

Professional auditing services  
from utility industry specialists for  
**Gainesville Regional Utilities**  
Technical proposal

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October 27, 2016



Candor. Insight. Results.

# 1. Cover letter



Baker Tilly Virchow Krause, LLP  
10 Terrace Court  
Madison, WI 53718  
tel 608 249 6622  
fax 608 249 8532  
bakertilly.com

October 27, 2016

Ms. Diane Holder  
Senior Buyer  
City of Gainesville  
General Government Purchasing  
200 East University Avenue, Room 339  
Gainesville, FL 32601

Dear Ms. Holder:

Baker Tilly Virchow Krause, LLP (Baker Tilly) appreciates the opportunity to propose to provide audit services to the **Gainesville Regional Utilities (GRU)**. We are responding to your Request for Proposal (RFP) # CAUD-170010-DH for professional auditing services. Our proposal is to provide audit services to just GRU and not the City of Gainesville.

We recognize GRU has unique business needs and concerns and are eager to demonstrate how Baker Tilly can help you address those needs and achieve your goals. Baker Tilly brings a deep understanding of GRU's operations to the engagement because we have assisted GRU in preparing utility cost of service and rate design studies for the electric, water, wastewater and gas utilities. We have also provided cost allocation studies, various utility industry specific accounting whitepapers and guidance written in support of GRU's unique accounting transactions.

We are a leading certified public accounting firm with strong roots in serving municipal utilities. **Our energy and utilities team serves more than 400 utility organizations nationwide, including many multi-utility municipal utility systems just like GRU,** and we are uniquely qualified to help you address your auditing needs.

Selecting a firm that provides quality service and understands the operating environment of the utility industry is important to the continued success of your organization. Baker Tilly combines a crucial depth of industry experience, a relevant breadth of services to meet your needs, heavy partner and manager involvement and Exceptional Client Service. Clients trust our skill in uniting these attributes on their behalf and in developing a productive relationship with Baker Tilly. We are the right fit for GRU.

The following key factors differentiate Baker Tilly and make us the right choice for your audit:

- > **Utility specialization.** You will be served by Baker Tilly's energy and utilities team – a nationally recognized team that serves more than 400 utility organizations nationwide. Baker Tilly's utility professionals also act as educators and thought leaders for the utility industry by instructing for national associations. We intimately know the issues facing the utility industry and have knowledge and solutions to help GRU navigate through this changing landscape.

Ms. Diane Holder  
City of Gainesville

October 27, 2016

Many of the more than 60 professionals on the energy and utilities team have experience in the financial audit, regulatory, compliance and cost recovery concerns unique to utilities. The team, which works exclusively with the utility industry, has a substantial history of auditing entities exactly like GRU. With our level of industry experience and specialization, you can be assured of valuable, on-target advice.

- > **Large firm resources with singular client service.** Baker Tilly is large enough to offer the professional capabilities you need, yet we have the focus of a smaller firm, ensuring that you receive responsive, personalized attention. Our service teams maintain close communication with our clients to address issues before they become problems and we offer vast, firm-wide resources, including a high level of involvement from our partners.
- > **Seamless audit transition and a fresh perspective.** We understand the uncertainty that can exist when changing audit firms and actively take steps to ensure that new clients have a positive experience without interruptions. In fact, we survey clients who switch to Baker Tilly, and the results are impressive. **97 percent of our clients express high satisfaction with their transition to our firm.** In addition, Baker Tilly's fee quote does not include any hours for our work on the audit transition – we absorb those hours as part of our investment in our professional relationship with you. The decision to change firms will not only offer a fresh perspective but will also provide you with personalized service including significant partner involvement.
- > **Exceptional Client Service and continuity of talented staff.** Your Baker Tilly leadership and core services team is likely to remain the same over our period of service to you. This continuity of service means we can focus on performing a quality audit and providing value. It also means your accounting and finance team will not need to take time to retrain audit staff for the particular nuances of GRU and the utility industry in general.

We are committed to meeting your performance specifications. Our proposal details Baker Tilly's tailored approach to working with you to accomplish your objectives as well as information we believe will help you make your decision. You will be an important client of our firm, and we look forward to building a lasting relationship.

If you have any questions or would like further information, please do not hesitate to contact me at 608 240 2361 or [russ.hissom@bakertilly.com](mailto:russ.hissom@bakertilly.com). We look forward to having the opportunity to speak with you to discuss our proposal.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



Russell A. Hissom, CPA, CIA, CISA  
Partner

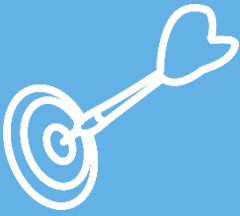
# Contents

1. COVER LETTER .....	PRECEDING
2. FIRM PROFILE AND QUALIFICATIONS .....	2
3. INDEPENDENCE .....	6
4. LICENSE TO PRACTICE IN FLORIDA .....	7
5. FIRM QUALIFICATIONS AND EXPERIENCE WITH OTHER GOVERNMENT AND UTILITY ENTITIES .....	8
6. PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE .....	23
7. CONFLICT OF INTEREST .....	30
8. SPECIFIC AUDIT APPROACH .....	31
9. PROOF OF PROFESSIONAL LIABILITY INSURANCE .....	44
10. EXTERNAL QUALITY CONTROL REVIEW .....	45
APPENDIX A: EXCEPTIONAL CLIENT SERVICE .....	47
APPENDIX B: RESUMES .....	48
APPENDIX C: REQUIRED FORMS .....	58
APPENDIX D: CERTIFICATE OF INSURANCE .....	69
APPENDIX E: PEER REVIEW REPORT .....	70

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly refers to Baker Tilly Virchow Krause, LLP, an independently owned and managed member of Baker Tilly International.



Candor. Insight. Results.



## 2. Firm profile and qualifications

### Name of business and contact information

#### **Baker Tilly Virchow Krause, LLP**

10 Terrace Court  
Madison, WI 53718

**Phone:** 608 249 6622

**Fax:** 608 249 8532

**Contact:** Russ Hissom, Partner

**Phone:** 608 240 2361

**Email:** russ.hissom@bakertilly.com

**Business hours:** Clients rate our responsiveness among the best in the accounting industry. Key team members are available to answer questions and respond to GRU at nearly any time of the day, evening or weekends.

### About Baker Tilly

Baker Tilly is a **nationally recognized firm** with a proven record of accomplishment of serving clients nationwide — and internationally. We are one of the top 15 largest accounting and advisory firms in the United States according to *Accounting Today's* 2016 list of “Top 100 Firms.” With clients located in essentially every part of the country, our locations across the U.S. enjoy brand recognition among our peers and the public. In addition, as a member of Baker Tilly International, we are able to extend our reach through trusted relationships with firms across the country and around the world. For clients and associates, Baker Tilly is the firm to grow with.

Baker Tilly was founded in 1931 with one central objective: use our industry specialization to help our clients improve their businesses. And that objective still holds true today. We will assemble an integrated team to serve GRU, blending our utility industry focused professionals with experienced specialists in the areas that are most important to you. This combination of financial, business and industry-specific specialization ensures you will be working with knowledgeable professionals who understand your organization and the challenges you face — and can create innovative solutions to help you overcome them. And because GRU will be working with a tailored engagement team, you can expect to receive consistent, efficient and Exceptional Client Service.

### Candor

Rest assured that there will be no surprises. Your engagement team will proceed in an open and collaborative manner. We routinely ask for and provide feedback that is smart and straight to the point.



### Insight

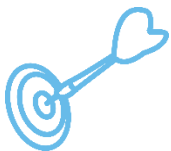
With our mature and deep specialization by industry and service line, we mobilize resources to consistently bring new and innovative ideas to you.



### Results

We do what we say we will do. We start with a team strategically put together based on experience and chemistry. We continually focus on quality, and we work with you to develop a tailored approach that is designed to help you meet your business goals.





## 2. Firm profile and qualifications

Our commitment to GRU extends across your entire organization. We are prepared to bring our full resources to bear on your behalf through offerings such as business and technology services; financial, tax and estate planning services; litigation support and forensic accounting services; merger and acquisition services; risk advisory services; and valuation services.

### Colorado Springs Utilities

“We have been very pleased with the service provided by Baker Tilly with our annual audit and other services provided. **Our goal was to work with an auditor that has substantial focus and expertise in large public utility accounting, financial reporting and controls. Baker Tilly has lived up to the expectations of our Board, Management and City Auditor.** We believe we have substantially reduced financial risks, have a better knowledge of industry financial development and trends and have better relationships with finance and accounting staffs from other large public utilities. We hope to continue our relationship with Baker Tilly as our auditor and advisor for a very long time.”



For more than 85 years, Baker Tilly has understood that our business demands absolute integrity, a belief in the value of trusted relationships and a willingness to collaborate with every client. We will strive to continue to deepen and enhance our relationship with GRU as we seek to become your Valued Business Advisor.

A limited liability partnership headquartered in Chicago, we serve our clients from more than 30 offices nationwide and employ a professional staff of 2,700, including a team of more than 220 professionals dedicated entirely to serving public sector clients, with 60 team members solely dedicated to the utility industry. Baker Tilly has several subsidiary entities in which it has an ownership interest and we would be happy to provide more information upon request. However, these subsidiaries will have no involvement in this engagement. The contracting party for the requested services will be Baker Tilly Virchow Krause, LLP.

Clients across the nation have consistently praised our responsiveness and accessibility, regardless of their office location. We selected the engagement team for GRU based upon the unique needs of your organization. Each person chosen to be on your team possess individual strengths that will directly benefit GRU and complement your work environment.

As a team, we will provide you with highly coordinated and responsive services. We centrally manage our team to allow for consistent service to our clients nationwide. We collaborate and train with one another to stay up to date on new industry changes and pass along knowledge to our clients. We recommend you connect with our clients to understand their satisfaction with our team’s responsiveness and presence throughout the audit process.



### Lower Colorado River Authority

“Baker Tilly serves us in a timely and professional manner. We are a billion-dollar organization that requires our auditors to be accessible, collaborative and commit to being an exceptional service provider – Baker Tilly fits that mold. They are able to serve our needs and provide valuable, timely support from Wisconsin very effectively. Accessibility and timely service has never been a concern for us.”



We strive to assign staff based on skill set and not based on availability or location. This provides you a team with relevant industry knowledge and best practices they can share with you and practical solutions to issues that may arise. This staffing arrangement has been very successful for many of our clients and we will work to make it successful for you.

Based on industry expertise and our experience serving GRU on prior engagements, the GRU service team will be managed from our Madison, Wisconsin office. More than 350 professional staff members are based in Madison, including key members of the specialized team dedicated exclusively to energy and utilities clients.

We have previously served GRU from our Madison office on business process reviews, accounting standards consulting, cost allocation reviews and rate consulting services, and distance has not been a factor. We schedule on-site fieldwork and meetings to meet your schedule and provide same day responses to your questions. If you choose Baker Tilly as the auditors for GRU, you will feel like a local firm is serving you.

### Professional staff for the GRU engagement

The eight-person team assigned to this engagement will consist of two partners, one senior manager, one manager, an IT consultant and various senior and staff accountants. All members assigned to your team are full-time staff will serve GRU full-time on the engagement.

Baker Tilly requires all professional staff to comply with the American Institute of Certified Public Accountants' (AICPA's) Code of Professional Conduct and the ethics standards of the AICPA, the US Government Accountability Office's Auditing Standards, and other professional or state regulatory standards. Baker Tilly also follows the Yellow Book independence rules, which are stricter than the AICPA's.

Please see **Section 6: Partner, supervisory and staff qualifications and experience** for the years of governmental auditing experience each engagement team member contributes and the delineation of responsibilities among your engagement team.



### **Federal/state desk reviews and disciplinary actions**

Baker Tilly's auditing procedures and working papers are compliant with applicable American Institute of Certified Public Accountants (AICPA), Public Company Accounting Oversight Board (PCAOB), Generally Accepted Government Auditing Standards, and Securities and Exchange Commission standards and federal and state laws. In the normal course of business, our work undergoes AICPA peer reviews, PCAOB inspections and other regulatory oversight.

We are pleased to report we have never had disciplinary action taken against us by state accountancy boards, the AICPA, the PCAOB, or other agencies.

### **Litigation**

In the normal course of business as a large accounting firm, Baker Tilly may be made a party to litigation alleging various common law and statutory violations. While Baker Tilly expects to resolve all pending matters without any material detrimental impact to the firm, like most accounting firms of any size, the firm does not disclose or discuss its litigation. Litigation is generally disposed of in the normal course of business and under any applicable professional indemnity insurance policy. We enjoy the benefits of a positive reputation.





## 3. Independence

Baker Tilly and its partners and staff are independent with respect to the City as defined by generally accepted auditing standards and the US General Accountability Office's (GAO's) *Government Auditing Standards*, and we will maintain an independent attitude and appearance through the full term of the engagement.

Formal independence guidelines are contained in our Employee Handbook based upon rules and regulations established by the Comptroller General of the United States and AICPA.

As part of the GRU's engagement planning process, we will ensure the independence of your engagement team and other applicable individuals and management-level personnel within the firm. The process reviews, accounting standards consulting, cost allocation reviews and rate consulting services we have provided to GRU as mentioned above do not represent an impairment to independence under Generally Accepted Auditing Standards and *Government Auditing Standards*.

### Energy Northwest

"Baker Tilly provided a strong transition team and hit the ground running, gaining a quick overall knowledge of our business and financial transactions. We were looking for a focus on streamlining the regulatory and reporting processes and receiving quality input into our specific utility accounting issues. Baker Tilly fulfilled that need by providing immediate feedback on our processes which resulted in a better understanding of regulatory requirements along with identifying specific areas for refinements and efficiencies. Baker Tilly has been very professional and extremely easy to work with, putting the customer first - response time and attention to understanding our internal processes has proved invaluable in our first year audit relationship with Baker





## 4. License to practice in Florida

Baker Tilly is a full-service certified public accounting and advisory firm licensed to practice in the State of Florida and all assigned key professional staff are properly licensed/registered to practice in Florida through State of Florida license mobility and reciprocity rules. Please find below a copy of the firm's license.



**STATE OF FLORIDA**  
**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION**

BOARD OF ACCOUNTANCY  
240 NW 76TH DRIVE, SUITE A  
GAINESVILLE FL 32607

(850) 487-1395

BAKER TILLY VIRCHOW KRAUSE, LLP  
205 NORTH MICHIGAN AVENUE  
CHICAGO IL 60601-5927

Congratulations! With this license you become one of the nearly one million Floridians licensed by the Department of Business and Professional Regulation. Our professionals and businesses range from architects to yacht brokers, from boxers to barbecue restaurants, and they keep Florida's economy strong.

Every day we work to improve the way we do business in order to serve you better. For information about our services, please log onto [www.myfloridalicense.com](http://www.myfloridalicense.com). There you can find more information about our divisions and the regulations that impact you, subscribe to department newsletters and learn more about the Department's initiatives.

