

Proposal for Independent Audit Services

Years Ending June 30, 2022 and 2023

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September 1, 2023

Ms. Merrilee Vanderwaal
Colusa Basin Drainage District
P.O. Box 390
Willows, CA 95988

Dear Merrilee:

The partners and staff of Horton McNulty & Saeteurn, LLP (HM&S), would like to express their appreciation to you and your staff for the effort and cooperation during our last audit of Colusa Basin Drainage District (the District), and for your interest in continuing your professional services with HM&S. We are confident that HM&S can provide the quality services you seek at a reasonable cost.

One of our core business practices is to align our firm with clients that share our high standards for quality and ethics in the workplace, and we know the District is just that. Outlined below and throughout our proposal, we will demonstrate why HM&S is the right choice for you.

Who We Are

At Horton McNulty & Saeteurn, LLP (HM&S), the value of service begins with a focus on our clients. We constantly look for ways to impart value in the services we provide. We leverage the strength of our people, and are proactive in identifying issues and opportunities affecting our clients. Like you, we know that we are in a business where communication, relationships, and understanding common goals are essential to our success and the success of our clients.

Our philosophy has always been to provide the finest auditing, accounting, tax, and management advisory services that are available in the communities we serve; to be associated with clients who wish to reach their maximum potential; and to be a firm that is enjoyable to work for and rewarding to work with. Our goals are to contribute to the community and the profession to which we belong and to grow, but never to lose the personal relationship with clients who are the foundation of our practice.

We are organized to provide a full range of accounting, auditing, tax, management consulting, and related services. We are committed to excellence of service; we take a constructive approach and maintain uniformly high standards of quality and responsibility in every area of our practice. We have industry experts within our firm available to deal with specific problems. Every engagement we undertake is under the personal direction of a partner of the firm. We continue to be concerned with the development of new approaches and techniques, all directed toward rendering the highest quality services at a reasonable cost.

Our quality control system meets the independence requirements of the Standards for *Audits of Governmental Organizations, Programs, Activities and Functions*, published by the United States General Accounting Office. We meet all specific requirements imposed by state or local law or rules and regulations. We follow the American Institute of Certified Public Accountants', *Interpretation 501-3, Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits*.

Service

We would like to emphasize our commitment to maintaining professional staff continuity in servicing this engagement. Many of our clients rely on having the same resources available to them because it reflects a commitment to their organizations and a deeper understanding of what their organizations are trying to achieve. Our staff builds a relationship based upon integrity, trust, and mutual respect, which is a primary reason that we maintain long-term professional relationships.

At HM&S, we understand that your audit will only be as effective as the people performing the task, which is the reason our partners play such a significant role in our engagements. We work closely with our clients and are highly involved in all phases of the audit, from planning and preparation through fieldwork and financial reporting.

Our approach is management-oriented, and our engagements are professionally staffed. We concentrate on maintaining a close and constructive relationship with our clients at all times and on being responsive to their needs throughout the engagement. We also stress the importance of utilizing the client's personnel to the extent possible as a means of reducing costs and as a basis for transferring skills to the District. Our staff is composed of many individuals who have helped train and supervise our entry-level staff so that our approach is technically competent, and at the same time responsive to clients' unique accounting and reporting situations.

As experts in traditional services to special districts, we provide:

- Worry-free financial reporting.
- Compliance for your peace of mind.
- Audit tools (such as an electronic portal), early planning, and open communication with the District to ensure the ease of audit completion and to minimize the interruption of the District's normal operations.

Technical Expertise

When working with us, you will have two knowledgeable primary points of contact to ensure you always have immediate access to the resources you need. All licensed professional staff are required to receive a certain number of continuing professional education hours in various disciplines each year and certification period. It is our job to bring the right resources to the District, rather than your team having to determine who they should call with a question.

We subscribe to several professional and educational services that provide daily and weekly updates. Regular updates are provided to all professional staff via email, in-house technical training sessions and self-selected continuing professional education (CPE).

Each engagement team member is proactive in communicating applicable proposed accounting standards changes to clients. We want to make sure we are sharing the information that is most pertinent to your business, rather than flooding you with every bit of information available.

Rotation of Auditors – California Government Code, Section 12410.6(B)

Our size allows for a rotation of auditors periodically so that the audits are continually evaluated by accountants with fresh and skeptical eyes. HM&S’s governmental auditing team includes two partners with extensive experience auditing governmental entities. This provides for the rotation of auditors in accordance with *California Government Code, Section 12410.6(b)*, whereby the lead audit partner having primary responsibility for the audits can be rotated within our firm at least once every six years.

Audit Work to be Completed

The audits will be conducted in accordance with generally accepted accounting standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller’s *Minimum Audit Requirements for California Special Districts*.

Audit Timeline

The following table illustrates the major audit areas and projected audit dates. The dates are intended to be in agreement with your requirements and can be modified if those requirements change.

Audit Schedule	Proposed Timing	Location
FIELDWORK Board minutes Preliminary analytical review Internal control understanding Complete account analysis: Cash Accounts receivable Capital assets Accounts payable Long-term debt Revenue and other Finalize analytical review Review	Mutually convenient time between February-May 2024	Work completed from HM&S office
AUDIT COMPLETION PHASE Report preparation Submit draft for management review Deliver final report	Approximately 6 weeks after scheduled fieldwork date	Work completed from HM&S office

Fee Proposal

We provide a value proposition that brings a quality audit with certainty in price. We believe our rates are comparable to those of other accounting firms. However, we believe that our service approach and techniques provide a unique capability to achieve cost savings while maintaining the highest quality standards.

We seek to reward client loyalty and pass on the savings gained from the continuity of long-term relationships with our clients. Our fees will not exceed the following:

Service	Fees
Audit of financial statements – 6/30/22 and 6/30/23 presented in one audit report	\$ 10,900

The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered while performing the work. We understand that you will provide us with all financial records and related information required for our procedures and that you are responsible for the accuracy and completeness of that information. We will provide you with lists of information and various forms that can be used to provide us with the financial records and related information required for our procedures. Your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing. Should unforeseen circumstances arise that involves significant additional time, we will discuss this with you before incurring charges and arrive at a new fee estimate. Whenever possible, we will attempt to use the District's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the engagement.

The above audit fees assume that the District will complete the closing process each year. The auditor may provide audit adjustments, however, is prohibited from completing the closing process to maintain independence required to provide an opinion on the financial statements.

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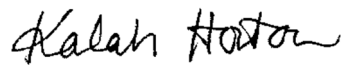
Unlimited Access Provision

In addition, HM&S provides unlimited access to the intellectual capital of our firm. This access enables you to regularly exchange ideas—by phone, email, or in meetings, at no additional cost to you. However, should such consultation require additional work or research, you would be obligated to compensate us at our standard hourly rates. We will be sure to discuss additional fees with you before performing the additional work or research. Our standard hourly rates, which are adjusted annually in January, are currently as follows: Partner \$300; Manager \$250; Senior \$200.

We appreciate the opportunity to present our professional qualifications to you, and we will be pleased to provide any additional information you require.

Very truly yours,

Horton McNulty & Saeteurn, LLP

A handwritten signature in black ink that reads "Kalah Horton". The signature is written in a cursive, flowing style.

Kalah M. Horton, CPA, CFE, Partner
Email: kalah.horton@hms-cpas.com