

RESOLUTION NO. 11-005

A RESOLUTION OF THE OLIVE/GRAESER
TRANSPORTATION DEVELOPMENT DISTRICT
APPROVING HOCHSCHILD, BLOOM &
COMPANY, LLP'S PROPOSAL FOR
PROFESSIONAL AUDITING SERVICES

WHEREAS, on December 8, 2009, the Circuit Court of the County of St. Louis, Missouri entered a Judgment and Order Organizing a Transportation Development District (the "*Order*") that established the Olive/Graeser Transportation Development District (the "*District*") as a political subdivision pursuant to and in accordance with the Missouri Transportation Development District Act, sections 238.200 to 238.280 of the Revised Statutes of Missouri, as amended (the "*TDD Act*"); and

WHEREAS, the Order established the District for the sole purpose of financing the Infrastructure Improvements (as defined in the Order), which are an authorized "project" within the meaning of Section 238.202.1(5) of the TDD Act, through the imposition of a transportation development district sales tax (the "*TDD Sales Tax*"); and

WHEREAS, pursuant to section 238.250 of the TDD Act, the District is authorized to contract with a corporation, partnership, or individual regarding funding, promotion, planning, designing, constructing, improving, maintaining, or operating the Transportation Projects, or to assist in such activity; and

WHEREAS, the District has received an audit proposal dated February 28, 2011 (the "*Proposal*") submitted by Hochschild, Bloom & Company, LLP ("HBC") to provide professional audit services ("*Audit Services*") to the District for the fiscal years ending December 31, 2010, 2011, and 2012, as evidenced in Exhibit "A", the Proposal, attached hereto and incorporated by reference; and

WHEREAS, HBC has stated that it has the capability of providing Audit Services to the District and shall receive fees for said Audit Services, as outlined in its fee schedule provided in the Proposal; and

WHEREAS, the Board of Directors of the District (the "*Board of Directors*") hereby finds and determines that it is necessary and desirable to approve the Proposal.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE OLIVE/GRAESER TRANSPORTATION DEVELOPMENT DISTRICT, AS FOLLOWS:

Section 1. Services. The Board of Directors hereby approves the Proposal, whereby HBC shall provide Audit Services, including, but not limited to, the following:

- (1) Management Responsibilities – HBC will work with the District’s management in order to prepare its financial statements and related notes; and propose standard, adjusting, or correcting journal entries to the District’s financial statements.
- (2) Audit Procedures – General - HBC will plan and perform an audit to obtain reasonable rather than absolute assurance whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.
- (3) Audit Procedures – Internal Controls – HBC’s audit will include obtaining an understanding of the District 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. Tests of controls may be performed to test the effectiveness of certain controls that HBC considers relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements.
- (4) Audit Procedures – Compliance – HBC will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, as part of obtaining reasonable assurance about whether financial statements are free of material misstatement.
- (5) Audit Administration and Other – HBC will prepare an audit program which is tailored from the leading national guidance based upon the District’s individual circumstances. This program will conform to the latest and most thorough guidelines regarding analytical procedures, statistical sampling, and compliance testing.

Section 2. Authorization of Document. The District is hereby authorized to execute and deliver the Proposal, with such changes as shall be approved by the officers of the District executing the Proposal, such officers’ signatures on the Proposal being conclusive evidence of their approval and the District’s approval of the Proposal and any changes thereto. The Chair of the Board of Directors is hereby authorized and directed to execute and deliver the Proposal for and on behalf of and as the act and deed of the District. The Secretary or Assistant Secretary of the District is hereby authorized and directed to seal and attest to the Proposal.

Section 3. Further Authority. The District shall, and the officers and agents of the District are hereby authorized and directed to, take such further action and execute such other documents and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

Section 4. This Resolution shall be in full force and effect from and after its passage and approval.

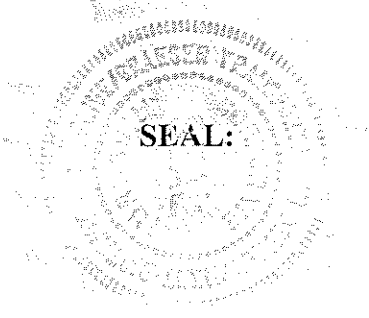
Adopted this 5th day of May, 2011.

I, the undersigned, Chair of the Board of Directors of the Olive/Graeser Transportation Development District, hereby certify that the foregoing Resolution was duly adopted by the Board of Directors at a meeting held, after proper notice given, on May 5, 2011.