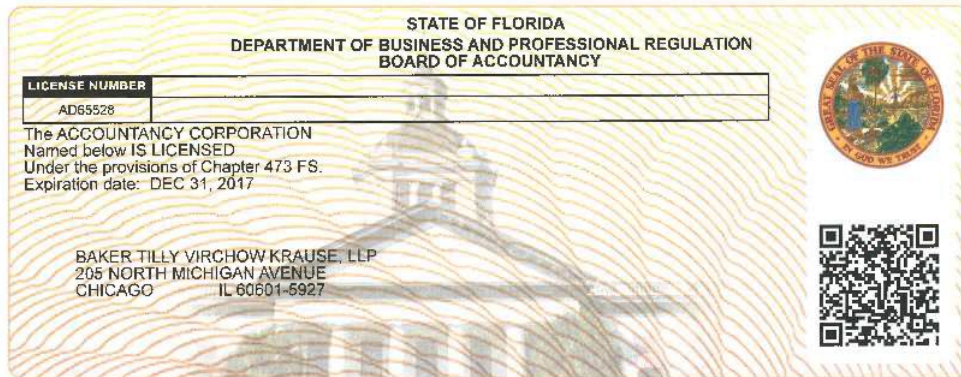
Our mission at the Department is: License Efficiently, Regulate Fairly. We constantly strive to serve you better so that you can serve your customers. Thank you for doing business in Florida, and congratulations on your new license!



DETACH HERE

RICK SCOTT, GOVERNOR

KEN LAWSON, SECRETARY



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## 5. Firm qualifications and experience with other government and utility entities

### Our credentials

For more than 40 years, Baker Tilly has provided energy and utility organizations with a range of accounting and advisory services they need to operate effectively in a complex regulatory environment. Our clients include public power, water, wastewater, stormwater and refuse utilities, investor-owned utilities, electric cooperatives, natural gas, renewable energy developers, transit systems, tribal organizations and joint action agencies.

Our energy and utilities team performs hundreds of utility financial audits annually and provides many utilities with financial and business process consulting services. Some of the clients we provide these services to have annual revenues of more \$100 million<sup>1</sup>:

Public power utility client	Operating revenues	Audit	Consulting
Long Island Power Authority (LIPA)	\$3,859,549,000		X
Bonneville Power Administration	\$3,257,461,000		X
CPS Energy	\$2,629,677,000	X	
Sacramento Municipal Utility District	\$1,474,168,000	X	
Lower Colorado River Authority	\$1,021,300,000		X
Seattle City Light	\$886,400,000	X	
Colorado Springs Utilities	\$868,846,000	X	
Snohomish Public Utilities District	\$645,198,000	X	
Wisconsin Public Power, Inc.	\$519,974,000	X	
Energy Northwest	\$463,000,000	X	
Gainesville Regional Utilities	\$439,577,000		X
Modesto Irrigation District	\$424,999,000	X	
Massachusetts Municipal Wholesale	\$311,774,000	X	
Illinois Municipal Electric Agency	\$318,081,000	X	
Missouri River Energy Services	\$204,103,000	X	
Oklahoma Municipal Power Authority	\$188,011,000	X	
Delaware Municipal Electric Corporation	\$163,966,000	X	
MSR Public Power Agency	\$149,637,000	X	

<sup>1</sup> Most recent audited financial statements



## 5. Firm qualifications and experience with other government and utility entities

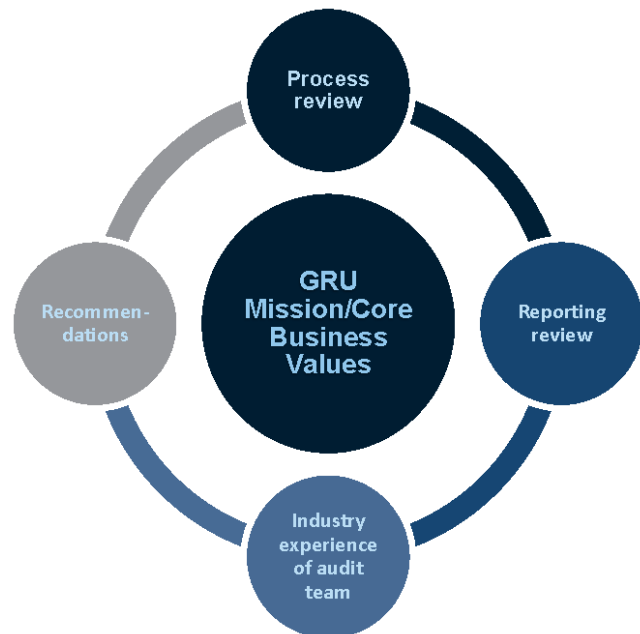
Providing services to utilities of this size and complexity gives us insights and experience that we will use to provide GRU with an effective and efficient audit. We will provide value to GRU through the audit, by analyzing key business processes and application of accounting standards and making recommendations for changes that will benefit the utility and its stakeholders.

### **Supporting GRU’s mission and core business values – providing value through the audit**

At Baker Tilly, we assist our clients in supporting their mission, core business values and strategic goals through our role as auditors and Valued Business Advisor. **We will help GRU accomplish its mission “to provide safe, reliable, competitively priced utility services in an environmentally responsible manner to enhance the quality of life in our community.”**

We will achieve this by supporting GRU’s **core business values:**

- > **Safety** – “We provide services to our customers while ensuring the utmost safety of our employees, the public and the environment.”
- > **Efficiency** – “We provide effective and quality services to both internal and external customers.”
- > **Environmental responsibility** – “We seek ways to reduce our impact on the environment.”
- > **Professionalism** – “We have standards that help us achieve our mission, including keeping commitments and being honest, courteous and respectful.”



**“How can an audit possibly assist in these areas?”** you might ask. Baker Tilly sees the auditor role as not only reviewing and testing internal controls, financial reporting and opining on the financial statements. The audit process lends itself to the evaluation of business processes for potential recommendations for greater efficiencies and to helping ensure that the use of current accounting standards clearly reports the story of the organization.



## 5. Firm qualifications and experience with other government and utility entities

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In recent Baker Tilly audits we have assisted our clients with recommendations such as:

- > **Improving specific information technology controls** to tighten business processes and ensure integrity in processing and reporting data
- > **Improving materials management processes for greater efficiencies** in managing inventory balances and obtaining more accuracy in the work order costing process
- > **Implementing new accounting standards and developing strategies for cost recovery** from customers
- > **Tightening controls over the purchasing process for greater efficiencies** across the organization
- > **Fully including all costs of construction** so that ratepayer rates reflect the **full costs of service**
- > **Defining the role of oversight governance** to enhance its role in the development and implementation of organizational strategy

We accomplish this through the issuance of required communications to oversight bodies (the management letter), through memos to management only on control deficiencies and business processes that could be tightened and through discussions and informal conversations throughout the audit.

### Nationally recognized utility industry specialization and leadership

Baker Tilly is a nationally recognized firm due to the depth of specialized expertise and knowledge of our energy and utilities industry team. Our team members are adept at communicating with federal, state and other regulatory agencies and stay current with issues that affect the industry.

This focus on industry specialization means Baker Tilly's energy and utilities team brings a balance of technical skill, industry insight and common sense to our work with you. How do we apply these skills and insights to help your organization meet and manage its potential? In collaboration with your team, Baker Tilly will do the following:

- > Offer value-added information and recommendations that will allow for informed decision making
- > Educate your staff members in how to meet essential accounting reporting requirements
- > Provide our services efficiently and with minimal disruption to your operation
- > Create continuity of service through a productive relationship with well-informed individual team members dedicated over the long term to your needs
- > Communicate timely, relevant information as appropriate throughout the year
- > Provide you with the benefit of knowledge and perspectives gained from our work with energy and utility clients, especially those with similar concerns
- > Provide qualified Certified Professional Education training to GRU staff annually



## 5. Firm qualifications and experience with other government and utility entities

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### Seattle City Light

“Baker Tilly’s experience in the utility industry and expertise in accounting standards is well demonstrated in all levels of their firm. Their responsiveness in providing expertise makes them a valued business partner.”



### Industry involvement

Our Baker Tilly energy and utilities team is actively involved in state and national utility associations to keep us on the forefront of changes in the industry. Our memberships in the following organizations and involvement as authors, speakers, trainers and promoters of the utility industry mean that we have the expertise to assist GRU in meeting the challenges it faces in providing utility services:

- > American Institute of Certified Public Accountants (AICPA) Technical Committees
- > American Public Power Association (APPA)
- > American Water Works Association (AWWA)
- > American Gas Association (AGA)
- > American Wind Energy Association (AWEA)
- > Association of Government Accountants
- > Edison Electric Institute (EEI)
- > GASB Technical Committees
- > GASB Asset Retirement Obligation Task Force
- > Government Finance Officers Association
- > Institute of Internal Auditors (IIA)
- > ISACA (Information Technology Certified Auditors - CISA)
- > National Association of Manufacturers (NAM) – Joint energy committee
- > Nuclear Non-operating Owner’s Group (NNOG)
- > Sustainability Accounting Standards Board – Electric industry working group member
- > Many state electric, water, wastewater and gas industry associations



## 5. Firm qualifications and experience with other government and utility entities




### Thought leadership

As industry leaders, Baker Tilly authors utility whitepapers that focus on emerging and current issues of interest to the utility sector, such as the impact and implementation of new accounting reporting standards. These publications reach a nationwide audience and a sampling of recent publications includes:

<p><b><i>Accounting insights: Focus on managing cyber risks tightens as data threats mount</i></b>  <i>January 28, 2016</i></p> <p>Companies must follow applicable laws related to data security breaches and be prepared to deal immediately with such a breach to avoid unnecessary penalties and minimize losses.</p>	
<p><b><i>Cybersecurity management: Implementing cybersecurity controls</i></b>  <i>January 26, 2016</i></p> <p>Understand the process of implementing cybersecurity controls and leading cybersecurity control standards.</p>	
<p><b><i>Why do IT projects fail?</i></b>  <i>November 19, 2015</i></p> <p>Understand why information technology (IT) projects sometimes fail can help you improve your IT project's chance of success.</p>	
<p><b><i>Best practices for ERP system procurement</i></b>  <i>November 17, 2015</i></p> <p>Employing the best practices will help an organization procure the ERP system that is best suited to meet their business needs and support the organization's strategic objectives.</p>	
<p><b><i>Are you overpaying for your share of joint generation costs?</i></b>  <i>November 17, 2015</i></p> <p>Learn how to avoid overpaying for joint ownership costs in generating facilities.</p>	
<p><b><i>Cybersecurity management: Data classification demystified</i></b>  <i>September 30, 2015</i></p> <p>Data classification is an important first step in establishing a cybersecurity management program, as it allows an organization to make managerial decisions about resource allocation to secure data from unauthorized access.</p>	
<p><b><i>Establishing a sustainable utility succession planning program</i></b>  <i>June 04, 2015</i></p> <p>Planning for succession is necessary when transitioning into the next generation with changing workforce demographics. This article explains how to establish such a succession plan program.</p>	
<p><b><i>Is your Power Purchase Agreement a capital lease?</i></b>  <i>May 29, 2015</i></p> <p>Power purchase agreements can reflect your utility's de facto ownership of the power supplier's assets for the term. Use the evaluation criteria in this article to determine whether you have taken control of the supplier's asset.</p>	



## 5. Firm qualifications and experience with other government and utility entities

<p><b>Benchmarks and key performance indicators (KPIs) – the hidden gems of financial management tools</b></p> <p>May 26, 2015</p> <p>Benchmarking and key performance indicators (KPIs) help to determine the performance levels in many industries. They can be used to find areas of improvement.</p>	
<p><b>Improve utility performance by using performance audits</b></p> <p>May 22, 2015</p> <p>This article explains how and why it is important to improve your utility performance by using performance audits.</p>	
<p><b>Fixed asset management best practices for utilities</b></p> <p>March 12, 2015</p> <p>Fixed asset management practices vary across the spectrum, from basic tracking of fixed asset items to the adoption of an asset life cycle methodology. Best practices are detailed in the ISO 55000 guide, Asset Management, which details standards gaining acceptance in the public and private sectors.</p>	

### Industry textbook authorship

Baker Tilly authors textbooks as resource materials for the electric industry. Recent publications include:

- > **Advanced Utility Accounting for Public Power**
- > **Establishing Strong Information Technology Governance**
- > **Implementing Sustainability Accounting Standards (2014 and 2016)**
- > **Considerations in Selecting an Enterprise Resource Planning software platform**

These publications serve as guides based on our industry knowledge and insights. They include common sense applications of industry practices for utilities to follow.

### Utility industry training

Baker Tilly develops and presents training courses for various roles in the utility industry. State utility associations and organizations such as the APPA, AWWA and EEI ask us to speak at events, teach courses and represent the industry.

We are instructors for APPA’s quarterly **Work Order & Asset Management** and **Advanced Public Utility Accounting courses** at various locations across the country. Our team regularly presents workshops at APPA’s **National conference** and **Business & Financial conference** on financial issues in the utility industry and their impact on public power. We also provide presentations at the EEI/AGA annual **Financial Conference**.





## 5. Firm qualifications and experience with other government and utility entities

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Presentations made in the last two years for APPA and other utility associations include:

Presentation	Event
> <b>GASB Update</b>	> 2016 APPA Business and Financial Conference
> <b>Strengthening Cyber Security Controls</b>	> 2016 APPA Business and Financial Conference on Establishing a Succession Planning Program in Your Utility > 2016 APPA National Conference
> <b>Managing Joint Power Plant Contracts</b>	> 2016 APPA Business and Financial Conference
> <b>Financial Statement Analysis</b>	> 2015 APPA Business and Financial Conference
> <b>Information Technology Governance</b>	> 2015 APPA Business and Financial Conference
> <b>Sustainability Accounting Standards</b>	> 2015 APPA Business and Financial Conference
> <b>Introduction to Public Power and the Electric Industry for Non-Public Power Team Members</b>	> 2015 APPA Business and Financial Conference
> <b>Succession Planning</b>	> 2015 Utility University sponsored by Baker Tilly
> <b>Succession Planning Programs</b>	> EEI/AGA 2015 Conference
> <b>Governmental Accounting Standards Update</b>	> 2014 APPA Business and Financial Conference

Baker Tilly team members also regularly present full and half-day seminars at the APPA National Conference, Business and Financial Workshops and other APPA events.

We also share our knowledge through webinars and Baker Tilly team members have given the following webinars in the past 18 months:

- > Information Technology Governance
- > Establishing a Succession Planning Program at Your Utility
- > Using Regulatory Accounting in Rate Recovery Strategies
- > Implementing Sustainability Accounting Standards

We view this not only as a way of educating the current and next generation of utility finance and accounting professionals, but also as a way to enabling the ability of municipal utility's to continue their service to customers and stakeholders.

Our capacity to provide top quality professional services to our clients goes even deeper than our commitment to the industry as a whole. We use what we know to develop a customized, personalized approach to meeting your audit needs. With our depth of experience, industry-specific knowledge and commitment to your success, you can count on our proven ability to deliver quality financial statement analysis and reporting that will exceed GRU's service objectives.



