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Post Oak Savannah

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT

REQUEST FOR QUALIFICATIONS (RFQ) FINACIAL AUDIT SERVICES

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

P. O. Box 219
Knippa, Texas 78870
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Post Oak Savannah Groundwater Conservation District
310 East Avenue C
Milano, Texas 76556

Gentlemen:

We are pleased to submit a proposal to provide audit services to the Post Oak Savannah Groundwater Conservation District and preparation of the annual financial report, for the year ended December 31, 2021.

We are a local firm that has been providing accounting and auditing services for over 61 years. Our success has been a direct result of our focus on quality service. There are many other firms offering governmental audit services. Our firm is different than most other firms in the fact that our partners are directly involved in all aspects of your audit. We realize that an audit is a major disruption for you and your staff. We strive to be sensitive to your workplace, employees routine, and minimize the disruptions as much as possible. One of the most rewarding results of the quality of services we provide is the recommendations from our clients. We urge you to contact any of the representatives listed (see attached client list).

The audit team for the Post Oak Savannah Groundwater Conservation District will be led by our Partner in Charge, Eric Ede.

Eric Ede, CPA has thirty nine (39) years experience providing audit and accounting services to local government clients. Mr. Ede received a Bachelors of Business Administration in Accounting from The University of Texas at Austin in 1982. Mr. Ede has served as partner-in-charge on numerous governmental audits under *Government Auditing Standards* as well as OMB A-133 audits under the *Single Audit Act*.

The enclosed proposal is a firm and irrevocable offer to provide financial audits for Post Oak Savannah Groundwater Conservation District. This proposal will remain a firm offer for 60 days from the date of this proposal. Eric Ede is authorized to enter into engagement agreements on behalf of the firm. Again, we appreciate the opportunity to offer services to Post Oak Savannah Groundwater Conservation District, and urge you to call us if you should need additional information.

Ede & Company, LLC

Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 26, 2022



TECHNICAL COMPONENT

A. Generally Accepted Government Auditing Standards (GAGAS)

GAGAS are the auditing standards which must be followed in the performance of a governmental audit as set forth by the Comptroller General of the United States. All Generally Accepted Auditing Standards (GAAS) are included in GAGAS and the objective of applying those standards remains the same, however, there are certain differences as follows:

- a. Qualifications of auditors responsible for planning, directing, conducting or reporting on governmental audits require completion of at least 80 hours of continuing professional education every two years, with at least 20 hours in any one year, and at least 24 of the 80 hours should be in subjects directly related to the government environment and to governmental auditing.
- b. Due professional care is used on all audit engagements but GAGAS indicates that materiality levels and/or thresholds of acceptable risk in government audits may be lower than in similar-type audits in the private sector. This is due to the public accountability of the entity, various legal and regulatory requirements and the visibility and sensitivity of government programs, activities, and functions.
- c. GAGAS requires auditors to report the status of known, but uncorrected significant or material findings and recommendations from prior audits that effect the current audit objectives.
- d. GAGAS requires that audit organizations conducting government audits have an appropriate internal quality control system in place and participate in an external quality control review program.
- e. GAGAS standards on planning specifically states that all levels of government be considered in planning an audit. In many instances audits of the same organizations, programs, activities or functions may be required by federal, state, and local laws, regulations and ordinances.
- f. GAGAS requires tests be made of compliance with applicable laws and regulations and to design audit steps and procedures that provide reasonable assurance that 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 regulations.
- g. Internal controls are required to be tested under GAGAS if the auditor plans to use the reliance of controls in performing the audit. Under the Single Audit Act, internal controls must be tested regardless of the reliance placed upon them. An audit under the Single Audit Act is required if federal assistance exceeds \$750,000 in any one audit year.