**OLIVE/GRAESER TRANSPORTATION
DEVELOPMENT DISTRICT**



Steven F. Heitz, Chair of the Board of Directors



ATTEST:



Jennifer de Lyon Stralka, Assistant Secretary of the
Olive/Graeser Transportation Development District

EXHIBIT A

PROPOSAL FOR PROFESSIONAL
AUDITING SERVICES

**OLIVE-GRAESER TRANSPORTATION
DEVELOPMENT DISTRICT**

December 31, 2010, 2011, and 2012

Submitted by:

**Robert B. Offerman, CPA, Partner
And**

**Angela E. Dorn, CPA, Audit Director
Hochschild, Bloom & Company LLP
Certified Public Accountants**

**16100 Chesterfield Parkway, Suite 125
Chesterfield, MO 63017**

Phone: 636-532-9525

Fax: 636-532-9055

E-mail: bob@hbelp.com

Date: February 28, 2011



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

February 28, 2011

Board of Directors
Olive-Graeser Transportation Development District

Thank you for the opportunity to present our qualifications and proposal for professional services to the Olive-Graeser Transportation Development District (the District) for the fiscal years ending December 31, 2010, 2011, and 2012. We have reviewed your situation and have a good understanding of your important issues.

As a Firm, we are committed to providing governmental services that will help our clients consistently maintain a high standard of recordkeeping, reporting, and operations. HB&Co. personnel have the experience and knowledge in providing various services to governmental organizations similar to the District. The following is a list demonstrating our commitment to our governmental organizations and specifically how we can meet your needs:

- ◇ HB&Co. has over 60 references you may contact concerning our governmental services, including 12 transportation development districts with similar programs, economic development arrangements, and funds.
- ◇ The District wants comprehensive, proactive services from its audit team. HB&Co.'s governmental service team has served many clients for a number of years. Our familiarity with these clients will be an advantage for the District by having auditors who will provide a knowledgeable perspective on a wide range of accounting practices.
- ◇ The District wants individuals who have the additional experience and training required to audit various governmental assistance programs under *Government Auditing Standards*, issued by the Comptroller General of the United States. All key team members have completed the experience and training required under *Government Auditing Standards* throughout the last three years.
- ◇ We are members of the Governmental Audit Quality Center which provides resources to maintain the highest level of quality governmental reporting.
- ◇ We have over 60 years experience providing governmental services.

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

www.hbclp.com



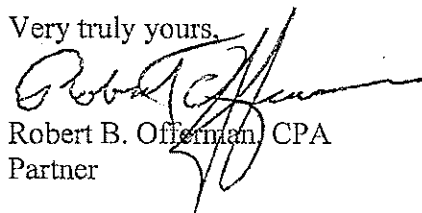
Member: Polaris International with Firms in Principal U.S. and International Cities

- ◇ The District wants a firm that will be able to provide the highest level of tax reporting to provide support for contributors, vendors, and IRS reporting. We have a tax department with research capabilities and tax planning experience needed to help you when necessary.
- ◇ Our Firm is a member of the AICPA and both the Center for Public Company Audit Firms Section and the Private Companies Practice Section of the AICPA. All members of these Sections must adhere to higher quality control audit and reporting standards than other CPA firms and the members are subject to regular peer review procedures established by the AICPA on which we have received unqualified opinions. Also, our most recent peer review (copy enclosed) resulted in no "letter of comments" issued, which is only achieved by the top quality firms. The fact that we have voluntarily taken on these responsibilities ensures that you receive the highest quality work available.
- ◇ Our Firm is one of the top 15 largest regional accounting firms based in the St. Louis area, according to the 2010 *St. Louis Business Journal*.
- ◇ HB&Co. has an experienced specialized team of governmental consultants who will work effectively and efficiently with the District and provide the highest quality service at a reasonable fee.

The audit services team for the District provides all services noted in the accompanying Governmental Services page. This team has the ability and capacity to complete the work timely. We have a flexible schedule and will work with the District in a cooperative manner. In addition, we will remain accessible and available throughout the year for consultation purposes and to answer questions from time to time.

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

Very truly yours,



Robert B. Offerman, CPA
Partner

Enclosures

RESPONSE:

This proposal correctly sets forth the understanding of the **OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT** for the fiscal years ending December 31, 2010, 2011, and 2012. Either party may cancel this agreement or both parties may extend this agreement in subsequent years.