## 5. Firm qualifications and experience with other government and utility entities

### Baker Tilly’s commitment to representing the electric industry before FASB, GASB and Sustainability Accounting Standards Board (SASB)

Baker Tilly is extremely active in both the AICPA and GASB. Members of our team serve and have served on AICPA Governmental Accounting and Auditing Committees, technical issues committees and Private Company Practice Sections. Recent issues that our firm has been actively involved in are the GASB exposure draft on lease accounting, serving as task force members for the asset retirement obligation exposure draft and serving FASB groups on revenue recognition and lease accounting. Baker Tilly served on the SASB working group that developed sustainability accounting standards for electric, water and gas utilities that were released for implementation in November 2015.

### Additional information – firm resources and specialized audit services from our practice group

Baker Tilly’s industry specialization extends to creating audit teams with considerable experience providing specific audit and assurance services to energy and utility organizations. As requested in your RFP, this section provides additional information on specific services offered to the utility industry.

Services	Baker Tilly team experienced to deliver these services?
Bond issue services	Yes
Participation contracts	Yes
Rate design	Yes
Net costs recoverable	Yes
Derivatives – fuel hedges and interest rate swaps	Yes
Regulatory accounting	Yes
Information technology auditing	Yes

Baker Tilly does not provide bond arbitrage calculation services.

### Bond issue services

Baker Tilly is a nationally recognized firm by bond rating agencies and underwriters. We have provided our clients with bond issuance services in connection with many billions of dollars of bond issues.

Baker Tilly can provide bond issuance services such as agreed-upon procedures engagements, including letters of comfort to underwriters, bring-down letters, and providing assurance on stub financial statements. These services are commonly available under a separate engagement letter. We can also provide just a consent letter to use the audit opinion in an official statement for no fee. The members of the proposed audit engagement team for GRU are experienced in providing these services.

We aim our approach at **minimizing** the amount of services needed to issue your bonds. By working closely with you and your advisors, we feel that comfort work and bring-down letters may sometimes be unnecessary.



## 5. Firm qualifications and experience with other government and utility entities

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### Participation contracts

Baker Tilly is well versed in the complexity of participation contracts. We annually perform four to eight reviews and audits of both majority and minority owners of jointly owned power plants, treatment facilities and other assets. Our work revolves around testing business processes, internal controls and amounts properly billed. We place special focus on allocated costs charged to all owners.

We have a proven methodology for our approach to this service. Russ Hissom, the Partner-in-Charge for the GRU audit, leads many of these engagements and several other audit team members are also well versed in performing these services. Earlier this year, Russ made a presentation at the **2016 APPA Business and Financial Conference** on developing strategies for managing joint ownership contracts.

To access slides from Russ's presentation via the APPA website, please visit <http://www.publicpower.org/Events/interiorsidebar.cfm?ItemNumber=46590>, log in with your APPA password and search on "Hissom."

### Rate design

One of Baker Tilly's specialty consulting services is utility cost of service and rate design studies. We perform these studies for many utilities and have performed these services for GRU's electric, water, wastewater and gas services in 2012 and 2014.

### Net costs recoverable

Net costs recoverable are recorded as the difference between depreciation expense and bond principal paid on financed assets. This accounting treatment smoothes utility earnings and better reflects the intent of the recovery of debt service from customers. The use of this accounting methodology is governed under regulatory accounting in GASB 62 and Baker Tilly is well versed in this topic. We teach the application of net costs recoverable in our **APPA Advanced Accounting Course** and we assisted GRU in determining its net costs recoverable in connection with its bio-mass unit purchased power agreement.

### Derivatives – including fuel hedges and interest rate swaps

Baker Tilly's audit team for GRU has deep experience in auditing derivatives – including fuel hedges and interest rate swaps. We audit many clients that utilize these tools to manage risk. We are familiar in testing all methods allowable under GASB standards for effectiveness and in advising clients in the use GASB 62 regulatory accounting for deferring recognition of ineffective derivatives in the Statement of Revenues, Expenditures and Changes in Net Position.

### Regulatory accounting

Baker Tilly is a strong proponent of using regulatory accounting under GASB 62 *Regulated Operations*. We regularly teach classes as well as present webinars (most recently in May 2016) and seminars at industry conferences. We assisted GRU in determining the impact of regulatory accounting in connection with its bio-mass unit purchased power agreement and regularly consult with GRU on the appropriate use of regulatory accounting for various transactions. Russ Hissom provides further insights on this topic in his article **Regulatory accounting under GASB 62**, which can be accessed on our website at <http://www.bakertilly.com/insights/regulatory-accounting-under-gasb-62/>.



## 5. Firm qualifications and experience with other government and utility entities

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### Information technology auditing

Baker Tilly’s audit approach is based on testing internal controls, especially those controls in information technology. We use an Information Technology Risk Assessment approach that tests the key interfaces of IT and accounting transactions and financial reporting processes. The GRU Baker Tilly audit team has two members, Partner-in-Charge Russ Hissom and IT Subject Matter Expert Danielle Wakai, who hold the Certified Information Systems Auditor (CISA) designation. These skills brought to GRU’s audit will be of great value in testing controls and providing recommendations for any process improvements.

#### Colorado Springs Utilities

“What I have found with Baker Tilly over the years, and I have worked with many of the largest accounting firms nationally, is that Baker Tilly has really good accessibility. They tend to understand our issues in public power as opposed to the power industry in general.”





## 5. Firm qualifications and experience with other government and utility entities

### Relevant recent engagements

We encourage you to connect with the clients listed below to learn more about the value of their relationship with Baker Tilly. Each may have a different perspective that you may find valuable as you think about the unique needs of GRU.

<b>Client:</b>	<b>Gainesville Regional Utilities</b>
Contact:	Ms. Claudia Rasnick, Controller Ms. Diane Wilson, Utilities Analyst
Address:	301 Southeast 4 <sup>th</sup> Avenue, Gainesville, FL 32601
Phone   Email:	352 393 1313   <a href="mailto:RasnickCE@gru.com">RasnickCE@gru.com</a>
Date of service:	Baker Tilly client since 2011
Scope of work:	Accounting standards implementation consulting, utility cost of service and rate design, cost allocation review
Total hours:	40 hours – accounting consulting, 1,000 hours – other projects
Engagement partner:	Russell Hissom, CPA, CIA, CISA

Listed below are the **five most relevant engagements performed by our team in the last three years** that are similar to the engagement described in your RFP, ranked on the basis of total staff hours:

<b>Client:</b>	<b>City Public Service of San Antonio (CPS Energy)</b>
Contact:	Mr. Gary Gold, Interim Vice President of Financial Services
Address:	145 Navarro, San Antonio, TX 78299-2921
Phone   Email:	210 353 2523   <a href="mailto:gwgold@cpsenergy.com">gwgold@cpsenergy.com</a>
Date of service:	Baker Tilly client since 2008
Scope of work:	Financial audit – electric services, single audit, prepaid gas supply entity, agreed upon procedures and bond comfort work
Total hours:	2,500
Engagement partner:	Aaron Worthman, CPA
Daily on-site supervisor:	Sarah Slaughter, CPA

#### CPS Energy

“Baker Tilly has provided the highest level of professional services in the annual audit of CPS Energy’s financial statements. Their staff stays up-to-date on the most recent accounting guidance; and their knowledge of financial systems, leveraging of technology, and stability in audit staffing allow them to complete the annual financial audits in an efficient manner for their clients.”





## 5. Firm qualifications and experience with other government and utility entities

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<b>Client:</b>	<b>Sacramento Municipal Utility District</b>
Contact:	Ms. Sandra Moorman, Director of Accounting & Controller
Address:	6201 S Street, Sacramento, CA 95817
Phone   Email:	916 732 6957   <a href="mailto:Sandra.Moorman@smud.org">Sandra.Moorman@smud.org</a>
Date of service:	Baker Tilly client since 2006
Scope of work:	Financial audit – electric services, component units, generation units and prepaid gas supply entity; single audit, bond comfort work and compliance audit
Total hours:	2,200
Engagement partner:	Russell Hissom, CPA, CIA, CISA
Daily on-site supervisor:	Jeffrey Stanek, CPA

<b>Client:</b>	<b>Colorado Springs Utilities</b>
Contact:	Mr. Bill Cherrier, Chief Planning and Finance Officer
Address:	121 S Tejon Street, Ste. 200, Colorado Springs, CO 80947
Phone   Email:	719 668 8136   <a href="mailto:bncherrier@csu.org">bncherrier@csu.org</a>
Date of service:	Baker Tilly client since 2006
Scope of work:	Financial audit –electric, gas, water, wastewater services and prepaid gas supply entity; financial (non-management) consulting and bond comfort work
Total hours:	1,500
Engagement partner:	Aaron Worthman, CPA
Daily on-site supervisor:	Samantha Boterman, CPA

<b>Client:</b>	<b>Energy Northwest</b>
Contact:	Jeffrey Smith, Finance and Accounting Administrator
Address:	PO Box 968, Richland, WA 99352-0968
Phone   Email:	509 377 8342   <a href="mailto:jjsmith@energy-northwest.com">jjsmith@energy-northwest.com</a>
Date of service:	Baker Tilly client since 2016
Scope of work:	Financial audit
Total hours:	1,300
Engagement partner:	Russell Hissom, CPA, CIA, CISA
Daily on-site supervisor:	Bethany Ryers, CPA, MAS



## 5. Firm qualifications and experience with other government and utility entities

<b>Client:</b>	<b>Snohomish County Public Utility District No. 1</b>
Contact:	Ms. Julia Anderson, Senior Manager, Controller & Auditor
Address:	2320 California Street, Everett WA 98206
Phone   Email:	425 783 8027   <a href="mailto:jaanderson@snopud.com">jaanderson@snopud.com</a>
Date of service:	Baker Tilly client since 2010
Scope of work:	Financial audit – electric services, component units, generation units and prepaid gas supply entity; single audit, bond comfort work and compliance audit
Total hours:	1,200
Engagement partner:	Russell Hissom, CPA, CIA, CISA
Daily on-site supervisor:	Jeffrey Stanek, CPA

### Snohomish County PUD

“The PUD has been very satisfied with the services provided by Baker Tilly. Their work has been performed timely and within budget and their staff is knowledgeable, efficient, courteous and professional. The PUD and Baker Tilly have enjoyed a solid professional working relationship and I would recommend this firm to other entities seeking audit services.”



Our relevant experience with Florida based public utilities also includes the following engagement:

<b>Client:</b>	<b>Florida Municipal Power Agency</b>
Contact:	Mr. Mark McCain, Assistant General Manager, Public Relations, Human Resources and Member Services
Address:	8553 Commodity Circle, Orlando, FL 32819
Phone   Email:	321 239 1034   <a href="mailto:Mark.McCain@fmpa.com">Mark.McCain@fmpa.com</a>
Date of service:	2015 - 2016
Scope of work:	Consulting services to prepare report and testimony to respond to Florida Attorney General comments on FMPA Member All Requirements Contract
Total hours:	160
Engagement partner:	Russell Hissom, CPA, CIA, CISA



## 5. Firm qualifications and experience with other government and utility entities

### Communication with GRU management

Our communication plan sets the tone for your audit. Baker Tilly's client-centric audit methodology is communication-based and occurs in four phases:

#### Phase 1: Define engagement objectives and create a client service plan

We understand each client defines success differently; therefore, the first phase of our audit methodology involves establishing a client service plan that clearly matches your expectations to our services. This plan is updated every year through discussions with management.

These discussions will also enable your key personnel to become more comfortable with Baker Tilly. The increased level of communication and understanding will allow us to more readily anticipate your needs rather than simply react to your requests, mitigating last-minute surprises through proper planning, communication and execution.

#### Phase 2: Understand your business and develop the audit plan

During the planning phase, we will identify specific areas in which we will require your assistance during the audit. We will work closely with your management on an agreed-upon timeline.

#### Phase 3: Execute the audit plan

We will develop and communicate to key GRU personnel the plan for your audit and execute the plan against a mutually developed and approved audit timeline.

Throughout the audit process, we will discuss progress and open items with your management. Your relationship team's goal is to make the audit as efficient as possible through open communication and effective project management.

#### Phase 4: Conclude audit and collect performance feedback

We will communicate the results of our audit to GRU's management and oversight body. Because we regard our relationship as one of continuous improvement, upon completion of the audit engagement we will meet with you and solicit your feedback. This meeting is not only a look back into the results of the previous engagement, but also a springboard into next year's engagement.

Our partners and managers will actively lead the planning, execution and delivery of the GRU engagement and believe the three core areas — communication, accessibility and efficiency — complement and complete our client service approach. We commit to this in the following ways:







## 5. Firm qualifications and experience with other government and utility entities

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**Communication.** Consistent communication is crucial to our relationship with GRU. We will proactively contact GRU management throughout the year to share relevant news and information. Should issues arise, we will communicate them to you immediately. This communication ensures that both parties understand the issues and that those issues are resolved in a timely manner.

**Accessibility.** Our staff and partners will be available to you whenever the need arises. We respond to inquiries and concerns over the telephone within 24 hours and are available to meet in person, if desired.

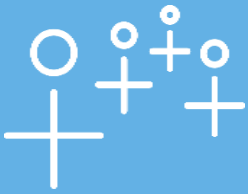
**Efficiency.** Your engagement team members will invest time learning about GRU. They have the skills to anticipate and respond quickly to your needs and challenges as they arise. Our approach to using industry specialists to staff your engagement will also reduce the time your employees will spend with the engagement team, so you can focus on your organization instead of spending time educating our staff.

### Seattle City Light

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“Baker Tilly demonstrated knowledge of potential client issues, awareness of impact on their engagement, and laid out a smart proactive problem-solving approach. Their readiness to be adaptive and responsive is a key highlight of a business partner.”





## 6. Partner, supervisory and staff qualifications and experience

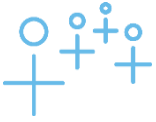
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### GRU defines “Exceptional Client Service”

Before we introduce your engagement team, we would like speak to our **Exceptional Client Service** philosophy at Baker Tilly. Baker Tilly surveys clients regularly, makes changes based on feedback and holds each member of our team accountable for client satisfaction. To us, Exceptional Client Service means responding immediately to your feedback and questions, communicating frequently and openly throughout the year and proactively bringing new ideas to the table that benefit your organization. Most importantly, it means making your top priorities our top priorities.

As part of our Exceptional Client Service approach, GRU will receive the following additional benefits, at no extra cost, during the course of your audit:

- > **Our staff is available to GRU at any time (not just during “usual business hours”)** via email, by phone or in person – whenever the need arises – and will respond promptly to your inquiries and concerns. We return emails and phone calls within one business day. In addition, we send out regular communications to notify all our clients of relevant developments affecting the utilities sector and ensure you remain current with any issues that may affect your business. We understand that issues you deal with generally require quick answers and have structured our organization so that you have access to the utmost in technical expertise in our firm and access to the immediate answers you need to run your business.
- > **GRU will receive our newsletters and webinars** to assist staff in staying informed of industry or regulatory changes. Your audit team is also available throughout the year to consult on GASB implementations or the treatment of new, unique or complex transactions.
- > **We provide breaking industry news emails** on areas of impact to the utility industry and will email **industry whitepapers** and **thought leadership articles** on current topics to you. These reference materials are also posted on the Baker Tilly Energy and Utilities webpage at <http://www.bakertilly.com/industries/energy-and-utilities/>.
- > We share breaking news of interest and other information with more than 900 group members through our **LinkedIn Group, Energy and Utilities Advisory Issues** at <https://www.linkedin.com/groups/2546046/profile>.



