

RESOLUTION NO. 19-001

**A RESOLUTION OF THE ARBORS OF ROCKWOOD
COMMUNITY IMPROVEMENT DISTRICT APPROVING THE
SELECTION OF WADE STABLES P.C. AS AUDITOR OF THE
DISTRICT FOR THE FISCAL YEARS ENDING JUNE 30, 2019,
2022 AND 2025; AND AUTHORIZING CERTAIN ACTIONS IN
CONNECTION THEREWITH**

WHEREAS, pursuant to the Community Improvement District Act, Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri, as amended and Ordinance 2394 adopted by the Board of Aldermen of the City of Eureka, Missouri on October 16, 2016, The Arbors of Rockwood Community Improvement District (the "*District*") was formed as a political subdivision of the State of Missouri; and

WHEREAS, the District sent a request for proposals for professional auditing services to seven certified public accounting firms to serve as auditor of the District for the fiscal years ending June 30, 2019, 2022, and 2025; and

WHEREAS, the Board of Directors of the District hereby finds that it is in the best interest of the District to engage Wade Stables P.C. as auditor of the District for the fiscal years ending June 30, 2019, 2022, and 2025.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ARBORS OF ROCKWOOD COMMUNITY IMPROVEMENT DISTRICT, AS FOLLOWS:

Section 1. Approval of Auditor. The Board of Directors of the District hereby approves the selection of Wade Stables P.C. as auditor of the District for the fiscal years ending June 30, 2019, 2022 and 2025, pursuant to the terms of the proposal of said auditor set forth on **Exhibit A**, attached hereto and incorporated herein by reference (the "*Proposal*").

Section 2. District Officers to Execute Resolution. The Chair or Vice Chair of the Board of Directors of the District is hereby authorized and directed to execute this Resolution for and on behalf of and as the act and deed of the District and the Secretary or Assistant Secretary of the District is hereby authorized and directed to attest to this Resolution.

Section 3. Further Authority. All actions heretofore taken by the authorized officials, officers, representatives, agents and employees of the District in connection with the transactions contemplated by this Resolution are hereby confirmed and approved, and the District shall, and the officials, officers, representatives, agents and employees of the District are hereby authorized and directed to, take such further action, and execute and deliver such other documents and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution and the Proposal.

Section 4. Severability. The sections, paragraphs, sentences, clauses and phrases of this Resolution shall be severable. In the event that any such section, paragraph, sentence, clause or phrase of this Resolution is found by a court of competent jurisdiction to be invalid, the remaining portions of this Resolution are valid, unless the court finds the valid portions of this Resolution are so essential to and inseparably connected with and dependent upon the void portion that it cannot be presumed that the District has enacted the valid portions without the void ones, or unless the court finds that the valid portions, standing alone, are incomplete and are incapable of being executed in accordance with the legislative intent.

Section 5. Governing Law. This Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

Section 6. Effective Date. This Resolution shall be in full force and effect from and after its adoption by the Board of Directors of the District.

Passed this 6th day of June, 2019.

I, the undersigned, Chair of The Arbors of Rockwood Community Improvement District, hereby certify that the foregoing Resolution was duly adopted by the Board of Directors of the District at a meeting held, after proper notice, on June 6, 2019.



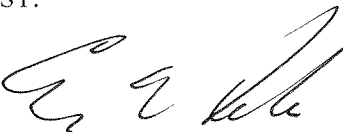
**THE ARBORS OF ROCKWOOD
COMMUNITY IMPROVEMENT DISTRICT**



Chair, Board of Directors

WITNESS my hand and official seal this 6th day of June, 2019.

ATTEST:



Secretary, Board of Directors

EXHIBIT A

AUDITOR'S PROPOSAL

(Attached hereto.)

Audit Proposal for the

Arbors of Rockwood Community Improvement District

Contact Person:

Scott Straub, CPA

Wade Stables P.C.

327 Sonderen

O'Fallon, MO 63366

(636) 272-4159

sstraub@wadestables.com

Transmittal Letter

Development Dynamics
Attn: Sarah Phillips
Arbors of Rockwood Community Improvement District

Board of Directors:

On behalf of Wade Stables P.C., I am most pleased to present our proposal to serve as independent accountants for the Arbors of Rockwood Community Improvement District for the years ending June 30, 2019, 2022 and 2025.

We understand that the scope of the services that are to be provided are as follows:

1. An audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. We understand that the District is required to have an audit in accordance with the standards for financial audits set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
2. As a result of this audit, we contemplate the issuance of the following reports:
 - a) An opinion as to whether 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 (which collectively comprise the District's basic financial statements) present fairly, in all material respects, the respective financial position and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.
 - b) A report regarding assertions made in management's discussion and analysis including procedures we performed in relation to the required supplemental information, however we will not issue an opinion on management's discussion and analysis.
 - c) An opinion as to whether other required supplemental information and other supplemental information are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We will not express an opinion on statistical tables presented in conjunction with the financial statements.
 - d) A Letter to Management, summarizing non-reportable conditions found during the course of the audit.
 - e) A written report, when applicable of any fraud or other illegal acts discovered during the course of the audit.