Signature

Date

Title

**OLIVE-GRAESER TRANSPORTATION
DEVELOPMENT DISTRICT
PROPOSAL**

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HOCHSCHILD, BLOOM & COMPANY LLP
SELECT REFERENCES

Transportation Development Districts

**Arnold Retail Corridor Transportation
Development District**

Debbie Lewis, Finance Director
c/o City of Arnold, Missouri
2101 Jeffco Blvd.
Arnold, MO 63010
314-436-1000

Services: 2008 - 2011, Current
Audit of financial statements.

**Chesterfield Valley Transportation
Development District**

Kelly Vaughn, CPA, Director of Finance/Admin.
690 Chesterfield Parkway West
Chesterfield, MO 63017
636-537-4000

Services: 2003 - 2011, Current
Audit of financial statements.

**Hanley/Eager Road Transportation
Development District**

Alan Skop
8300 Eager Road, #601
St. Louis, MO 63144-1419
314-727-9300

Services: 2003 - 2011, Current
Audit of financial statements.

Cities

City of Chesterfield, Missouri

Kelly Vaughn, Director of Finance/Admin.
690 Chesterfield Parkway West
Chesterfield, MO 63017-0760
636-537-4714

Services: 2003 - 2011, Current
Audit of financial statements including Single Audit,
TIF Districts, and GFOA CAFR consulting.

City of Creve Coeur, Missouri

Dan Smith, Director of Finance
300 North New Ballas Road
Creve Coeur, MO 63141
314-432-6000

Services: 1997 - 2011, Current
Audit of financial statements including pension,
Single Audit, TIF Districts, GFOA CAFR consult-
ing, and other consulting services.

City of Maryland Heights, Missouri

David Watson, Finance Director
11911 Dorsett Road
Maryland Heights, MO 63043-2512
314-291-6550

Services: 2003 - 2011, Current
Audit of financial statements including TIF District
and GFOA CAFR consulting.

Robert B. Offerman, CPA
Managing Partner

Professional Background And Responsibilities

Robert B. Offerman joined Hochschild, Bloom & Company LLP in 1975 as a staff accountant. He was promoted to senior staff accountant in 1977, director of accounting and auditing in 1985, partner in 1994, and managing partner in 1999. Mr. Offerman has a broad range of experience and responsibilities, including audited engagements, management systems, accounting systems, and varying tax and government reporting services. In 1984 he was assigned the responsibility of managing the Firm's ERISA Department (Pension and Profit Sharing Plans), which includes giving technical assistance to our personnel, planning for and advising clients, and drafting plan documents with related government information returns. In 1994 he was assigned the responsibility of managing the Firm's Accounting and Auditing Department, which includes establishing policies and procedures on a Firm-wide basis to assure that all the Firm's Accounting and Auditing engagements are performed in accordance with applicable professional standards and that all client reports are prepared in accordance with U.S. generally accepted reporting standards of the profession.

In 1999 he was elected to the position of managing partner to provide the leadership and vision for the Firm into the 21st century. In this role he is responsible for providing the strategic direction for the Firm, the development of plans, and assignment of personnel to support those objectives.

Educational Background And Certification

Mr. Offerman graduated from Southern Illinois University in 1973 with a Bachelor of Science degree in Business Administration with a major in Accounting. Mr. Offerman passed the May 1975 CPA examination and received his CPA certificate (CPA certificate number 5575) in 1977 after completing the required experience. He is currently licensed to practice in the States of Missouri and Illinois.

Continuing Education

Mr. Offerman has participated in professional development courses sponsored by the American Institute of Certified Public Accountants (AICPA), Missouri Society of Certified Public Accountants, and in-house courses. He has participated in a minimum of 50 hours training each year and the training has included auditing, taxes, ERISA, government, and management services. The yellowbook governmental auditing CPE requirements have been achieved annually. Mr. Offerman has taught various continuing education classes on auditing procedures, new auditing pronouncements and standards, and auditing efficiency. He has also moderated accounting firms' practice management managing partner retreats attended by firms from across North America.

Professional Memberships

Mr. Offerman is a member of the AICPA and the Missouri Society of Certified Public Accountants. He has served on various Society committees. He is also a member of the American Association of Industrial Management, the Regional Commerce Growth Association, the Missouri GFOA St. Louis Chapter, and the West St. Louis County Chamber of Commerce where he served on the Board of Directors and is Past-President. In addition, Mr. Offerman is a member of the Board of Polaris International and the Chesterfield Arts Commission.