## 6. Partner, supervisory and staff qualifications and experience

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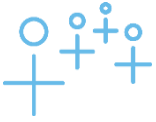
- > New standards are issued on a regular basis by standard-setting bodies. To better prepare our clients for the changes resulting from these standards and to share best practices, **we offer frequent client-training webinars**. These webinars are free to our clients and qualify for continuing professional education (CPE) on financial accounting and utility management topics.

We archive all of our webinars and you can view these any time on our website at [bakertilly.com](http://bakertilly.com).

- > We will provide you with **additional accounting advisory services at no cost** during each year of the engagement.
- > We will also provide **40 hours annually of accounting advice or other related services for no additional fees**. In addition to whitepapers on industry topics or new accounting standards, we can provide tailored training courses to your team. We will serve you with timely responses to your technical questions.

Should GRU have accounting advice needs that might result in a more structured and involved engagement, we would provide an estimate of hours in consultation with you and provide you with an estimate of the fees for the services.

- > We feel that **our clients should not have to pay the costs for the hours involved with the auditor transition process**. Our fee quote does not include the additional first year hours for the audit transition that we estimate at 60 hours.
- > We will provide you with **certified training** each year. Baker Tilly is an accredited professional training organization under the requirements of the National Association of State Boards of Accountancy (NASBA). During the contract period, we will provide GRU with **eight hours annually of certified education courses on financial topics**. These course hours will count towards CPE licensing requirements. We propose to hold these courses on-site at GRU. The eight hours of courses are in addition to the 40 annual hours of accounting advisory services offered above.



## 6. Partner, supervisory and staff qualifications and experience

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### Specially selected for GRU

We support GRU's mission of providing safe, reliable, competitively priced utility services in an environmentally responsible manner to enhance the quality of life in your community. GRU's core business values of safety, efficiency, environmental responsibility and professionalism resonate with Baker Tilly's values and stewardship initiatives. We chose your engagement team based on these shared values and the team's extensive audit experience with other clients in the utility industry. Key differentiators of our energy and utilities professionals include:

- > Leadership team with over 80 years of combined industry experience
- > Extensive experience in conducting audits for multi-utility municipal utility systems
- > Thought leadership and direction for some of the largest utilities in the country while providing them with prompt, tailored services
- > Instructors for national utility organizations

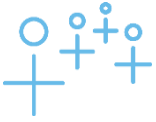
The table on the following page details your team's experience in utility audits, including significant engagements similar to the GRU audit. All team members who are CPAs are licensed to practice in Florida under the Florida state mobility licensing standards. Their experience includes serving only utilities and they have deep experience with GAAP regulatory accounting, Federal Energy Regulatory Commission (FERC) and National Association of Regulatory Utility Commissioners (NARUC) standards. All team members meet the Yellow Book requirements.

Please also see **Appendix B** for each team member's resume, including relevant continuing professional education and membership in professional organizations, standards setting advisory boards and committees relevant to the performance of this audit.

#### Sacramento Municipal Utility District

"We have been very satisfied with our experience with Baker Tilly as our auditor. We are especially appreciative and impressed with the quality of the staff that have worked on the audits. They are very efficient in their audit process and extremely conscientious about meeting our tight deadline."

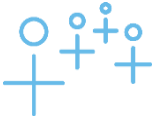




## 6. Partner, supervisory and staff qualifications and experience

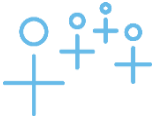
Your engagement team includes the following dedicated professionals:

Team member / role	Years of municipal utility auditing experience, regulatory, FERC & NARUC accounting	Biography	Similar utilities served
<p><a href="#">Russell Hissom</a>, CPA, CIA, CISA Partner-in-Charge</p>	<p>33 years</p>	<p>Russ is a partner on the energy and utilities team and has been with Baker Tilly since 1983. He has extensive experience in providing financial and compliance audits, internal audit services, business process and controls reviews, cost allocation studies, joint power supply ownership contract reviews, cost of service and rate design studies, operational reviews, and internal audit, risk assessment and financial training for utilities. Russ serves as an instructor for the American Public Power Association.</p>	<ul style="list-style-type: none"> <li>&gt; Gainesville Regional Utilities</li> <li>&gt; Sacramento Municipal Utility District</li> <li>&gt; Snohomish Public Utility District No. 1</li> <li>&gt; Energy Northwest</li> <li>&gt; Modesto Irrigation District</li> <li>&gt; Oklahoma Municipal Electric Agency</li> <li>&gt; Long Island Power Authority</li> <li>&gt; Florida Municipal Power Agency</li> <li>&gt; Bonneville Power Administration</li> <li>&gt; Grand River Dam Authority</li> <li>&gt; Illinois Municipal Electric Agency</li> <li>&gt; Illinois Public Utility Agency (municipal wholesale gas provider)</li> </ul>
<p><a href="#">Tom Unke</a>, CPA Concurring Review and Technical Partner</p>	<p>20 years</p>	<p>Tom is the team leader for the energy and utilities team. He specializes in serving the financial and operational needs of the utility industry. Tom's specific focus areas include audit and accounting, financial due diligence, strategic planning, renewable energy development, litigation support and joint-costing analyses</p>	<ul style="list-style-type: none"> <li>&gt; Gainesville Regional Utilities</li> <li>&gt; CPS Energy</li> <li>&gt; Seattle City Light</li> <li>&gt; Massachusetts Municipal Wholesale Electric Company</li> </ul>
<p><a href="#">Bethany Ryers</a>, CPA, MAS Senior Manager</p>	<p>12 years</p>	<p>Bethany is a senior manager on the energy and utilities team. She specializes in providing auditing, accounting and consulting services to utilities. She also assists with financial and capital forecasts, rate studies and impact fees. Bethany serves as an instructor for the American Public Power Association.</p>	<ul style="list-style-type: none"> <li>&gt; Modesto Irrigation District</li> <li>&gt; Energy Northwest</li> <li>&gt; Bonneville Power Administration</li> <li>&gt; Grand River Dam Authority</li> </ul>



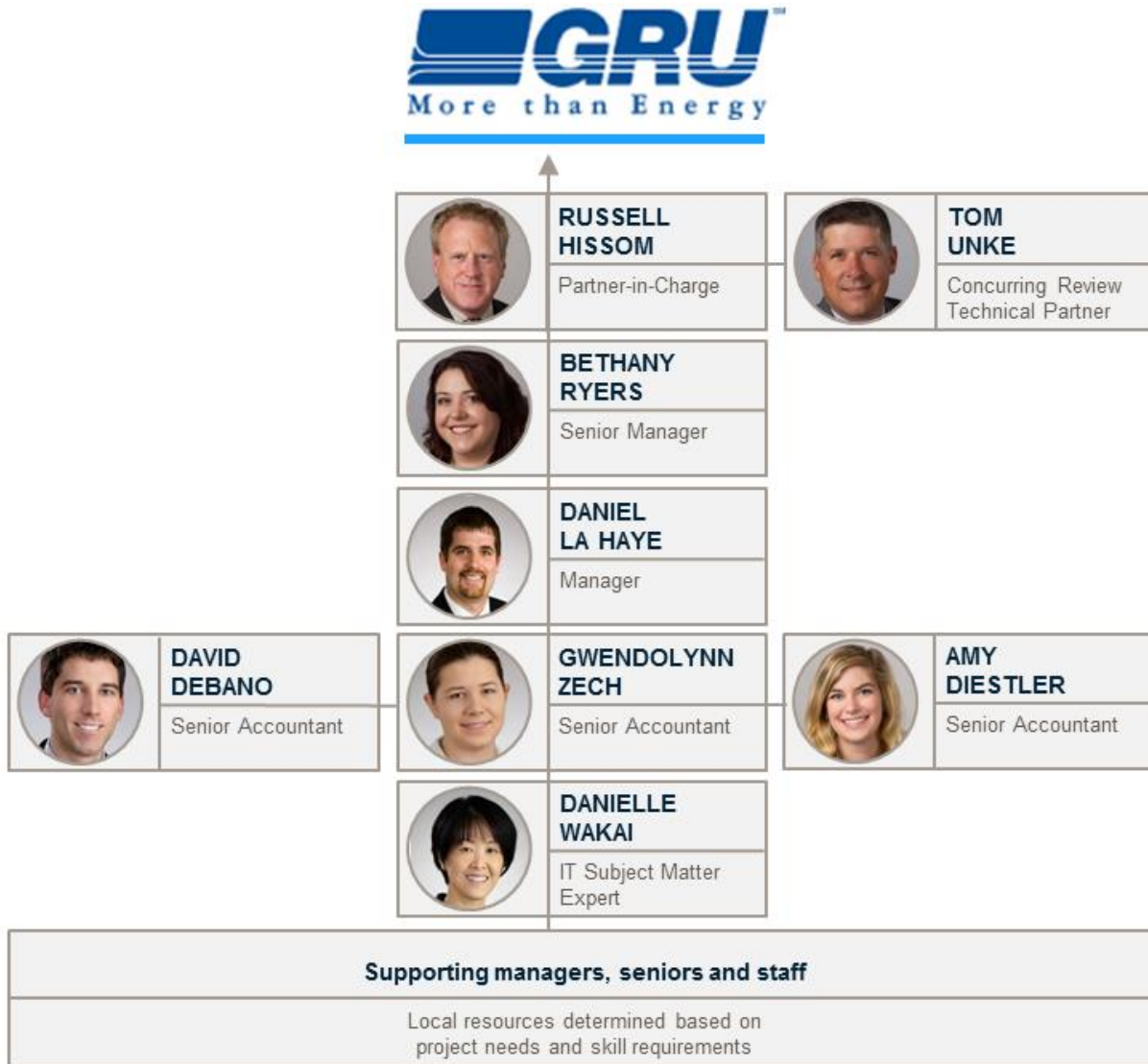
## 6. Partner, supervisory and staff qualifications and experience

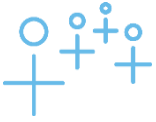
Team member / role	Years of municipal utility auditing experience, regulatory, FERC & NARUC accounting	Biography	Similar utilities served
<a href="#">Daniel La Haye</a> , CPA Manager	7 years	Dan is a member of the energy and utilities team and specializes in providing auditing and accounting services to public utility clients.	<ul style="list-style-type: none"> <li>&gt; CPS Energy</li> <li>&gt; Energy Northwest</li> <li>&gt; Lower Colorado River Authority</li> </ul>
<a href="#">Gwendolynn Zech</a> Senior Accountant	5 years	Gwen, David and Amy specialize in providing auditing and accounting services to public utility clients	<ul style="list-style-type: none"> <li>&gt; Sacramento Municipal Utility District</li> <li>&gt; Modesto Irrigation District</li> <li>&gt; Snohomish Public Utility District No. 1</li> <li>&gt; Illinois Municipal Electric Agency</li> <li>&gt; Illinois Public Utility Agency (municipal wholesale gas provider)</li> <li>&gt; Southern Illinois Power Cooperative</li> <li>&gt; Various water, wastewater and electric utilities</li> </ul>
<a href="#">David DeBano</a> Senior Accountant	5 years		
<a href="#">Amy Diestler</a> Senior Accountant	3 years		
<a href="#">Danielle Wakai</a> , CPA, CISA IT Subject Matter Expert	15 years	Danielle is a senior consultant with Baker Tilly. She has extensive experience with business systems solutions, including analyzing, developing and implementing business and web applications. Danielle leads the information technology risk assessment process used for all of our large utility audits.	<ul style="list-style-type: none"> <li>&gt; Sacramento Municipal Utility District</li> <li>&gt; Modesto Irrigation District</li> <li>&gt; Snohomish Public Utility District No. 1</li> <li>&gt; Grand River Dam Authority</li> </ul>



## 6. Partner, supervisory and staff qualifications and experience

GRU's engagement team will be organized as follows:





## 6. Partner, supervisory and staff qualifications and experience

### Staff continuity

We keep turnover low — and engagement teams intact — by striving to be an employer of choice for talented, committed individuals. In fact, Baker Tilly was recognized in 2016 as one of the best places to work in several of our offices and nationally.

Our low turnover rate means we can offer a team that is likely to serve you for many years. Our utility clients appreciate the fact that they get to know the Baker Tilly employees they work with year after year and that they do not have to educate new personnel constantly. This high level of continuity translates into people who really understand the intricacies of your organization, meaning they are in a position to offer opinions, advice and insight that are more meaningful to GRU. If an employee on your engagement team leaves Baker Tilly, the size of our practice allows us to quickly assign a replacement with a comparable level of industry and service line experience, thereby minimizing any disruption to your engagement.

#### Snohomish Public Utility District

“Baker Tilly has performed the financial statement audit for Snohomish County Public Utility District for the past six years. Their staff is knowledgeable about the industry, the audits have been well-planned and very efficient, they have exhibited good continuity in staffing our engagement, and they have performed well in meeting our deadlines.”



We attract some of the best and brightest professionals from top colleges and universities, industry and national accounting firms because of our unique corporate culture. They come to Baker Tilly to work in an environment that emphasizes the importance of relationships and a Valued Business Advisor approach.

To attract and retain our employees, we promote an organizational culture that encourages creativity, continuous learning, respect, employee appreciation and — above all — a positive attitude.







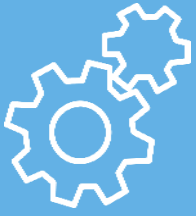
## 7. Conflict of interest

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Baker Tilly does not have any conflicts of interest with regards to the GRU and the City of Gainesville. Our quality control policies and procedures are in place to monitor our compliance with the independence standards governing our profession. Annually, we require all staff members to complete and sign representations regarding their compliance with the firm's and our profession's independence policies and procedures.

We have no knowledge of any business, investment or family relationships with GRU or the City, its agencies, officials, department heads or other employees and personnel of our firm that would impair our independence. As part of the GRU engagement planning process, we will ensure the independence of your engagement team members, management-level personnel and other applicable individuals in the firm.

We have included the City of Gainesville Consultants/Firms Certification Form in **Appendix C**.



## 8. Specific audit approach

Baker Tilly understands that your audit process should be a year-round effort. We use a team approach that provides you with the collective skills needed to cover all facets of your organization's audit. Knowing the utility industry, we understand the critical details embedded in your financial statements and will focus considerable time and energy on these risk areas while paying additional attention to items most concerning to you. We employ a business integration approach that incorporates strategy, organization, processes, performance measures, incentives, people and technology.