Audit Proposal for the Arbors of Rockwood Community Improvement District

Transmittal Letter (Concluded)

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3. We will assure ourselves that the Transportation Development District Board of Directors is informed of each of the following:
 - a) The auditor's responsibility under generally accepted auditing standards
 - b) Significant accounting policies
 - c) Management judgments and accounting estimates
 - d) Significant audit adjustments
 - e) Other information in documents containing audited financial statements
 - f) Disagreements with management
 - g) Management consultation with other accountants
 - h) Major issues discussed with management prior to retention
 - i) Difficulties encountered in performing the audit.

 4. All working papers and reports will be retained, at our expense, for a minimum of five years, or longer if notified by the Arbors of Rockwood Community Improvement District. We will make working papers available, at the District's request to the U.S. General Accounting Office, parties designated by federal, state or District officials as part of an audit quality review process, auditors of entities of which the District is a sub-grantee and successor auditors of the District financial statements.

In June 2003, the Comptroller General of the United States issued the 2003 revision of *Government Auditing Standards*. The new version of these standards made significant changes and severely limited the nature and amount of consulting work that a government entity's independent auditor could perform for the auditee. Specifically, the independent auditor is prohibited from performing non-audit (consulting) services for the auditee.

Wade Stables P.C. is committed to performing the work involved, on a timely basis. The timing of entrance conferences, progress reports, exit conferences and delivery of reports will be based on a schedule negotiated and agreed to by the Arbors of Rockwood Community Improvement District.

Government entities represent one of only three industries that have been designated by the shareholders of Wade Stables P.C. to receive a top-level commitment of resources and support. The opportunity to serve the District is of great importance to us. Our firm is committed to serving our clients and I will personally see to it that the District has prompt and ready access to our best people. We will spare no effort to understand and exceed your expectations.

Thank you again for this opportunity to present our proposal. This proposal represents a firm and irrevocable offer of services. Our fee for these services would be no more than \$2,750 for June 30, 2019, \$2,750 for June 30, 2022 and \$2,750 for June 30, 2025. We look forward with great enthusiasm to serving you.

The information provided in this proposal is true, correct and reliable for purposes of evaluation for potential contract award.

Sincerely,

Stephen S. Straub
Certified Public Accountant

Audit Proposal for the Arbors of Rockwood Community Improvement District

Detailed Technical Proposal

1. Independence

Wade Stables P.C. is independent of the Arbors of Rockwood Community Improvement District as defined by auditing standards generally accepted in the United States of America and the standards for financial audits established by *Government Auditing Standards*, issued by the Comptroller General of the United States.

2. License to Practice in Missouri and Illinois

Wade Stables P.C., as well as each of the firm's shareholders, is licensed to practice in the State of Missouri and the State of Illinois.

3. Firm Qualifications and Experience

Wade Stables P.C. currently operates as a CPA firm. The firm was organized as a partnership on April 1, 1948 and was incorporated as a Missouri professional corporation (P.C.) on January 4, 1989. On December 1, 1992, the firm acquired an office in Quincy, Illinois. In 1999, the Firm located an office in O'Fallon, Missouri, in May of 2002, acquired an office in Troy, Missouri. Wade Stables P.C.'s offices are located at 6th and Maine Center, Suite 9 in Quincy, Broadway and 6th Streets in Hannibal, 312 Sonderen Street in O'Fallon, 101 West College in Troy. The proposed work would be coordinated out of our O'Fallon office. Because of the proximity of our offices, we contemplate using personnel from both the O'Fallon and Troy offices on this engagement.

The firm consists of five (5) shareholders, one (1) manager, four (4) senior accountants (all CPAs), two (2) accountants and four (4) data processing and clerical clerks. Because of the amount of governmental work we perform, the majority of our staff members are "Yellow Book" compliant and meet the GAO's continuing education requirements. We contemplate using two to three (1-2) full-time professional staff on this engagement.

All audit and accounting work would be performed by employees of Wade Stables P.C.

4. Shareholder, Supervisory and Staff Qualifications and Experience

The shareholder responsible for the engagement would be Stephen S. Straub, who is licensed to practice as a certified public accountant in Missouri. Senior accountant Sandra Brune would also be assigned to the engagement. Each of these accountants are licensed CPAs.

Accountants assigned to the engagement would remain constant from year to year. Substitutions in the engagement team would only be made if necessitated by turnover in staff members. Engagement shareholders, managers and other supervisory staff would not be changed without prior written approval of the District.

Wade Stables P.C. performs audits of governmental entities both large and small, District, county and school districts, as well as special districts. Wade Stables P.C. currently audits one county, two cities larger than 10,000 population, fifteen smaller towns and villages, nine school districts and several special districts (transportation development, ambulance, fire and levee districts).

