly aligned, and free of smudges and other detracting elements.

6. **Electronic Adobe Searchable PDF**

In addition to providing hard copy documents, we will also provide all final documents in electronic image files in Adobe PDF format, suitable for posting in electronic agenda packages, posting on websites, or transmitting by email to regulatory agencies.

7. **Client Portal - Auditbox**

We will provide the City access to our proprietary AuditBox online site to provide a central repository where both the City's personnel and audit team members can see documents being exchanged during the process to eliminate duplicate requests from audit team members. Both the City's documents, as well as final audit documents, will be hosted on the site providing an archive of information that new personnel may access in subsequent years, if information is needed regarding what was provided for a prior year

audit or a copy of audit documents issued.

### **Other Services**

We will also assist in preparing the financial statements of the City in conformity with GAAP based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with GAAP.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with GAAP and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such

opinions. We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to management and members of the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

#### **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

#### **Audit Procedures-Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

#### **Audit Procedures-Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

Fees for our services are based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs such as report production, word processing, postage, etc. Our standard hourly rates vary

according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Items that likely will increase the fee estimate include:

1. Assistance with addressing matters that were designated as management responsibility, which include closing schedules and closing entries.
2. Submission of audit data within 60 days of a client requested completion date or filing deadline, requiring overtime hours to meet the deadline.
3. Changes to accounting pronouncements, professional standards, laws, and regulations not known to us as of the date of this letter that have a significant impact on time requirements.
4. Changes in the operations and significant matters that materially change the audit scope such as evaluation of the impact of joint ventures, debt issuance/refunding/advance extinguishment, forbearance agreements, notice of material events, enforcement actions, required corrective actions, self-insurance, environmental liabilities, going concern, and/or other postemployment benefits.
5. Significant increases in State or Federal funding requiring State and/or Federal Single Audits and/or increases to the number of grants classified as major programs by the Office of Management and Budget (OMB) or state requirements.
6. Follow up on allegations or discovery of a) noncompliance with laws, regulations, and policies; b) fraud, waste, and abuse; c) significant deficiencies in internal control; d) nepotism; and e) related party transactions.

As customary in the industry, the price quoted is an estimate. In accordance with rules of the State Board of Public Accountancy, we cannot be bound to provide the audit for the amount estimated. However, in practice, we honor our fee quotes unless adverse conditions such as those described above are encountered.

**Fee Estimates**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Financial Statement Audit -CAFR	\$ 39,995	\$ 41,095	\$ 42,225	\$ 43,386	\$ 44,579

**Non-Single Audit Engagement**

A federal single audit is required by the OMB's Uniform Guidance when federal funds over \$750,000 are expended. Federal single audit fees vary based on the number of major programs as defined by OMB. The additional technical verbiage that is necessary when a federal single audit is required is not included within this engagement letter, nor does the proposed engagement fee include additional fees related to a federal single audit.

A state single audit is required when grant funds that originated from the State of Texas (this does not include federal monies passed through the State) over \$750,000 are expended. State single audit fees vary based on the number of major programs as defined by the *State of Texas Single Audit Circular*. The additional technical verbiage that is necessary when a state single audit is required is not included within this engagement letter, nor does the proposed engagement fee include additional fees related to a state single audit.

Should you exceed the federal and/or state single audit thresholds, a new engagement letter will be required.

**Billing Protocol**

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Generally, 40 percent will be billed and payable upon completion of interim audit procedures (normally one to four months before year end) and 60 percent after a draft of the financial statements is issued. Accordingly, the fee will be split 40/60 between budget years. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all

time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

#### **Foreign Terrorists Organizations**

Pursuant to Chapter 2252, Texas Government Code, we represent and certify that, at the time of execution of this letter, neither we nor any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the same (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code or Subchapter F of Chapter 2252 of the Texas Government Code or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term 'foreign terrorist organization' in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

#### **Vendor Representation Regarding Israel**

Pursuant to Chapter 2270, Texas Government Code, we represent that we do not boycott Israel and will not boycott Israel during the term of the contract. The term 'boycott Israel' shall have the meaning ascribed to this term in Section 808.001 of the Texas Government Code.

#### **Required Non-Appropriation Clause**

Notwithstanding anything contained in this engagement to the contrary, in the event no funds or insufficient funds are appropriated and budgeted or are otherwise unavailable in any fiscal period for fees due under this engagement agreement, the City will immediately notify us in writing of such occurrence and this agreement shall terminate on the last day of the fiscal period for which appropriations have been received or made.

**Authorization of CPA's Disclosure**

Any client certified public accountant involved with assisting us shall not be prohibited from disclosure of information required to be made available by the standards of the public accounting profession in reporting on the examination of financial statements. Management understands and provides permission to staff certificate or registration holders as required under the Rules of Professional Conduct, Texas Administrative Code, Title 22, Part 22, Chapter 501, Subchapter C, Section 501.75.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

**Belt Harris Pechacek, LLLP**  
*Certified Public Accountants*

Authorized by:



Robert Belt, CPA, CGMA  
Managing Partner

RESPONSE:

This letter correctly sets forth the understanding of City of Fulshear.

\_\_\_\_\_  
The Honorable Aaron Groff, Mayor

\_\_\_\_\_  
Date

# BUMGARDNERMORRISON

CPAs • Tax • Audit & Accounting

## *Empowering Peace of Mind* Report on the Firm's System of Quality Control

To the Partners of Belt Harris Pechacek, LLLP  
And the Peer Review Committee of the Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Belt Harris Pechacek, LLLP (the firm) in effect for the year ended June 30, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

### **Firm's Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### **Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act;

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

### **Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of Belt Harris Pechacek, LLLP in effect for the year ended June 30, 2018, 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*. Belt Harris Pechacek, LLLP has received a peer review rating of *pass*.



BUMGARDNER, MORRISON & COMPANY, LLP  
December 14, 2018

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Bumgardner, Morrison & Company, LLP  
Certified Public Accountants

Members: American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Private Companies Practice Section  
AICPA Employee Benefit Plan Audit Quality Center  
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