

June 30, 2017

Rebecca Underhill, Director of Finance
City of League City, Texas
300 West Walker Street
League City, Texas 77573

Re: Galveston County Municipal Utility District No. 13

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide to City of League City, Texas.

Engagement Objectives and Scope

We will audit the basic financial statements of Galveston County Municipal Utility District No. 13 (the District) as of and for the period ended April 30, 2017, and the related notes to the financial statements. This audit will encompass all funds of the District.

Our audit will be conducted with the objective of expressing an opinion on the financial statements. If our opinion is other than unmodified, we will discuss the reasons with you in advance.

Our Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have

identified during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

Sherri Greenwood is responsible for supervising the engagement and authorizing the signing of the report.

We will issue a written report upon completion of our audit of Galveston County Municipal Utility District No. 13's financial statements. Our report will be addressed to Galveston County Municipal Utility District No. 13 care of the City of League City, Texas. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph(s), or withdraw from the engagement. If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

Your Responsibilities

Our audit will be conducted on the basis that the Board acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,
- b. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c. To provide us with:
 - i. Access to all information of which the Board is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that we may request from the Board for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from the Board written confirmation acknowledging certain responsibilities outlined in this engagement letter and confirming:

- The availability of this information
- Certain representations made during the audit for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud 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

Other Services

We will provide you with the following non-attest services:

- Preparing a draft of the financial statements and related notes

In addition, we may perform other services for you not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services that we may provide, including any findings that may result. You also acknowledge that those services are adequate for your purposes and that you will establish and monitor the performance of those services to ensure that they meet management's objectives. Any and all decisions involving management responsibilities related to those services will be made by you, and you accept full responsibility for such decisions. We understand that the Board is responsible and accountable for overseeing the performance of those services, and that the Board is qualified to conduct such oversight, *i.e.*, understanding the services to be performed, hiring a qualified CPA firm to provide such services and reviewing documentation provided to determine a draft of the financial statements and depreciation schedules have been prepared.

Engagement Fees

The fees for our services are estimated to range from \$11,000 - \$13,000, plus an administrative fee of \$600 to cover items such as report production, copies, postage and other delivery charges, and technology related costs. In addition, fees for the review of the preliminary official statement, official statement, and the agreement to the reproduction of our audit opinion in the official statement for any new bond sale during the year will be in the range of \$1,000 - \$1,500.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum.

Our engagement fee does not include any time for post-engagement consultation with your personnel or third parties, consent letters and related procedures for the use of our reports in offering documents, inquiries from regulators or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

Our fees may increase if our duties or responsibilities are increased by rule-making of any regulatory body or new accounting or auditing standards. We will consult with you in the event any regulations or standards are issued that may impact our fees.

If our invoices for this or any other engagement you may have with BKD are not paid when due, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

Other Engagement Matters

BKD is not acting as your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, BKD is not recommending any action to you and does not owe you a fiduciary duty. BKD is acting for its own interests. You should discuss this project, as well as any information and material provided by BKD, with any and all internal or external advisors and experts that you deem appropriate before acting on any information or material provided by BKD.

Our workpapers and documentation retained in any form of media for this engagement are the property of BKD; however, any final documents/reports delivered to the District, and which have been paid for by the District, shall become the property of the District. Workpapers that support balances within the financial statements that are needed by the District or its consultants will be provided. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information.

To the extent permitted by law, you agree to indemnify and hold harmless BKD and its personnel from any claims, liabilities, costs and expenses relating to our services under this agreement attributable to false or incomplete representations by management, except to the extent determined to have resulted from the intentional or deliberate misconduct of BKD personnel.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Either of us may terminate these services at any time. Both of us must agree, in writing, to any future modifications or extensions. If services are terminated by the District, you agree to pay us for time expended to date.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on heirs, successors and assigns of you and BKD.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via e-mail or other mechanism. You recognize and accept the risk involved, particularly in e-mail delivery, as the Internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible, except those required to be retained by State Law.

If you intend to include these financial statements and our report in an offering document at some future date, you agree to seek our permission to do so at that time. You agree to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Any time you intend to publish or otherwise reproduce these financial statements and our report and make reference to our firm name in any manner in connection therewith, you agree to provide us with printers' proofs or masters for our review and approval before printing or other reproduction. You will also provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for such services are discussed elsewhere in this letter.

You agree to notify us if you desire to place these financial statements or our report thereon on an electronic site, including as notified in the minutes of the Board's meetings. You recognize that we have no responsibility as auditors to review information contained in electronic sites.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information except for known disclosures such as filing with the Texas Commission on Environmental Quality, filing with required information repositories, filing with the Texas Attorney General's Office and Cities as required.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

BKD, LLP

BKD, LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

City of League City, Texas

BY

John Bannister
Name and Title
John Bannister
City Manager

DATE

8-2-17

City of League City
City Manager Purchase Authorization



Purchasing Policy Sec 2-102 – Purchases exceeding \$10,000 require the City Manager's authorization signature before a PO/Contract PO can be issued or services rendered. Purchases exceeding \$50,000 require City Council approval before a PO/Contract PO can be issued or services rendered.

Dept. Contact Rebecca Underhill Date 8/1/17

Dept. Finance Budget Amount (annual) \$ _____

Awarded Vendor BKA, CPA's & Advisors

Contract Terms _____ years/months Beg. Date _____ End Date _____

Contract Amt: Prior Amt \$ — Current Contract Total \$ 13,000 - estimated

Description of Purchase Professional Accounting Services - Final Audit
for Dissolved MUD #13

Type of Purchase ☒ New Contract ☐ Renewal – No. of Renewals Left _____

☐ ITB / RFP / RFQ # _____

Bid Due Date _____ No. of Bids Received _____

☐ Quotes - No. of Quotes Received _____

☐ Items or services through a Co-Op

o Co-op Name _____ Contract No. _____

Exp. Date _____

☐ Sole / Single Source (requires a signed letter from the vendor)

☐ Emergency Purchase

Attachments Included:

☐ Quote(s) / Awarded Bid Response

☐ Signed Sole Source Letter

☒ Contract / Agreement (signed by Vendor)

☐ Bid Documents – (Specifications, Exhibits, etc.)

If over \$50,000:

☐ Data Sheet – Item No. _____

Agenda Date _____

☐ Resolution - # _____

☐ Form 1295

R Underhill

Dept. Director

Muhly for

City Attorney

Shawna

Purchasing Manager

8-2-17

Date

8-2-17

Date

8/2/17

Date