Our techniques include:

- > Identifying key risk areas, allowing us to properly concentrate our efforts
- > Designing predictive tests that define our financial expectations prior to starting fieldwork
- > Leveraging industry-specific knowledge to create tests for your operations
- > Deploying a dedicated team to maximize our knowledge of your company

GRU can expect to receive a high quality financial audit without unnecessary procedures or work papers. Before completing internal planning, we will discuss our approach with you and modify our plans, as appropriate. Our discussions with you will allow us to be better able to provide timely insight and advice, while at the same time building our file for your year-end compliance work.

### Lansing Board of Water and Light

"We recently switched to Baker Tilly this year. We are on schedule to meet our reporting deadlines and the transition has been smooth, transparent, and professional."



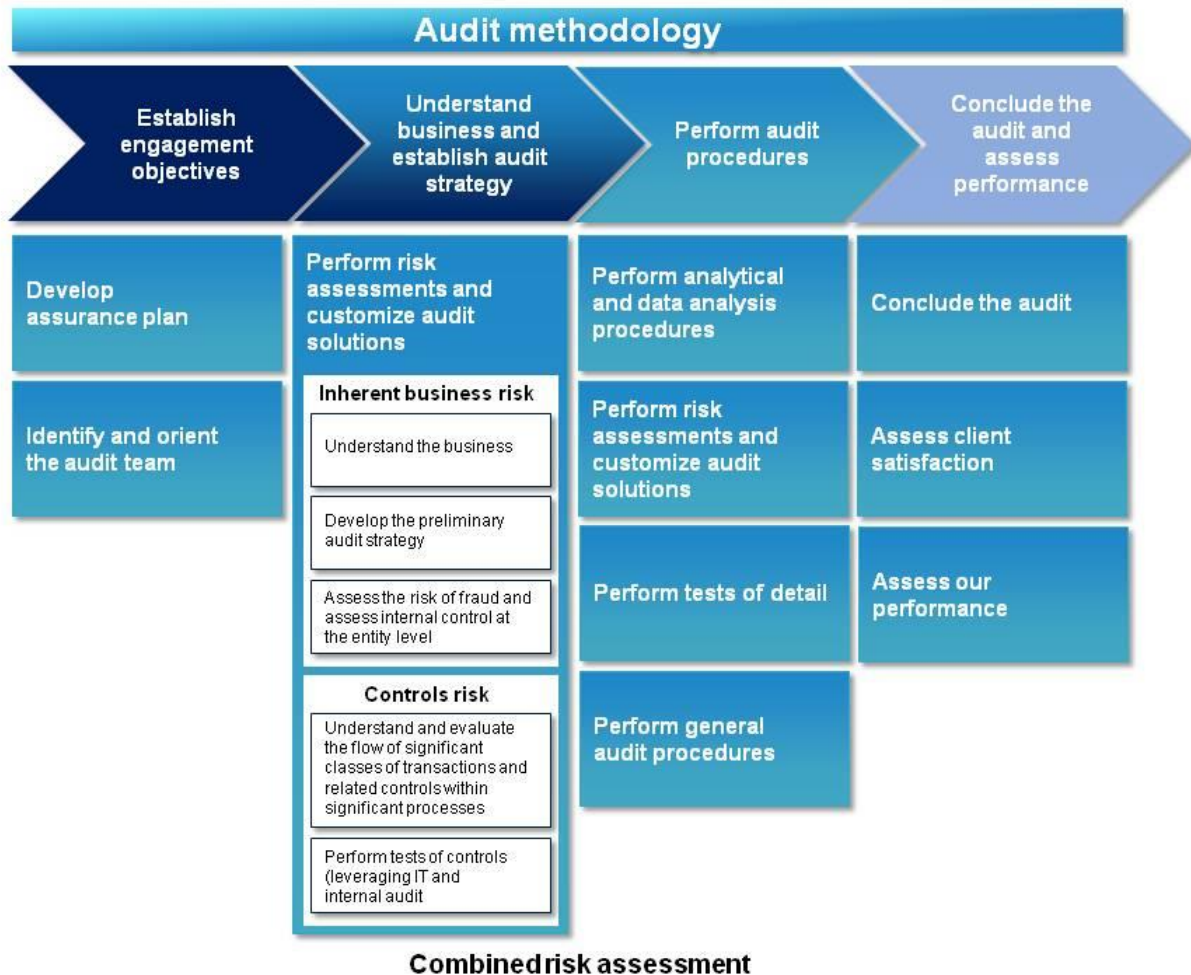
### Audit plan methodology

We strive to provide quality audit, accounting and advisory services to our clients. Using integrity, objectivity, competence and due care, our team will conduct your engagement professionally and on time.



## 8. Specific audit approach

The following summarizes the Baker Tilly financial audit approach:



Our service teams use the latest in audit technology and software to test transactions and perform data analytics. **We utilize a paperless audit tool, so the home location of our staff will have zero impact on serving GRU — you will feel like we serve GRU as a local firm.** We also utilize audit data extraction tools to test data from your systems. This will reduce your staff's audit preparation time and lead to an in-depth review of transactions that are tailored to the audit criteria being tested.

What can GRU expect from Baker Tilly's audit services?

- > Experienced audit teams with an energy and utilities focus
- > Open communication in all phases of audit from planning to wrap-up
- > Effective data analysis using efficient technology tools
- > Candid professional advice in addition to assurance on the basic financial statements
- > Pro-active response to issues that emerge; includes identifying solutions and formulating new pronouncements
- > Risk-based focus that includes process and control review



**a. Proposed segmentation of the engagement**

We have a proven audit approach, which will be tailored to GRU. The audit segments, along with the anticipated audit procedures for each segment, are anticipated to be as follows:

Stage	Audit steps
<p><b>1. Control environment</b></p>	<ul style="list-style-type: none"> <li>&gt; Review policies and procedures associated with implementing internal control enhancements within the GRU’s operations</li> <li>&gt; Meet with GRU financial management to determine the tone at the top relative to adherence to established control procedures</li> <li>&gt; Document and assess the communication process in place from management to staff relative to control activities</li> <li>&gt; Document major systems and processes supporting the financial reporting process for future use and control assessments</li> <li>&gt; Visit with process owners to determine adequacy and completeness of control documentation</li> </ul>
<p><b>2. Control activities</b></p>	<ul style="list-style-type: none"> <li>&gt; Determine approach to document key financial processes at GRU</li> <li>&gt; Perform internal control documentation relative to key systems and processes in place</li> <li>&gt; Perform test of controls relative to key aspects of the financial reporting and accounting process</li> <li>&gt; Select sampling methods and assessing control inherent in detection risk</li> </ul>
<p><b>3. IT Infrastructure and systems</b></p>	<ul style="list-style-type: none"> <li>&gt; Conduct review of information technology infrastructure relative to financial reporting risks</li> <li>&gt; Perform high level review of application and system controls aimed at protecting transactional integrity</li> <li>&gt; Complete IT infrastructure analysis by providing risk assessment of existing systems in place</li> <li>&gt; Perform risk assessment of IT controls as it pertains to audit testing; design audit tests</li> <li>&gt; Utilize IT evaluation in design of overall control testing</li> </ul>



## 8. Specific audit approach

Stage	Audit steps
<b>4. Cash and investments / derivatives</b>	<ul style="list-style-type: none"> <li>&gt; Review ledger account entries, compare cash account balances</li> <li>&gt; Confirm year-end account balances with depositories and reconciliations to amounts on the financial records</li> <li>&gt; Obtain bank reconciliations and substantiate reconciling items</li> <li>&gt; Substantiate cash cut offs in all departments, inter-bank transfers and petty cash balances</li> <li>&gt; Test investment transactions and test interest earned; trace to receipts and ledger accounts; confirm investment balances</li> <li>&gt; Test proper recording of any instruments that are marked to market</li> <li>&gt; Test accounts for fair value disclosures under GASB 72</li> <li>&gt; Test compliance with funding requirements of bond resolutions</li> <li>&gt; Test compliance in use of accounts in repayment of outstanding debt</li> <li>&gt; Test contracts for any derivative elements</li> </ul>
<b>5. Regulatory assets and liabilities in compliance with GASB 62</b>	<ul style="list-style-type: none"> <li>&gt; Test account transactions</li> <li>&gt; Test recording of any deferred regulatory assets or liabilities in compliance with regulatory accounting</li> <li>&gt; Test compliance of regulatory approval and recovery periods</li> <li>&gt; Determine any mark-to-market evaluations and 3<sup>rd</sup> party confirmations for derivative contracts and interest rate swaps</li> <li>&gt; Review derivative valuations for either derivative treatment or normal purchase normal sales treatment</li> <li>&gt; Test recording of rate stabilization deferred inflows</li> </ul>
<b>6. Plant in service and inventories</b>	<ul style="list-style-type: none"> <li>&gt; Obtain capitalization policy for capital assets and infrastructure</li> <li>&gt; Obtain summary schedules of capital assets including additions, retirements and accumulated depreciation</li> <li>&gt; Test capital asset leases for proper recording and valuation</li> <li>&gt; Test capital asset additions and retirements by project</li> <li>&gt; Determine proper recording of capital asset additions and retirements</li> <li>&gt; Perform test counts of inventory balances</li> <li>&gt; Perform testing on fuel inventory</li> <li>&gt; Test capital asset depreciation calculations</li> <li>&gt; Test pricing and quantity of inventories</li> <li>&gt; Review any third party testing of inventory balances</li> <li>&gt; Determine if there are any impairments and test impairment amounts in connection with GASB 42 requirements</li> </ul>
<b>7. Revenue and accounts receivable</b>	<ul style="list-style-type: none"> <li>&gt; Perform analytical procedures and test recorded revenues</li> <li>&gt; Confirm or otherwise validate accounts receivable</li> </ul>



## 8. Specific audit approach

Stage	Audit steps
<b>8. Other assets</b>	<ul style="list-style-type: none"> <li>&gt; Determine the nature and extent of other existing assets</li> <li>&gt; Test valuation of investment in The Energy Authority</li> <li>&gt; Test valuation of pollution remediation obligation</li> <li>&gt; Test long-term power purchase agreements for valuation</li> <li>&gt; Perform substantive tests relative to year-end balances</li> <li>&gt; Conduct assessment of proper financial reporting disclosure</li> <li>&gt; Determine existence occurrence in evaluation of other assets reported within the financial statements</li> </ul>
<b>9. Current and other payables</b>	<ul style="list-style-type: none"> <li>&gt; Determine the extent of other payables</li> <li>&gt; Conduct substantive testing on account balances and determine adequacy of disclosure within the financial statements</li> <li>&gt; Test valuation and recovery of fuel adjustments</li> <li>&gt; Test GASB 68 pension liability</li> <li>&gt; Test insurance reserves</li> <li>&gt; Perform tests for environmental liabilities and amounts recorded</li> </ul>
<b>10. Financing</b>	<ul style="list-style-type: none"> <li>&gt; Confirm and verify revenue bond, bank and note balances owed; information on new issues, if any; trace transactions to general ledger and recompute interest paid</li> <li>&gt; Test compliance with debt covenants regarding earnings coverage</li> <li>&gt; Test compliance with debt funding requirements as required by debt covenants</li> <li>&gt; Test valuation of fair value of interest rate swaps</li> <li>&gt; Test commercial paper</li> <li>&gt; Test recording and balance of capital leases payable</li> <li>&gt; Determine existence of any off-balance sheet liabilities and record or disclose if appropriate</li> </ul>
<b>11. Net position</b>	<ul style="list-style-type: none"> <li>&gt; Test proper classification of net position within the financial statements</li> <li>&gt; Analyze detailed account activity for proper transaction classification</li> </ul>
<b>12. Laws and regulation compliance</b>	<ul style="list-style-type: none"> <li>&gt; Meet with management to identify all significant compliance rules required as part of the financial reporting process</li> <li>&gt; Inquire into additional environmental regulations being placed upon GRU relative to account funding</li> <li>&gt; Inquire into management regarding proper disclosure of commitments and other contingencies on their financial statements</li> <li>&gt; Determine compliance with federal grant contract requirements, if applicable</li> </ul>



## 8. Specific audit approach

Stage	Audit steps
13. Payroll	<ul style="list-style-type: none"> <li>&gt; Conduct substantive tests associated with total payroll for the audit year</li> <li>&gt; Perform reconciliations of reported payroll costs to total labor reported in federal reports</li> </ul>
14. Operations and maintenance expense	<ul style="list-style-type: none"> <li>&gt; Compare expenses to prior years as well as budgeted amounts</li> <li>&gt; Perform account analysis of significant variations</li> <li>&gt; Review purchase power and related energy transactions</li> <li>&gt; Review any extraordinary expenses whose recognition has been deferred through regulatory assets</li> <li>&gt; Review vouchers payable listings as of year-end; determine proper cutoffs; review for unrecorded liabilities</li> <li>&gt; Verify vested vacation and sick pay liabilities</li> <li>&gt; Verify other employee retirement or post-employment benefit obligations</li> <li>&gt; Determine appropriateness of other liability accounts</li> </ul>
15. Contracts and commitments	<ul style="list-style-type: none"> <li>&gt; Obtain listing and inventory of all existing contracts within the GRU operations</li> </ul> <p>Evaluate all contracts for proper disclosure within the financial statements</p> <ul style="list-style-type: none"> <li>&gt; Conduct analysis of existing contracts to search for potential derivative applications and determine if these are properly recorded</li> </ul>
16. Financial reporting	<ul style="list-style-type: none"> <li>&gt; Ascertain that all items of audit significance contained in the minutes have been considered and cross-referenced to the working papers</li> <li>&gt; Discuss any potential adjusting entries and obtain adjusted trial balance</li> <li>&gt; Review client-prepared financial statements</li> <li>&gt; Perform subsequent events review to date of completion of fieldwork</li> <li>&gt; Obtain management and attorney representation letters</li> <li>&gt; Verify commitments and contingencies</li> <li>&gt; Draft all required reports</li> <li>&gt; Draft matters to be communicated to governance body</li> <li>&gt; Perform second partner quality control review procedures</li> </ul>
17. Engagement planning and administration	<ul style="list-style-type: none"> <li>&gt; Obtain signed engagement letters and complete audit independence procedures</li> <li>&gt; Review previous audit reports and reports on internal control</li> </ul>