Angela E. Dorn, CPA
Audit Director

Professional Background And Responsibilities

Angela E. Dorn joined Hochschild, Bloom & Company LLP in 2005 as a Supervisor of accounting and auditing. She was promoted to Manager in 2007, and then Director in January of 2010. Prior to that time, Mrs. Dorn has been employed in public accounting firms as well as not-for-profit organizations in various locations throughout the United States. Mrs. Dorn has a broad range of experience in performing audits, reviews, compilations, and corporate tax returns. Her areas of concentration include governmental and not-for-profit entities. Mrs. Dorn's duties with the Firm include managing engagements, accounting research, professional staff supervision, and review of client accounting and operating procedures.

Educational Background And Certification

Mrs. Dorn graduated from New Mexico State University in 1982 with a Bachelor of Accountancy. Mrs. Dorn became a CPA in 1992 in the State of Nevada and is a licensed CPA in Nevada, Florida, and Missouri.

Continuing Education

Mrs. Dorn participates in professional development courses sponsored by the American Institute of Certified Public Accountants, Missouri Society of Certified Public Accountants, Franklin Covey management seminars, and in-house courses. She has consistently exceeded the requirements of the profession. Her education has included accounting, auditing, taxes, government, and management services.

Professional Memberships

Mrs. Dorn is a member of the American Institute of Certified Public Accountants. Additionally, she is a member of the Missouri Society of Certified Public Accountants and serves on their not-for-profit committee. She is also a member of the Finance Committee of Immaculate Conception Parish in Dardenne Prairie.

**OLIVE-GRAESER TRANSPORTATION
DEVELOPMENT DISTRICT
PROPOSED TIME AND PRICE**

For the year ended December 31, 2010

1. Proposed hours and price:

	<u>Hours</u>	x	<u>Rate Per Hour</u>	=	<u>Total</u>
a. Partner/Owner	4		\$140		\$ 560
b. Director	10		100		1,000
c. Audit Staff	15		75		<u>1,125</u>

2. Proposed price for engagement:

Audit personnel	2,685
Typing, clerical, and reproduction	380
Discount	<u>(500)</u>
Total	<u>\$2,565</u>

For the year ended December 31, 2011

\$2,665

For the year ended December 31, 2012

\$2,765

OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT FIRM PROFILE

Hochschild, Bloom & Company LLP is a professional independent audit services firm licensed to practice in the State of Missouri composed of Certified Public Accountants, Consultants, and Advisors. Our Firm has offices in Chesterfield and Washington, Missouri. With a 45 member team and over 60 years of service to the metropolitan St. Louis area, our Firm has developed an imaginative, practical approach to meeting the needs and requirements of our clients and the communities we serve. We have been included in the St. Louis Business Journal annual listing of the 25 largest accounting firms in the metropolitan area for the last ten years.

Qualifications and Experience

As noted in the transmittal letter and references list, our Firm has considerable municipal qualifications and experience. Founded in 1946, our Firm has approximately 45 personnel and the professionals of our audit staff have substantial training and experience with governmental services.

The professional team working directly with the District will consist of full-time professionals all with extensive experience in providing governmental services. This team from our Chesterfield office includes partners, audit director, and audit staff members. In addition, the key team members (one partner and/or director) will spend 50% of the time on the audit.

Our most recent quality control review, on which we received an unqualified opinion with no letter of comments, did specifically include governmental engagements.

Staff Qualifications and Experience

Our Firm requires all government auditors to have a minimum of 40+ hours training every two years in accordance with guidelines and all professional staff to receive annual training for accounting and tax consulting. We also have attended the AICPA National Governmental Conference. More detailed information on the key individuals assigned is presented in the biographical briefs. We will discuss any key team member assignment changes with you and receive the District's prior written permission to approve or reject replacements.

Staff Commitments and Continuity

Our Firm ensures technical competence of its staff by dedicating specialized expertise to individuals with broad experience and training. This targeted experience and training enhances the value of our services for our clients. Ten professionals of our staff have substantial training and experience in the governmental sector.

Our training and development programs include:

- A strong commitment to continuing professional education provided both internally and from a number of external sources.
- A library of technical materials and research sources (in print and online) to keep our staff abreast of the latest available guidance and tools to implement our engagements and research projects for clients.
- Active memberships in organizations and committees thereof that foster the sharing of experience and knowledge at all levels within the Firm.

Our staff turnover in the last three years has been minimal. We value our staff and want to make everyone at our office feel like they are part of a very caring team.

OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT FIRM PROFILE

Quality Assurance

Our Firm's system of quality control encompasses our Firm's organization structure and the policies adopted and procedures established to provide our Firm with reasonable assurance of complying with professional standards. The nature, extent, and formality of our Firm's quality control policies and procedures are appropriately comprehensive and suitably designed in relation to the nature and complexity of our Firm's practice area (which includes governmental services).