B. Specific Audit Approach

There are many different ways to approach an audit. The approach we take places a high priority on quality service while maintaining an acceptable level of efficiency. We feel that quality is most often enhanced by planning the audit work flow to provide the least interruption to District's personnel. Following is a brief outline of the anticipated audit work. Prior to the start of our fieldwork we begin to analyze internal controls through interviews and walkthrough procedures, compute initial planning materiality through analytical procedures, assess audit risk and determine audit steps to detect and report financial statement misstatements due to error or fraud, if any. Once the above has been accomplished, we modify the audit program based on our assessment of audit need and risk.

We use several innovative audit efficiency techniques recognized by the accounting profession in accomplishing our audit. Three of these are described below:

- a. **Focus on Significant Issues.** One means we use measures and places in order of priority areas for audit coverage based on materiality and internal controls. This technique simply assigns values to areas which permit a weighting for prioritizing audit coverage. Thus, either high dollar value, limited internal controls, or a combination of these two factors could cause an area to have high priority for audit coverage. Conversely, low dollar value and strong internal controls tend to lower the audit coverage priority.

- b. **Minimizing Work in Selected Areas.** In addition to the prioritizing technique described above, we use computer-generated statistical sampling, third-party confirmations, and other professional auditing techniques to minimize the amount of time we must spend in any one area.
- c. **Consideration of Fraud in a Financial Statement Audit.** AU Section 316, Consideration of Fraud in a Financial Statement Audit, established standards on the auditor's responsibility to consider the risks of fraud and to design the audit to provide reasonable assurance of detecting fraud that results in the financial statements being materially misstated. The consideration of fraud is not separate, but is integrated into the overall risk assessment process, and is continuous throughout the audit.

Our practice is to gain an initial assessment of the risk of material misstatement through the interview process and understanding the design of internal controls. We conduct walk-throughs of selected control processes and interview key personnel to determine if controls are effective. All responses we receive (if any) regarding potential fraud are kept in a professional and confidential manner by the engagement partner, and evaluated for applicability to the audit process. We will share all concerns noted with the appropriate District staff.

Additional procedures will be performed during field work and will include steps to test the following:

1. Revenues
2. Expenditures, payables and receivables
3. Bank balances
4. Investments
5. Other balance sheet accounts not already tested
6. Additional federal and state compliance testing

C. Multi-Year Audit Approach

The audit methodology for multi-year engagements is the same as described in the preceding sections. However, we re-assess the need for audit coverage on particular areas based on knowledge gained through previous audits. Areas given low priority for audit risk one year may be tested in more detail in subsequent years.

D. Independence

We take the utmost care in determining that our firm and staff are independent with respect to our governmental clients. We determine independence prior to making a decision to submit our qualifications by complying with our quality control standards and standards prescribed by Government Auditing Standards.

We are independent with respect to the Post Oak Savannah Groundwater Conservation District: there have been no prohibited transactions including direct or indirect financial interest with the Post Oak Savannah Groundwater Conservation District, and no one on our staff is related to District personnel or any member of the Post Oak Savannah Groundwater Conservation District Board of Directors.

E. Consultation

It is our philosophy that it is easier to fix problems as they occur rather than waiting until the audit is in process. We encourage our audit clients to contact us for technical support whenever the need arises. It is our policy not to charge our clients for routine consultation that can be accomplished by telephone, e-mail, or fax.

MANAGEMENT COMPONENT

We have enrolled in the American Institute of Certified Public Accountants, Quality Review Program. Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent review in June 2019 resulted in a peer review rating of "pass" and accompanies this letter. We will have independent peer review at least every three (3) years.

Our firm is a local public accounting firm. Woodrow Ede founded our firm in 1960, and we have provided accounting and auditing services for the past 61 years. Partners of our firm are members of the Texas Society and American Institute of Certified Public Accountants. We are also members of the AICPA Governmental Audit Quality Center (GAQC) Our proposed audit team will consist of:

Eric Ede, CPA
Partner in Charge
University of Texas at Austin
Class of 1982

Donna Ede
Staff Auditor
Angelo State University
Class of 1981

Each member has completed 80 hours of Continuing Professional Education during the past 2 years. At least 80 of the 80 hours of are in subjects directly related to the government environment and governmental auditing.