## 8. Specific audit approach

Stage	Audit steps
	<ul style="list-style-type: none"> <li>&gt; Prepare memorandum regarding overall operations for permanent file records</li> <li>&gt; Complete staffing and scheduling summary</li> <li>&gt; Hold planning conference among engagement partner and in-charge auditors</li> <li>&gt; Hold entrance and progress conferences with client</li> <li>&gt; Obtain all documents and information required for permanent file</li> <li>&gt; Read minutes of board meetings</li> <li>&gt; Review and evaluate internal controls (includes completion of internal control questionnaires, flowcharts and other documentation and statistical testing of revenue, expenditure and payroll systems, as necessary)</li> <li>&gt; Determine audit risk by business segment</li> <li>&gt; Interview selected GRU staff and oversight governance members in accordance with audit requirements</li> <li>&gt; Develop and approve audit programs (modification of existing utility standard programs)</li> <li>&gt; Accumulate all points to be included in management letter, draft letter and discuss with management</li> <li>&gt; Review internal reports to determine any impact on audit procedures and financial reporting</li> <li>&gt; Review working papers for completeness</li> <li>&gt; Undergo partner level working paper reviews and second partner independent reviews</li> <li>&gt; Hold exit conference with key personnel</li> <li>&gt; Make presentation to the appropriate oversight committee on auditor's report, work performed and other required communications</li> <li>&gt; Ensure that all necessary standards are completed and complied with relative to professional auditing standards as well as standards required by the American Institute of Certified Public Accountants</li> <li>&gt; Complete necessary audit analysis of related party transactions and subsequent events disclosures</li> </ul>
<b>18. External reporting</b>	<ul style="list-style-type: none"> <li>&gt; Conduct necessary steps to support reporting requirements of parties identified within our audit planning</li> </ul>
<b>19. Audit committee (or equivalent) interaction</b>	<ul style="list-style-type: none"> <li>&gt; Conduct meetings with the Board and/or audit committee to review the status of the audit throughout the year</li> <li>&gt; Prepare reports necessary to communicate relevant discussion items</li> <li>&gt; Participate in audit presentation and preparation of responses to questions anticipated as part of the audit presentation</li> </ul>





## 8. Specific audit approach

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Stage	Audit steps
OMB Uniform Guidance compliance audit (if required)	<ul style="list-style-type: none"><li>&gt; Complete compliance testing in accordance with OMB Uniform Guidance, GAO <i>Government Auditing Standards</i> and the code of Federal Regulations</li><li>&gt; Perform tests in accordance with the applicable significant areas (fourteen possible areas) as identified in OMB’s compliance supplement</li></ul>

**Audit deliverables.** Per the requirements of the Request for Proposal, Baker Tilly will provide the following report deliverables:

- > Report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America
- > Report on the internal control structure based on the auditor’s understanding of the control structure and assessment of control risk
- > Report on compliance with GRU’s bond covenants
- > “In-relation to” report on GRU’s financial statements prepared utilizing criteria in the Resolution for the calculation of net revenues and other flow of funds (bond compliance)
- > “Management letter” required by Section 218.39 (3)(a)(4), Florida Statutes and described in detail in State of Florida, Rules of the Auditor General, Effective September 30, 2016, Section 10.554 (1)(i)



**b. Staffing assignments and levels to be designated to each proposed segment of the engagement**

Our staffing for your engagement will be as organized follows:

Segmentation of engagement	Hissom	Unke	Ryers	LaHaye	Zech	DeBano	Diestler	Wakai	Staff
> Engagement management									
> Control environment									
> IT assessment									
> Cash and derivatives									
> Regulatory assets									
> Fixed assets and inventory									
> Revenues and receivables									
> Other assets									
> Payables									
> Financing									
> Net position									
> Compliance									
> Payroll									
> Operations and maintenance expenses									
> Contracts									
> Reporting									
> Audit Committee and Board									



### c. Extent of evaluation and use of electronic data processing software in the engagement

Baker Tilly uses a specialized Web-based paperless audit software tool (CaseWare) that allows all audit team members to have access to the same data in real time. The tool combines all financial audit tasks into an electronic paperless format, including work programs, trial balances, spreadsheets, work papers and financial statements. The work programs are tailored to each audit client's operations so that a generic "check-the-box" audit approach is not used and the testing and documentation requirements for each audit are specifically tailored to GRU's business environment.

We also use a firewalled secure FTP tool – "Huddle" – that allows for uploading and downloading documents. Both clients and our team find this process very efficient.

This paperless technique results in savings of both time and resources. Security requirements of these audit tools also ensure that your data is safe and secure, accessible only by the appropriate audit team members and backed up daily.

### d. Approach to be taken to gain and document an understanding of the GRU's internal control structure

We feel it is our obligation as your auditors to provide a seamless audit transition, and we will take a structured approach to gaining an understanding of GRU's internal control structure. Our audit transition process will involve the following approach:



In reviewing existing GRU systems documentation, we will review existing policies and procedures manuals, process documentation, and identify key segment personnel for



further discussions on the operations of controls in major control segments (cash and collections, billings and receivables, work order asset management, payroll, expenditures and payables and other identified areas).

We will use this upfront knowledge to identify areas for further review and walkthroughs during preliminary work and through additional information requests.

**We feel that our new clients should not have to pay the costs for the hours involved with this process.** Our fee quote does not include the additional first year hours for the audit transition that we estimate at 60 hours.

### **e. Approach to be taken in determining laws and regulations that will be subject to audit test work**

Our audit team will review GRU's prior audit report to identify areas of laws and regulations that we will make part of the audit work program for audit testing. We will supplement that review with discussions with management and GRU legal counsel to populate our risk list of laws and regulations for review.

If GRU is required to have an audit under the Uniform Guidance (single audit), the audit scope regarding compliance with laws and regulations will be substantially broader than a standard audit conducted according to generally accepted auditing standards (GAAS). Uniform Guidance requires that we test for compliance with laws and regulations that could have a material effect on the allowability of program expenditures. Therefore, we will test financial transactions as well as specific program requirements as part of the OMB Uniform Guidance single audit.

Once we have determined which federal and state programs are major, we will develop the approach to test each specific program for the 14 significant areas as required in the OMB Compliance Supplement. This combination approach will round out the universe of potential laws and regulations for audit testing.

### **f. Approach to be taken in drawing audit samples for purposes of tests of compliance**

We will use audit sampling throughout many phases of our audit. Sampling makes for an effective and efficient audit and allows Baker Tilly to opine on the effectiveness of internal controls and identify material weaknesses, significant deficiencies or control matters. We have identified the following audit sampling tests that will be used on GRU's audit. They include:

- > Substantive tests of details of balance sheet accounts
- > Tests of controls
- > Tests of compliance with laws and regulations



After we have reviewed and evaluated GRU's internal controls, we will make decisions on the internal control procedures we intend to test. We will set parameters regarding the expected error rate, audit risk, and tolerable error rate in order to determine the sample size we will generate. We may perform these procedures in the following areas:

- > Cash receipts
- > Cash disbursements
- > Payroll

Our sample sizes range from 32–65 items, depending on the size of the population. For smaller populations, we use a combination of sampling and analytics for maximum coverage and assurance. We also plan to use audit sampling to perform substantive tests of certain balance sheet accounts, including accounts receivable and recorded vouchers payable. Our firm has customized statistical sampling tools that are in full compliance with all professional standards.

### **g. Approach to be taken in reviewing financial statements**

Our analytical procedures are done in three parts — planning, preliminary and final. A planning analytical review is performed during our preliminary audit fieldwork to help us plan the audit and determine where we might need to focus additional audit attention. Preliminary procedures are performed using the GRU's trial balance and budget report prior to audit entries. In-charge auditors review the current year information and compare it to prior year actual amounts, the current budget and other expected results. These procedures are performed on the balance sheet and income statement.

Final analytical review takes place after any client or audit entries are posted. The partner-in-charge or manager reviews the financial statements, looking for variances to our expectations — figures that exceed a predetermined threshold level, both from a percentage and a dollar amount perspective. Those accounts that exceed the variance threshold are highlighted for further investigation. This investigation includes reviewing detail transactions, vouching a sample of transactions, discussions with management and validation techniques. Explanations of variances are documented in our file, with the results used to determine the extent of any additional audit testing or financial statement disclosures.

### **h. Approach to be taken in assessing risks of information systems related to financial reporting.**

Our approach to internal controls, including information systems controls, will be to evaluate the design and implementation of key entity-level, process-level and information technology controls. Consistent with the financial statement audit, materiality and risk considerations are used to determine scope.

We will include IT audit specialists on the audit team. Their focus principally will be to evaluate the general computer controls related to information security and change management related to GRU's general ledger system and other software application-level control activities, as appropriate.



## 8. Specific audit approach

### Audit timeline

We are committed to meeting the timeline as detailed in the request for proposal. The audit timeline for the audit of GRU's financial statements for the year ended September 30, 2017 is shown in the following schedule:

ID	Numb	Task Name	Start	Finish	Aug	Sep	4th Quarter Oct	Nov	Dec	1st Quarter Jan	Feb
1	1	Audit planning	Tue 8/1/17	Fri 8/18/17	■						
2	2	Preliminary audit fieldwork	Mon 8/21/17	Fri 9/1/17	■						
3	3	Audit planning, review of preliminary audit fieldwork, closing of books and preparation of final schedules by GRU	Tue 9/5/17	Fri 11/24/17		■	■	■			
4	4	Final audit fieldwork	Mon 11/27/17	Fri 12/15/17					■		
5	5	Audit completion procedures	Mon 12/18/17	Fri 12/22/17					■		
6	6	Deliver draft reports to GRU	Tue 1/2/18	Tue 1/2/18						◆ 1/2	
7	7	Discuss reports with GRU and complete edits	Tue 1/2/18	Fri 1/12/18						■	
8	8	Deliver all reports in proposal to GRU	Mon 1/15/18	Mon 1/15/18							◆ 1/15
9	9	Present reports, opinion and management letter (to be determined)	Tue 2/6/18	Tue 2/6/18							◆ 2/6

All final reports will be issued by the January 15 due date each year, as outlined in Addendum No. 3 to the RFP, provided that GRU can provide all final audit schedules and the financial statement draft by the second week following the start of final audit fieldwork (this would be approximately December 1 each year).



## 9. Proof of professional liability insurance

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Baker Tilly complies with Rule 61HI-26.002, Florida Administrative Code, regarding Minimum Capitalization or Adequate Public Liability Insurance for Florida Firms. Please see **Appendix D** for our professional liability insurance certificate.



## 10. External quality control review

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As members of the AICPA, Baker Tilly is required to develop and maintain a quality control document that outlines major areas of quality control as follows:

- > Independence, integrity and objectivity
- > Personnel management
  - Hiring
  - Assigning of personnel
  - Professional development
  - Advancement
- > Acceptance and continuance of clients and engagements
  - > Engagement performance
    - Performance
    - Consultation
  - > Monitoring

Baker Tilly's quality control document and our adherence to its provisions are subject to an independent outside review, which is required every three years. Our substantial governmental service practice requires significant portions of our external quality control review to be directed to governmental engagements. Under the peer review standards, a firm receives a peer review rating of pass, pass with deficiencies, or fail. Our most recent peer review report was completed in November 2015 and earned a rating of "pass," with no letter of comments. A copy of our 2015 Peer Review is included as **Appendix E**.

In addition to the external peer review, we perform internal office inspections annually. This ensures that we are maintaining our audit quality at the highest possible standards. Our firm also performs external peer reviews for numerous CPA firms throughout the United States.

Baker Tilly auditing procedures and working papers are in full compliance with the applicable federal and state guidelines as indicated elsewhere in this proposal. Because of the large volume of governmental work and numerous single audits we do every year, our working papers and procedures often undergo review by regulatory agencies.





## 10. External quality control review

We are active members of the AICPA. Our membership helps us stay informed of changes in the industry and helps us to assist clients with the implementation of new regulations or the adoption of new standards.

Some of Baker Tilly's involvement includes:

AICPA	Purpose	Firm membership	Dates
Governmental Audit Quality Center (GAQC)	To promote the importance of quality governmental audits, serve as a resource to member firms, provide members with online tools for sharing ideas, and recognize CPA firms that demonstrate a commitment to governmental audit quality.	Baker Tilly Virchow Krause, LLP	Since its inception
Technical Issues Committee (TIC)	TIC is a committee of CPA practitioner volunteers working to represent the views of local firms and their clients in the standards setting process.	Vicki Hellenbrand, Partner, GASB TIC member; Dave Johnson, Partner, FASB TIC member	2013–present
State and Local Government Expert Panel	This committee serves the needs of the AICPA members regarding financial and business reporting and audit and attest matters. The expert panel protects the public interest by bringing together knowledgeable parties in the state and local government industry to deliberate and come to agreement on key state and local government issues.	Carla Gogin, Partner (Heather Acker, Partner, is a former member; Don Rahn, a retired audit partner, previously served on this committee)	2012–present
GAQC Executive Committee	This committee governs the GAQC, develops the policies of the GAQC and oversees its activities. The committee meets twice a year, held in conjunction with the Single Audit Roundtable (SART), which includes federal inspectors general, federal agencies and CPA firms.	Heather Acker, Partner (Tom Scheidegger, Partner, is a former member)	2012–present
Auditing Standards Board (ASB)	The ASB is the AICPA's senior committee for auditing, attestation and quality control applicable to the performance and issuance of audit and attestation reports for non issuers.	Kim Tredinnick, Partner	2010–2013

Baker Tilly Chairman Emeritus Tim Christen continues Baker Tilly's influence and leadership as chairman of the AICPA. Kim Tredinnick, partner and member of the firm's risk management group, has served on the AICPA's Auditing Standards Board, the National Association of State Boards of Accountancy, the AICPA's Technical Standards Sub-Committee, and holds the position of vice-chair of the Wisconsin Examining Board. In addition, Jeff Gendreau, partner and member of the firm's board of partners, serves on the AICPA's National Peer Review Committee. Several other Baker Tilly partners have served in various positions with the AICPA as well.



# Appendix A: Exceptional Client Service

## The Baker Tilly difference is the client experience

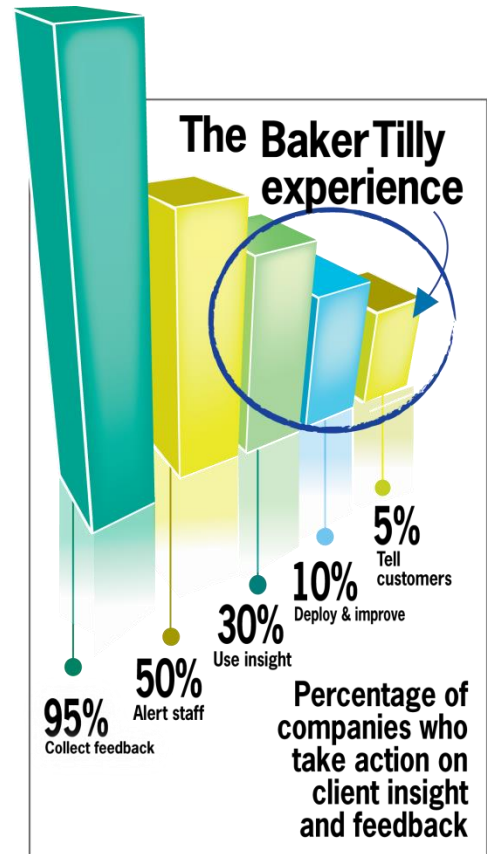
**Accounting firms are not all the same. Baker Tilly breaks away from the pack when it comes to connecting with you to truly understand what is important to you.**

Clients choose and stay with Baker Tilly because they know we deliver Exceptional Client Service. According to the Corporate Executive Board, 95 percent of companies collect feedback about their level of service and expertise, but less than half use it to improve the way they do business and just 5 percent actually talk with their clients and take action to make things better. We are one of the 5 percent where talk triggers action.