Our Firm has its quality control system documented in written form in a quality control document. This document is known and understood by all partners and employees providing assurance services to clients. It is periodically reviewed and updated for current professional standards.

Our Firm subscribes to quality control materials (programs, checklists, sample confirmation letters, and other practice aids) from a nationally recognized publisher of accounting and auditing guides and literature. By our Firm utilizing these programs and checklists, the District can be assured that quality professional standards are utilized in the performance of the audit process.

Our Firm's audit engagements and quality control processes also are reviewed annually by way of an internal monitoring process and once every three years by an independent outside CPA firm (a Peer Review). Our Firm has elected to undergo our Peer Review under the oversight of the AICPA. Our Firm has not had a letter of comments on each of our last three external Peer Reviews, which is only achieved nationally by a very small percentage of all CPA firms.

OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT ENGAGEMENT PLAN

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplemental information when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully 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 to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the District, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and the respective changes in financial position, where applicable, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the 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

OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT ENGAGEMENT PLAN

statements taken as a whole. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements.

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 District involving 1) management, 2) employees who have significant roles in internal control, and 3) others where the fraud or illegal acts 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 District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report. You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. 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 present the supplementary information with the audited financial statements.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditors' report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

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. We will plan and perform the audit to obtain reasonable rather than absolute 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 District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance 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. 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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to

OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT ENGAGEMENT PLAN

our attention. We will also inform you 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 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, creditors, and financial institutions. We will request written representations from your attorneys as part of this engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

We will provide a draft of the annual financial report and management letter before issuing the final version.

Audit Procedures--Internal Controls

Our audit will include obtaining an understanding of the District 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. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. 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 and *Government Auditing 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 compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Audit Administration and Other

We understand that your personnel will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. Our approach includes the preparation of an audit program which is tailored from the leading national guidance based upon your individual circumstances. Our audit program conforms to the latest and most thorough guidelines regarding analytical procedures, statistical sampling, and compliance testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

OLIVE-GRAESER TRANSPORTATION DEVELOPMENT DISTRICT ENGAGEMENT PLAN

The audit documentation for this engagement is the property of Hochschild, Bloom & Company LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to regulators or their designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Hochschild, Bloom & Company LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by regulators. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report, and any subsequent peer review reports received during the period of the contract. Our 2009 peer review report accompanies this letter.

We also provide the following statements:

- We are actively engaged in providing audit services to clients who issue public debt.
- We are currently providing financial auditing services to county, city, and other governmental entities.
- We have a full-time equivalent staff of more than 45 employees.
- The information provided with this proposal is true, correct, and reliable.
- We have substantial depth of knowledge and experience with governmental audits.

Further the District will be fully informed of the following should they be applicable:

- Recommendations for improvements to significant accounting policies.
- Sufficient explanation for significant audit adjustments, if any.
- Disagreements with management or any other major issues.
- Any difficulties encountered in performing the audit.

Fee Schedule

The basic audit fee for the years ended June 30, 2010, 2011, and 2012 would be \$2,565, \$2,665, and \$2,765, respectively.

Our fee for the District for each of the three years ended December 31 is inclusive of all out-of-pocket costs (including all typing and printing of the reports), all related telephone meetings with District officials, and periodic consulting concerning routine matters. Should this time at our standard hourly rates be less than our total fee noted above, we will bill you accordingly. We will be available for other consultations throughout the year at our standard hourly rates, or we may be engaged through a separate contract for other projects.

If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. (Factors causing additional time include grossly inadequate schedules, excessive audit journal entries, improper internal control procedures, missing records, new accounting pronouncements, and new funds.) Our invoices for these fees will be rendered each month as work progresses and are payable on presenta-

**OLIVE-GRAESER TRANSPORTATION
DEVELOPMENT DISTRICT
ENGAGEMENT PLAN**

tion. 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.

We may continue to provide auditing services to the District for fiscal periods beyond December 31, 2012 at a negotiated fee.



Malin, Bergquist & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

System Review Report

August 5, 2009

To the Partners of
Hochschild, Bloom & Company, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Hochschild, Bloom & Company, LLP (the firm) in effect for the year ended May 31, 2009. 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. 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* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Hochschild, Bloom & Company, LLP in effect for the year ended May 31, 2009, 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*. Hochschild, Bloom & Company, LLP has received a peer review rating of *pass*.

Malin, Bergquist & Company, LLP

Erie, Pennsylvania