Wade Stables P.C. is a member of the AICPA's Private Companies practice Section and undergoes a tri-annual peer review under the supervision of the Missouri Society of CPAs. During the firm's most recent review for the period ended September 30, 2004, Wade Stables P.C. received an unqualified opinion on its quality control system.

Audit Proposal for the Arbors of Rockwood Community Improvement District

Detailed Technical Proposal (Continued)

5. Similar Engagements with Other Government Entities

Wade Stables P.C. has performed the audit and accounting services for a number of governmental entities, including cities, school districts and special districts. Some relevant governmental audits include:

Stardust Munger Diamond TDD

c/o City of Hannibal
320 Broadway
Hannibal, MO 63401
(573) 221-0111

Hannibal, Missouri School District No. 60

4650 McMasters Avenue
Hannibal, Missouri 63401
Year Ended June 30, 2005
(573) 221-1258

Additional references provided upon request .

6. Specific Audit Approach

Proposed segmentation of the engagement:

The engagement would be segmented by naturally occurring groups of funds and accounts (i.e. all capital projects funds or all cash accounts). Each segment would be audited by a member of the firm's staff and reconciled to the books and records of the District.

Sample Size and Statistical Sampling:

Our firm policy requires the use of both statistical and non-statistical sampling procedures. Generally, random samples are selected and tested to produce confidence rates of 90 to 95 percent. We determine sample size based on the population of the universe being tested and use random number generators to select the sample. In addition, significant items (based on our calculation of materiality) are tested to a confidence level of 100 percent.

Audit Proposal for the Arbors of Rockwood Community Improvement District

Detailed Technical Proposal (Continued)

6. Specific Audit Approach (Concluded)

Extent of use of EDP software in the engagement:

The engagement team is assigned a portable (laptop) computer, equipped with software that we use in our audit engagements. Principal among this software are trial balance and auditing software, word processing software and spreadsheet software.

Type and extent of analytical procedures to be used in the engagement:

Firm policy requires the use of analytical procedures during the planning, field work and review stages of the engagement. These procedures range from historical comparisons and trend analysis, reasonableness tests, observation and inquiry, and other substantive procedures.

Approach to be taken to gain an understanding of the District of LaGrange's internal control:

Wade Stables P.C. uses a three-pronged approach for gaining an understanding of the client's internal control. The first step is to gain a basic understanding through the use of questionnaires. In the case of the District of LaGrange, three such questionnaires, consisting of controls over the financial aspects, federal programs and computer operations would be utilized. Secondly, we would observe the control system in operation, generally during the interim field work and again at final. Finally, we would conduct substantive tests of the controls themselves, using statistical and non-statistical sampling procedures.

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

Laws and regulations to be tested for compliance are determined based on a review of the District's ordinances, state regulation and federal law. In addition, each contract or grant is reviewed for applicable requirements and outside sources, such as the catalog of federal domestic assistance and the OMB compliance supplement are also reviewed.

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

Generally, the type of regulation being tested will determine the test and therefore the sample to be tested. In each case, however, we will use a combination of statistical and non-statistical sampling techniques to determine the sample

7. Identification of Anticipated Potential Audit Problems

Wade Stables P.C. does not anticipate any major potential audit problems in this engagement. Our approach to resolving problems when they do occur is to fully discuss the problem with the District's management and come to a consensus on the nature of the problem and the best way to resolve the problem. We believe, that through the process the District has undertaken in this request for proposals that all major issues have been adequately explained and, hopefully, potential problems have been avoided.

Audit Proposal for the Arbors of Rockwood Community Improvement District

Detailed Technical Proposal (Concluded)

8. Report Format

The format of our report will be under the reporting model prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. As previously noted *Government Auditing Standards*, limits the type of work the entity's independent accountant can perform outside of the audit. Governmental entities are encouraged to review the 2003 revision of "the Yellow Book", which is available on the General Accounting Office's web site at www.gao.gov. Statement 34 and its accompanying implementation guides are available from the Governmental Accounting Standards Board web site at www.gasb.org.

Audit Proposal for the Arbors of Rockwood Community Improvement District

Stephen S. Straub, CPA Resume

Education:

B.S.B.A. (Accounting) University of Missouri, Columbia, MO, 1994

Professional Experience:

Shareholder - Wade Stables P.C.
Responsibilities:

- Shareholder in charge of audits and unaudited work
- Establishment and continuation of client contacts
- Training of staff accountants
- Preparation and review of federal and state tax returns
- Administration of corporate responsibilities

Scope of Professional Experience:

Shareholder in charge of:

- Audits of banks and thrifts
- Audits of municipalities
- Audits of nonprofit organizations
- Audits and reviews of manufacturing companies
- Audits of construction companies
- Audits and reviews of retail and wholesale companies
- Individual, partnership, corporate and not-for-profit tax returns

Professional Organization Affiliations:

- American Institute of Certified Public Accountants
- Member of Tax Practice Section
- Missouri Society of Certified Public Accountants
- Illinois Certified Public Accountants Society