### A client-centric way of doing business

Your definition of client satisfaction is the only definition that matters. We ask. We listen. From staff accountant to managing partner, we focus on understanding your needs. Through knowledge sharing and open discussions, you will experience the value of working with a team of professionals that focuses on you and your success — a team that dedicates itself to:

- > **Proactively identifying and meeting the needs of clients** by fostering an atmosphere of service and respect
- > **Providing value** in ways that increase client satisfaction and loyalty
- > **Taking responsibility for developing and sustaining productive client relationships**
- > **Consistently applying the characteristics of the Baker Tilly client service model** to everything we do



Above all, it means we are continually working to improve the client experience.



## Appendix B: Resumes



**Russell A. Hissom, CPA, CIA, CISA**  
*Partner*

**608 240 2361**  
**russ.hissom@bakertilly.com**

Russell Hissom, partner on the energy and utilities team, has been with Baker Tilly Virchow Krause, LLP, since 1983. Russ has extensive experience in providing internal audit services, financial and compliance audits, FERC accounting implementation projects, work order asset management system implementation projects, business process and controls reviews, ERP system needs assessments and implementation, scorecard and metrics reporting and industry training seminars and presentations on internal audit, risk assessment, governance and financial topics.

### Specific experience

- > Provides internal audit and risk assessment services
- > Performs management audits that analyze utility operations in key business processes to determine and recommend greater efficiencies in operations
- > Performs benchmarking analysis, overhead cost allocation studies and utility financial performance projects
- > Performs enterprise risk management program implementation projects
- > Performs compliance audits that analyze the impact and performance of utilities under jointly owned electric generation contracts
- > Performs FERC and work order implementation projects
- > Develops internal controls reviews under the COSO internal control framework
- > Partner-in-charge of financial and OMB Uniform Guidance compliance audits for electric, water, wastewater, gas and communications utilities
- > Serves as an expert witness before regulatory bodies in utility rate proceedings
- > Performs work order asset management and FERC/NARUC accounting implementation projects
- > Performs specialized training for utilities in the areas of enterprise risk management programs, work order asset management systems, FERC accounting, establishing internal audit programs and accounting standards implementation
- > Authors various articles related to the utility industry



Russell A. Hissom, page 2

## **Industry involvement**

- > National and state utility organizations
- > American Institute of Certified Public Accountants (AICPA)
- > Institute of Internal Auditors (IIA)
- > ISACA
- > Member – GASB Task Force on Asset Retirement Obligations
- > Member – Sustainability Accounting Standards Board Energy Standards Group
- > National speaker for the energy industry on enterprise risk management, work order business processes, effective internal audit practices and industry accounting topics

## **Education**

University of Wisconsin–Milwaukee  
Bachelor of Business Administration in Accounting



**Thomas E. Unke, CPA**

*Partner*

**608 240 2394**

**thomas.unke@bakertilly.com**

Tom Unke, partner, team leader for the energy and utilities team, has been with Baker Tilly Virchow Krause, LLP since 1991. He specializes in serving the financial and operational needs of the utility industry. Specific focus areas include renewable energy development, financial due diligence, litigation support, audit and accounting, strategic planning and joint-costing analyses.

**Specific experience**

- > Involved with emerging market issues relative to contract or litigation support
- > Involved with the electric energy markets including MISO, NYISO, ERCOT and others
- > Develops cost sharing methodologies for cities, townships and villages in order to price joint services including wastewater treatment and water distribution services
- > Develops cost-of-service models and rate design concepts used to attract and retain large industrial customers and send proper price signals necessary to enhance the customer’s effectiveness and efficiency
- > Prepares econometric forecasts of sales, revenues, expenses, and other operational components necessary to predict the timing of rate adjustments, project financing and cash flow
- > Completes financial evaluations to determine effect upon utility and city earnings, cash flow and levy needed when assessing options to construct, retire, replace or abandon utility infrastructure
- > Develops activity-based models used to price utility services including marginal, embedded, incremental and fully-loaded recovery of cost pricing strategies
- > Facilitates focus group discussions regarding strategic and operational initiatives including new business ventures and process change or development
- > Provides expert testimony before state regulatory agencies on electric, water and wastewater utility revenue requirements; cost of service; and rate design issues

**Industry involvement**

- > American Institute of Certified Public Accountants
- > Wisconsin Institute of Certified Public Accountants



Thomas E. Unke, page 2

**Industry involvement (cont.)**

- > American Public Power Association
- > Various state utility organizations
- > Frequent speaker both regionally and nationally on pricing of utility services, financial planning for utilities, creative and innovative financial reporting tools, rate unbundling, budgeting and various accounting topics
- > Authors various articles on topics related to the utility industry

**Education**

University of Wisconsin–Eau Claire

Bachelor of Business Administration in Accounting and Business Finance



**Bethany L. Ryers, CPA, MAS**  
*Senior Manager*

**608 240 2382**  
**bethany.ryers@bakertilly.com**

Bethany L. Ryers, senior manager on the energy and utilities team, has been with Baker Tilly Virchow Krause, LLP since 2006. She specializes in providing auditing, accounting and consulting services to utilities. She also assists with financial and capital forecasts, rate studies and impact fees.

### **Specific experience**

- > Provides financial audits of electric, water, stormwater and sewer utilities
- > Conducts financial risk assessments and internal control evaluations
- > Prepares financial forecasts, long-range plans and cash flow projects for municipal utilities
- > Prepares electric, water, sewer and stormwater rate filings; cost of service studies; and rate design
- > Analyzes the financial impact of construction projects on utility customer rates, borrowing needs and operational results
- > Compiles municipal utility financial statements and annual reports to regulatory agencies
- > Provides consulting services to public utilities including financial capital forecasts
- > Provides OMB Uniform Guidance compliance audits of federally funded programs
- > Assists with implementation of accounting standards for municipal utilities, including derivatives and regulatory accounting
- > Provides various accounting services

### **Industry involvement**

- > American Institute of Certified Public Accountants (AICPA)
- > Wisconsin Institute of Certified Public Accountants
- > Speaks on accounting and financial reporting topics at industry conferences,
- > Instructor, American Public Power Association's (APPA's) utility education courses
- > Contributing author in the APPA Advanced Utility Accounting Manual

### **Education**

Marquette University—Milwaukee, WI  
Bachelor of Science in Business Administration

Northern Illinois University  
Masters in Accounting Science



**Daniel J. La Haye, CPA**  
*Manager*

**608 240 2534**  
**daniel.lahaye@bakertilly.com**

Dan La Haye, manager with Baker Tilly Virchow Krause, LLP, joined the firm in January 2011. Dan is a member of the energy and utilities team and specializes in providing auditing and accounting services to public utility clients.

### **Specific experience**

- > Provides financial audits of electric, water and sewer utilities
- > Prepares financial analysis and rate studies for utilities
- > Compiles financial statements for utility clients
- > Prepares annual reports for the Public Service Commission
- > Assists utilities in establishing financial and operational controls
- > Provides OMB Uniform Guidance compliance audits of federally funded programs
- > Assists clients with implementation of new GASB standards

### **Industry involvement**

- > American Institute of Certified Public Accountants (AICPA)

### **Education**

University of Wisconsin–La Crosse  
Bachelor of Science in Accountancy and Finance





**Gwendolynn J. Zech**

*Senior Accountant*

**608 240 2443**

**[gwen.zech@bakertilly.com](mailto:gwen.zech@bakertilly.com)**

Gwen Zech, senior accountant with Baker Tilly Virchow Krause, LLP, joined the firm in 2012. Gwen is a member of the energy and utilities team and specializes in providing auditing and accounting services to GASB and FASB utility clients.

**Specific experience**

- > Provides auditing services to regulated and non-regulated electric, water, sewer and transit clients
- > Prepares annual reporting requirements and rate proposals for submittal to the Public Service Commission of Wisconsin
- > Assists in consulting engagements for agreed upon procedures, examinations or financial statement compilations
- > Specializing in OMB Uniform Guidance compliance audits of Federal Transit Authority public transportation programs
- > Prepares financial forecasts, long-range plans and cash flow projections for municipal utilities
- > Assists clients through the implementation of new accounting standards

**Industry involvement**

- > American Institute of Certified Public Accountants (AICPA)
- > Wisconsin Institute of Certified Public Accountants (WICPA)

**Education**

University of Wisconsin–Whitewater  
Bachelor of Business Administration in Accounting  
Master of Professional Accountancy

**Speaking Engagements**

- > 2014 Baker Tilly Utility University
- > In-house APPA advanced utility topics- Modesto Irrigation District



**David R. DeBano**

*Senior Accountant*

**608 240 2664**

**David.DeBano@bakertilly.com**

David DeBano, senior accountant with Baker Tilly Virchow Krause, LLP, joined the firm in 2014. David is a member of the energy and utilities team and specializes in providing auditing and accounting services to public utility clients.

**Specific experience**

- > Provides financial audits of electric, water, sewer and stormwater utilities
- > Compiles financial statements for utility clients
- > Prepares annual reports for the Public Service Commission

**Education**

University of Wisconsin–Eau Claire  
Bachelor of Business Administration in Accounting and Finance



**Amy T. Diestler**

*Senior Accountant*

**608 240 2684**

**amy.diestler@bakertilly.com**

Amy Diestler, senior accountant with Baker Tilly Virchow Krause, LLP, joined the firm in 2014. Amy is a member of the energy and utilities team and specializes in providing auditing and accounting services to public utility clients.

**Specific experience**

- > Provides financial audits of electric, water and sewer utilities
- > Compiles financial statements for utility clients
- > Prepares annual reports for the Public Service Commission
- > Conducts rate studies for utility clients to submit to the Public Service Commission

**Education**

St. Norbert College (De Pere, Wisconsin)  
Bachelor of Business Administration in Accounting



**Danielle Wakai, CPA, CISA**

*Senior Consultant*

**608 240 2644**

**danielle.wakai@bakertilly.com**

Danielle Wakai is a senior consultant with Baker Tilly Virchow Krause, LLP. She has more than five years of experience with business systems solutions, including analyzing, developing and implementing business and web applications. Danielle also has experience analyzing financial statements, analyzing processes to identify cost-saving technical solutions and maintaining and improving current business systems.

**Specific experience**

- > Performs business process reviews of public sector entities to facilitate greater efficiencies in operations
- > Performs financial audits of public sector entities
- > Author of utility information technology governance model textbook
- > Performs information technology risk assessments and internal controls evaluations for public and private sector entities
- > Develops and implements system applications for sales and engineering departments
- > Analyzes inventory and transportation processes to identify cost-saving solutions
- > Prepares comprehensive data analysis of departmental expenses and budgets
- > Develops databases and websites

**Industry involvement**

- > American Institute of Certified Public Accountants (AICPA)
- > ISACA
- > National speaker on information technology systems and cybersecurity issues
- > Co-author of 2014 publication on Information Technology Governance

**Education**

University of Wisconsin–Madison  
Master of Accountancy

Blackhawk Technical College (Janesville, Wisconsin)  
Associate in Applied Sciences (three degrees)

- > CIS/Networking Specialist
- > CIS/Micro Programmer Specialist
- > CIS/Microcomputer Specialist



# Appendix C: Required forms

Exhibit E

## PROPOSAL RESPONSE FORM – SIGNATURE PAGE (submit this form with your proposal)

TO: City of Gainesville, Florida  
200 East University Avenue  
Gainesville, Florida 32601

PROJECT: Professional Auditing Services for Gainesville Regional Utilities

RFP/RFQ#: CAUD-170010-DH

RFP/RFQ DUE DATE: October 27, 2016

Proposer’s Legal Name: Baker Tilly Virchow Krause, LLP

Proposer’s Alias/DBA: N/A

Proposer’s Address 10 Terrace Court  
Madison, WI 53718

PROPOSER’S REPRESENTATIVE (to be contacted for additional information on this proposal)  
Name: Russell A. Hissom Telephone Number 608 240 2361  
Date: October 25, 2016 Fax Number 608 249 8532  
Email address russ.hissom@bakertilly.com

### ADDENDA

The Proposer hereby acknowledges receipt of Addenda No.’s 1, 2, 3, to these Specifications.

### TAXES

The Proposer agrees that any applicable Federal, State and Local sales and use taxes, which are to be paid by City of Gainesville, are included in the stated bid prices. Since often the City of Gainesville is exempt from taxes for equipment, materials and services, it is the responsibility of the Contractor to determine whether sales taxes are applicable. The Contractor is liable for any applicable taxes which are not included in the stated bid prices.

### LOCAL PREFERENCE (check one)

Local Preference requested:  YES  NO

A copy of your Business tax receipt and Zoning Compliance Permit should be submitted with your bid if a local preference is requested.

### QUALIFIED LOCAL SMALL BUSINESS STATUS (check one)

Is your business qualified as a Local Small Business in accordance with the City of Gainesville Small Business Procurement Program? (Refer to Definitions)  YES  NO



**SERVICE-DISABLED VETERANS' BUSINESS (check one)**

Is your business certified as a service-disabled veterans' business?  YES  NO

**LIVING WAGE COMPLIANCE**

See Living Wage Decision Tree (Exhibit C hereto)

**Check One:**

- Living Wage Ordinance does not apply (check all that apply)
  - Not a covered service
  - Contract does not exceed \$100,000
  - Not a for-profit individual, business entity, corporation, partnership, limited liability company, joint venture, or similar business, who or which employees 50 or more persons, but not including employees of any subsidiaries, affiliates or parent businesses.
  - Located within the City of Gainesville enterprise zone.
- Living Wage Ordinance applies and the completed Certification of Compliance with Living Wage is included with this bid.

NOTE: If Contractor has stated Living Wage Ordinance does not apply and it is later determined Living Wage Ordinance does apply, Contractor will be required to comply with the provision of the City of Gainesville's living wage requirements, as applicable, without any adjustment to the bid price.

**SIGNATURE ACKNOWLEDGES THAT: (check one)**

- Proposal is in full compliance with the Specifications.
- Proposal is in full compliance with specifications except as specifically stated and attached hereto.

Signature also acknowledges that Proposer has read the current City of Gainesville Debarment/Suspension/Termination Procedures and agrees that the provisions thereof shall apply to this RFP.

ATTEST:

*Samantha L Clouse*  
 Signature  
 By: Samantha L Clouse  
 Title: Notary Public

(CORPORATE SEAL)

PROPOSER:

*Russell A Hissom*  
 Signature  
 By: Russell A. Hissom  
 Title: Partner





**ADDENDUM NO. 1**



Date: September 28, 2016

Bid Date: October 27, 2016  
at 3:00 P.M. (Local Time)

RFP Name: Professional Auditing Services for General Government  
And Gainesville Regional Utilities

Bid No.: CAUD-170010-DH

NOTE: This Addendum has been issued only to the holders of record of the specifications.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

1. Any questions shall be submitted in writing to the City of Gainesville Purchasing Division by 3:00 p.m. (local time), October 13, 2016. Questions may be submitted as follows:

Email: [holderds@cityofgainesville.org](mailto:holderds@cityofgainesville.org)

or

Faxed (352) 334-3163

Attention: Diane Holder

2. Please find attached:

a) Copy of the black-out period information (Financial Procedures Manual Section 41-423 Prohibition of lobbying in procurement matters)) distributed during mandatory pre-bid meeting.

