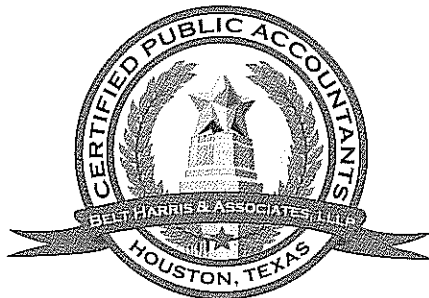


**AUDITING FIRMS CONTACTED FOR RFP**

1	JOHN A BLAKEWAY	P.O. BOX 570-105 W. Mansfield HWY Kennedale, Texas 76060 Phone (817) 483-4851	06/12/2008
2	GORDON F BUFFINGTON	12012 Wickchester Lane #430 Houston, Texas 77079 Phone (281) 920-5455	
3	SANDERSON,KNOX & CO.	130 Industiral Blvd Suite 130 Sugar Land, Texas 77478 Phone 281-242-3232	
4	FINALY & NEAL	DO NOT DO AUDITS	
5	CLEM, CPA	DO NOT DO AUDITS	
6	BELT, HARIS, & ASSOCIATES	730 N Post Oak Road Suite 401 Houston, Texas 77024 713-263-1123	
7	KENEMER, MASTERS & LUNSFORD, LLC	#8 West Way Court Lake Jackson, Texas 77560 Phone 979-297-4075	
8	GRIGGS JANE WHITEHEAD		
9	GEORGE ANDRUS	DO NOT DO AUDITS	
10	TENGLER-BOYD JOAN	OUT ON VACATION (BACK 6-18-08)	



## Engagement Letter

June 27, 2008

Honorable J. Patrick Henry, Mayor  
City of Angleton, Texas  
121 S. Velasco  
Angleton, TX 77515

We are pleased to confirm our understanding of the services we are to provide for the City of Angleton, Texas (the "City"). We will audit the basic financial statements of the City as of and for the years ended September 30, 2008, 2009, and 2010. The documents we submit to you will include the following information that will be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Management's discussion and analysis
- Budgetary comparison schedules
- Combining and individual fund financial statements and schedules

In addition to these services:

We will also provide routine advisory services through phone calls, conferences or otherwise in connection with incidental matters arising during the year. These costs would be absorbed in our estimated annual fee. We encourage open lines of communication throughout the year as part of our services.

### Audit Objectives

The objective of our audit is the expression of an opinion as to whether your 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 additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is 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 an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

### **Management Responsibility**

Management is responsible for making all financial and related information available to us. We understand that the City will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. Prior to the beginning of audit fieldwork, management will confirm that all information requested in advance of the audit has been assembled and reviewed for its completeness and accuracy. More specifically, management will ensure that the general ledgers are in balance, ending equity accounts have been reconciled to the prior year balances, key control accounts, such as cash have been reconciled to the supporting bank statement, and all year end closing schedules have been prepared and the general ledger appropriately adjusted.

We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. 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 impact they have on the financial statements. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for 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 statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for 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 entity complies with applicable laws and regulations.

### **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 assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or government regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. 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 that come to our attention and we will inform you of any fraudulent financial reporting or misappropriation of assets that come to 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 matters that might arise during 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, 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 also request certain written representations from you about the financial statements and related matters.

Identifying and ensuring that the City complies with laws, regulations, contracts, and agreements is the responsibility of management. 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 applicable laws and regulations and the provisions of 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.

### **Audit Procedures-Internal Controls**

In planning and performing our audit we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on the City's financial statements.

An audit is not designed to provide assurance on internal control nor to identify reportable conditions. However, we will inform you of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

### **Audit Administration, Fees, and Other**

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

We expect to begin our audit in November and to issue our report no later than the regularly scheduled Council meeting in January assuming all year end accounting work is completed in a timely fashion and no unexpected conditions requiring material modification of our audit plan are encountered.

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, typing, 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. The time estimates used to project our fees are based on anticipated cooperation from your personnel and management fulfilling its responsibility, as discussed previously. Our time budget for this engagement does not include addressing matters related to management's responsibilities, such as modifications to the City's financial information (as evidenced by required audit adjustments), additional procedures related to alleged noncompliance with laws and regulations and similar improprieties, the City's lack of preparation for the audit (unadjusted accounts, unsupported accounts, and documents not pulled in advance as requested), and similar matters. Such time requirements have not been included in the estimate and would be billed in addition to the fees quoted at our standard hourly rates and actual costs incurred, including legal consultations, if necessary. We will notify the appropriate party when such conditions are encountered and when possible we will provide management with options for alleviating the condition. We may expend additional time to address incidental matters to facilitate timely completion of the audit and in rare instances to make a preliminary report to City Council for any matters that warrant additional reporting outside the normal audit process. We will obtain approval before performing additional work for matters considered significant to the original proposed fee unless, due to the nature of our work, we are legally compelled by subpoena or similar request to expend additional time and incur other expenses to handle matters arising from this engagement.

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. Our fee estimates for the audit of the City's basic financial statements for the year ended September 30, 2008, 2009, and 2010 are below.

The proposal for a three year engagement is as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Audit	\$ 29,000	\$ 31,320	\$ 33,826
Risk Assessment	\$ 7,250	\$ 7,830	\$ 8,456
Total	<u>\$ 36,250</u>	<u>\$ 39,150</u>	<u>\$ 42,282</u>

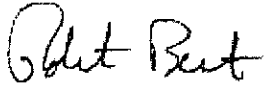
Our invoices for these fees will be rendered each month as work progresses and will be payable within thirty days. In accordance with our firm policies, work will be suspended if your account becomes thirty days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been completed 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. This agreement and rights and responsibilities of this audit engagement are specifically assigned to Robert Belt, CPA. 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, 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.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your internet 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.

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 City of Angleton, Texas, 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.

Very truly yours,



Robert Belt, CPA, Partner

**RESPONSE:**

This letter correctly sets forth the understanding of the City of Angleton, Texas.

---

Mayor J. Patrick Henry

---

Date