

DEAN || DORTON || ALLEN || FORD<sub>nc</sub>

April 24, 2013

Urban County Council  
Lexington-Fayette Urban County Government  
200 East Main Street  
Lexington, KY 40507

Attention: Bill O'Mara, Acting Commissioner of Finance

This letter is to explain our understanding of the arrangements for, and the nature and limitations of, the services we are to perform for Lexington-Fayette Urban County Government (the Government) with respect to certain records and transactions of the Government's Stormwater Fund for the purpose of ensuring certain compliance requirements included in Ordinance No. 73-2009. The specific procedures to be performed are included as an attachment to this letter.

**Engagement Services**

Our engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Because the procedures included in the attachment to this letter do not constitute an audit made in accordance with generally accepted auditing standards, we will not express an opinion on any of the specific elements, accounts, or items referred to in our report or on the financial statements of the Government's Stormwater Fund taken as a whole.

At the conclusion of our engagement, we will submit a report in letter form outlining the procedures performed and our findings resulting from the procedures performed.

Our report will contain a statement that it is intended solely for the use of management of the Government and the Urban County Council and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Should you desire that others be added to our report as specified parties, please contact us as it will be necessary to obtain their agreement with respect to the sufficiency of the procedures for their purpose.

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Our report will also contain a paragraph pointing out that if we had performed additional procedures or if we had conducted an audit in accordance with generally accepted auditing standards, matters in addition to any findings that may result from the procedures performed might have come to our attention and been reported to you.

The procedures that we will perform are not designed and cannot be relied upon to disclose errors, fraud, or illegal acts, should any exist. However, we will inform the appropriate level of management of any material errors that come to our attention and any fraud or illegal acts that come to our attention, unless they are clearly inconsequential.

Furthermore, the procedures were not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the Urban County Council any significant deficiencies or material weaknesses that become known to us during the course of the engagement.

#### **The Government's Responsibilities**

The sufficiency of the procedures included in the attachment is solely the responsibility of the Government. We make no representation regarding the sufficiency of the procedures described above either for the purpose for which these services have been requested or for any other purpose.

#### **The Government's Records and Assistance**

If circumstances arise relating to the condition of the Government's records, the availability of appropriate evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the engagement or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Government's books and records. The Government will determine that all such data, if necessary, will be so reflected. Accordingly, the Government will not expect us to maintain copies of such records in our possession.

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The assistance to be supplied by Government personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Phyllis Cooper, Director of Accounting. The timely and accurate completion of this work is an essential condition to our completion of our services and issuance of our report.

#### **Fees, Costs, and Access to Documentation**

Our fees for the services described above are estimated to be \$12,000 and are based on the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our bill for services promptly upon rendering the special report. Billings are due upon submission.

In the event we are requested or authorized by the Government or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Government, the Government will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

#### **Release & Indemnification**

During the course of our engagement, we will request information and explanations from management regarding the Government's operations, internal controls, specific transactions, and accounting systems and procedures. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the Government agrees to release Dean Dorton Allen Ford, PLLC (DDAF) and its personnel from any liability and costs relating to our services under this letter resulting from false and misleading representations made to us by any member of the Government's management.

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate resolution of the differences and to save both parties time and expense, the Government and DDAF agree to try in good faith to settle their differences by mediation administered by the American Arbitration Association under the *Dispute Resolution Rules for Professional Accounting and Related Services Disputes* before resorting to litigation. In the event litigation cannot be avoided, the Government and DDAF agree not to demand a trial by jury.

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This letter constitutes the complete and exclusive statement of agreement between the Firm and the Government superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as the Government understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

DEAN DORTON ALLEN FORD, PLLC

By:   
Simon Keemer, CPA, ACA

ACKNOWLEDGEMENT:

This letter correctly sets forth the understanding of Lexington-Fayette Urban County Government:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

Lou/TThomas

## **ATTACHMENT**

### **WATER QUALITY MANAGEMENT FEE AGREED UPON PROCEDURES**

**Timeframe for sample testing = Fiscal Year 2012**

**1. Procedure**

Determine, on a sample basis of customer accounts, if the water quality management fee imposed has been calculated correctly, per ORDINANCE NO. 73-2009 section 16-403, for each class of property. This includes rate adjustments based upon the Consumer Price Index. Additionally, trace a sample of payments made by customers to daily deposits and recording in the appropriate fund (4051) and revenue account.

**2. Procedure**

Determine, on a sample basis, for customers receiving the discounts noted in ORDINANCE NO. 73-2009 section 16.405 and 16-405.1, whether appropriate documentation regarding eligibility has been maintained to allow the customer to receive such discounts.

**3. Procedure**

Determine, on a sample basis, if expenses made from the fund (4051) are in accordance with ORDINANCE NO. 73-2009 section 16-406.

**4. Procedure**

Determine, on a sample basis, if grant funding made in accordance with ORDINANCE NO. 73-2009 section 16-410 meets eligibility and approval requirements for funding.