**3. D. NON-MANDATORY PRE-PROPOSAL CONFERENCE**

Please add the following:

A teleconference option is available to interested participants as follows:

Conference Participant:

1. At the specified time, dial the Dial-in Number 844-809-3799
2. When prompted, enter your Conference Code.
3. Your Conference Code is 5576566553

Participant Star Commands

4. Mute – Participants can mute/unmute their own lines by pressing \*6



The following are answers/clarifications to questions received prior to the non-mandatory pre-bid conference:

4. Question: We have reviewed the RFP to provide Professional Auditing Services for General Government and Gainesville Regional Utilities. Is there any way we can attend the pre-proposal conference via conference call, please?

Answer: See #3 above.

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 1 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 1 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER: Baker Tilly Virchow Krause, LLP

BY: *Russell A. Hissom* Russell A. Hissom, Partner

DATE: October 25, 2016





**ADDENDUM NO. 2**



Date: October 3, 2016 Bid Date: October 27, 2016  
at 3:00 P.M. (Local Time)

RFP Name: Professional Auditing Services for General Government Bid No.: CAUD-170010-DH  
And Gainesville Regional Utilities

NOTE: This Addendum has been issued only to the holders of record of the specifications and attendees of the non-mandatory pre-bid conference held on September 29, 2016.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

1. Any questions shall be submitted in writing to the City of Gainesville Purchasing Division by 3:00 p.m. (local time), October 13, 2016. Questions may be submitted as follows:  
Email: [holders@cityofgainesville.org](mailto:holders@cityofgainesville.org)  
or  
Faxed (352) 334-3163  
Attention: Diane Holder
2. Please find attached:
  - a) Copy of the black-out period information (Financial Procedures Manual Section 41-423 Prohibition of lobbying in procurement matters)) distributed during mandatory pre-bid meeting.
  - b) List of pre-bid dial-in participants
  - c) Copy of the Pre-Bid sign-in sheet for your information.
  - d) Current contract
3. Diane Holder, Purchasing Division, discussed bid requirements.
  - a. Sign-in Sheet is circulating. A teleconference option was offered.
    - i. If you have dialed-in, please email your information (Business name, address, your name, email address, phone number and fax number) to Diane Holder.
  - b. Discussed bid due date, time and delivery location.
    - i. Deliver (or have delivered) to Purchasing office no later than by 3PM on October 27, 2016.
    - ii. Any bids received after 3:00 p.m. on that date will not be accepted.
  - c. Send questions in writing to Diane Holder via email or fax.
    - i. All communication through Diane Holder or Purchasing staff only. Do not communicate with other City staff.
  - d. Various forms are to be completed and returned with your bid.
    - i. Sign, date and return all Addenda.



*The following are answers/clarifications to questions received at the non-mandatory pre-bid conference:*

4. Question: If you submit a proposal for both, are they evaluated independently or together?  
Answer: They will be evaluated independently.
5. Question: Page 2, C. Proposal Submission. Please clarify the number of submittals?  
Answer: One original and **seven** (7) copies for total of 8.
6. Question: What is the composition of the evaluation committees?  
Answer: Brecka Anderson, Amy Spitzer, and Dan Smierciak for General Government and Eileen Marzak, Claudia Rasnick and Len Loria for GRU.
7. Question: For GRU, there are procedures leading to bond issuances, I see there is an anticipated a bond issuance in the next couple fiscal years during the contract period, what are the typical procedures that are required?  
Answer: Currently (and it may change), the remarketing agents require Agreed Upon Procedures and it depends on when the bond or other debt issuance is going to occur, so it could be at fiscal year-end or it could be another point in time (such as the end of a quarter) .
8. Question: But they are typically agreed upon procedures?  
Answer: Typically, currently.
9. **NOTE:** Section V-General Provisions, B General Terms and Conditions #7. Term. This will be an initial three year contract with the option to renew for two 2-year extensions.
10. Question: Please clarify the years. Is it September 30, 2017 going forward?  
Answer: Yes, September 30, 2017 going forward.
11. Clarification: For an overview of how the process will go. Teams will be performing the evaluation on the technical and written proposals. For firms deemed qualified, Purchasing staff will open Fee proposals and assign points. More than likely we will have oral interviews; GRU has decided to have interviews, but General Government is still deciding. The City Auditor is the Contract Coordinator and, after receiving the team evaluations and the scoring process complete, will make a recommendation to the Audit and Finance Committee on the final ranking which then goes to the City Commission for final approval. We are projected to bring that recommendation to the Audit and Finance Committee in January 2017 and the City Commission in February 2017. This way, we will have contract in place to do any interim field work for spring or summer for 2017.
12. Question: On page 4, Item K and Exceptions to the RFP unless it's specifically stated. A quick read page, I haven't seen anywhere in here where there are specific areas where we are not allowed to take exceptions. In the General Terms and Conditions on page 18, if we take exception for example to the indemnification clause in number 4, are you expecting a red line "we don't agree with this" or "this is how we would like to see this" or how would you that presented?

Addendum #2-2



Answer: You may submit exceptions as stated in Item K "...All exceptions taken must be specific, and the Proposer must indicate clearly what alternative is being offered to allow the City a meaningful opportunity to evaluate and rank proposals..."

13. Question: Can we get a copy of the contract to use as a template?

Answer: Please refer to the current contract (attached) as a template. This does not include any current changes in law.

*The following are answers/clarifications to questions received after the non-mandatory pre-bid conference:*

14. Question: May we please receive a copy of the General Government prior year financial statements?

Answer: Documents are available at: <http://www.cityofgainesville.org/Portals/0/bf/CAFR%202015.pdf>

15. Question: How many auditors were in the field last year and for approximately how many days during the General Government audit?

Answer: 3 – 4 auditors. 2 weeks during interim and about a month for final.

16. Question: What was the prior year fee for the General Government audit?

Answer: The FY16 audit fees for General Government are as follows:

General Government	\$ 97,599
Wild Spaces Public Places	3,500
Community Redevelopment Agency	<u>5,000</u>
Total FY16 Audit Fees	<u>\$106,099</u>

17. Question: Who is responsible for preparing the General Government financial statements and notes?

Answer: The City prepares the financial statements and the notes with the auditing firm reviewing and consulting?

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 2 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 2 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER: Baker Tilly Virchow Krause, LLP

BY:  Russell A. Hissom, Partner

DATE: October 25, 2016



**ADDENDUM NO. 3**



Date: October 17, 2016 Bid Date: October 27, 2016  
at 3:00 P.M. (Local Time)

RFP Name: Professional Auditing Services for General Government Bid No.: CAUD-170010-DH  
And Gainesville Regional Utilities

NOTE: This Addendum has been issued only to the holders of record of the specifications and attendees of the non-mandatory pre-bid conference held on September 29, 2016.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

*The following are answers/clarifications to questions received after the non-mandatory pre-bid conference:*

1. Question: When are the books closed and ready for audit?  
Answer: GRU’s response—the books will be closed and ready for audit by the last week in November.  
GG’s response – the books close mid to late December.
2. Question: What is the current or desired audit fieldwork schedule for preliminary and final fieldwork?  
Answer: GRU’s response—the desired preliminary fieldwork dates are August timeframe and the final fieldwork dates would begin the last week of November.  
GG’s response – currently the preliminary is early September and the final is the end of November.
3. Question: What level of assistance does GRU staff give for the audit, i.e. schedules prepared, etc.?  
Answer: GRU staff prepares all lead schedules which will tie to the financial balances for the balance sheet and prepares all supporting documentations, including excel files.
4. Question: Does GRU staff prepare the financial statement and notes to the financial statements?  
Answer: GRU prepares the MD&A, financial statements and all notes.
5. Question: What is the due date for the reports? The 2015 report was dated February 24, 2016. Were there any unusual circumstances in the 2015 audit?  
Answer: GRU’s response—the final due dates for the audit reports is February 25<sup>th</sup> if circumstances on GRU’s side cause the reports to be delayed (for example, GASB 68 entries). GRU’s expectation is that January 15<sup>th</sup> is the date that all reports are finalized and the financial statements are issued. GASB 68 delayed the issuance of the financial statement for the 2015 audit.  
GG’s response – the due date for the reports is six months after the fiscal year end.



- 6. Question: How many estimated hours are done for current fieldwork, i.e. number and level of staff, how many days on site, etc.?  
Answer: GRU’s response—estimated hours are unknown. GRU noted for preliminary fieldwork, there are 4-5 people on site for 8-10 days (audit manager and staff/partner for a portion of the time). GRU noted for final fieldwork there are 4-6 people on site for three weeks (audit manager and staff/partner for a larger portion of the time than preliminary).  
GG’s response – 3-4 auditors. 2 weeks during interim and about a month for final.
- 7. Question: What were the 2015 audit fees for the GRU audit?  
Answer: \$141,719
- 8. Question: Does GRU finance staff provide the valuation of derivative instruments marked to market at year end and write the note to the financial statements?  
Answer: Third parties provide the valuations. GRU staff prepares the note.
- 9. Question: Does GRU anticipate requiring an audit under the Uniform Guidance (single audit) for the 2017 audit year?  
Answer: No.

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 3 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 3 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER: Baker Tilly Virchow Krause, LLP  
BY: *Russell A. Hissom* Russell A. Hissom, Partner  
DATE: October 25, 2016



ATTACHMENT A



CITY OF GAINESVILLE, FLORIDA

CONSULTANTS/FIRMS CERTIFICATION

RFP # CAUD-170010-DH for Professional Auditing Services

The City of Gainesville requires, as a matter of policy, that any Consultant or firm receiving a contract or award resulting from the Request for Proposals issued by the City of Gainesville, Florida, shall make certification as below. Receipt of such certification, under oath, shall be a prerequisite to the award of contract and payment thereof.

I (we) hereby certify that if the contract is awarded to me, our firm, partnership, or corporation, that no members of the elected governing body of City of Gainesville, nor any professional management, administrative official or employee of the City, nor members of his or her immediate family, including spouse, parents, or children, nor any person representing or purporting to represent any member or members of the elected governing body or other official, has solicited, has received or has been promised, directly or indirectly, any financial benefit, including but not limited to a fee, commission, finder's fee, political contribution, goods or services in return for favorable review of any Proposal submitted in response to the Request for Proposals or in return for execution of a contract for performance or provision of services for which Proposals are herein sought.

Baker Tilly Virchow Krause, LLP
NAME OF BUSINESS

Sworn to and subscribed before me

BY: Russell A. Hissom
SIGNATURE

this 25th day of October, 2016

Russell A. Hissom, Partner
NAME & TITLE, TYPED OR PRINTED

Samantha L. Clouse
Signature of Notary
Notary Public, State of Wisconsin

10 Terrace Court
MAILING ADDRESS

Personally Known OR Produced Identification

Madison, WI 53718
CITY, STATE, ZIP CODE

Type Personally Known

(608) 240 2361
TELEPHONE NUMBER

DUNS Number: 07-616-1934

(608) 249 8532
FAX NUMBER

Company Tax ID # 39-0859910

russ.hissom@bakertilly.com
EMAIL ADDRESS





### DRUG-FREE WORKPLACE FORM

The undersigned vendor in accordance with Florida Statute 287.087 hereby certifies that

Baker Tilly Virchow Krause, LLP does:  
(Name of Business)

1. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violations of such prohibition.
2. Inform employees about the dangers of drug abuse in the workplace, the business’s policy of maintaining a drug-free workplace, any available drug counseling, rehabilitation, and employee assistance programs, and the penalties that may be imposed upon employees for the drug abuse violations.
3. Give each employee engaged in providing the commodities or contractual services that are under bid a copy of the statement specified in subsection (1).
4. In the statement specified in subsection (1), notify the employees that, as a condition of working on the commodities or contractual services that are under bid, the employee will abide by the terms of the statement and will notify the employer of any conviction of, or plea of guilty or nolo contendere to, any violation of Chapter 893 or of any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than five (5) days after such conviction.
5. Impose a sanction on, or require the satisfactory participation in a drug abuse assistance or rehabilitation program if such is available in the employee’s community, by any employee who is so convicted.
6. Make a good faith effort to continue to maintain a drug-free workplace through implementation of this section.

As the person authorized to sign the statement, I certify that this firm complies fully with the above requirements.

*Russell Atkinson*

\_\_\_\_\_  
Bidder’s Signature

October 25, 2016

\_\_\_\_\_  
Date

# Appendix D: Certificate of insurance



## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
10/01/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Aon Risk Services Northeast, Inc. 199 Water Street, 9th Floor New York, N.Y. 10038	<b>CONTACT</b> NAME: _____ PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL ADDRESS: _____	
	<b>INSURER(S) AFFORDING COVERAGE</b>	
<b>INSURED</b> Baker Tilly Virchow Krause, LLP Ten Terrace Court Madison, WI 53718	INSURER A: Columbia Casualty Company	
	INSURER B: _____	
	INSURER C: _____	
	INSURER D: _____	
	INSURER E: _____	
	INSURER F: _____	

**COVERAGES**      **CERTIFICATE NUMBER:**      **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER: _____						EACH OCCURRENCE \$ _____ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ _____ MED EXP (Any one person) \$ _____ PERSONAL & ADV INJURY \$ _____ GENERAL AGGREGATE \$ _____ PRODUCTS - COMP/OP AGG \$ _____ \$ _____
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALLOWED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ _____ BODILY INJURY (Per person) \$ _____ BODILY INJURY (Per accident) \$ _____ PROPERTY DAMAGE (Per accident) \$ _____ \$ _____
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED: _____ RETENTION \$ _____						EACH OCCURRENCE \$ _____ AGGREGATE \$ _____ \$ _____
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N	N/A			PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ _____ E.L. DISEASE - EA EMPLOYEE \$ _____ E.L. DISEASE - POLICY LIMIT \$ _____
A	Professional Liability Insurance			ABF-188122608	01-Oct-16	01-Oct-17	Not less than US\$1,000,000 per claim and in the annual aggregate

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

<b>CERTIFICATE HOLDER</b> Baker Tilly Virchow Krause, LLP Ten Terrace Court Madison, WI 53718	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE <i>Aon Risk Services Northeast, Inc.</i>
--	--



## Appendix E: Peer review report

**MOSS ADAMS** LLP  
 Certified Public Accountants | Business Consultants

WWW.MOSSADAMS.COM

999 Third Avenue, Suite 3300  
 Seattle, WA 98104

T (206) 302-6800 F (206) 652-2098

### SYSTEM REVIEW REPORT

To the Partners of Baker Tilly Virchow Krause, LLP  
 and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Baker Tilly Virchow Krause, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2015. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organization Control (SOC) 1 and SOC 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Baker Tilly Virchow Krause, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2015, 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*. Baker Tilly Virchow Krause, LLP has received a peer review rating of *pass*.

*Moss Adams* LLP

November 3, 2015