The following is a list of Water District and River Authority audits which we are presently engaged.

HEADWATERS UNDERGROUND WATER
125 LEHMANN DR. SUITE #102
KERRVILLE, TX 78028
830-896-4110
GENE WILLIAMS, GENERAL MANAGER

BANDERA COUNTY RIVER AUTHORITY
P.O. BOX 177
BANDERA, TX 78003
210-796-7260
DAVID MAUK, GENERAL MANAGER

UPPER GUADALUPE RIVER AUTHORITY
125 LEHMANN DR. SUITE #100
KERRVILLE, TX 78028-5908
830-896-5445
RAY BUCK, GENERAL MANAGER

MEDINA COUNTY UNDERGROUND WATER
1613 AVENUE K SUITE 105
HONDO, TX 78861-1838
830-741-3162
DAVID CALDWELL, GENERAL MANAGER

EVERGREEN UNDERGROUND WATER
CONSERVATION DISTRICT
110 WYOMING BLV
PLEASANTON, TX 78064
830-569-4186
RUSSELL LABUS, GENERAL MANAGER

UVALDE COUNTY UNDERGROUND WATER
200 E. NOPAL SUITE 202
P.O. BOX 1419
UVALDE, TX 78802-1419
830-278-8242
VIC HILDERBRAN, GENERAL MANAGER

WINTERGARDEN GROUNDWATER
CONSERVATION DISTRICT
P. O. BOX 1433
CARRIZO SPRINGS, TX 78834
830-876-3801
DEBBIE FARMER, GENERAL MANAGER

LOWER TRINITY GROUNDWATER
CONSERVATION DISTRICT
602 EAST CHURCH STREET
SUITE #141
LIVINGSTON, TX 77351
936-327-9531
GARY ASHMORE, GENERAL MANAGER

CENTRAL TEXAS GROUNDWATER
CONSERVATION DISTRICT
P. O. BOX 870
BURNET, TX 78611
512-756-4997
MITCHELL SODEK, GENERAL MANAGER

We also audit numerous Public Utility Districts and Water Supply Corporations, reporting to Texas Commission to Texas Commission on Environmental Quality (TCEQ)

Numerous other Governmental audit contacts are available on request.

Our firm has never been publicly or privately reprimanded by the State Board of Public Accountancy.

We do not anticipate the need to engage any outside specialists or consultants in our engagement.

We will utilize the District's personnel to the extent possible in order to keep our fees within the range specified in this proposal.

Our report will be government-wide and will include any reconciliations necessary to comply with GASB Statement No. 34.

FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

PAUL FARRIS, CPA
DEBRA E. FARRIS, CPA

13434 Leopard St., #A-29-A
Corpus Christi, TX 78410
(361) 241-0656
Fax (361) 241-0658
farriscpa@aol.com

Report on the Firm's System of Quality Control

June 28, 2020

To the Owners
Ede & Company LLC
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 Ede & Company LLC (the firm) in effect for the year ended December 31, 2019. Our review was conducted in accordance with the standards for Performing and Reporting on Peer Reviews established by 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. 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

Engagements selected for review included engagements performed under Government Auditing Standards including a compliance audit under the Single Audit Act.

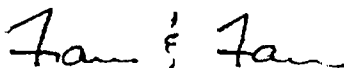
Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

As part of our peer 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 Ede & Company LLC in effect for the year ended December 31, 2019, 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 deficiencies* or *fail*. Ede & Company LLC has received a peer review rating of *pass*.



Farris & Farris CPA's

MEMBER

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS * AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Estimated Fees

Our estimated fee for the annual audit for the fiscal year ended December 31, 2021 is \$7,600.00. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. 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.

We do not charge our clients for routine consultation that can be accomplished by telephone, e-mail, or fax, however, if more extensive consultation is needed, that consultation will be billed at our standard hourly rate of \$175.00 per hour.